

Economic Modernization
in Russia:
“A bureaucratic dream or an
SME’s opportunity?”

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What is modernization?

1. Modernization is a **complex process**: economic, social and political.
2. **Modernization \neq Innovation**
 - a) Innovation is only a part of modernization;
 - b) Innovation needs the right social, political and economic environment to lead to modernization.
3. Russian government focuses on a **top – down** modernization process:
 - a) State corporations: Rosnano, Russian Technologies;
 - b) State target programs: agriculture, transport
 - c) State initiatives: Skolkovo, Moscow Financial Center

BUT,

What is modernization?

4. International experience has proven that economic modernization is a **bottom-up process!**
5. Modernization is a **joint effort** of the government and the private sector:
 - a) The State drives the political and social modernization, but
 - b) The private sector drives the economic modernization!



Drivers of economic modernization

1. **SMEs are the drivers of economic modernization in the EU:**
 - a) SMEs generate **70% of GDP**, but only **17%** in Russia.
 - b) **40%** of SMEs are innovative SMEs, but in Russia the share is **less than 2%**.
 - c) **50%** of new technologies and products are developed and implemented by SMEs, but less than **10%** in Russia.
2. **75% of large US companies created after 1980 have grown from SMEs**



Russia has its own international success stories



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but, these are still exceptions to the rule
and

date back to the first Russian modernization cycle in the
beginning of the 1990s

State role in modernization

1. The role of government should focus at creating the right **environment for economic modernization:**
 - a) Predictability and confidence for businesses and investors;
 - b) Reliable institutions and a level playing field;
 - c) Incentives and rewards for entrepreneurship;
 - d) High quality infrastructure for entrepreneurial activities;
 - e) Respect for individual initiatives and entrepreneurship.

Benefits of Russian – European Partnership

- 1.Import of technologies, equipment, materials.
- 2.Transfer of expertise and knowledge.
- 3.Venture investments into Russian SMEs.



- 1.De-monopolization and sophistication of Russian markets through increased competition.
- 2.Expansion of Russian SMEs into EU and international markets.



And thus to the Economic Modernization in Russia!

Examples of Russian – European co-operation in Economic Modernization



Energy efficient solutions in the built environment

Lighthouse Russia together with engineering companies ZON Energie and Forum Tver implemented energy saving measures in a public school in Mokshino, Tver region

Result: Reduction of energy consumption **by 69%:**

- 51% efficiency on heating;
- 96% on hot water;
- 22% on electricity.



Implementation of the Energy Efficiency Program at AVTOVAZ by EDF Fenice

EDF Fenice Rus develops energy efficiency solutions for AVTOVAZ production sites through a 10-years Energy Efficiency Contract

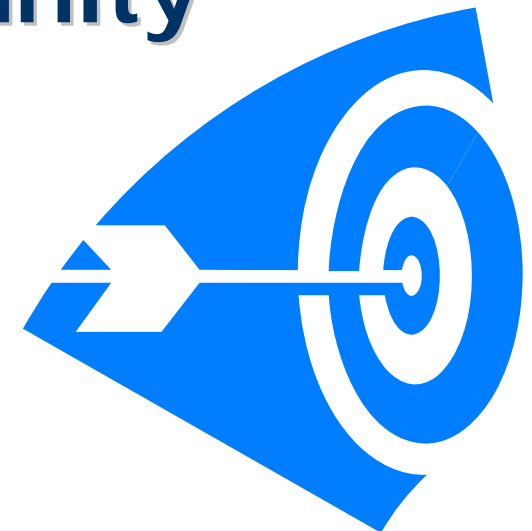
Results:

1. Revamping of the Compressed Air Production: 40% efficiency on electricity
2. Revamping of the regulation on Thermal Energy: 17% on thermal energy
3. Revamping of the lighting system: under evaluation



Conclusion

Economic modernization in Russia – the bureaucracy's responsibility and the SME's opportunity



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