

**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

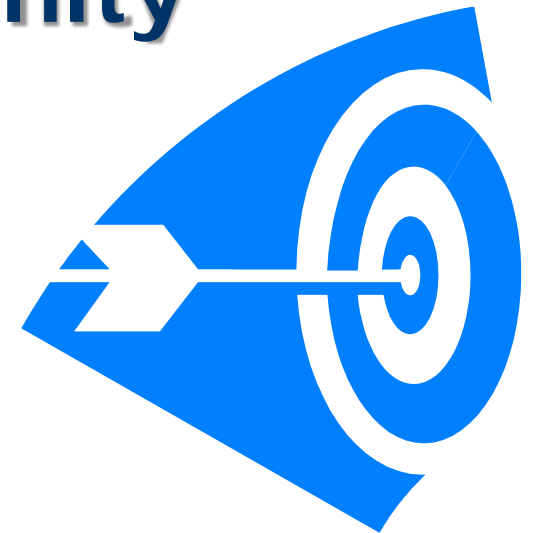
### **Results:**

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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