

ENTREPRENEURSHIP DEVELOPMENT STRATEGY:

EXPERT VISION

INTRODUCTION

Entrepreneurship Development Strategy (hereinafter, the Strategy) aims at formulating **the vision of the desired future state of entrepreneurship sector in Ukraine**, as well as at defining **the key directions (the course) of the state policy** targeted at its achievement. Strategic goals were formulated based on such vision, which set the vectors for activities and define **the focus points for joining resources and efforts**.

The Strategy is based upon the recognition of the **socially important role of entrepreneurship in ensuring socio-economic development of the country**, as entrepreneurial structures contribute the biggest share of value added, satisfy the demand for most goods and services, as well as create the majority of jobs for population.

The Strategy takes into account the unique role of every segment of entrepreneurship in socio-economic life of the country and the need for their balanced development. Such approach will contribute to building sustainable chains of creating value added, which include small, medium and large enterprises interacting between themselves based on the principles of **equal partnership and fair competition**.

The Strategy pays considerable attention to **facilitating development of small and medium enterprises (SMEs)** and **establishing environment for starting up new businesses**. Competitive ability of SMEs and emergence of new enterprises build

the capacity for future economic growth. These are also the precondition for positive structural changes in economy, which result into decreasing number or transformation of the traditional sectors with outdated technologies, and appearance of the new sectors based on intensive knowledge use and innovation implementation. The Objectives of the Strategy in the part of facilitating the development of small business are set in accordance with the Small Business Act for Europe that set the main principles of the state policy in this sphere.

The Strategy sets **the general framework for the public entrepreneurship development policy** in the sectors where the market mechanisms of self-regulation are incapable or for the intensification of certain processes in need of state intervention. Thus, the Strategy involves **rational combination of market and state regulation mechanisms**.

The Strategy takes into account **Ukrainian commitments under international agreements**, which stipulate the priorities and objectives of the state policy in the sphere of entrepreneurship development (**Annex 1**). Small entrepreneurship development reflects the principles of the Small Business Act for Europe, which are relevant for Ukraine and the mandatory use of which is provided by the Association Agreement between Ukraine and the EU (**Annex 2**).

Entrepreneurship Development Strategy: Expert Opinion

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This document presents the expert vision of the strategy for entrepreneurship development in Ukraine. It is based upon the results of the comprehensive analysis of the current state of all sectors of the national entrepreneurship – large, medium, small and micro enterprises, as well as private entrepreneurs.

The document defines strategic goals and policy priorities in the sphere of entrepreneurship development, and offers instruments for their implementation. It is addressed to the activists of the new

political parties and business associations, civil servants, experts and researchers in entrepreneurship development sphere, scholars.

The document is prepared by the Center for Public Expertise (CPE) under the support of the Representative Office of the Friedrich Naumann Foundation in Ukraine (FNST Office in Ukraine). Some opinions expressed in this document reflect the personal view of the authors and may not reflect the official position of the FNST Office in Ukraine.

KEY PRINCIPLES AND APPROACHES

Logic of the Breakdown

Entrepreneurship Development Strategy (hereinafter, the Strategy) consists of five major components: analysis of the current problems in entrepreneurship development (1), based on which the needs of various business sectors are defined (2), development of strategic vision, strategic goals and priorities (3), definition of operational tasks and entrepreneurship support tools (4), formulation of expected results and target indicators for their assessment (5) (Figure 1).

Each of the components presented describes certain aspects of the Strategy. Presented in this interrelation, they form comprehensive picture of the necessary interventions to achieve the defined strategic vision and strategic objectives.

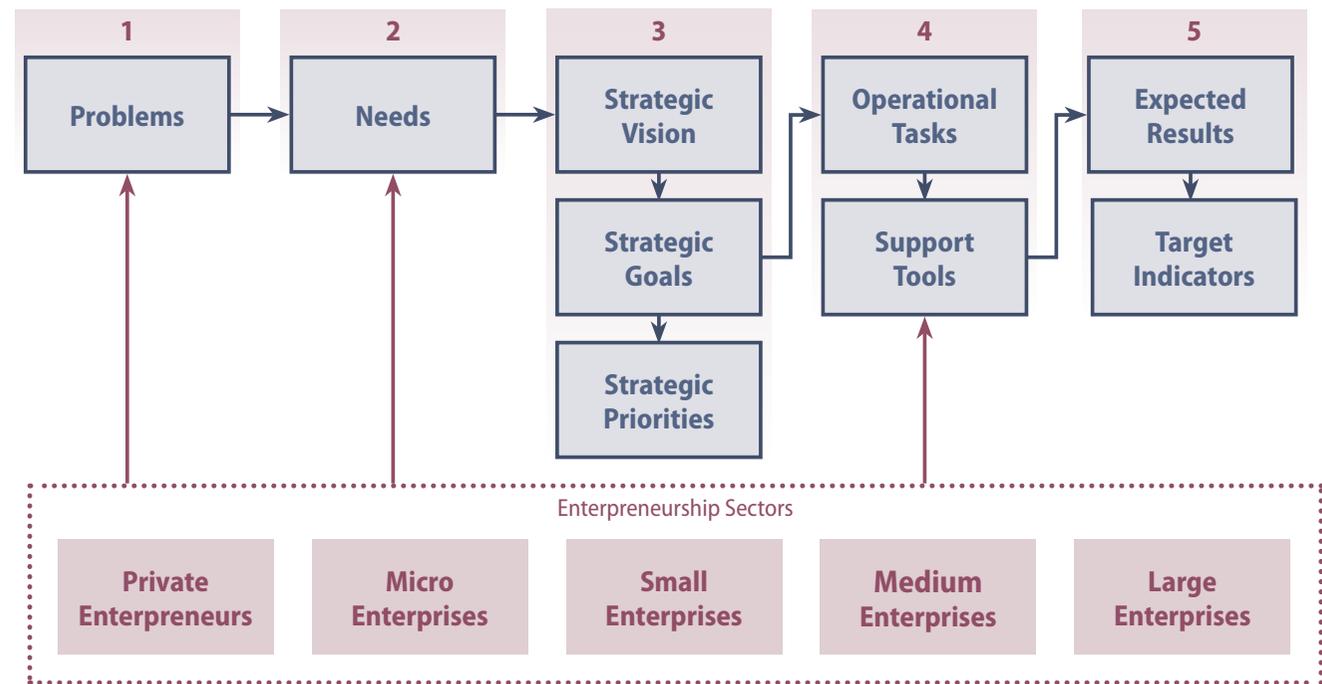
Harmonization

The strategy is developed with consideration of the generally recognized principles and approaches in promoting entrepreneurship, in particular:

- Guideline on Entrepreneurship Sphere Policy Development and Implementation¹;
- the Small Business Act for Europe;
- European Charter for Small Enterprises.

The following have been taken into account while the Strategy elaboration: Ukrainian commitments under the Association Agreement between Ukraine and the EU, European Atomic Energy Community and its member states (regarding the principles of the state

Figure 1. Logical and Structural Diagram of the Strategy



support provision, competitiveness development, foreign economic activity of business entities), and in the framework of the Agreements on the World Trade Organization Membership.

Differentiation

The basic indicators and performance peculiarities were analysed, the problems and obstacles of various

entrepreneurship segments development were generalized: private entrepreneurs, micro, small, medium and large enterprises². This was the background for proposing differentiated approaches and support tools, which reflect the needs of each segment. The basic assumptions were formulated on the dynamics of each entrepreneurship segment's development and the target forecast of their state was made for 2020.

¹ UN Conference on Trade and Development– UNCTAD, Entrepreneurship Policy Framework and Implementation Guidance (<http://unctad.org>). (<http://unctad.org>).

² According to the Commercial Code of Ukraine, micro enterprises are included in the category of small enterprises. Instead, the strategy of micro and small enterprises are considered separately, because of the desire to create the policy more focused on individual segments.

KEY PRINCIPLES AND APPROACHES

Main Assumptions

The Strategy makes the following assumptions regarding the dynamics of various segments of entrepreneurship:

- Priority development (the biggest increase of the value added and productivity) of the medium entrepreneurship as the major driver of the national economy;
- Partial restoration of the large business as a result of Ukraine's getting out of recession, yet with 'discreet' modernization of production;
- employment growth in micro and small enterprises;
- productivity growth in all segments of enterprises;
- increase in quantity of all types of enterprises against the background of decreasing number of private entrepreneurs due to the reduction of 'tax optimizers';
- probable amendments to the current legislation regarding definition of the number of connected enterprises (to calculate the size of the company), which will result into changes in the structure of entrepreneurship;

- increase of the share of profitable enterprises in all segments of entrepreneurship

Implementation

The Strategy provides a basic set of support tools for different segments of business. Support tools relate to different policy areas and therefore their effectiveness depends on the performance of the various bodies and agencies of the public sector, among which coordination should be established.

Much of the Strategy's action must be implemented by private sector institutions, including self-regulatory organizations, business associations and other civil society institutions..

Monitoring

The Strategy proposes a series of indicators, which will let monitor the development of entrepreneurship and successful implementation of the Strategy.

The target indicators are harmonized with the strategic objectives and achievement indicators of the EU.

To assess the quality of the business climate, it is expected to track the survival rate of businesses in the first and fifth year after the registration and the dynamics of their termination.

It is planned to monitor the dynamic of small and medium enterprises development, following business entities with more than 10 employees and fast growing economic entities.

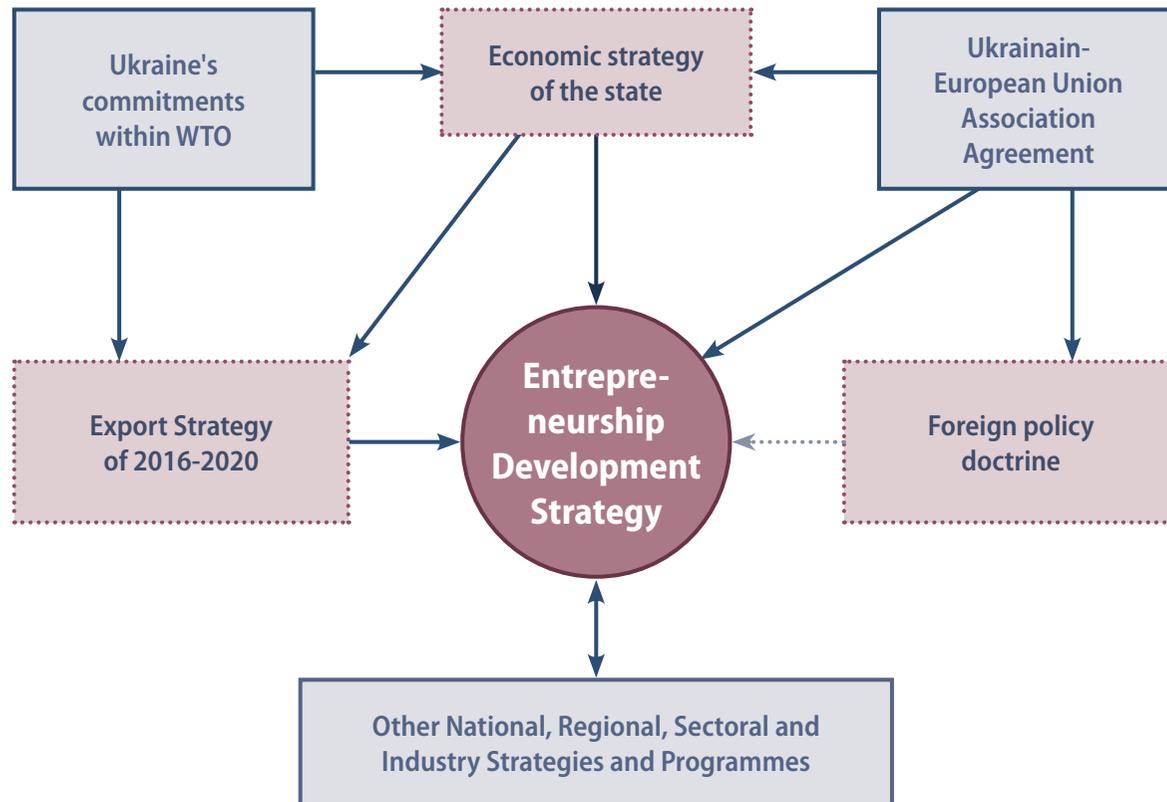
The assessment of the availability of financial resources for the economic entities is expected to be based on the indicator of the share of microcredit in the total structure of loans, and the level of successful applications for loans.

Much attention is paid to the monitoring of innovation activity of business entities as a major factor in ensuring the competitiveness of Ukrainian companies on the world market.

To monitor the state of entrepreneurship based on the proposed target indicators, it is necessary to expand the range of statistical observations of the State Statistics Service of Ukraine and the National Bank of Ukraine.

ENTREPRENEURSHIP DEVELOPMENT STRATEGY IN THE SYSTEM OF STRATEGIC AND PROGRAMME DOCUMENTS

Figure 2. **Entrepreneurship Development Strategy in the Context of Foreign Trade and Foreign Commitments of Ukraine¹**



As the Strategy has a wide range of tasks, it is closely intertwined with many strategic and programme documents in other areas of public policy. This determines the need for co-ordinated implementation of these papers to ensure the dynamic development of the national economy, improve its efficiency and competitiveness, real innovation and increase of the welfare of citizens.

Entrepreneurship Development Strategy must take into account the goals and objectives of the overall economic and export strategies of the state, which in their turn should be based on the provisions of its doctrine. Contents of business development strategies should take into account the commitments of the state under the Association Agreement between Ukraine and the European Union, the European Atomic Energy Community and its Member States and in the framework of membership in the World Trade Organization.

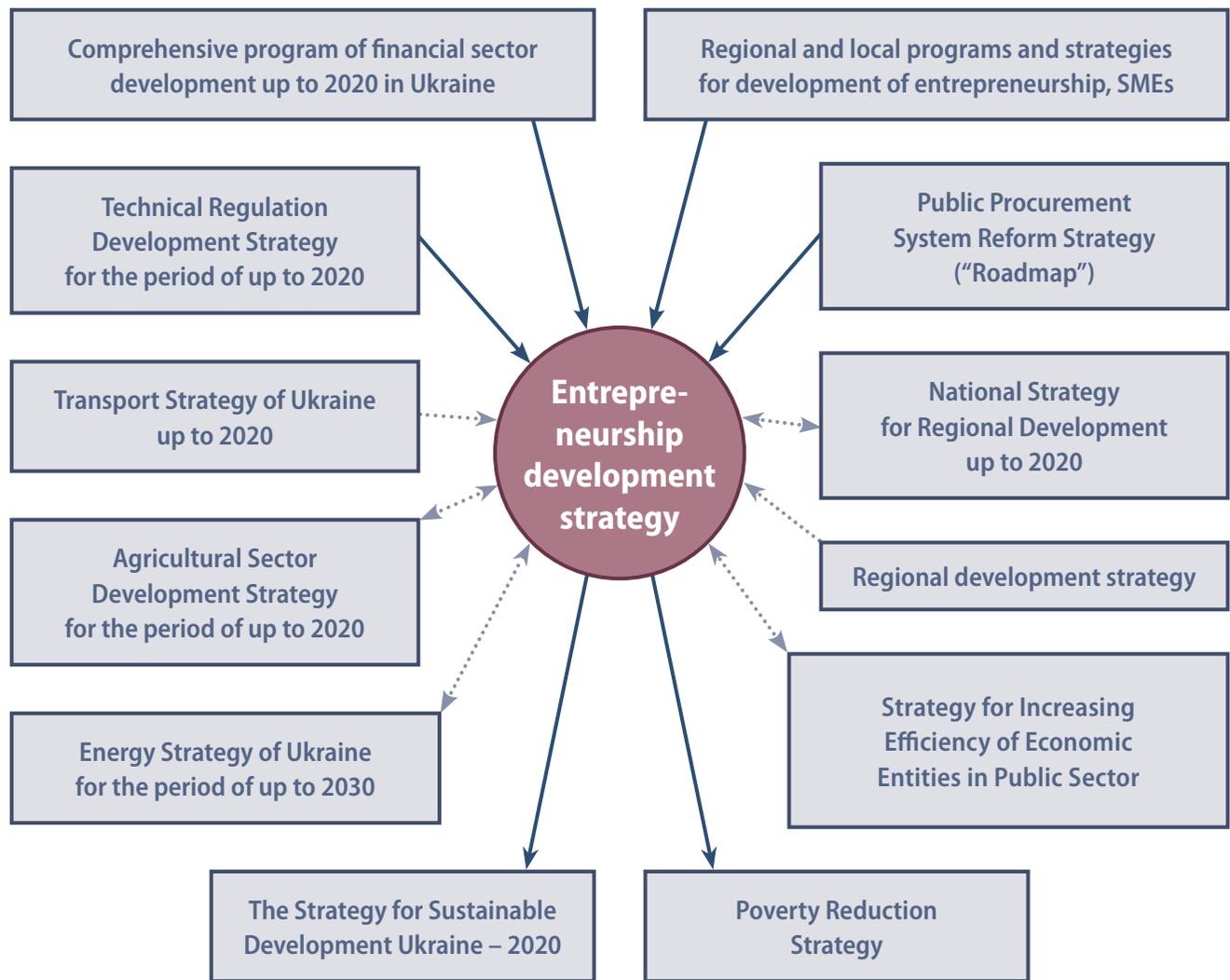
Entrepreneurship Development Strategy should correspond to other national, regional, sectoral and industrial strategies and programmes. This requires good coordination of implementation of the policy and man-

- – current strategic and programme documents
- ▤ – strategic documents that need to be developed or are in the form of drafts
- – direct unilateral links between strategic and programme documents
- .-.-> – indirect unilateral links between strategic and programme documents
- ↔ – direct bilateral links between strategic and programme documents

¹ Previous content of the Ukrainian Export Strategy is presented as a «White Paper. How to realize the export potential of Ukraine in conditions of globalization. Proposals for promotion of Ukrainian exports. « The draft of the export strategy was elaborated by the experts of the Institute of Economic Research and Policy Consulting and the Law Union «Sergiy Kozyakov and Partners» for the Ministry of Economic Development and Trade of Ukraine supported by the Western NIS Enterprise Fund..

ENTREPRENEURSHIP DEVELOPMENT STRATEGY IN THE SYSTEM OF STRATEGIC AND PROGRAMME DOCUMENTS

Figure 3. **Entrepreneurship Development Strategy in the System of State Strategic and Programme Documents of Ukraine**



agement of the processes of the Strategy implementation with consideration of the country priorities and tasks in other sectors and spheres of the state policy.

Several national strategies and programmes from other spheres of the state policy, as well as regional (local) programmes and strategies for small and medium entrepreneurship support directly or indirectly influence entrepreneurship development. Their results and achievements can substantially contribute to implementation of the Entrepreneurship Development Strategy at national level.

Achievement of objectives and focus on priorities of the Entrepreneurship Development Strategy, on the one hand, influences the possibility of implementation of certain sectoral and industrial programmes, on the other hand, it depends on the state of implementation of these programmes. In its turn, implementation of the Entrepreneurship Development Strategy contributes to the achievement of objectives and tasks set by the Strategy for Sustainable Development Ukraine – 2020, Poverty Reduction Strategy and certain other strategic and programme documents..

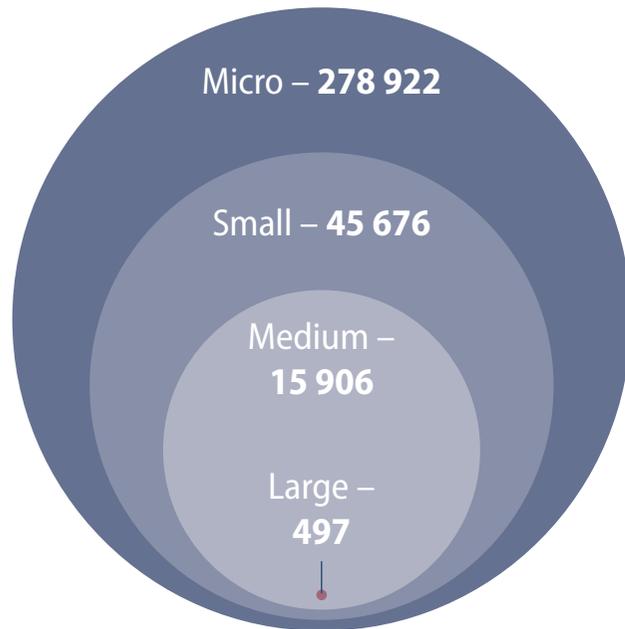
- current strategic and programme documents
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CURRENT STATE OF ENTREPRENEURSHIP

National Dimensions of Entrepreneurship Development

Business entities performing entrepreneurial activity in Ukraine include enterprises and private entrepreneurs (PE). The most numerous category of enterprises in Ukraine is micro enterprises¹ approx. 279 thousand of those (over 80%)² (Figure 4).

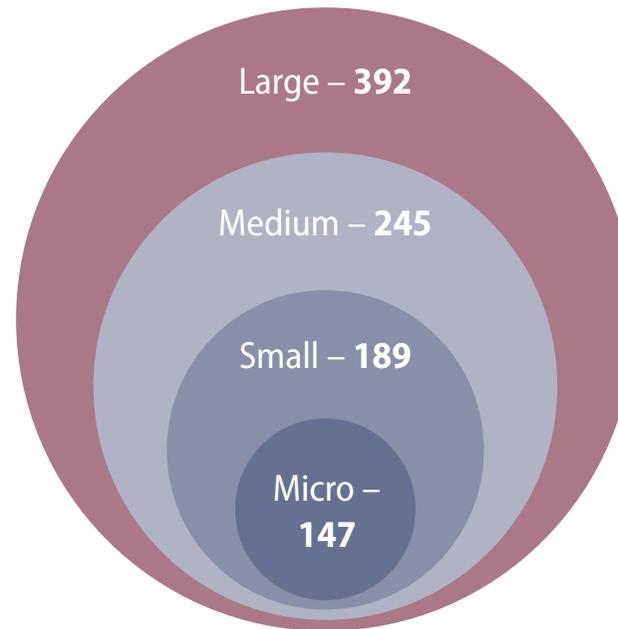
Figure 4. Number of enterprises in 2014, units



The biggest productivity³ is demonstrated by large enterprises – 392 thousand UAH per year, which is 2,7 times more than that of the micro enterprises (147 thousand UAH) (see Figure 5).

Despite their considerable share, micro enterprises create the least of value added⁴, whereas medium and large enterprises seen together produce over 80% of value

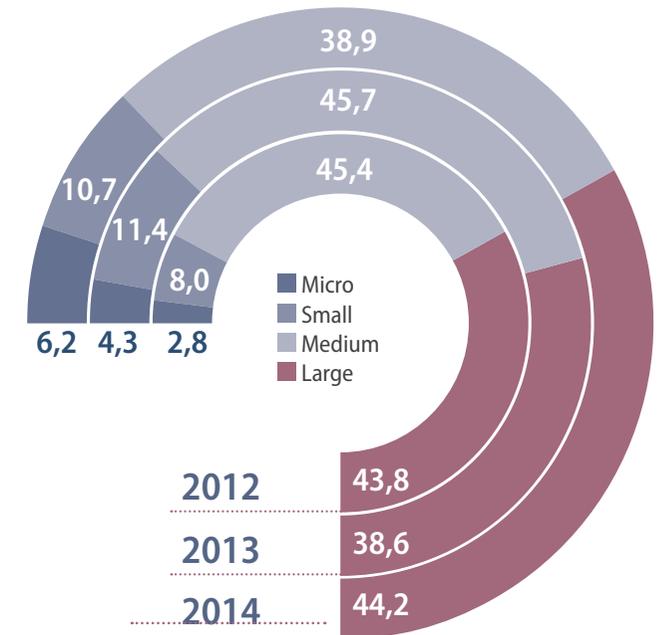
Figure 5. Productivity in 2014, thn. UAH^{6*}



added, although their share in total quantity of enterprises equals to only approx. 5%. has been increasing in course of the previous three years, while the contribution of the medium and large ones has been decreasing, the biggest decline demonstrated by medium enterprises (Figure 6).

The most common form of economic entity is private entrepreneur. This form of entrepreneurship is

Figure 6. Value added of enterprises in 2012–2014, %



¹ The data on enterprises is presented excluding banks, state-financed organizations and enterprises located at the temporarily occupied territory of the AR Crimea, the city of Sevastopol and the ATO area. Under the official classification, small enterprises include micro enterprises, although for the sake of the Strategy's goals, those have been separated and presented independently of other small enterprises.

² Here and below the data on the enterprises is based on the data of the State Statistical Service of Ukraine, on private entrepreneurs – based on the data of the State Fiscal Service of Ukraine.

³ Value added per one employee.

⁴ Value added is calculated by the cost of production of enterprises

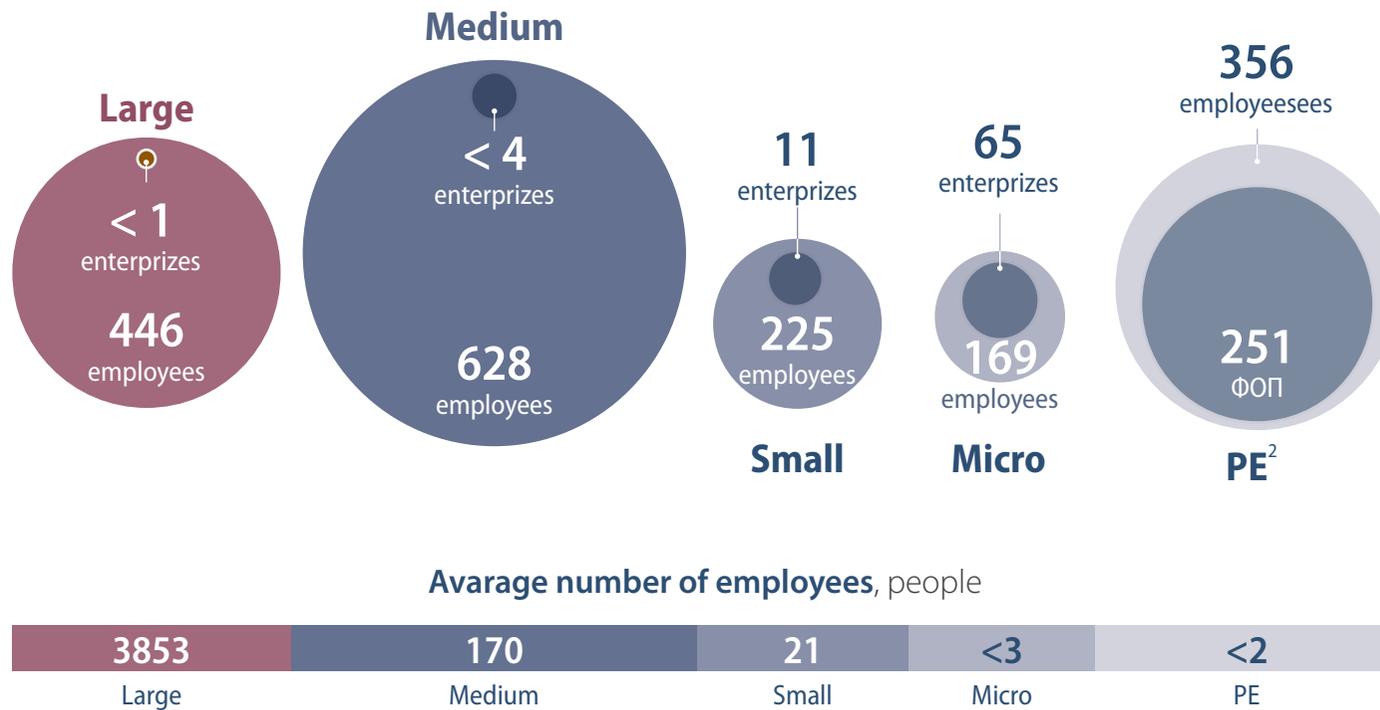
CURRENT STATE OF ENTREPRENEURSHIP

represented in all types of settlements and is an important element of providing services and goods to the consumer. Whereas, due to the nature of production large enterprises are present mainly in the cities, where

they are often city-forming, that resulting into the fact that the community's welfare depends on these enterprises. More than 440 out of every 10 thousand people are employed by large enterprises. The biggest share of

jobs is concentrated in medium enterprises – 628 per every 10 thousand people; almost twice less jobs are concentrated in small businesses and private entrepreneurs, and the least – in micro enterprises (Figure 7).

Figure 7. **Number of People Employed and Number of Economic Agents in 2014,**
per 10 thn. population¹



¹ The data on enterprises is presented excluding banks, state-financed organizations and enterprises located at the temporarily occupied territory of the AR Crimea, the city of Sevastopol and the ATO area.

² Information provided on current private entrepreneurs, who had revenue in the relevant year.

CURRENT STATE OF ENTREPRENEURSHIP

The indicators of the dynamics of the number of economic agents and employment rate prove the micro enterprises to be the most resistant to deteriorating macroeconomic environment (**Table 1** and **Table 2**). The number of private entrepreneurs reduced less than that of the enterprises (except the micro enterprises). The number of the employed as private entrepreneurs and their employees also tend to reduce, yet not on such a scale as large and small enterprises.

The dynamic of the presented data demonstrates that micro enterprises are most adaptable to the deterioration of the macroeconomic environment. At the same time, the productivity of these enterprises is low, and they create the least of value added. Large enterprises are the least flexible to the deteriorating macroeconomic environment.

Technological modernization and optimization of production processes are among the reasons for reducing the number of employees in large enterprises. Other business segments could potentially “absorb” the excess workforce, but it is not happening due to macroeconomic instability, difficult economic conditions and ongoing recession in Ukraine.

Table 1. **Dynamics of the Quantity of Economic Agents in 2012–2014**, units¹

	Large	Medium	Small	Micro	PE ²
2012	698	20189	57587	286461	1120293
2013	659	18859	55332	318477	1126780
2014	497	15906	45676	278922	968756
2015	423	15202	43575	284240	n/a
	-39,4%	-24,7%	-24,3%	-0,8%	-13,5%

Table 2. **Dynamics of the Quantity of Employed by Economic Agents in 2012–2014**, thn. people¹

	Large	Medium	Small	Micro	PE ²
2012	2484	3144	1263	788	1762
2013	2384	3012	1215	795	1760
2014	1915	2697	963	724	1530
2015	1949	2516	871	697	n/a
	-21,5%	-20,0%	-31,0%	-11,5%	-13,2%

¹ Excluding banks, state-financed organizations and enterprises located at the temporarily occupied territory of the AR Crimea, the city of Sevastopol and the ATO area.

² Information provided on current private entrepreneurs, who had revenue in the relevant year.

CURRENT STATE OF ENTREPRENEURSHIP

Table 3. **Determining Characteristics and Problems of the Major Entrepreneurship Segments**

Segment	Characteristics	Problems
Private Entrepreneurs	<ul style="list-style-type: none"> • <i>Breadth</i>: the most widely applied form of business activity • <i>Geography</i>: present in all regions and types of settlements • <i>Employment</i>: mostly self-employed without employees (82%) • <i>Primary industry sector</i>: goods and services 	<ul style="list-style-type: none"> • Fake entrepreneurship for tax optimization • No incentives for business growth (simplified tax system does not stimulate growth) • Lack of knowledge and business skills • Lack of access to finance • No state support, especially to start-ups
Micro Enterprises	<ul style="list-style-type: none"> • <i>Breadth</i>: over 80% of total enterprises • <i>Geography</i>: present in all regions • <i>Productivity</i>: 54% of the medium range in Ukraine • <i>Primary industry sector</i>: sales (over 25%) • <i>Employment</i>: 12% employed by enterprises 	<ul style="list-style-type: none"> • No state support, especially to start-ups • Low performance of business • No incentives for business growth (splitting of businesses) • Lack of access to finance • Lack of knowledge and business skills • Low innovation level
Small Enterprises	<ul style="list-style-type: none"> • <i>Breadth</i>: approx. 13% of all enterprises • <i>Productivity</i>: 70% of the medium range in Ukraine • <i>Primary industry sector</i>: sales (over 25%) • <i>Employment</i>: over 15% employed by enterprises 	<ul style="list-style-type: none"> • No state support, especially to start-ups • Low performance of business • No incentives for business growth • Lack of access to finance • Low innovation level • Limited opportunities for export
Medium Enterprises	<ul style="list-style-type: none"> • <i>Breadth</i>: approx. 5% of all enterprises • <i>Geography</i>: located mainly in urban areas • <i>Productivity</i>: 91% of the medium range in Ukraine • <i>Employment</i>: the biggest share of jobs (43%) • <i>Industry sector</i>: over 30% of enterprises operate in industrial sector 	<ul style="list-style-type: none"> • Limited opportunities for export • Lack of managerial qualification • No sustainable cooperation with research centres and scientific institutions • Low performance of business • Low innovation level
Large Enterprises	<ul style="list-style-type: none"> • <i>Breadth</i>: approx. 0,1% of all enterprises • <i>Geography</i>: unbalanced concentration across the country (predominantly in the Eastern part of the country) • <i>Productivity</i>: 145% of the medium range in Ukraine • <i>Efficiency</i>: the biggest share of loss-making enterprises (48,2%) • <i>Employment</i>: considerable share of jobs (30%) 	<ul style="list-style-type: none"> • Application of outdated technologies and equipment • No sustainable cooperation with research centres and scientific institutions • High energy intensity of production • High social pressure on businesses • Inflexibility in changing assortment of products and services

Quantitative characteristics of the current state of entrepreneurship sectors, as well as their forecasted indicators for 2020 are presented in [Annexes 3-7](#).

CURRENT STATE OF ENTREPRENEURSHIP

Ukrainian Entrepreneurship in Global Dimension

Strength and weaknesses of Ukrainian entrepreneurship in the global context is demonstrated by the Global Entrepreneurship and Development Index (GEDI).

According to the GEDI-2016, Ukraine scores 63rd out of 132 countries in the world, and 34th in the European region (Figure 8).

Compared to other European countries and to the average worldwide indicators, Ukraine has extremely low position in:

- Support of entrepreneurship in society;
- Willingness of entrepreneurs to take risk;
- Level of competition;
- Opportunities to start-up business and to produce innovations.

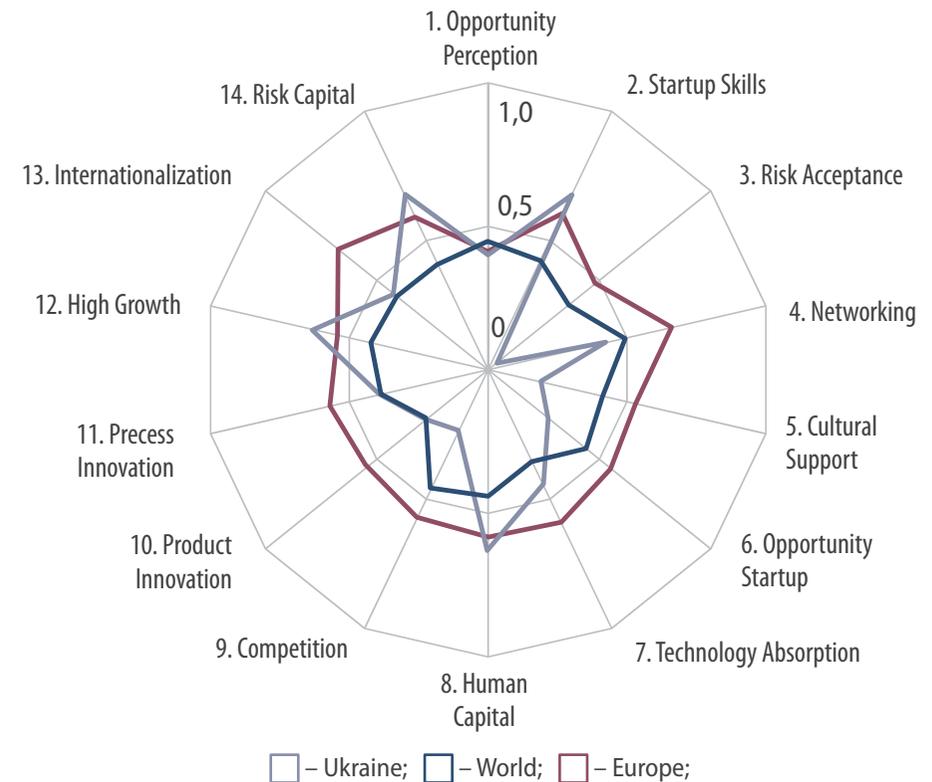
Comparative analysis of the dynamics of innovation in the European continent is provided by the European Innovation Scoreboard. The European Innovation Scoreboard assesses the relative strengths and weaknesses of national innovation systems and helps countries identify areas for improvement. According to the European Innovation Scoreboard, Ukraine belongs to the countries that are not distinguished with special innovations (Figure 9).

Compared to the average in the EU, the level of innovation activity in Ukraine totals to 34%. In all the assessed categories, Ukraine scores less compared to EU member states, except one - the share of population with completed higher education. The major gap is in the number of registered industrial designs and trademarks in the EU, and availability of venture capital. Ukraine has low ration of SMEs open for cooperation and implementing innovating developments together with other companies.

Important evaluation of national policies promoting entrepreneurship development in comparison with other countries of the European continent is provided by the SME Policy Index. The estimates for the compilation of the index are structured in line with ten principles of the Small Business Act for Europe and provide guidance for the development and implementation of SME policy (Figure 10).

The main obstacles to the development and implementation of effective policies to promote entrepreneurship in Ukraine remain stagnated (since 2012) and a deep recession (since 2014) of the economy. Access to finance remains a major obstacle to entrepreneurship development, whereas deregulation measures were not accompanied by the targeted support towards the sectors of small and medium enterprises. Despite the adoption

Figure 8. Comparison of the Position of Ukraine to Average Indicators Worldwide and in Europe, 2016²



in 2012, various programs of state aid (preliminary assessment of the implementation by Ukraine of the Small Business Act for Europe), they remain unfulfilled and require financing.

Compared to the average estimates in other Eastern Partnership Countries, Ukraine has a better position for only one criterion - standards and technical regulations. Ukraine's position is significantly lower on such characteristics as the internationalization of SMEs, services to support small and medium enterprises and start-ups, small and medium enterprises in a green economy.

¹ Short description of GEDI is provided in Annex 1.

² Global Entrepreneurship Index 2016 / Zoltán J. Ács, László Szerb, Erko Autio, The Global Entrepreneurship and Development Institute, Washington, D.C., USA. – <https://thegedi.org/2016-global-entrepreneurship-index/>

CURRENT STATE OF ENTREPRENEURSHIP

Figure 9. Innovative Activity in Ukraine, Compared to the Average Level in the EU, 2016^{1,2}

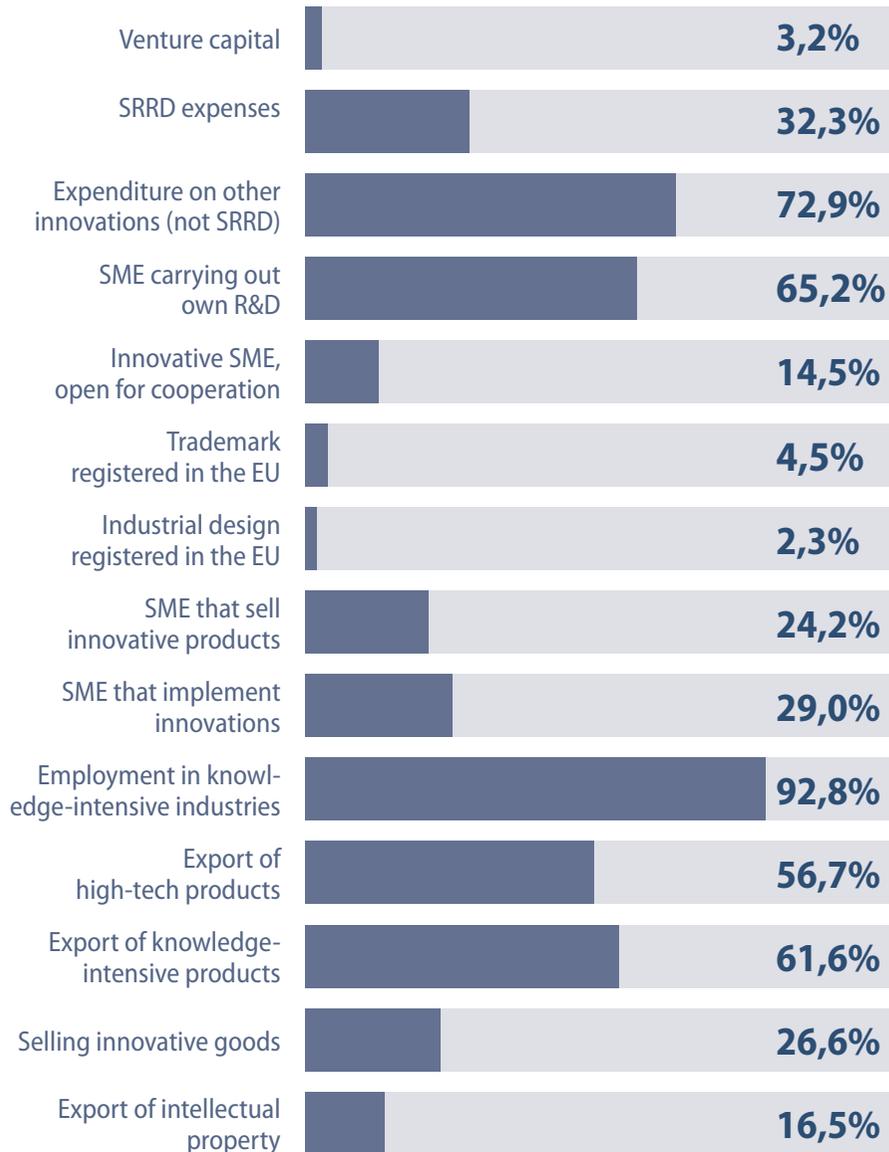
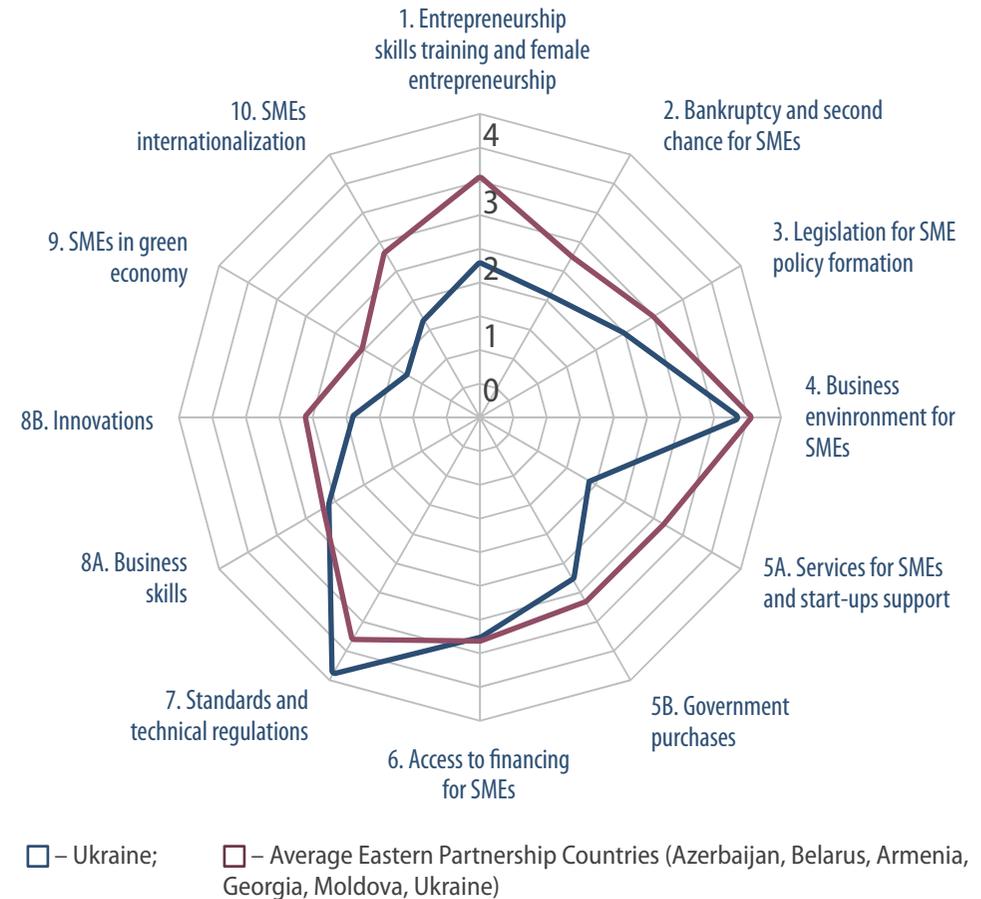


Figure 10. Index of SME Policy, Ukraine Compared to the Eastern Partnership Countries, 2016¹



¹ European Innovation Scoreboard 2016. Ukraine / Hugo Hollanders, Nordine Es-Sadki, and Minna Kanerva, Maastricht University (Maastricht Economic and Social Research Institute on Innovation and Technology); European Commission; Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (<http://ec.europa.eu/DocsRoom/documents/17862/attachments/1/translations/en/renditions/native>).

² SRRD – scientific and research, research and design works.

³ Characteristics of countries based on the principles of the Act of small business for Europe: Ukraine. The index of SME Policy in Eastern Partnership countries, 2016 / Organisation for Economic Cooperation and Development, European Commission, European Bank for Reconstruction and Development, European Foundation for Education (<https://www.oecd.org/globalrelations/Ukraine-chapter.pdf>).

PROBLEMS AND BARRIERS TO DEVELOPMENT

There is a number of studies conducted in Ukraine in order to analyze the economic environment and trends, as well as identify the barriers to the development of entrepreneurship. The results of these studies provide for the understanding of the key priorities aimed at the business climate improvement (**Annex 8**).

The key impact factors affecting the operational environment for business activity in Ukraine may be categorized into two groups:

- 1. Institutional factors:** the negative influence of these factors may be eliminated or minimized as a result of the Entrepreneurship Development Strategy implementation;
- 2. Background factors:** these factors outline the influence of the macro environment on the entrepreneurship and shape its overall development setting and terms.

Table 4. **Key constraints by type of entrepreneurial activity**

Private entrepreneurs	Micro-enterprises	Small enterprises	Medium enterprises	Large enterprises
1. Unstable political situation	1. Unstable political situation	1. Unstable political situation	1. Unstable political situation	1. Inflation
2. Limited demand	2. Limited demand	2. National currency exchange rate fluctuation	2. Inflation	2. Unstable political situation
3. Inflation	3. Inflation	3. Limited demand	3. National currency exchange rate fluctuation	3. National currency exchange rate fluctuation
4. Corruption	4. War in east Ukraine	4. Inflation	4. Excess burden of taxation	4. Excess burden of taxation
5. War in east Ukraine	5. Excess burden of taxation	5. Excess burden of taxation	5. Frequent changes in economic legislation	5. Limited demand
6. Excess burden of taxation	6. Corruption	6. Lack of working capital	6. War in east Ukraine	6. Lack of working capital
7. Limited access to debt financing	7. Frequent changes in economic legislation	7. War in east Ukraine	7. Limited demand	7. Excessive regulation

PROBLEMS AND BARRIERS TO DEVELOPMENT

Table 5. **Constraints and development needs**

Group of factors	Constraints	Needs
Institutional factors	Excess burden of taxation	Optimisation of the regulatory framework
	Limited access to debt financing	Increase in access to financing
	Limited demand	Increase in access to trade areas Increase in access to public procurement
	Frequent changes in economic legislation	Optimisation of the regulatory framework
	Lack of working capital	Accelerating the technology transfer and innovations Enhancing the business management
	Excessive regulation	Optimisation of the regulatory framework
	Negative perception of the entrepreneurship in the society	Developing the entrepreneurial culture and human resources Rehabilitation and resolving insolvency of 'honest' enterprises Promoting the entrepreneurship
	Inefficient dialogue with public authorities	Establishing efficient entrepreneurial networks
Background factors	Unstable political situation	Ensuring political stability
	Inflation	Macroeconomic stabilization
	Corruption	Fighting and preventing corruption Elimination of excessive administrative barriers
	War in east Ukraine	Peaceful conflict resolution
	National currency exchange rate fluctuation	Macroeconomic stabilization Increase in foreign currency proceeds

POLICY STRATEGIC VISION

Strategic vision

The favorable environment for entrepreneurial entities establishing, developing and achieving long-term success regardless of their size, sector specialization and geographical location characteristics in created in Ukraine.

Strategic goals

Goal 1

Business environment in Ukraine is favorable for establishing, operating and developing the entrepreneurship.

Goal 2

Medium enterprises create the base for national economy by providing the largest volume of production, investment, employment and revenues.

Goal 3

Small enterprises are the most dynamic and innovative business entities in Ukrainian economy.

Goal 4

The efficient business support infrastructure (public and private) is operating in Ukraine.

Goal 5

Ukrainian enterprises are competitive in the world market, operate efficiently and produce goods with high added value

Strategic priorities

Priorities	Year of implementation			
	2017	2018	2019	2020
Policy	Optimisation of the regulation		Entrepreneurship promotion	
	Increase in access to public procurement		Implementation of financial support tools	
	Harmonization with EU legislation			
Infrastructure	Development of tools for intersectoral dialogue		Innovation infrastructure development	
	Development of business support infrastructure		Integration into international networks	
	Development of efficient business networks			
Sector	Increasing export (types of goods and geography)		Encouraging development of sectoral clusters	
	Establishing investment support system		Encouraging modernization of manufacturing	
	Encouraging implementation of innovation			

POLICY STRATEGIC VISION

The links between the needs and strategic goals

Existing problems and barriers to entrepreneurship development in Ukraine command the need for changing the current environment to achieve the strategic goals. The identified problems cover several key areas of intervention:

- Improvement of market setting for establishing and operating the business by eliminating the existing structural, institutional and financial barriers.

- Facilitating the entry of Ukrainian businesses in the new markets both within the country and beyond its borders.
- Support in carrying out educational and training programs for newly-created and existing businesses.
- Fostering the development of the business networks by establishing business associations, creating and developing sector, inter-sector and territorial clusters.

- Enhancing the entrepreneurial culture and thinking in the community by entrepreneurship promotion and education of the new generation of entrepreneurs.

Addressing the needs outlined below will lead to qualitative changes in entrepreneurship structure, dynamics of new and existing business development, multiplication of innovation, strengthening competitive potential of Ukrainian companies in the global market.

Problems	Needs	Strategic goals
<ul style="list-style-type: none"> • Unprotected private property rights • Unstable and imperfect regulatory framework 	Optimization of the regulatory framework	<p>Goal 1.</p> <p>Business environment in Ukraine is favorable for establishing, operating and developing the entrepreneurship</p>
<ul style="list-style-type: none"> • Negative perception of large business in the society • Lack of managers/professionals capable of creative thinking 	Developing the entrepreneurial culture and human resources	
<ul style="list-style-type: none"> • High energy intensity of production • Low labor efficiency • Low innovation activity 	Accelerating the technology transfer and innovations	<p>Goal 2.</p> <p>Medium enterprises create the base for national economy by providing the largest volume of production, investment, employment and revenues</p>
<ul style="list-style-type: none"> • Significant share of loss-making enterprises 	Rehabilitation and resolving insolvency of 'honest' enterprises	
<ul style="list-style-type: none"> • High cost of debt • Low liquidity of the Ukrainian stock market • Limited number of financing tools 	Increase in access to financing	<p>Goal 3.</p> <p>Small enterprises are the most dynamic and innovative business entities in Ukrainian economy</p>
<ul style="list-style-type: none"> • Business inefficiency 	Enhancing the business management	
<ul style="list-style-type: none"> • Insufficient number of quality start-ups 	Promoting the entrepreneurship	<p>Goal 4.</p> <p>The efficient business support infrastructure (public and private) is operating in Ukraine</p>
<ul style="list-style-type: none"> • Inefficient dialogue with public authorities • Limited cooperation between different business segments 	Establishing efficient entrepreneurial networks	
<ul style="list-style-type: none"> • Limited access to public procurement 	Increase in access to public procurement	
<ul style="list-style-type: none"> • Limited export opportunities • Low participation in global value chain • Limited variety of exported goods and services • Dependency on global market environment 	Increase in access to trade areas	<p>Goal 5.</p> <p>Ukrainian enterprises are competitive in the world market, operate efficiently and produce goods with high added value</p>

TASKS AND SUPPORT TOOLS

Task	Support Tool	Type of enterprise				
		Large	Medium	Small	Micro	P. E.*
Establish the favorable business environment for entrepreneurship development	Ensuring investment and property rights protection					
	Liberalization of the state supervision (control) system in the sphere of economic activity					
	Delegating certain regulatory functions to the self-regulated organizations					
	Optimization of the foreign currency regulation procedures					
	Establishing the capital protection mechanism in case of the servicing bank bankruptcy					
Simplify the tax administration	Harmonization of the tax and accounting reporting					
	Simplification of the procedure and reducing the time required for the VAT recovery					
	Multiplication of usage of electronic services for tax payers					
	Stabilization of tax legislation					
	Preservation and improvement of the simplified taxation system					
Enhance the bankruptcy and resolving insolvency procedures	Giving a "second chance" to the "honest" enterprises					
	Reducing the bankruptcy procedure to one year					
	Advisory support on bankruptcy and resolving insolvency issues					
	Assistance in elaborating the resolution plan and settlement agreements in the bankruptcy cases					
Accelerate technological modernization	Pre-investment support, assistance in studying the potential of the new business ideas					
	State funding of the research in promising areas					
Increase innovation activity	Introduction of tax incentives for implementation of innovative projects					
	Establishment of innovative enterprises at the universities and science and research institutions					
	Creation of the database of the innovation-oriented enterprises					
	Promotion of the best practices of implementing the innovations in businesses					
	Assistance in business-plan development for innovative projects and inventions					
Establish the modern innovation infrastructure	Development of the innovation commercialization infrastructure (science and technology parks, technology transfer centers, innovation center etc)					
	Improvement of the national legislation regarding the intellectual property rights protection					
Increase the energy efficiency	Encouraging the introduction of the energy saving technologies					
	Implementation of environmentally friendly production technologies					
	Environmental certification and introduction of the system for environmental labelling of goods					

* Private Entrepreneurs

TASKS AND SUPPORT TOOLS

Task	Support Tool	Type of enterprise				
		Large	Medium	Small	Micro	P. E.*
Diversify the export geography	Concluding bi- and multilateral trade agreements; free trade areas agreements					
	Assistance in search for international partners and advisory support					
	Analysis of the new markets entry potential and trade area expansion					
	Establishment of the system for insuring the risks on foreign trade contracts					
Diversify the variety of exported goods	Fiscal incentives to exporting goods with high added value					
	Harmonization of the national technical regulation system in line with the EU requirements					
	Establishment of the independent bodies for standardization and metrology in accordance with the EU practices					
	Support in standardization and quality certification procedures					
Promote and protect the national companies at the global markets	Application of the WTO and EU tools for promotion of the Ukrainian business					
	State support to the Ukrainian business marketing					
	Support of the national producers in anti-dumping procedures in the international arena					
Increase the number of financing tools	Legislative regulation of the derivatives market					
	Simplification of the procedures for the Ukrainian companies to enter foreign stock markets					
	Monitoring of the demand and supply of bank loans, frequency of loan denial					
	Analysis and implementation of innovative tools for business financing					
	Establishment of the loan guarantee system					
	Promotion of the non-bank financial institutions activities (in particular, credit unions)					
Business scale growth	Creation of additional opportunities to obtain business education					
	Increasing the accessibility of advisory services					
	Promotion and facilitation of innovation multiplication					
Develop the modern infrastructure of finance markets	Simplification of the access procedures to stock market trading					
	Development of technology for the electronic stock market trading					
	Development of the network of business angels and venture funds providing the start-up capital					
	Development of loan and guarantee facilities					

* Private Entrepreneurs

TASKS AND SUPPORT TOOLS

Task	Support Tool	Type of enterprise				
		Large	Medium	Small	Micro	P. E.*
Enhance cooperation with the public authorities and between the businesses operating in different sectors	Creation of platforms for the dialogue between representatives of various business segments					
	Ensuring proper business representation in the advisory bodies to the public authorities					
	Creation of prerequisites for implementation of the public-private partnership					
Encourage the business networks development	Fostering the establishment of the clusters and development of the cluster growth strategy					
	Facilitating the development of subcontracting mechanisms					
	Organization of study tours, meetings and best practices exchange events					
Shape the prerequisites for participation in public procurement	Creation of the notification system regarding the opportunities to participate in public procurement					
	Expanding the practice of provision of electronic guarantees by the state banks to secure the tender bids					
	Organization of training, workshops on participation in public procurement procedures					
	Legislative regulation of the deadline for payment after the services/goods are provided in full					
	Legislative regulation of the requirements to definition of certain elements of the subject of procurement (lots)					
Establish the system for support of new businesses	Expansion of the business incubator network					
	Creation of the network of specialized institutions for support of the newly-created businesses					
	Assistance in business plan elaboration					
Educate the society and cultivate the entrepreneurial thinking	Refocusing of the education system to the programs and methods of education that train and foster development of creativity and entrepreneurial skills					
	Search for and multiplication of the best practices of training on the entrepreneurial thinking					
	Development of the network of education and training institutions that provide business education services					
	Organization of training and workshops for newcomer entrepreneurs and those, willing to establish their own business					
	Provision of advisory regarding business administration and management					
Shape the positive perception of the large business in the society	Introduction of regulatory requirements to disclosure of the information on corporate social responsibility					
	Implementation of the corporate social responsibility initiatives at the state-owned enterprises					

* Private Entrepreneurs

INSTITUTIONAL SUPPORT

Policy spheres and responsible institutions

The proposed tools cover a wide range of state policy spheres.

There is a number of central executive authorities responsible for shaping and ensuring the implementation of the state policy in these spheres. Besides the au-

thorities, the specialized entrepreneurship support institutions (both public and private) shall be responsible for implementation of the significant share of the outlined support tools.

Policy sphere	Support tools	Responsible institutions
Regulatory policy	Liberalization of the state supervision (control) system in the sphere of economic activity	Ministry of Economic Development and Trade of Ukraine State Regulatory Service of Ukraine
	Delegating certain regulatory functions to the self-regulated organizations	
Monetary policy	Optimization of the foreign currency regulation procedures	National Bank of Ukraine
	Establishing the capital protection mechanism in case of the servicing bank bankruptcy	
	Monitoring of the demand and supply of bank loans, frequency of loan denial	
	Analysis and implementation of innovative tools for business financing	
Tax policy	Harmonization of the tax and accounting reporting	Ministry of Finance of Ukraine State Fiscal Service
	Simplification of the procedure and reducing the time required for the VAT recovery	
	Multiplication of usage of electronic services for tax payers	
	Preservation and improvement of the simplified taxation system	
	Stabilization of tax legislation	
	Introduction of tax incentives for implementation of innovative projects	
Entrepreneurship development policy	Giving a "second chance" to the "honest" enterprises	Ministry of Economic Development and Trade of Ukraine Entrepreneurship support institutions
	Advisory support on bankruptcy and resolving insolvency issues	
	Establishment of the loan guarantee system	
	Fostering the establishment of the clusters and development of the cluster growth strategy	
	Facilitating the development of subcontracting mechanisms	
	Creation of the network of specialized institutions for support of the newly-created businesses	Ministry of Economic Development and Trade of Ukraine
	Reducing the bankruptcy procedure to one year	
	Creation of prerequisites for implementation of the public-private partnership	
	Introduction of regulatory requirements to disclosure of the information on corporate social responsibility	
Implementation of the corporate social responsibility initiatives at the state-owned enterprises		

INSTITUTIONAL SUPPORT

Policy sphere	Support tools	Responsible institutions
Entrepreneurship development policy (continuation)	Assistance in elaborating the resolution plan and settlement agreements in the bankruptcy cases	Entrepreneurship support institutions
	Organization of training and workshops for newcomer entrepreneurs and those, willing to establish their own business	
	Provision of advisory regarding business administration and management	
	Organization of study tours, meetings and best practices exchange events	
	Creation of platforms for the dialogue between representatives of various business segments	Ministry of Economic Development and Trade of Ukraine Other central bodies of executive branch of the government
	Ensuring proper business representation in the advisory bodies to the public authorities	
	Introduction of regulatory requirements to disclosure of the information on corporate social responsibility	
Investment policy	Ensuring investment and property rights protection	Ministry of Economic Development and Trade of Ukraine
	Creation of the database of the innovation-oriented enterprises	
	Promotion of the best practices of implementing the innovations in businesses	
	State funding of the research in promising areas	
	Improvement of the national legislation regarding the intellectual property rights protection	
	Establishment of innovative enterprises at the universities and science and research institutions	Ministry of Economic Development and Trade of Ukraine Ministry of Education and Science of Ukraine
	Assistance in business-plan development for innovative projects and inventions	Ministry of Economic Development and Trade of Ukraine Entrepreneurship support institutions
	Pre-investment support, assistance in studying the potential of the new business ideas	
	Development of the innovation commercialization infrastructure (science and technology parks, technology transfer centers, innovation center etc)	
	Encouraging the introduction of the energy saving technologies	
Environmental policy	Support to implementation of environmentally friendly production technologies	Ministry of Economic Development and Trade of Ukraine Ministry of Ecology and Natural Resources of Ukraine
	Environmental certification and introduction of the system for environmental labelling of goods	Ministry of Ecology and Natural Resources of Ukraine
Foreign trade policy	Concluding bi- and multilateral trade agreements; free trade areas agreements	Ministry of Economic Development and Trade of Ukraine
	Assistance in search for international partners and advisory support	Ministry of Economic Development and Trade of Ukraine Entrepreneurship support institutions
	Analysis of the new markets entry potential and trade area expansion	

INSTITUTIONAL SUPPORT

Policy sphere	Support tools	Responsible institutions
Foreign trade policy (continuation)	Establishment of the system for insuring the risks on foreign trade contracts	Ministry of Economic Development and Trade of Ukraine Entrepreneurship support institutions
	Application of the WTO and EU tools for promotion of the Ukrainian business	
	State support to the Ukrainian business marketing	
	Support of the national producers in antidumping procedures in the international arena	
Technical regulation policy	Harmonization of the national technical regulation system in line with the EU requirements	Ministry of Economic Development and Trade of Ukraine SE Ukrainian Science and Research Educational Center on Standardization, Certification and Quality Entrepreneurship support institutions
	Establishment of the independent bodies for standardization and metrology in accordance with the EU practices	
	Support in standardization and quality certification procedures	
Financial policy	Legislative regulation of the derivatives market	Ministry of Finance of Ukraine State Commission for Securities and Stock Market of Ukraine
	Simplification of the procedures for the Ukrainian companies to enter foreign stock markets	State Commission for Securities and Stock Market of Ukraine
	Simplification of the access procedures to stock market trading	
	Development of technology for the electronic stock market trading	
	Development of the network of business angels and venture funds providing the start-up capital	State Commission for Regulation of Financial Services Markets
	Promotion of the non-bank financial institutions activities (in particular, credit unions)	
	Development of loan and guarantee facilities	Ministry of Economic Development and Trade of Ukraine Entrepreneurship support institutions
Education policy	Refocusing of the education system to the programs and methods of education that train and foster development of creativity and entrepreneurial skills	Ministry of Education and Science of Ukraine Ministry of Economic Development and Trade of Ukraine
	Search for and multiplication of the best practices of training on the entrepreneurial thinking	Ministry of Education and Science of Ukraine
	Development of the network of education and training institutions that provide business education services	Entrepreneurship support institutions
Public procurement policy	Creation of the notification system regarding the opportunities to participate in public procurement	Ministry of Economic Development and Trade of Ukraine
	Organization of training, workshops on participation in public procurement procedures	Entrepreneurship support institutions
	Expanding the practice of provision of electronic guarantees by the state banks to secure the tender bids	Ministry of Economic Development and Trade of Ukraine National Bank of Ukraine
	Legislative regulation of the deadline for payment after the services/goods are provided in full	Ministry of Economic Development and Trade of Ukraine
	Legislative regulation of the requirements to definition of certain elements of the subject of procurement (lots)	

INSTITUTIONAL SUPPORT

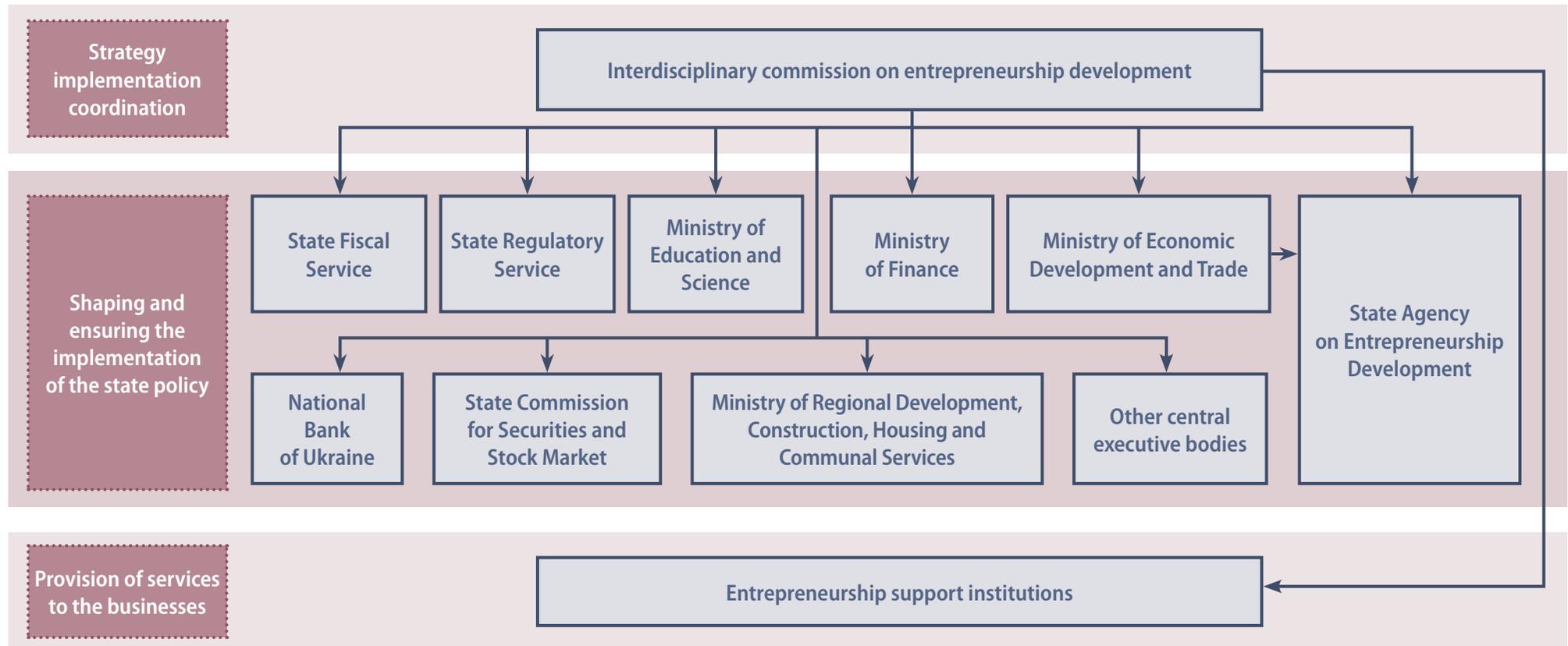
Implementation coordination mechanism

Participation of a great number of institutions requires a specialized mechanism that would ensure the adequate coordination and synchronization of the activities in the process of the Strategy implementation (Figure 11).

It is necessary to establish the Interdisciplinary commission on entrepreneurship development to coordinate the Strategy implementation. The Commission would include representatives of respective central public authorities, as well as renowned business associations that speak for various entrepreneurship segments. The State Agency on Entrepreneurship Development shall support the activities of the Commission in terms of information and organization issues¹.

The Commission will carry out the monitoring of achievement of the goals set, and where necessary will submit proposals to the ministries and other central executive authorities with regard to alteration of the planned activities or changes in the program and strategic documents. The detailed description of the coordination mechanism of the Strategy implementation shall be included in the implementation plan of the Entrepreneurship Development Strategy.

Figure 11. Institutional implementation model



¹ At the moment the State Agency on Entrepreneurship Development is not established.

INSTITUTIONAL SUPPORT

Support infrastructure

Institutions	Function	Type of enterprise				
		Large	Medium	Small	Micro	P. E.*
Business development centers	Consulting services provided for free or at a price below the market average					
	Mentorship (coaching) and company support					
	Educational programs and seminars					
	Assistance in preparation (review) of business plans					
Entrepreneurship support funds	Provision of affordable funding					
	Provision of loan guarantees					
	Assistance in search for loan guarantees					
Business incubators	Assistance in creation of new enterprises					
	Provision of administrative and legal services to the newly-established businesses					
	Provision of technical, financial, organizational and other resources for free or at a price below the market average					
Business associations	Representation of business interests in relations with the public authorities					
	Participation in the strategic planning of the area of coverage development					
	Performing the self-regulation function of the markets					
	Development of the social responsibility of the business					
	Information, experience and business models exchange and sharing					
Chambers of commerce and industry	Building of entrepreneurial networks					
	Export support and promotion					
	Search for foreign partners					
	Conducting the marketing in the international arena					
Regional development agencies	Adaptation of the technical regulation system					
	Shaping the favorable investment climate					
	Initiation and support to cluster development					
	Assistance in attraction and support of investment					
Clusters	Development of regional infrastructure					
	Market analysis and studies as to the needs of cluster participants					
	Elaboration and implementation of the cluster development strategy					
	Development of the production chains by attracting various business sectors					
	Development of links between the science, education and business					
	Mutual marketing of goods and services					

* Private Entrepreneurs

EXPECTED RESULTS AND DEVELOPMENT TARGETS

Expected results

The following results should be achieved upon the implementation of the Strategy:

3. New sustainable business entities are being created and growing in Ukraine.
4. Business climate allows the business entities fairly competing, rapidly growing and moving into the upper segments of business.
5. Business entities interact based on cooperation and specialization, quickly adapt to the changing conditions of the economy development.
6. Transparent administrative procedures, low transaction costs, easy access to the market is the key to a stable inflow of direct foreign investments in economy.
7. Developed and efficient systems of non-bank micro crediting, bank crediting and financing through the stock market.
8. Ukrainian start-ups are well recognized in the world due to implementation of the innovative business ideas and business models.
9. Business entities of all segments are efficiently operating in the market, increasing their productivity.
10. The segment of the medium entrepreneurship is increasing in the size in the business entities structure.
11. A significant proportion of enterprises invests in innovation resources and produces innovative products.
12. Ukrainian companies successfully compete with the foreign ones, rapidly increase the exports.
13. Entrepreneurship is an agent of changes in Ukrainian society, spreading innovation, new technologies and market-oriented behaviour.

Development targets (for 2020)

The indicators describing different aspects of the business ecosystem were selected to measure the dynamics of the expected results; the baseline level (based on the latest available statistic data) and the target indicator for the end of 2020 were established.

Specifications	Indicators	Actual data	(for 2020)
Business Demographics	Newly created business entities ¹ per year, %	9,0 (2013)	9,0
	The survival of newly created business entities in the first year ² , %	—	80,0
	The survival of created business entities after 5 years %	—	44,0
	Business entities that stopped its activities, %	7,1 (2013)	7,0
Business development	Business entities with >10 employees, %	3,7 (2014)	8,0
	Rapidly growing business entities ³ , %	—	5,0
	Medium enterprises, %	0,86 (2014)	1,0
Access to financing	Micro-credits ⁴ for business entities, %	—	20,0
	Performance of the business entities in obtaining the debt financing, %	—	60,0
Business efficiency	Profitable enterprises, %	66,3 (2015)	74,0
	Productivity ⁵ at the enterprises before EU, %	31,3 (2012)	39,0
Innovations	Business' expenditures for innovation, % GDP	0,7 (2015)	1,5
	Innovatively active enterprises, %	17,3 (2015)	25,0
	Innovative products, % of industrial products	1,4 (2015)	7,5
Competitiveness	Direct foreign investments, % GDP	34,8 (2014)	45,0
	Share in world exports, %	0,29 (2014)	0,5

¹ Business entities registered during a year and carried out activities in that year; not including business entities registered in previous years but not carried out any activities and resumed them.

² Survival means that an enterprise is active for the use of employees and/or has a turnover available during the year when the registration is done, or during the other year after the registration.

³ Business entities with the number of employees more than 10 people at the beginning of their growth, in which the average annual growth of the number of employees exceeds 10% within three years.

⁴ Up to 25 thousand euros in the hryvnia equivalent.

⁵ Added value per one employed person.

The tasks for development of entrepreneurship in accordance with international obligations of Ukraine

Provisions of the Agreement

Tasks to be implemented

I. Agreement on Technical Barriers to Trade¹ (as part of Ukraine's accession to WTO)

- Gradual liberalization of the trade regime and the removal of technical barriers.
- Reform of the national standardization and transition to the international system of technical regulation with the provision of priorities to the international standards.
- Voluntary national and regional (local) standards other than those the use of which is provided by RA or technical regulations.

- To bring the acts of the current legislation on technical regulation in line with the Agreement on Technical Barriers to Trade;
- To elaborate the amendments to the Law of Ukraine "On standardization" in order to bring it in line with the European model of standardization to liberalize relations in trade and remove technical barriers.

II. Association Agreement between Ukraine, of the one part, and the European Union, European Atomic Energy Community and their member-states, of the other part

Chapter 10: State Aid. National system of the state aid control (article 267)

- Within three years of the entry into force of this Agreement to adopt national state aid legislation and establish an operationally independent authority which is entrusted with the powers to authorise state aid schemes and individual aid grants in conformity with the criteria as well as the powers to order the recovery of state aid that has been unlawfully granted.
- To establish the comprehensive inventory of aid schemes and to align the procedures of such aid provision for the business entities with the established criteria, in particular to provide this aid in case of an unfavourable impact on competition and trading conditions

- To monitor implementation of the Law of Ukraine "On state assistance to business entities" and to develop necessary changes and necessary acts of law level to harmonize the state aid system with the principles and criteria of the EU in this area;
- To introduce the transparent accountable procedures of the state aid provision and mechanisms for the assessment of the impact on competition and monitoring of its lawful provision.

Chapter 10: Industrial and enterprise policy (article 378 and article. 379)

- The Parties develop and strengthen their cooperation on industrial and enterprise policy, thereby improving the business environment for all economic operators, but with particular emphasis on Small and Medium Sized Enterprises (SMEs). Enhanced cooperation should improve the administrative and regulatory framework for both Ukrainian and EU businesses operating in Ukraine and in the EU, and should be based on the EU's SME and industrial policies, taking into account internationally recognised principles and practices in these fields.

- To use the European principles of good governance at improving the regulatory environment in SMEs and implementation of regulatory policy field;
- To implement the European model of the state SME development policy;

¹ Agreement on Technical Barriers in Trade (http://zakon3.rada.gov.ua/laws/show/981_008/print1453716054225277).

(continuation of table)

Provisions of the Agreement	Tasks to be implemented
<p><i>Chapter 10: Industrial and enterprise policy (article 378 and article. 379)</i></p> <p>To achieve the objective the Parties cooperate in order to:</p> <ul style="list-style-type: none"> • Implement strategies for SME development, based on the principles of the European Charter for Small Enterprises, and monitor the implementation process through annual reporting and dialogue. This cooperation will also include a focus on micro- and craft enterprises, which are extremely important for both the EU and Ukrainian economies; • Create better framework conditions, via the exchange of information and good practice, contributing to greater competitiveness. This cooperation will include the management of structural changes (restructuring) and environmental and energy issues, such as energy efficiency and cleaner production; • Encourage the development of innovation policy, via the exchange of information and good practice regarding the commercialisation of research and development (including support instruments for technology-based business start-ups), cluster development and access to finance • encourage more contacts between EU and Ukrainian businesses and between these businesses and the authorities in Ukraine and in the EU; • support the establishment of export promotion activities in Ukraine • facilitate the modernisation and restructuring of both Ukrainian and EU industry in certain sectors. 	<ul style="list-style-type: none"> • To elaborate the comprehensive Action Plan to implement the principles of the European Charter for Small Enterprises including the assessment mechanism of its implementation taking into account the indicators of the SME Policy Index; • To support the development of the innovative entrepreneurship based on the implementation of the principles of the European Charter for Small Enterprises and considering the effective mechanisms and practices of the EU in this area; • To create a regulatory framework in the field of enterprises cluster development, apply the cluster approach to enhance competitiveness, innovation and market sustainability for SMEs in line with the EU practices of the business environment clustering, formation and development of international, innovative, cross-border clusters and use of the competitive advantages of clustering.
<p><i>Chapter 26: Civil society cooperation (article 443)</i></p> <p>The Parties foster civil society cooperation, which shall aim to achieve the following objectives:</p> <ul style="list-style-type: none"> • - to involve civil society organisations in the implementation of this Agreement (including its monitoring) and in the development of EU-Ukraine bilateral relations 	<ul style="list-style-type: none"> • To provide the business associations with the organizational and methodological support, thus, they independently monitor the implementation of the Association Agreement with EU.

Entrepreneurship development priorities in the context of the Small Business Act for Europe¹

Principles of the Act	Tasks to implement
<p>Principle 1. Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded</p>	<ul style="list-style-type: none"> • To promote entrepreneurship and entrepreneurial culture and encourage family businesses, entrepreneurial initiative of women and youth. • To encourage self-employed population by economic, tax and other incentives.
<p>Principle 2. Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance</p>	<ul style="list-style-type: none"> • To improve bankruptcy procedures in order to reduce their negative impact on honest entrepreneurs. • To develop the special programmes of the consultation and resource support for the honest entrepreneurs who have faced bankruptcy and have the promising business ideas and plans for future business
<p>Principle 3. Design rules according to the “Think Small First” principle</p>	<ul style="list-style-type: none"> • To encourage reduction of the administrative costs for the observance of the current regulations (a min of 25%)². • To encourage the efficient M-test application as a part of the regulatory impact analysis. • To implement the special training programmes for servants and business associations regarding the use of the different forms of public consultations and implementation of the regulatory impact assessment.
<p>Principle 4. Make public administrations responsive to SMEs’ needs</p>	<ul style="list-style-type: none"> • To implement the boosted review of regulations to reduce the regulatory burden on the business. • To ensure implementation of enhanced implicit consent and declarative principle when granting the permits. • To implement decentralization and simplification of the administrative services obtaining.
<p>Principle 5. Adapt public policy tools to SME needs: facilitate SMEs’ participation in public procurement and better use State Aid possibilities for SMEs</p>	<ul style="list-style-type: none"> • To ensure the simple and clear procedures for SMEs participation in public procurement. • To introduce a differentiated mechanism of state aid for entrepreneurship, which would clearly focused on the needs of various segments and categories of entrepreneurship during their life cycle. • To ensure development of the system of administrative services for business (particularly of the integrated nature) and to determine the list of the services which should be provided in digital form.

¹ Small Business Act for Europe (<http://ec.europa.eu>).

² In Ukraine, a consistent and systematic reduction of administrative costs to comply with regulations is not defined as a priority of the state policy for SME development. In the EU, the main tasks to improve the regulatory environment for SMEs development, and especially small businesses relates to reduction (25%) of SMEs administrative costs, simplification and acceleration of administrative procedures, removal of outdated and unnecessary administrative barriers and regulatory requirements.

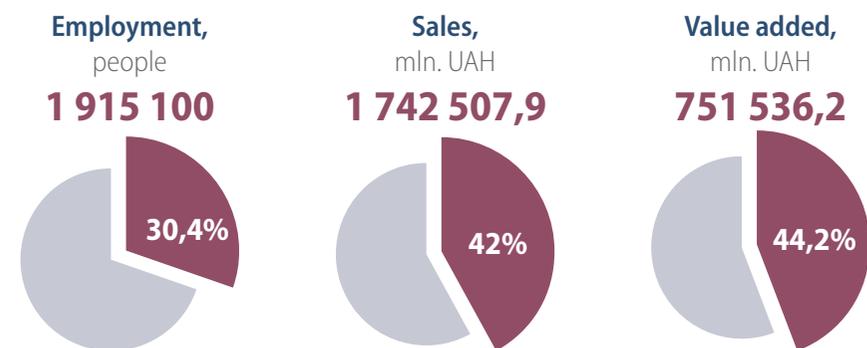
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Principles of the Act	Tasks to implement
<p>Principle 6. Facilitate SMEs' access to finance and develop a legal and business environment supportive to timely payments in commercial transactions</p>	<ul style="list-style-type: none"> • To encourage the commercial banks to provide the credits and micro-credits, easing of credit resources for SMEs. • To ensure formation of a network of the credit and grantee institutions to provide the support for the start-ups as well as SMEs operating in the field of the agricultural production, introducing the energy and resource saving projects. • To introduce amendments to securities legislation to facilitate the SMEs access to the stock market. • To legally regulate the existing problems in relations between suppliers (manufacturers) of consumer goods out of SMEs and retail chains.
<p>Principle 7. Help SMEs to benefit more from the opportunities offered by the Single Market</p>	<ul style="list-style-type: none"> • To encourage the development of networks supporting the export oriented activities of SMEs. • To promote unification of the leading business associations and employers' unions into a single business network.
<p>Principle 8. Promote the upgrading of skills in SMEs and all forms of innovation</p>	<ul style="list-style-type: none"> • To elaborate the state programmes to support the innovative activities of SMEs, develop cooperation between small enterprises and research institutions, schools. • To implement the tax incentives to produce the innovative and high-tech products. • To develop the special credit programs to finance the innovative projects of the small business. • To implement the innovative projects (solving the local problems, development of the depressed regions etc.) based on the public-private partnerships involving the possibilities and capacity of SMEs. • Create an information and referral database of innovative projects and innovative SMEs.
<p>Principle 9. Enable SMEs to turn environmental challenges into opportunities</p>	<ul style="list-style-type: none"> • To encourage the SMEs producing the environmentally friendly products, introducing new energy saving and eco technologies. • To elaborate and implement the environmental training programmes for SMEs.
<p>Principle 10. Encourage and support SMEs to benefit from the growth of markets</p>	<ul style="list-style-type: none"> • To amend the antimonopoly legislation to strengthen protection of SMEs, especially small businesses, of abuse of dominant position and unfair competition.

Current situation¹

Subject area			Concentration	Average number of people employed	Labour productivity		
497 enterprises	<0,1% business entities ²	51,8% profitable enterprises	< 1 enterprises per 10,000 people	3853 people per one enterprise	392,400 UAH per one employee	145,3% of average level in Ukraine	28,3% of average level in the EU ³

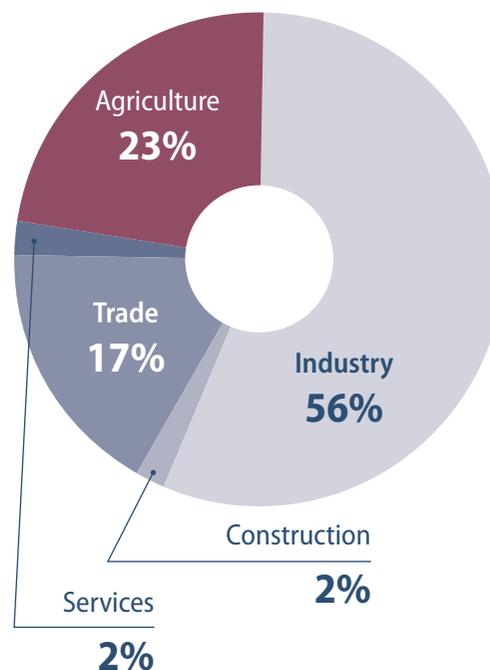
Rank in the economy



Expected results

Main indicators	Indicator for 2020	Increase compared to 2014
Number of entities	507 enterprises	+2%
Profitable enterprises	66,8%	+15 p.p. ⁵
Concentration (per 10,000 people)	<1 enterprise	—
Overall employment	1,953,000 people	+2%
Value added (actual)	—	+46%
Enterprises with innovation	25%	—
Labour productivity (actual)	—	+44%
Labour production (to EU level)	39%	+11 p.p.

Sectoral structure⁴



Main features

- The overall contribution of large enterprises in the economy is decisive by the generated added value and volume sales.
- Productivity in large enterprises is much higher than the average level in the Ukraine.
- In the structure of value added generated by large enterprises, the largest share is generated by the industrial enterprises.
- Large enterprises provide the bulk of Ukrainian exports: metallurgy and chemical industry are dominating, thus, the economy of the country is significantly dependent on the situation on world markets.
- Large enterprises are distributed unevenly across Ukraine from several companies in the areas less industrialized regions to dozens in highly industrialized ones.
- Large enterprises are often the backbone of the settlements where the production capacity is settled and they experience strong social pressure.
- Large industrial enterprises mainly use outdated technology that adversely affect the environment and increase production of energy

¹ Data of State Statistic Service of Ukraine (www.ukrstat.gov.ua).

² Business entities are enterprises and private entrepreneurs. Data on operating private entrepreneurs provided by State Fiscal Service of Ukraine.

³ Calculated based on the productivity of large enterprises in the EU in 2013.

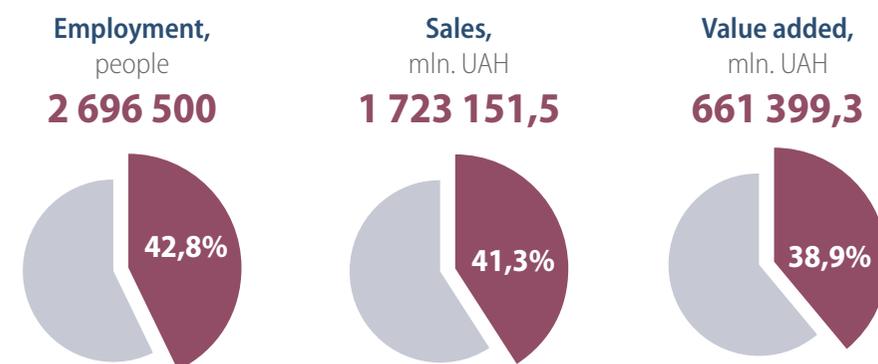
⁴ Chart is given by the value added.

⁵ P.p. – hereinafter “percentage points”.

Current situation¹

Subject area			Concentration	Average number of people employed	Labour productivity		
15 906 enterprises	1,2% business entities ²	62,6% profitable enterprises	< 4 enterprises per 10,000 people	170 people per one enterprise	245,300 UAH per one employee	90,8% of average level in Ukraine	30,8% of average level in the EU ³

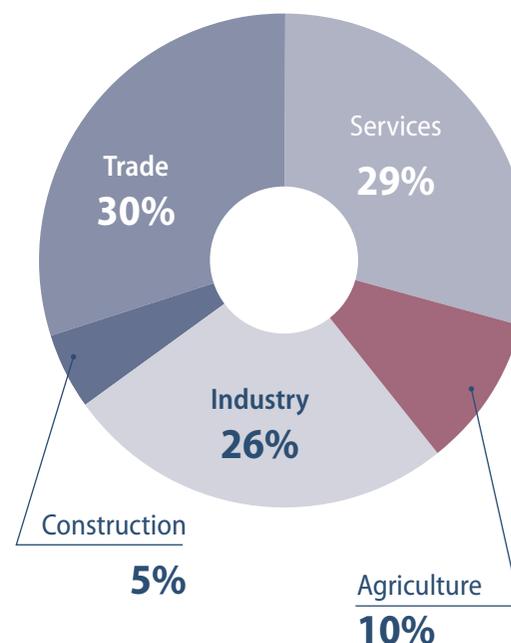
Rank in the economy



Expected results

Main indicators	Indicator for 2020	Increase compared to 2014
Number of entities	17 815 enterprises	+12%
Profitable enterprises	70%	+7 p. p. ⁵
Concentration (per 10,000 people)	4,4 enterprises	+10%
Overall employment	3,101,000 people	+15%
Value added (actual)	—	+70%
Enterprises with innovation	30%	—
Labour productivity (actual)	—	+48%
Labour production (to EU level)	42%	+11 p.p.

Sectoral structure⁴



Main features

- The overall contribution of the medium enterprises to the economy is substantial and comparable to large enterprises by added value and sales.
- Medium enterprises provide the largest ratio of employment at the enterprises.
- Productivity is somewhat lower than the average level in the Ukraine and in general is less than two-thirds of labour productivity at large enterprises.
- In the structure of value added generated by medium enterprises, the largest share is generated by the trade enterprises and service providers.
- Medium enterprises have the significant potential to entering the foreign markets.
- Medium enterprises significantly influence the economy of certain towns and cities in Ukraine
- Medium enterprises can be real competitors to large enterprises and under favourable conditions to move into the category of large ones.
- Medium enterprises insufficiently use advanced technologies and innovations.

¹ Data of State Statistic Service of Ukraine (www.ukrstat.gov.ua).

² Business entities are enterprises and private entrepreneurs. Data on operating private entrepreneurs provided by State Fiscal Service of Ukraine.

³ Calculated based on the productivity of medium enterprises in the EU in 2013.

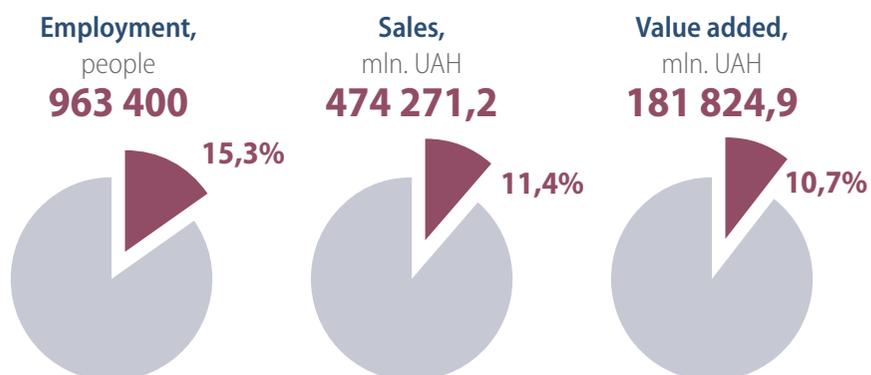
⁴ Chart is given by the value added.

⁵ P. p. – hereinafter “percentage points”.

Current situation¹

Subject area			Concentration	Average number of people employed	Labour productivity		
45 676 enterprises	3,5% business entities ²	64,1% profitable enterprises	11 enterprises 10,000 people	21 people per one enterprise	188,700 UAH per one employee	69,9% of average level in Ukraine	22% of average level in the EU ³

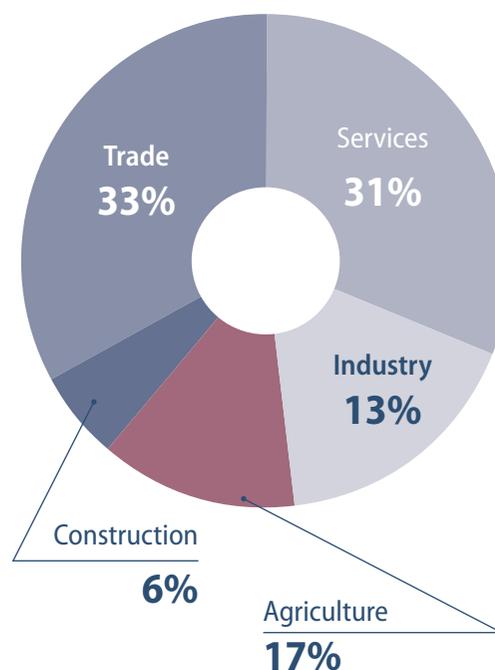
Current situation



Expected results

Main indicators	Indicator for 2020	Increase compared to 2014
Number of entities	50 244 enterprises	+10%
Profitable enterprises	70%	+6 p. p. ⁵
Concentration (per 10,000 people)	13 enterprises	+18%
Overall employment	1,256,000 people	+30%
Value added (actual)	—	+66%
Enterprises with innovation	15%	—
Labour productivity (actual)	—	+28%
Labour production (to EU level)	36%	+14 p.p.

Sectoral structure⁴



Main features

- The overall contribution of the small enterprises to the economy is significantly lower comparing to the same indicators of the large and medium enterprises by value added and sales.
- Labour productivity at the small enterprises is by one-third lower than the average overall level at the enterprises in Ukraine and twice lower than the labour productivity at the large enterprises.
- In the structure of value added generated by small enterprises the largest share is generated by the trade enterprises and service providers.
- Small enterprises are presented in all settlements in Ukraine and have the significant role in provision of employment for population in towns and villages.
- Small enterprises have extremely limited access to the credit, investment or other financial resources and thus their possibilities for development and growth are insignificant.
- Small enterprises tend to have insufficient resources for widespread introduction of new technologies, but are flexible in terms of implementation of innovation and know-how.
- The owners and managers of small enterprises have insufficient knowledge, skills and experience to effectively conduct business.

¹ Data of State Statistic Service of Ukraine (www.ukrstat.gov.ua).

² Business entities are enterprises and private entrepreneurs. Data on operating private entrepreneurs provided by State Fiscal Service of Ukraine.

³ Calculated on the basis of the work productivity at the companies in EU employing from 20 to 49 people in 2013. Actual level of work productivity of small businesses Ukraine is somewhat lower than this figure, compared to EU.

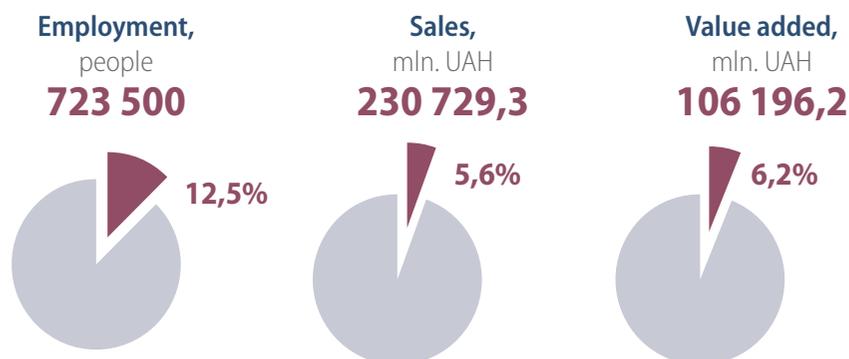
⁴ Chart is given by the value added.

⁵ P.p. – hereinafter “percentage points”.

Current situation¹

Subject area			Concentration	Average number of people employed	Labour productivity		
278 900 enterprises	21,3% business entities ²	66,9% Profitable enterprises	65 enterprises 10,000 people	<3 people per one enterprise	146,800 UAH per one employed	49,4% of average level in Ukraine	16,2% of average level in EU ³

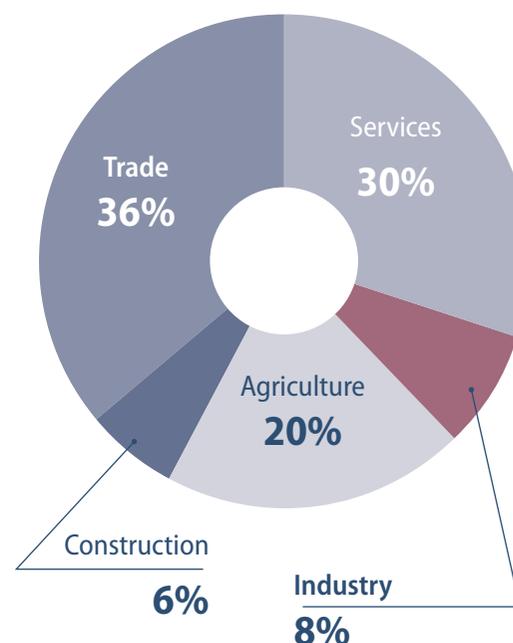
Rank in the economy



Expected results

Main indicators	Indicator for 2020	Increase compared to 2014
Number of entities	300 000 enterprises	+8%
Profitable enterprises	75%	+8 p. p. ⁵
Concentration (per 10,000 people)	75 enterprises	+15%
Overall employment	775,000 people	+7%
Value added (actual)	—	+25%
Enterprises with innovation	12%	—
Labour productivity (actual)	—	+17%
Labour production (to EU level)	40%	+24 p. p.

Sectoral structure⁴



Main features

- Overall contribution of the micro-enterprises in the value added generated by the enterprises is significantly lower comparing to other business segments.
- Labour productivity at the micro-enterprises is twice lower of the average overall productivity at the enterprises in Ukraine.
- In the structure of value added produced by the micro-enterprises the trade enterprises, service provider and agricultural enterprises are the most significant.
- Micro-enterprises exist in all settlements in Ukraine and create possibilities for employment of significant number of population, particularly in the field of service provision, trade and agriculture.
- Micro-enterprises do not have sufficient resources to introduce innovations and new technologies but are flexible and quickly adapt to changes.
- Micro-enterprises have limited access to credit and other financial resources enable to develop and expand the business.
- Management of micro-enterprises is often presented by their owners who mostly do not have the relevant education and/or sufficient skills.
- Micro-enterprises are more prone to operate in shadow or unofficially.

¹ Data of State Statistic Service of Ukraine (www.ukrstat.gov.ua).

² Business entities are enterprises and private entrepreneurs. Data on operating private entrepreneurs provided by State Fiscal Service of Ukraine.

³ Calculated versus data on work productivity of companies in EU employing from 0 to 19 people in 2013 році. Actual level of work productivity of micro businesses Ukraine is somewhat higher than this figure, compared to EU.

⁴ Chart is given by the value added.

⁵ P. p. – hereinafter "percentage points".

Current situation¹

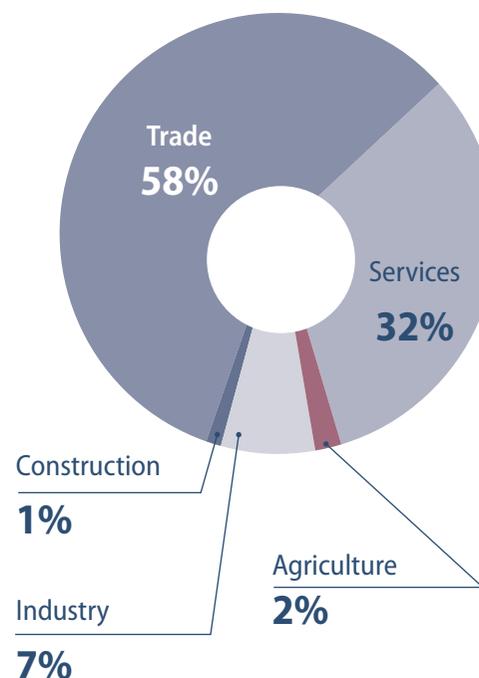
Subject area	Concentration	Average number of people employed
968 800 entrepreneurs ²	74,0% business entities ³	227 per 10,000 people
		<2 people per one entrepreneur

Rank in the economy

Employment	Sales
1,529,800 people	284 769,8 mln. UAH

Expected results

Main indicators	Indicator for 2020	Increase compared to 2014
Number of entities	780 000 enterprises	-19%
Concentration (per 10,000 people)	190 enterprises	-16%
Overall employment	1,530,000 people	—
Sales (actual)	—	+2%

Sectoral structure⁴

Main features

- Labour productivity of PE is similar to that of micro-enterprises and more than twice lower of the average labour productivity at the enterprises in Ukraine.
- In the structure of the overall sales the most activities conducted by PE are presented in the trade field and service provision.
- PE provide the wide range of services to population and business; this business form is efficient in the sphere of minor services provision or works.
- PE are presented in all settlements in Ukraine and is the legal form of the self-employed who wants to operate privately or do not have other possibilities of employment.
- PE is an efficient form of the entrepreneurship initiative implementation for those that do not have sufficient resources to conduct business of the bigger scale.
- PE are the most sensitive to changes in business conditions and they mainly lack the business skills.
- Not all PE are the real business entities – some fake entities are registered to optimize the tax burden on other segments of entrepreneurship.

¹ Data of State Fiscal Service of Ukraine

² Information provided on current private entrepreneurs, who had revenue in the relevant year

³ Business entities are enterprises and private entrepreneurs. Data on operating private entrepreneurs provided by State Fiscal Service of Ukraine.

⁴ Chart is given by sales