



Barriers to innovative businesses in Ukraine and policies to overcome them

***Liudmyla Musina,
Ministry of Economy, Ukraine***

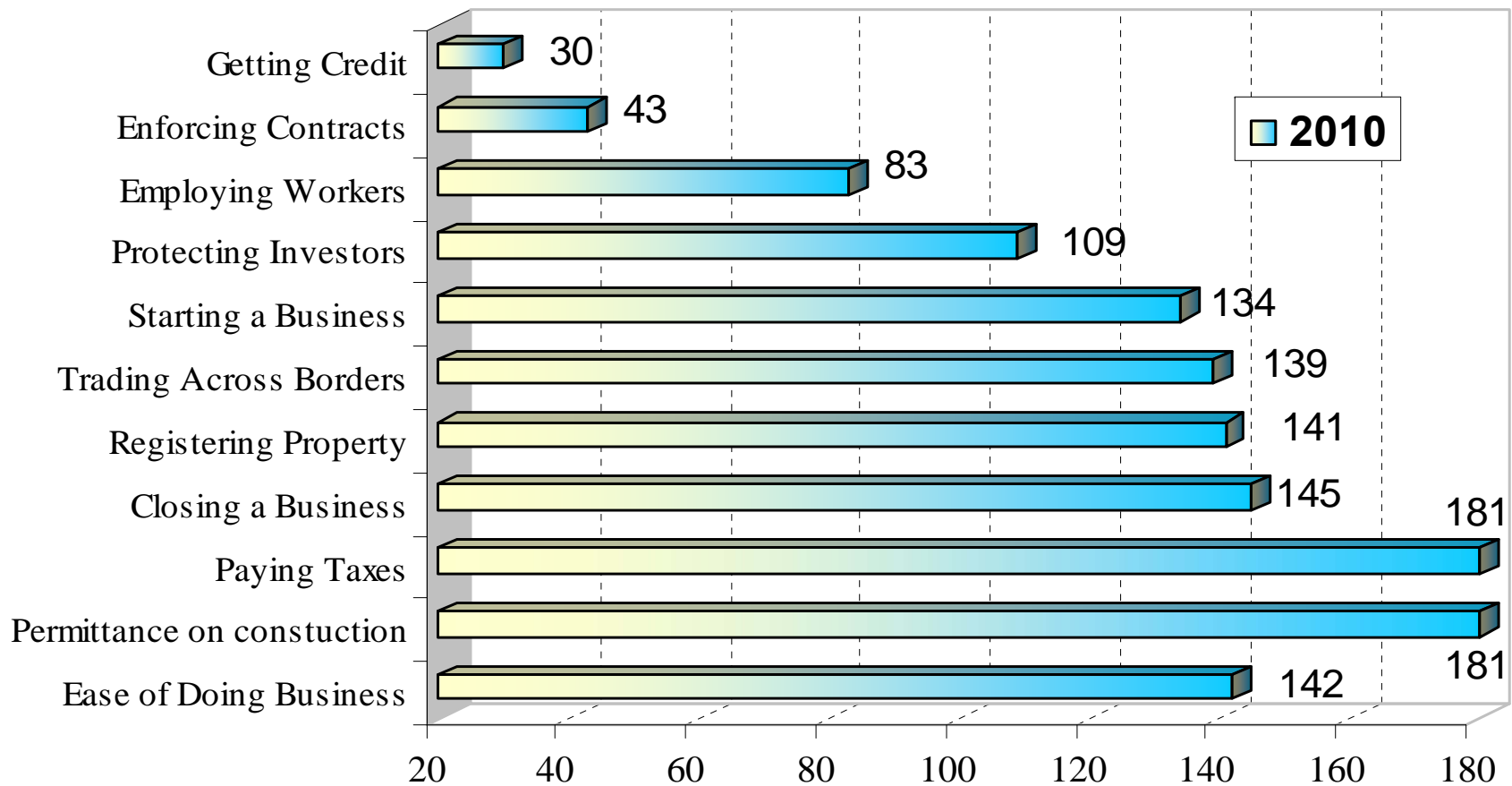
***Policies to Address Financing and Entrepreneurial
Challenges in High-growth Firms***

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Ukraine's Ranks on Global Competitiveness Index (WEFORUM): factors of innovation

	2007-2008		2008-2009		2009-2010	
	Rank of 131	Score (1-7)	Rank of 134	Score (1-7)	Rank of 133	Score (1-7)
Global Competitiveness Index (GCI)	73	4,0	72	4,1	82	3,95
Technological readiness	93	2,7	65	3,4	80	3,37
Innovation	65	3,2	52	3,4	62	3,21
including:						
Capacity for innovation	40	3,7	31	3,8	32	3,7
Quality of scientific research institutions	60	3,9	48	4,2	56	3,9
Company spending on R&D	67	3,2	52	3,3	68	3,0
University-industry research collaboration	65	3,1	49	3,6	64	3,5
Government procurement of advanced tech products	75	3,6	54	3,7	85	3,3
Availability of scientists and engineers	70	4,3	54	4,4	50	4,4
Utility patents per million population (granted by USPTO)	58	0,5	65	0,3	64	0,5

Ukraine's Ranks on 10 indicators of ease of doing business among 183 countries (Doing Business 2010)



Problems of development of innovative businesses in Ukraine

- 1. Unfavorable business climate, high risks of investing in long-term projects ;**
- 2. The instability of the legal framework for innovation;**
- 3. Poor infrastructure for commercialization of research results;**
- 4. The absence of criteria for assessing the market value of scientific and technical output;**
- 5. Lack of incentives for the introduction of intellectual property into economic turnover ;**
- 6. Low quality of business projects preparation;**
- 7. The unavailability of credit and venture capital for innovative businesses;**
- 8. Outdated system of technical regulation .**

Barriers to commercialization of research results in Ukraine *

1. Lack of competence of innovation activity participants:

- Underestimation of the role of intellectual property in economic development;
- Lack of researchers orientation to the final outputs and outcomes;

2. Inadequate funding for innovation:

- Lack of state support for innovative businesses;
- Lack of money for the legal protection of scientific results;
- Misallocation of public funds for science and innovation;

3. Imperfect legal and regulatory framework:

- absence of a unified state scientific-innovation policy and strategy;
- the prevalence of preferences for the technoparks TA, which does not actually executed, while the absence of preferences for innovative SME;

4. Lack of effective innovative infrastructure;

5. Poor innovation management.

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- Survey Institute of Intellectual Property
Odessa National Law Academy

Indicators of science and innovation in Ukraine

	1996	2008
Financing Research & Development (R & D) as% of GDP	1,2	0,84
Number of research organizations	1435	1378
Employed R & D per 1 000 people (economically active population 15-70 aged)	5,1	4,5
The share of innovation active enterprises in the total number , %	20,8	13
Innovation costs in the industry as% of GDP	0,96	1,26
Intangible assets in the balance structure of enterprises (%)	1,6	0,7
Share all high-tech products in the volume of merchandise exports (%)	5	1,83

Intangible assets of enterprises in Ukraine

	The residual value of intangible assets			
	Mil. UAH	Share in the balance structure of enterprises, %	The coefficient of wear, %	Growth rate in% to 1998
Total for Ukraine				
1998	9619,5	1,6	1,9	100
2005	7319,5	0,7	24,5	76,1
Industry				
1998	1956,0	0,8	2,8	100
2005	1973,4	0,4	30,1	100,9

The dynamics of macroeconomic indicators for Ukraine

	2007	2008	2009	2010 forecast
GDP real growth , %	7,9	2,3	-15,1	3,7
Industrial production, real growth, %	10,2	-3,1	-21,9	5,3
Inflation (average annual, %)	12,8	25,2	15,9	11
The average monthly salary, real change, %	15	6,8	-8,9	6,2
Labor productivity, real change,%	6.7	1,9	-11,8	2,9
Unemployment rate of population aged 15-70 years (ILO methodology),%	6,4	6,4	8,8	8,1
Current account balance of payments, US \$ bln	-5,3	-14,3	-2,7	-1,9
% of GDP	-3,7	-7,2	-1,5	-1,4

Challenges of post-crisis development of Ukraine

- increasing productivity, strengthening competitive positions in domestic and foreign markets;
- transition to an enabling economic model;

Key policies:

- improvement of public finances and banking;
- deep institutional reforms ;
- intensification of investments in the economic modernization;
- optimization of the fiscal burden on the real sector ;
- regulatory system, harmonized with the EU;
- incentives for innovation and introduction of energy efficient technologies .

2010 - Preparation of programming documents of the development of Ukraine

- **The draft Strategy of economic reforms for 2011 - 2015 (in preparation).**
- **The draft Program of the Cabinet Ministers of Ukraine (in preparation)**
- **The State program of social and economic development of Ukraine for 2010, (approved by Parliament).**

Priorities of the State program of economic and social development of Ukraine for 2010

in science and innovation :

- **Creating a competitive system of knowledge generation ;**
- **Formation of innovation infrastructure and technology transfer;**
- **The development of intellectual property management ;**
- **Stimulating demand for innovation;**
- **The integration of scientific and technological potential of Ukraine in the world economy.**

in investment and entrepreneurship:

- **Creating favorable conditions for starting a business;**
- **Reforming the system of technical regulation (WTO, EU);**
- **Increased financial and credit support for small business;**
- **The administrative reform, improving the quality of public management and reduction of corruption;**
- **The development of public-private partnership;**
- **Establishment of industrial parks, the resumption of FEZ activity**

...in support of innovative business

✓ ***Formation of innovation infrastructure and technology transfer***

- establishment of centers of technology transfer, innovation incubators ...,
- improving the system of registration of Technoparcs and their projects,
- Development of guidelines for innovative brokerage,
- management appraisal activities in the market innovation,
- development of techniques for determining the technological level of production

✓ ***Stimulating demand for innovation***

- State support of innovation in research institutes and universities - the founders of science parks;
- introduction of compensatory mechanisms for investors in innovation and energy-efficient technologies,
- support the establishment of industrial parks, innovative clusters,
- enactment of the PPP, including scientific and technological partnerships between public research institutes and business.

... improving the regulatory regime

■ **Reforming the permitting system :**

minimize inventory permits,
simplification of procedures for the withdrawal of land plots for construction.

■ **Reforming the system of licensing :**

decrease by 50% of the number of activities requiring licenses;
set by application of the principle of obtaining a license;

■ **Reforming the entrance and exit of businesses:**

introduction of electronic registration and electronic interchange information between all parties to state registration;
simplifying the procedure of state registration of voluntary termination of legal entity and physical person-entrepreneur.

■ **Reforms in the sphere of technical regulation:**

transition to the voluntary application of national and regional standards, except those that are referenced in technical regulations (TR);
adoption of TR based on the directives of the New and Global approach;
development for 2 years 1500 standards required for the introduction of TR;
review of current intergovernmental standards (GOST) in Ukraine, developed before 1992 (3326 for 2 years).