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SME Development Policy in Ukraine at Regional and Local Level

Report

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1. Introduction

1.1 Focus of the report

In line with the Inception Report, one of the Component 2 activities is A2.3: Capacity building with authorities on national, regional and local level. This Activity basically concerns enhancing the capacity of regional and local authorities to develop and implement effective economic development policies with a focus on Small and Medium-sized Enterprise (SMEs) policy, aligned with the European Union's (EU's) Small Business Act (SBA) principles and leading to improved investment climate for SMEs.

Now that the Ukrainian National SME Strategy has been approved and the draft SME Action Plan is at an advanced stage of preparation, the ideal scenario is that the Oblast level Regional SME Development Programmes fit within the framework of the national SME Strategy and Action Plan. At the lower level, the City Local Economic Development Programmes should also fit within the framework of the Regional SME Development Programmes. This would enable an alignment of the local and regional strategies with the overarching national SME strategy framework.

Therefore, there are two Tasks connected with this activity:

- Task 1. Develop the Concepts for Regional/City SME Development Programmes;
- Task 2. Undertake Capacity Building for Regions and Local Authorities.

This report concerns primarily the first task, namely to develop the concept for how the regional and the city strategic / programming elements could interface with the national SME strategy. Once this is done, the report also sets out a methodology for the selection of a pilot region which will be used to implement the second task, namely to undertake the capacity building process in a region and at least one city.

1.2 Rationale

Now that the SME Development Policy (Strategy and Action Plan) has been adopted at the national level, it is necessary to turn attention towards developing capacity for its effective implementation in the country as a whole. In addition to the establishment of SME Development Office (SMEDO) at the national level, this requires the active involvement of regional and local governments, especially given the ongoing decentralization reform process, which foresees the expansion of a range of powers of local authorities, as well as increasing local budgets, both of which are important to SME development and the regional and local levels.

The Project will aim to follow-up the establishment of national SME Strategy and Action Plan by enhancing the capacity of regional and local authorities to develop and implement effective economic development policies with the focus on SME development. The project involves close cooperate with the Ministry of Economic Development and Trade (MEDT) and the future SME Development Office to develop a concept of regional/local policy for SME development (Task 2.3.1).

The concept (leading to the preparation of regional and local templates) takes into consideration the regional specifics, as well as local potential as the backdrop for economic development. The concept also needs to be aligned with the national SME strategy/SBA principles and coordinate the regional/local SME policy with relevant

national Strategic documents, leading to an improved business and investment climate for SMEs.

Implementation of regional/local SME policy requires sufficient funding combined with adequate SME support infrastructure. Presently the local, regional and national budgets in Ukraine fail to allocate sufficient funds for SME development, thus the concept will need to maximise the use of possible alternative funds for implementation of SME policy. The concept will also aim to assist local government to generate more effective engagement with their economic stakeholders, thus increasing their chances of accessing state/regional/EU funds and stimulating private investment.

The FORBIZ project does not have sufficient time or other resource to cover the whole country. Therefore, to pilot the concept, the Project will select a region, which demonstrates political and technical commitment to perform this exercise. The Project will aim to choose the region with sufficient capacity of the regional/city government, as well as with existing SME-support infrastructure, which is necessary for future implementation of policy. The Project will undertake a hands-on capacity building support programme in the selected pilot region (Task 2.3.2). The experiences of the pilot region and cities will be disseminated more widely, so that other regional and local authorities can also benefit from the experience gained.

This process will be performed in close cooperation with MEDT in order to ensure policy coherence at the national level, as well as follow-up support from MEDT/SME Development Office to disseminate and embed good practice at the regional and local levels. The Project will coordinate with other implementers, not least other projects and the Ministry of Regional Development, Building and Housing (MoRD), in order to take into account the lessons learned and ensure better application of the concept.

2. SME Development Policy: International Good Practice

2.1 Key principles and directions

Effective co-ordination of policies between various parts and levels is essential to ensure effectiveness of policies in achieving their objectives and reaching their target audience. The policies originating from different sources have to be coherent, comprehensive and joined up, rather than overlapping or leaving gaps.

Entrepreneurs need to efficiently set-up contacts with local governments in order to benefit from existing policies and programmes on local and regional levels. Thus, it is important for institutions involved in policy making at the national level to work closely with their regional and local counterparts and vice versa. A lack of co-ordination increases fragmentation of policies, what is likely to lead negative consequences rather than benefits to entrepreneurs.

Factors facilitating good governance processes

The above aspects of governance ultimately lead the question of which factors are most likely to facilitate good multi-level governance (MLG) processes. Different variables can be specified, and allocated to two main categories:

- Tangible factors (e.g. formal arrangements of cooperation such as contractual agreements);
- Informal factors (e.g. the use of bilateral communication channels, a culture of consensus and compromise to foster constructive dialogues, treatment on an equal footing, agreed objectives based on a common vision, etc.).

A determinant of good MLG also concerns the stakeholders' perceived **legitimacy**. The legitimacy of the actions and decisions taken within governance structures (and importantly, the sources of this legitimacy at various levels) is critical to comprehend the success factors of different modes of governance. As a prerequisite and indicator for legitimacy, **trust in institutions** and governance structures is an essential, albeit ambiguous, element. Similarly, **transparency** and **fairness** of the decision-making procedures as well as openness and inclusiveness are other important democratic indicators, are quintessential features of good governance practices. Moreover, the ability to generate **trust** also plays a fundamental role in fostering commitment and a sense of ownership amongst stakeholders who may feel empowered and driven to achieve a set objectives.

In line with the aspects discussed above, the aim of the Committee of the Regions (CoR, 2014) is to shape MLG practices in Europe by:

- Developing a transparent, open and inclusive policy-making process;
- Promoting participation and partnership involving relevant public and private stakeholders throughout the policy-making process, including through appropriate digital tools, whilst respecting the rights of all institutional partners;
- Fostering policy efficiency, policy coherence and promoting budget synergies between all levels of governance;
- Respecting subsidiarity and proportionality in policy making;
- Ensuring maximum fundamental rights protection at all levels of governance.

There are number of reasons why SME and entrepreneurship are an important policy to be considered and coordinated between the various levels, namely:

- SMEs constitute the largest contingency of all businesses (over 99%);

- High dynamics of their interaction with other SMEs as well as other bodies;
- Within the conglomerate of new companies, SMEs present the most important source of new employment in economies, such as the EU;
- Entrepreneurship is a prerequisite of economic growth and job creation.

The EU approach to SME policy is examined due to its relevance for SME and entrepreneurship support at the regional level. Relevant policy documents and initiatives at EU level include, notably, the Small Business Act for Europe (SBA) (Annex 1). In recent years, the policy support towards SMEs was diversified as entrepreneurship, start-ups and scale-ups emerged into a stronger focus of EU policies, with the Entrepreneurship Action Plan 2020 (2013), the Single Market Strategy (2015) and the Start-Up and Scale-Up Initiative (2016) markedly the most relevant. Further, the CoR's European Entrepreneurial Region (EER) scheme is analysed, which promotes implementation of the SBA at regional and local level.

The roles of regions and municipalities in supporting SME and entrepreneurship policy is most fundamentally seen in:

- Harnessing their internal potential for development (i.e. developing an attractive and business-friendly ecosystem tailor-made to the territory's strengths);
- Designing strategic approaches to SME and entrepreneurship policy thanks to their sound understanding of the needs of SMEs (e.g. in terms of access funding, one of the main obstacles to growth for SMEs);
- Strengthening and supporting the policy implementation process by involving regional partners;
- Developing more effectively mentoring and supporting measures assigned to specific target groups of potential entrepreneurs (women and migrants for instance).

2.2 International good practice of regional SME development policy:

Policy making for SMEs and implementation in EU countries is usually organized in the following forms:

- Approval and implementation of documents with a focus on SME development;
- Including of SME issues into broader documents, such as Regional Development Strategies;
- Approval and implementation of policy documents, focused on specific directions of SME development as export, innovation, etc.

This result very heterogeneous documents, for instance: strategies (Strategy for SME development of Warmian-Masurian Voivodeship, Poland), programmes ("SME Development programme for Catalonia", Spain), List of Regional Priorities for SME Support (Helsinki-Uusimaa region, Finland), and others ("Act of SME Support", Land Baden-Württemberg, Germany).

Often SME related policy becomes an integral part of Regional Development Strategies (RDS). An effective RDS attempts to secure an appropriate balance between economic, social and environmental aims and objectives. However, the Latvian and Lithuanian examples of RDSs demonstrate the difficulty that can be faced in promoting economic growth while attending simultaneously to social and environmental objectives. Quite often social and environmental aims have deferred to economic goals despite an intention to secure a more balanced approach. An

approach to consider SME development is an integral part of regional development to ensure integrity and consistency of the policies in a region.

The basic recommendations for EU local and regional authorities aiming to improve the governance of their own SME policies by transferring and adapting good practices identified in the report “How to improve regional and local governance of SME and entrepreneurship policy” (European Committee of the Regions, 2017) and contain following recommendations regarding organisational side of the process.

Table 1. Organisational recommendations regarding SME support for regional and local authorities (European Committee of the Regions, 2017)

Recommendation	Comments
<i>Integration of foresight / horizon scanning tools</i>	Based on the experiences of the regions and cities analysed, the introduction of foresight/horizon scanning tools, such as SWOT analyses, seem to improve the regional policy planning process, as they enable self-reflection, communication and target setting. However, these tools need to be revised and updated on a frequent basis according to the changes of the economic and political environment. For instance, balanced score cards are used in Lower Austria. Southern Denmark preferred developing its own Growth Model, i.e. a commercial-political infrastructure that makes it possible to target input at areas where the challenges are the greatest and offer the broadest perspective for the individual business area.
<i>Creation and promotion of a common vision</i>	All regional and local institutions should share the same objectives and vision about the development of SMEs, start-ups and scale-ups, in order to communicate a clear and succinct message to all other stakeholders involved. This requires regular coordination, reporting and adjustments of the initiatives and measures. Ideally, this common vision is also promoted to the citizens and entrepreneurs of the region.
<i>Reduction of the contact points for SMEs, start-ups and potential entrepreneurs</i>	A certain degree of simplification and merger of local bodies in contact with the “final recipient”, e.g. “one-stop-shops” increases the transparency for people seeking support. These contact points however need to be very well connected with all relevant stakeholders in order to enable the development of timely tailor-made solutions.

The current approaches to the SME support in Europe mostly include following components of strategic planning:

- Focus on the practical implementation of the Small Business Act for Europe;
- Long-term character;
- A clear division of powers between different levels of government in the area of SME support;
- Identification of priority goals and areas of SME support on the basis of SWOT analysis of the SME sector;
- Availability of clear mechanisms for monitoring and evaluation of implementation.

Focusing on the content of the SME policy at regional/local level, it is important to stress that regions play a key role in implementing the SBA. Not all principles and actions can be implemented exclusively at national level. Local authorities are often closer to the companies and have better information on the regional economic structure, the needs of SMEs and their support requirements. The regions can adopt an active role according to the institutional and legal arrangements, for example in education and training, in promoting entrepreneurship, in providing advice and financial support for small business and in SME-friendly administration. Regions can play an active role independently of a centralised or decentralised state structure

where there is no national legislation involved and where they themselves are legally authorised to do so.

One of the most important objectives of the SBA is creating an environment for entrepreneurship in which entrepreneurs and family businesses can thrive and young people's interest in self-employment is awakened. Many regions focus their activities on this area and have put promoting entrepreneurship at the centre of their strategy, what gave a start for appropriate projects.

For example, the Portuguese Industrial Association (AIP), the Office of Strategy and Planning and the central authority of the State administration initiated a joint project, which identified the following problems: an extremely difficult financial and economic environment, rising unemployment, a very low percentage of enterprises founded by women, scattered information at national and international level, a culture of risk avoidance and a lack of cooperation and innovation. Four core areas for the promotion of SMEs were identified:

- Skill development;
- Business field development and evaluation;
- Network creation;
- Information and dissemination of entrepreneurial culture.

Workshops were offered on how to start a business, support was provided for access to finance and new markets, cooperation networks were set up between entrepreneurs and market participants, and the development of partner networks and the improvement of training opportunities for entrepreneurs were promoted. Entrepreneurs, associations, companies, local authorities, secondary and vocational schools, universities and technical colleges were all involved in implementing the project. The project was carried out in the regions of Northern Portugal, Central Portugal, Alentejo, Algarve and Lisbon; 22 workshops have been organised and 50 partnerships and 61 support agencies have been set-up.

In the implementation of the 'Think Small First' principle, regions have opportunities to take action with regard to reducing the administrative burden on SMEs. Examples of this include the 'Red Tape MOT' in Baden-Wurtemberg, the online administrative burden calculator in Estonia and the 'Become an entrepreneur with one click' platform in Sardinia.

Establishing communication structures 'on an equal footing' and regularly exchanging information between regional administrations and companies or their representatives form an important basis for all activities. Possible instruments for doing this include an SME Parliament, such as in Wallonia, an SME Advisory Board such as in Baden-Wurtemberg or discussion platform such as the Chamber of Commerce 2.0 in Lombardy.

The involvement of key stakeholders including businesses into a strategic body of the Growth Forum of Southern Denmark has introduced a lasting change in the interactions of the stakeholders. Whereas this was perceived as a very positive outcome (active involvement in the bi-annual development of the Action Plans), there were also some disenchanting experiences (i.e. the enterprises were not able to understand the holistic aspects discussed on regional level), since not all enterprises have the same scope as the Growth Forum.

The above examples drive us to the conclusion, while the National SME Strategy in Ukraine was adopted, the significant role for its implementation is still at the regional level. There are plenty of opportunities for regional and local governments to broaden the proposed by National SME Strategy activities by initiating unique local programmes which will reflect their regional specificity, strengthen SBA principles and stimulate SME development and regional economic growth.

3. Legal Framework of Strategic Planning in Ukraine

Introduction

The weaknesses of strategic planning system in Ukraine generally and in SME-development planning in particular arise because of absence of a common inter-ministerial and inter-level approach. Usually this results as inconsistency between different strategic and planning documents; lack of clear link between planned documents and their budgets; uncertainty of the status of some strategic documents; the lack of a unified approach to strategic planning on different levels; usual absence of action plans; uncertain timescale and responsible for implementation; uncertainty of liability in case of non-fulfilment; ineffective system for evaluating and monitoring of public policy.

The first attempts to develop a strategic planning system in Ukraine started with the President's Messages to citizens and to the Parliament of Ukraine in 1997. Uncertainty of the legal power of the President's Messages as well as difficulties with identifying indicators and institutions responsible for implementation resulted in failure. The Order of the President L. Kuchma № 460/99 dated 04/30/1999 "On development of System for Strategic Planning and Forecasting" (expired in 2008) was a second attempt to introduce common and comprehensive system of strategic planning in the country, which was mostly based on Soviet experience and was not applicable to the approach of an independent country. On December 22, 2011, the new draft Law of Ukraine "On State Strategic Planning" passed second reading in the Parliament of Ukraine, but was not adopted.

Despite of numerous attempts to develop strategic planning system, there is still no common approach in Ukraine. According to the "Governmental Action Plan 2017", the methodology for national strategies, monitoring their implementation and impact assessment as well as samples/templates will be developed and adopted by the Cabinet of Ministers of Ukraine. This will regulate procedures at the national level, while approaches for development of regional/local strategies and their coordination with national policies will, most likely, remain an issue for the nearest years. In early 2018, the methodology had yet to be approved.

On May 24th, 2017 the "Strategy for Small and Medium Entrepreneurship (SME) Development 2020" was adopted by the Cabinet of Ministers of Ukraine. This document is a first Strategy for the SME sector which was approved at the national level for last 29 years of independence. This is an important new development which forms the framework for the future SME development for the country. While the SME Strategy is a horizontal and national instrument, to ensure its implementation, coordination between the relevant administrative levels/policies is needed.

Legal framework for SME policy making and implementation

The SME policy making at regional/local level is an inter-sectorial issue and its legal framework is composed by a number of legal acts from several fields, such as self-government, deregulation reform, state support for SME development, and as well as number of relevant policies. The legislation on self-regulation and decentralization reform defines the responsibility of local authorities regarding local economic development and implementation of relevant policies (with SME development as an integral part).

Law “On Local Self-government”

The Ukrainian territory consists of 24 oblast/regions, which include rayons and municipalities. Starting in 2014, Governmental Administrative Reform of Decentralization is taking place in the country. The reform foresees replacement of rayons and strengthening of the local government level, by the creation of new administrative units called “amalgamated territorial communities” (ATC). The reform is aimed to expanding the power and responsibilities of the local authorities, together with increasing the local budgets. In fact, the reform includes political, administrative financial/budget and economic decentralization. The significant increasing of ATC budgets is happening as a result of redistribution of income taxes (60% of which are being redirected to local budgets). This is an important development, which should result in greatly strengthened local authorities in the future.

It is expected that the funds from local budgets will be used for implementation of programmes of socio-economic development in their respective territories, investment activities, the implementation of other activities related to socio-economic growth, as well as to reimbursement of local debt. [Article 64, Law of Ukraine “On local self-government”].

In this context, effective planning and policy making at the local level is the basis for local economic development.

The self-governing system includes several levels:

- Amalgamated territorial community (ATC);
- Village, town, city councils, which are responsible for preparation and adoption of programmes of socio-economic and cultural development of villages, cities, other targeted programmes, their submission for approval by the council, implementation; development of progress reports and evaluation of the results;
- Mayor of a village, town, city prepares for consideration drafts of programmes of socio-economic and cultural development, other targeted programmes, the local budget and a report on its implementation, decisions of the council on other matters that are within its competence; announces the programmes, budgets and reports approved by the Council;
- Executive bodies of the village, settlement, city council;
- Rayon and oblast councils, which represent interests of the communities, prepare proposals for programmes of socio-economic and cultural development in oblasts and national programmes of economic, scientific, technical, social and cultural development of Ukraine; approve programmes of socio-economic and cultural development, other targeted programmes, accepting reports on implementation of the programmes and budget;
- Self-governing bodies of citizens.

The Executive Bodies of village, ATC`s and city councils are responsible for development and implementation of programmes of socio-economic and cultural development of villages, ATC, cities as well as of programmes with related focuses. The mentioned Executive Bodies ensure sustainable economic and social development of their respective territories, effective use of natural, labour and financial resources. The Executive Bodies prepare the development programmes, submit them to for approval by the local Council and ensure their implementation. The Executive Bodies implement, monitoring and report on the progress and results of their implementation to the local Council.

Law “On Local State Administrations”

The development and implementation of the economic/SME policy at the regional level are implemented by Oblast State Administrations, which are the part of Executive branch of State Government and regulated by separate Law.

Oblast State Administrations develop drafts of programmes for socio-economic development and submit them for approval to relevant authorities (Oblast Councils), implement and report to the Oblast Council about results of implementation of the programmes.

Effective distribution and management of natural, economic, financial and labour resources are the responsibility of Oblast State Administrations.

One more function, which is important for strategic planning is that Oblast State Administrations make suggestions for State Target Programmes as well as long-term forecasts and drafts of indicative plans for the development of the relevant branches of the national economy, their financial and economic provision. [Chapter 2, art.17]

Oblast state Administrations submit to the relevant bodies proposals for attracting Foreign Direct Investment (FDI) for economic development of the regions. Financial support of local state administrations is carried out at the expense of the State Budget of Ukraine. The programmes developed by the Administrations have special State and EU Funds for the implementation.

Most of the existing legislation on regional/local development of Ukraine prescribes development of Programmes, which is usually a short-term planning tool, but not long-term Strategies. Currently there is no legislation and no common methodology for Strategic Planning. (The last initiative is draft Law “On State Strategic Planning” which was submitted to the Parliament in 2011). Thus, most of the Strategies at the regional level are developed by Oblast Administrations on voluntary basis and, as a rule, at the initiative of private sector.

Order of the Cabinet of Ministers of Ukraine “On State Strategy for Regional Development”

Order of the Cabinet of Ministers of Ukraine “On Approval of the Procedure for the Development of Regional Development Strategies and their Action Plans, monitoring and evaluation of these regional strategies and action plans”

The national Strategy for Regional Development 2020 and Regional Development Strategies are the only obligatory strategies that must be developed both at the national and the regional levels. The current national Strategy was adopted in 2014

and became the governmental tool defining the main strategic directions of development and coordinating regional development.

The “Methodology for Oblast Administrations on development of Regional Development Strategies” was approved by the Ministry for Regional Development. The methodology recommends focussing on three strategic directions: social, environmental and economic regional development. According to the methodology, the development of the Strategy should be completed within 6 months of the State Strategy for Regional Development being approved and 6 more months are foreseen for the development of the associated Action Plan.

The Action Plan is implemented by a number of operational Programmes (2-3 years) with a specific focus, such as Programmes for socio-economic development, environmental, etc.

Law “On State Regional Policy”

Chapter 4, Article 24 of Budget Code of Ukraine

As the Regional Development Strategies and relevant Programmes are implemented by Local State Administrations (local governmental executive bodies), the budget for their implementation is allocated by the State Fund for Regional Development. To ensure better access to finance for the sectorial programmes, additional EU-funded tools are becoming available, such as the Sectoral Budget 2017, which is coordinated by the Ministry of Regional Development.

The State Fund for Regional Development is a part of the State Budget of Ukraine and is basically a tool for implementation of Regional Development policy. The fund has three main directions for funding:

- Programmes/Projects within Regional Development Strategies;
- Programmes/Projects of ATC;
- Programmes/Projects of cooperation between ATCs.

The fund is regulated by Article 24 of the Budget Code of Ukraine. According to the Code, the Fund for Regional Development is allocated up to 1% of the expected annual income of the State Budget. In 2015, the volume of the Fund was 2,9 billion UAH, increasing to 3,0 billion UAH in 2016 and 3,5 billion UAH in 2017. By fact this represents around 0,4-0,5% of the annual income of the State Budget. The average annual cash expenses of the Fund for implementation of the Programmes within Strategies for Regional Development are about 75-80% of its annual funds.

According to the statistics, starting from 2014, there following numbers of Programmes/Projects were submitted to the Fund:

- Elementary schools – 355;
- School education – 1001;
- High education, vocational-educational trainings – 31;
- Healthcare – 678;
- Culture – 262;
- Water infrastructure - 163;
- Energy efficiency – 251;
- Tourism – 24;
- Social entrepreneurship and economic activities – 8;
- Techno parks, innovation – 6.

This means that only 14 out of 11733 projects (1,2%) were connected with SME/entrepreneurship issues. This is a figure which must be increased over time.

The figures demonstrate that implementation of the social, rather than economic programmes is the current priority for regional and local governments for now. This is despite the fact that the official methodology for Regional Development Strategies identifies economic development as one of 3 key strategic directions. The issue may not simply be one of prioritisation: this may simply reflect that SME/entrepreneurship may not be currently adequately incorporated within the regional/local strategies, programmes and action plans.

Law “On Development and State Support for Small and Medium Entrepreneurship”, 2012

The Law adopted in 2012 identifies the objectives and principles of state support for SME development, as well as allocate responsibility for SME policies among national and regional bodies. The objectives of the SME Law include:

- Creating favourable conditions for small and medium entrepreneurship,
- Ensuring the development of SMEs in order to form a competitive environment and increase their competitiveness;
- Stimulation of investment and innovation activity of SMEs;
- Assistance to SMEs in promoting their products (works, services), the results of intellectual activity in domestic and foreign markets;
- Ensuring employment by supporting entrepreneurial initiatives of citizens.

The Law prescribes the following principles of state SME development policy:

- Efficiency of support of SMEs;
- Availability of state support to SMEs;
- Ensuring the participation of representatives of SMEs, public organizations representing the interests of SMEs in the formation and implementation of state policy;
- The creation of equal opportunities for access to SMEs that meet the requirements of national, regional and local programmes for the development of SMEs, to participate in the implementation of such programmes and receive state support;
- Efficiency in the use of budget funds provided for the implementation of these programmes;
- Openness and transparency of the procedures for providing state support;
- Access for SME infrastructure for all SMEs.

Among the general framework for SME support, the legal act identifies responsibilities of local authorities, as well in regard to SME development. Among all powers of the Oblast State Administrations, the following are noteworthy:

- Identifying of regional priorities and types of state support in the framework of national priorities;
- Development of draft regional and local programmes for SME development, ensuring their implementation taking into account national priorities, national and regional socioeconomic, ecological, cultural and other specifics, monitoring of the implementation of the programmes;
- Drafting of guidelines for local self-government bodies, providing assistance in development and implementation of measures for the SME development.

This means that Oblast State Administrations have the power and responsibility not only regarding development/implementation of socio-economic programmes in the framework of implementation of the Regional Development Strategy, but also have to lead the process on regional SME Development Programmes. Moreover, Oblast State Administrations are responsible for providing methodological support and assistance to the local (city, ATC, village) level in development of SME policies.

Law “On National Programme for SME Development”

In addition, and on the basis of the Law of Ukraine «On Development and State Support for Small and Medium Entrepreneurship», “...considering important role of small entrepreneurship for economy of Ukraine...” the Law “On National Programme for SME Development” was adopted in 2001 and updated in 2010 and 2013. According to this document, the purpose of the national Programme is to create the conditions for entrepreneurial activity, as well as increasing the well-being of Ukrainian citizens by encouraging the population to engage more effectively in entrepreneurial activities. The programme aims at implementing of State policy for addressing the SMEs` challenges for further development.

The main objectives of the Programme are:

- Establishment of a state system for development and support to small business;
- Creation of conditions for the development of small business in the regions;
- Promoting the creation of new jobs by SMEs;
- Supporting business and investment activity, development of competition in the market of goods and services;
- Involving the entrepreneurial activity of women, youth, pensioners and other groups of the population;
- Intensifying financial and credit and investment mechanisms, search for new forms of financial and credit support to small entrepreneurship;
- Establishing regional infrastructure for development and support to small business;
- Creating the conditions for the development of small business in manufacturing sector, including on the basis of restructured enterprises.

The following directions are relevant to the scope of this Report:

- Improvement of the regulatory framework for entrepreneurial activity;
- Forming comprehensive state regulatory policy in the field of entrepreneurial activity;
- Intensification of financial-credit and investment support to small business;
- Development of support infrastructure for small entrepreneurship;
- Introduction of the regional policy for SME development .

The National Programme has an Action Plan for 2001, which includes measures, expected results, timescale, responsible bodies and budgets (total amount and amount from the state budget). However, this Programme has not been updated since the Dignity revolution so does not contain up-to-date measures.

In 2013 the new Consent of Programme for SME Development 2014-2024 was drafted by State Regulatory Service and adopted by the Parliament, but the new Programme was not approved. To avoid overlapping with newly adopted Strategy for SME development 2020, the Concept has terminated by the Order of the Cabinet of Ministers #504-p dated May 24, 2017.

4. Public Private Dialogue in SME Policy making and implementation

4.1 International good practice of Public-Private Dialogue

The three most essential governance aspects to ensure effective governance processes are: cooperation between public and private stakeholders, targeted strategies creating a common vision between actors and strong reflection on economic needs. The existence of Public Private Dialogue (PPD) is widely acknowledged to be of critical importance in effective policy making in general:

“Public Private Dialogue” refers to the structured interaction between the public and private sectors in promoting the right conditions for private sector development, improvements to the business climate, and poverty reduction. It is about stakeholders coming together to define and analyze problems, discuss and agree on specific reforms, and then working to ensure that these ideas become a reality.” (World Bank, 2009, p.5, Review of World Bank Group Support to Structured Public-Private Dialogue for Private and Financial Sector Development)

The Charter of Good Practice in Using Public-Private Dialogue for Private Sector Development and Inclusive Growth” (8th PPD Workshop organised by WB Group, Copenhagen, Denmark, 2015) describes PPD forms, levels and timeframes:

“PPD brings together government, private sector, and relevant stakeholders, in a formal or informal process, to achieve shared objectives and play a transformational role for a particular set of issues. PPD can be categorized according to seven interlocking dimensions: area (from national to local); scope (from economy-wide to sector specific); institutionalization (from permanent to temporary); leadership (from public-to private-driven); ownership (from third party brokerage to locally driven); focus (from general to specific goals); and participation (from many actors to few actors).”

Keeping in mind the interdependence of all government tiers and the collective aim of increasing efficiency the Committee of the Regional (CoR) promotes a “Multi-Actorship” model, embracing not only governmental institutions, but also private partners such as social partners, research institutions, NGOs and representatives of civil society groups. This is relevant because effective and efficient MLG is seen in the coordination of different actors (public and private), at best resulting in a joint commitment (CoR, 2014) to the policies designed and measures implemented.

The Code of Good Practice for Civil Participation describing non-governmental party of the PPD (Code) refers to organised civil society including voluntary groups, non-profit organisations, associations, foundations, as well as geographic or interest-based community and advocacy groups. The core activities of NGOs are focused on values of social justice, protection of interests, human rights, democracy and the rule of law. In these areas the purpose of NGOs is to represent interests of their target groups and improve the lives of people.

PPD serves a number of general objectives that are relevant to the private sector in general, though this can also be applied on the small and medium-sized enterprise (SME) sector specifically. Among others purposes, PPD can be used to:

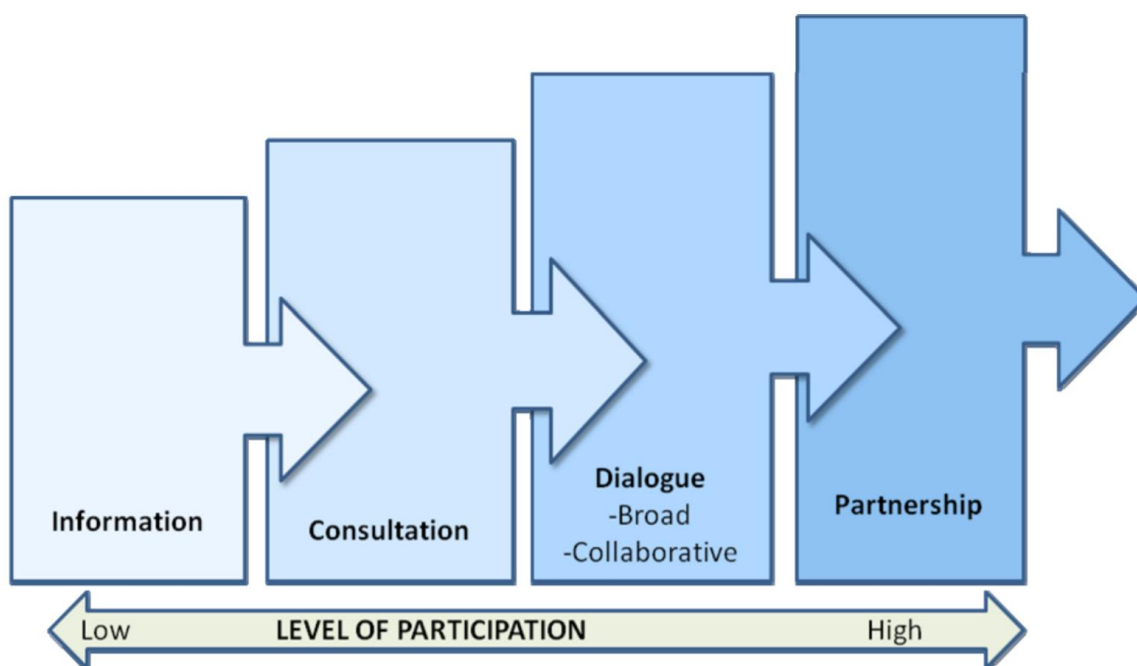
- Determine policy priorities;
- Improve legislative proposals;
- Incorporate feedback into regulation as part of the impact assessment process, etc.

The PPD in SME related issues will help to create or deepen the foundation for market-friendly policies that strengthen economic reform and enhance national competitiveness through SME and other forms of support. From a development perspective, an effective private sector, including the SME sector, contributing to PPD can enhance participation in policy-making, can improve the quality of business representation and can strengthen the performance of governmental institutions.

The World Bank Charter stresses, that the dialogue depends on the capacity and mind-set of participants and legal mandate is not sufficient to create this. Thus, it is of critical importance to raise awareness of both parties about benefits from the PPD. Both sides have something to gain through participation in PPD (Center for International Private Enterprise, 2011 - Making the Most of Public-Private Dialogue: An Advocacy Approach):

- *Government*: can gain input and insights on business conditions, bolster legitimacy, obtain support for government positions or extend its control over the economy;
- *Private sector*: can draw attention to issues, gain better representation, secure support for business development, streamline regulations, etc. The business sector can cooperate with government in establishing an affordable, supportive and predictable business environment.

To categorise and describe different level of engagement between public and private sectors, we would like to present distinct levels of increasing participation have been established by the Code: i) information (one-way provision of information), ii) consultation (asking for comments, views and feed-back), iii) dialogue (two-way communication built on mutual interests and potentially shared objectives to ensure a regular exchange of views) and iv) partnership (shared responsibilities in each step of the political decision-making process), as illustrated on a picture below



Pic.1 Four levels of participation in Public-Private Dialogue

While there appears to be a degree of confusion among policy makers in respect to the difference between the described levels, we would like to describe each of them

in Ukraine with stronger focus on “consultations” and “dialogue” as far the SME policy-making process mostly happens within these two levels.

4.2. Public Private Dialogue in Ukraine. Forms of SME sector engagement

4.2.1. Providing information to SME sector

Access to information is the basis for all subsequent steps in the involvement of stakeholders in the political decision-making process. This is a relatively low level of participation which usually consists of a one-way provision of information from the public authorities and no interaction or involvement with stakeholders is required or expected. Information is relevant for all steps in the decision-making process.

The access to information in Ukraine is regulated by Law “On access to public information” No 2939-VI dated 13.01.2011. The Law determines main procedures and ensuring the right of private sector to have access to information held by the authorities, other administrators of public information, and all information which may be of public interest. The Law prescribes terms of publishing diverse types of legal acts at national/regional/local levels at the governmental official sources both on-line and prints. The Law as well sets the procedure for requesting the necessary information and clarifications from authorities by private sector and sets deadlines for the response.

Publishing of changes to legislation, Orders of Cabinet of Ministers and other national-level regulations is determined by Order of President of Ukraine “On Official Publishing of Normative and Legal Acts and their Entry into Force” No 503/97 dated 23.11.1997. The Order as well sets up the list of the official printed editions.

Based on the feedback obtained during public events and one-to-one consultations, it is evident that this function mostly works in Ukraine. Among the issues raised by entrepreneurs it is possible to highlight the following: the large number of redundant regulations, which are still available in the web as though they are still “valid”; the absence of “one-stop-shop” for all SME related regulations both at national and regional/local levels, apart from the Centres for Administrative Services; the difficulty with understanding of the documents because of their bureaucratic nature and technical language, etc.

4.2.2. Public consultations

The consultation is an initiative where the public authorities ask NGOs and other stakeholders such as business representatives for their opinion on a specific policy or development. Consultation usually involves the authorities informing NGOs/business associations of current policy developments and actively soliciting comments, views and feed-back. The initiative and themes originate with the public authorities, not with the NGOs and other stakeholders. Consultation is relevant for all steps of the decision-making process, especially for drafting, monitoring and reformulation of policy initiatives.

The current consultation procedures were set in Ukraine on October 3, 2011 by the Order of the Cabinet of Ministers No 996 “On ensuring public participation in development and implementation of state policy”. According to the Order, public consultations are held in Ukraine on issues related to the socio-economic

development, the implementation and protection of the rights and freedoms of citizens, satisfaction of political, economic, social, cultural and other interests.

Public consultations are conducted in *direct form*, which are public discussion and e-consultations and *indirect form*, such as public opinion surveys.

Public discussion usually foresees organisation of the public events, such as conferences, forums, public hearings, discussions, roundtables, meetings with the public authorities. In addition, meetings with civic councils and other subsidiary bodies formed by executive authorities may be held.

Proposals and comments at public discussions may be provided verbally and in written form during public events. The comments may also be sent in writing by post and to e-mail indicated in announcement. E-consultations are held using the official website of the body in "Electronic Public Consultation" section of "Public Consultation".

After the consultation, public authorities are obliged to sum up results and prepare a report with the following information:

- Name of the executive body that conducted discussion;
- The content of the questions / title of the draft regulatory act issued on discussion;
- Participants of the discussion;
- Proposals received by the executive body at discussion with an indication of the author of each suggestion;
- Consideration of proposals and comments with the justification of the decision, including reasons for denying proposals and suggestions.

Surveys of public opinion may be organised and conducted by authorities with the involvement of a Civil Council. The role of the authorities includes:

- Defining the need to study public opinion on a particular issue; scope for survey, alternative solutions; terms, forms and methods of survey; research organisations, specialists, experts, public organisations that will conduct the survey; and degree of representativeness of social groups to be investigated;
- Receives the summary information about the results of the survey;
- Generalises the public opinion about the proposed solutions;
- Ensures consideration of public opinion at the time of adoption the final decision;
- Publishes the results on official website and other appropriate sources.

The most common forms of consultation in Ukraine are public discussions and e-consultations. Basing on the described legislation, the consultations are obligatory in their nature and the procedures have quite a strong legislative background, although they are not always implemented as anticipated.

Overall, it can be argued that the consultations quite often are considered by authorities more as a formality than as a tool for obtaining valuable policy making feedback with which to improve policy drafts. One of the weaknesses often observed in Ukrainian practice is the absence of reporting on result of the consultations, despite this being a requirement. While this may be caused partly by limited capacity of the governmental bodies, nevertheless, this has negative effect on the transparency of the process, thereby maintaining the current levels of mistrust between public and private sectors.

4.2.3. Public-Private Dialogue

The initiative to establish public private dialogue (PPD) can be taken by either party and can be either broad or collaborative. *Broad dialogue* is two-way communication built on mutual interests and potentially shared objectives to ensure a regular exchange of views. It ranges from open public hearings to specialist meetings between NGOs and other stakeholders, such as SME and business organisations, and public authorities. The discussion remains wide ranging and is not explicitly linked to a current policy development process. *Collaborative* dialogue is built on mutual interests for specific policy development and usually leads to a joint recommendation, strategy or legislation. Collaborative dialogue is more empowering than broad dialogue as it consists of joint, frequent and regular meetings to develop core policy strategies and often leads to agreed outcomes. Dialogue is highly valued at all steps in the political decision-making cycle but is particularly crucial for agenda setting, drafting and reformulation.

The bodies established with the purpose to build the broad dialogue on SME matters in Ukraine are the Entrepreneurship Councils (Councils) within executive bodies. The Councils are consultative-advisory bodies acting within the executive authorities at all levels, national, regional and local.

The national-level Council is established within the Cabinet of Ministers of Ukraine (CoM). It is a permanent body regulated by Order of the Cabinet of Ministers No54 “On Establishment of the Entrepreneurship Council within Cabinet of Ministers of Ukraine” dated February 13, 2008. The main tasks of the national Entrepreneurship Council are similar to regional Councils (see below), including some advisory functions to regulations/legislation at the national level, namely:

- Monitoring of effectiveness of regulatory acts and preparation of recommendations to the CoM, central, regional and local executive authorities;
- Consideration of proposals from businesses on reforming legislation in order to improve the business climate;
- Participation in development of state target programmes, monitoring their effectiveness and budget costs;
- Establishment of a monitoring system for legislative acts to prevent corruption;
- Consideration of public opinion on business matters in decision-making process in CoM, central, regional and local executive bodies;
- Participation in the development of a mechanism for providing state support to entrepreneurs, incorporation of international good practice, etc.

The documents issued by the Entrepreneurship Council are advisory in nature. The members of the national Council are nominated by regional Councils (see below) and represent the interests of businesses.

The Entrepreneurship Council should be held at least once in a month, however, it has not been functioning for years. Since 2016, the Entrepreneurship Council system has been undergoing a process of reform, which was initiated because of low efficiency of the mechanism reported by entrepreneurs and regional Councils. The lack of progress since 2016 made reflects a general lack of policy prioritization of the issue of public private dialogue.

Box 1: Composition of the National Entrepreneurship Council

#	Full Name	Position and Organisation
1	Kozachenko Leonid Petrovych	President of the Ukrainian Agrarian Confederation, Chairman of the Council
2	Adamchuk Ihor Ivanovych	Chairman of the Regional Council of Entrepreneurs in the Zakarpattia Oblast, Director of Universal-M LLC
3	Alyeksyenceva Alla Rostyslavivna	Chairman of the Regional Council of Entrepreneurs in Vinnytsia Oblast, Chairman of the Vinnytsia City Association of Private Entrepreneurs "Center"
4	Andreyev Vitalij Mykolajovych	Deputy Chairman of the All-Ukrainian Professional Union of Employees of Small and Medium-Sized Businesses "Yednyna"
5	Anufriyev Maksym Yuriyovych	Chairman of the Regional Council of Entrepreneurs in Donetsk Oblast, Director of the Small and Medium Enterprise Development Center of Donetsk Chamber of Commerce and Industry
6	Aref'yev Serhij Serhijovych	Chairman of the Regional Council of Entrepreneurs in the Kyiv region, the chairman of the federation of employers of the Kiev region "Kyiv region"
7	Bahrij Petro Ivanovych	President of the Association of Ukrainian Drug Manufacturers
8	Baldynyuk Oleksandr Vasyliovych	President of the Association of confectionery, food-concentrate and starch-plating industries "Ukrkondprom"
9	Balenko Ihor Mykolajovych	President of the Ukrainian Trade Association
10	Berestovyj Serhij Oleksijovych	Head of Regional Council of Entrepreneurs in Chernihiv Oblast, Head of Regional Employers' Association "Association of Employers of Chernihiv Region"
11	Biletska Alla Anatolijivna	Member of the All-Ukrainian Association Ukraine - Development through the Internet
12	Borodynya Oleksandr Hryhorovych	President - Chairman of the board of the public organization "League of Ukrainian industrialists-manufacturers of footwear, leather goods, fur products and leather goods" Ukrshkirvsuyuteprom "
13	Brychko Oleksandr Serhijovych	Executive Director of the Association of Ukrainian manufacturers of paint and varnish products
14	Bunina Svitlana Serhiyivna	Executive Director of the Association of Employers of Medical and Microbiological Industries of Ukraine
15	Bykovets Vyacheslav Myxajlovych	First Vice President, the general director of the Union of Entrepreneurs of Small, Medium and Privatized Enterprises of Ukraine
16	Bzhezytskyj Ihor Volodymyrovych	Chairman of the Regional Council of Entrepreneurs in Kherson Oblast, Chairman of the Board of OJSC "Kakhovka Experimental and Mechanical Plant"
17	Cherevko Hennadij Mykolajovych	Chairman of the public organization "Human Rights"
18	Dolishnij Oleksandr Dmytrovych	Chairman of the Regional Council of Entrepreneurs in Ivano-Frankivsk Oblast, Chairman of the Supervisory Board of Closed Joint-Stock Company "Carpathian Lada"
19	Don Volodymyr Yosypovych	Chairman of the Regional Council of Entrepreneurs in Dnipropetrovsk Oblast, Chairman of the Branch Board of Entrepreneurs on the Organization of the Market Activities

20	Dorotych Serhij Ivanovych	Chairman of the Regional Council of Entrepreneurs in Kyiv, Chairman of the All-Ukrainian Public Organization "Union for the Protection of Entrepreneurship"
21	Filonyuk Oleksandr Feodosijovych	Chairman of the Board "League of Insurance Organizations of Ukraine"
22	Hakalo Vadym Volodymyrovych	Chairman of the Regional Council of Entrepreneurs in Sevastopol, Director of "Bikon Plus" Ltd.
23	Horokhovskiy Illya Leonidovych	First Deputy Head of "Ukoopspilok"
24	Hurinov Serhij Ivanovych	Chairman of the All-Ukrainian public association "Association of Entrepreneurs and Working Disabled of Ukraine"
25	Hutsol Oleksandr Petrovych	President of All-Ukrainian Association "UkrMyasoMoleExport"
26	Izovit Tetyana Leonidivna	Executive Director of the Ukrainian Association of Light Industry Enterprises "Ukrlegprom"
27	Kalyta Petro Yakovych	President of the Ukrainian Association of Quality
28	Khomenko Valentyna Oleksiyivna	Director General of the Ukrainian Association of Tobacco Products "Ukrtyutyun"
29	Klymenko Volodymyr Heorhijovych	President of Ukrainian Grain Association
30	Kolinko Volodymyr Vasylyovych	Vice President of public organization "Kyiv Landscape Initiative", director of PJSC "Visicom"
31	Komarov Andrij Anatolijovych	Director of the audit company Perspektiva-K, a member of the Association of Customs Brokers of Ukraine
32	Korenkova Halyna Mykolayivna	General Director of the Ukrainian branch company for the production of beer, soft drinks and mineral waters "Ukrpyvo"
33	Kostyuchenko Leonid Myxajlovych	President of the Association of International Automobile Carriers of Ukraine
34	Kozhevina Nataliya Dmytrivna	President of the Ukrainian Association of Business Incubators and Innovation Centers
35	Kuznyecov Hennadij Dmytrovych	Director of the Food Producers League
36	Kyrpushko Yaroslav Vasylyovych	Head of the Regional Council of Entrepreneurs in the Chernivtsi Oblast, the director of the Bukovinsky Center for Reconstruction and Development
37	Landar Alla Petrivna	President of International Public Organization "International Association of Funeral Professionals"
38	Lavrenyuk Serhij Vitalijovych	Vice President of "Megapolis-Ukraine" TC
39	Levin Volodymyr Illich	Chairman of Association of Association "Information Business"
40	Lex Iryna Ivanivna	Chairman of the Regional Council of Entrepreneurs in the Zaporizhzhya Oblast, President of the Association of Public Organizations of the Zaporizhzhya Region "Regional Development Agency" Priority "
41	Lisnycha Viktoriya Mykolayivna	Vice-President of the European Economic Chamber
42	Lokajchuk Valerij Fedorovych	Deputy Chairman of the Union of Lawyers of Ukraine
43	Lyesnikov Andrij Volodymyrovych	Honorary Chairman of the board of association "Ukrainian Seed Company"
44	Lysytskyj Ihor Viktorovych	Chairman of the All-Ukrainian Public Organization "Council on the Competitiveness of the Information and Communication Technologies Industry of Ukraine"
45	Miroshnichenko Oleksij Valentynovych	Executive vice president of the Confederation of Employers of Ukraine
46	Morozov Hennadij Viktorovych	Chairman of the Regional Council of Entrepreneurs in the Lugansk Region, Director of "Vigos-LTD" Ltd.

47	Nazarenko Oleksandr Heorhijovych	President of the Association "UkrRINKON"
48	Novikovskij Oleksandr Mykolajovych	Acting President of the Association of Business Tourism Leaders of Ukraine
49	Ohorodnikov Andrij Opanasovych	Chairman of the Regional Council of Entrepreneurs in the Poltava Region, First Vice-President of the All-Ukrainian Association "UkrRink"
50	Olifer Halyna Ivanivna	General Director of the Association "Ukrainian Credit and Banking Union"
51	Olijnyk Dmytro Mykolajovych	Head of the Federation of Employers of the Glass Industry of Ukraine
52	Onopriyenko Valerij Vasylyovych	Chairman of the Regional Council of Entrepreneurs in Zhytomyr Oblast, Chairman of the Public Organization "Council of Business and Enterprise Leaders of Zhytomyr"
53	Ostapyuk Volodymyr Petrovych	Director of the Association "Ukrvodka"
54	Panteleyenکو Viktor Mykhajlovych	Vice-President of the Confederation of Employers of Ukraine
55	Platonov Oleh Isaakovych	President of the Association "Ukrzovishtrans", President of JSC "Plaske"
56	Pohranychnyj Svyatoslav Leonidovych	President of the Association of Star Hotels
57	Pohrebnyak Anatolij Andrijovych	Chairman of the Regional Council of Entrepreneurs in Cherkassy Oblast, Chairman of the Board of ZAO "Koopzovnyshstorg"
58	Popova Tetyana Volodymyrivna	Chairman of the Board of the Internet Association of Ukraine
59	Popyk Vasyl Ivanovych	Head of the Professional Union of Taxi Drivers of Ukraine
60	Prokhorov Serhij Mefodijovych	First Vice-President of the Ukrainian Union of Industrialists and Entrepreneurs
61	Pylypyuk Petro Pavlovych	Head of the Regional Council of Entrepreneurs in the Volyn Oblast, the general director of the joint Ukrainian-Polish enterprise LLC "Modern-Expo"
62	Romanchuk Yaroslav Vasylyovych	Member of the Board of the Association of Evaluation Specialists, General Director, Managing Partner, LLC "International Legal Center" YEUKON "
63	Rubanenko Leonid Ivanovych	President of the Union of Tax Advisers of Ukraine
64	Rusalina Lyudmyla Volodymyrivna	President of the group of companies "Petrus"
65	Shemyakin Leonid Petrovych	Chairman of the Regional Council of Entrepreneurs in the Odessa Oblast, Chairman of the Board of the Association of Employers' Organizations of the Odessa Region
66	Shhelkunov Volodymyr Ihorovych	President of the Association "Ukrainian National Committee of the International Chamber of Commerce"
67	Shpyl Oleksandr Oleksandrovych	Chairman of the Regional Council of Entrepreneurs in the Mykolaiv Oblast, Chairman of the Mykolaiv Oblast Organization of Employers "Industrialists and Entrepreneurs of Mykolaiv Region"
68	Shubina Lyudmyla Volodymyrivna	Chairman of the Regional Council of Entrepreneurs in the Kirovograd Oblast, Director of "Drukmaschtsentr" Ltd.
69	Snikhovskij Oleksandr Oleksandrovych	Chairman of the Regional Council of Entrepreneurs in the Khmelnytskyi Oblast, Executive Director of the NGO "Association of Khmelnytsky Markets"
70	Solodkij Roman Volodymyrovych	President of the public organization "Public Corps"

71	Soroka Rostyslav Yuriyovych	Head of the Regional Council of Entrepreneurs in Lviv Oblast, Vice-President of the Confederation of Business Circles of Lviv Region
72	Sorokin Valerij Yevhenovych	Head of the Regional Council of Entrepreneurs in Sumy Oblast, Director of Private Enterprise "Synteks"
73	Sydorenko Lyudmyla Heorhiyivna	Chairman of the Association "Memorial"
74	Talala Serhij Mykolajovych	Chairman of the Supervisory Board of the Association "Ukrainian Association of Fumigation and Plant Protection"
75	Tkachov Denys Stanislavovych	Head of the Regional Council of Entrepreneurs in the Kharkiv Oblast, the director of the Kharkiv regional fund for entrepreneurship support
76	Tymchenko Viktor Naumovych	President of the Association "Ukrainian Association of Soybean Producers and Processing"
77	Tymoshuk Tamara Ulyanivna	Chairman of the regional council of entrepreneurs in the Rivne region, the director of "Kashtan" LLC
78	Varahash Iryna Yuriyivna	Member of the Association "Ukrconservmoloko", president of "Ekonia" enterprise with foreign investments
79	Vorko Yuriy Yevhenovych	Head of the regional council of entrepreneurs in the Ternopil Oblast, the general director of Ternopil City Market LTD
80	Vydolob Dmytro Viktorovych	President of the Association "Union of Jewelers of Ukraine"
81	Yakovenko Vitalij Oleksandrovych	Chairman of the Association of Heat Engineering Companies of Ukraine
82	Yuzba Valerij Oleksandrovych	Vice-President of the Kyiv City Association of Industry, Construction, Transport and Communications. Association "Kyiv"
83	Zhminko Viktor Mykolajovych	Freelance Advisor to the President of the National Association of Credit Unions
84	Zlyden Serhij Anatolijovych	President of the Association of Real Estate Specialists (Realtors) of Ukraine

The regional Councils are established by Order of the Cabinet of Ministers No 518 "On Establishment of Regional and Local Entrepreneurship Councils" dated 18.05.2011 and their main objectives are:

- Assistance in effective cooperation between private sector and Oblast state administrations, local self-government bodies on basis of partnership and transparency;
- Participation in development and implementation of SME development and regulatory policy in the region;
- Preparation of proposals for amending the regulatory and legal acts on entrepreneurship;
- Consideration of draft Programmes for SME Development and participation in their implementation;
- Preparation and submission to the Oblast State Administrations and local self-government bodies' suggestions for: improvement of business-climate in the region; development and implementation business-friendly regulations and SME development policy in the region; and solving disputes in the field of entrepreneurship;
- Development of entrepreneurial initiatives, supporting and popularising entrepreneurship, social responsibility, revival of positive traditions and ethical principles of entrepreneurship.

The lists of participants of the Regional Councils of Entrepreneurs are approved by the Governors according to submitted applications within 30 calendar days after their receipt. The participants of Regional Councils of Entrepreneurs from the private sector are representatives of NGOs and SME development organisations.

Box 2: Composition of the Chernihiv Regional Entrepreneurship Council

#	Full Name	Position and Organization
1	Kulich Valerij Petrovych	Head of the Oblast State Administration, the Chairman of the Council;
2	Svyrydenko Yuliya Anatoliyivna	Acting First Deputy Head of the Oblast State Administration, Director of the Department of Economic Development of the Oblast State Administration, Deputy Chairman of the Board;
3	Poltoratska Svitlana Ivanivna	Deputy Director of the Department of Economic Development of the Oblast State Administration, Secretary of the Council;
4	Adamenko Dmytro Mykolajovych	Director of Luxor BK LLC, Head of the Regional Association of Employers Organizations of Chernihiv Oblast;
5	Bas Nina Pavlivna	Chairman of the Supervisory Board of PJSC Chernihiv Shoe Factory "Bereginya"
6	Berestovjy Serhij Oleksijovych	Head of the Regional Organization of Employers "Association of Employers of Chernihiv Region"
7	Berezynets Iryna Hennadiyivna	Director of Axis Severs LLC, Chairman of the NGO "Syayvo Sivershchiny", member of the Chernihiv Organization of Employers "Sivershchyna"
8	Bojprav Borys Stepanovych	Chairman of the Board of Regional Organization of Entrepreneurs-Employers "Chernihiv Region"
9	Boyarchenko Stanislav Yuriyovych	Member of the Board of PJSC of the Production and Trade Company "Siverskyanka", member of the CJSC "Sivershchyna"
10	Bozhko Anatolij Fedorovych	Director of "Inzhen" Ltd.
11	Havrylenko Viktor Leonidovych	General Director of the Scientific-Production Firm "Module"
12	Hordovjy Roman Mykolajovych	Head of the State Service of Ukraine for Emergency Situations in Chernihiv Oblast
13	Kuzhel Volodymyr Dmytrovych	Director of OJSC "Chernihiv Automobile Enterprise 17454"
14	Lazar Viktor Leonidovych	Head of the Joint Representative Body of the Employers' Party of Chernihiv Oblast
15	Lohinov Oleksandr Vyacheslavovych	Commercial Director of JVPP "JI-EN-EL", member of the CJSC "Sivershchyna"
16	Maruxlenko Oleksandr Ivanovych	Deputy Head of the Main Department of the State Fiscal Service of Ukraine in Chernihiv region
17	Maslennikov Serhij Hennadijovych	General Director of LLC "NVO" Group of Companies "MAGR" of Chernihiv
18	Rachkova Nataliya Ivanivna	Director of the "Canon" Ltd.
19	Radalov Anatolij Dmytrovych	Director of Evrorad LLC
20	Samonenko Serhij Vasylyovych	Director of PJSC "Vimal", member of the board of the Chernihiv Regional Association of Employers "Sivershchyna"
21	Shkarlet Serhij Mykolajovych	President of the Chernihiv National Technological University
22	Shostak Mykhajlo Oleksijovych	First Deputy Mayor of Chernihiv

23	Sklyarets Andrij Viktorovych	Head of the Board of PJSC "Basis", Chairman of the Chernihiv Regional Branch Organization of the Employers of the Trade and Services
24	Slautina Lyudmyla Mykolayivna	Director General of the State Organization "Regional Fund for Entrepreneurship Support in the Chernihiv region"
25	Tarasovets Oleksandr Oleksandrovych	Chairman of the Board of Closed Joint-Stock Company "Chernihiv repair and assembling plant"
26	Tsurij Vasyl Kuzmych	Director of Audit Firm "Zury-audit"
27	Varnakova Olena Yuriyivna	Chairman of the Trade Union Committee of the Chernigiv Trade Union of Entrepreneurs
28	Yakymec Anatolij Volodymyrovych	Chairman of the Board of PJSC "TERA" in Chernihiv
29	Zayika Yuliya Anatoliyivna	Executive Director of the League of Business and Professional Women of Ukraine
30	Zhymolostnova Svitlana Kuzminichna	Head of the Chernigiv Unity Business Union

There are also local Entrepreneurship Councils. For example, such a body was established by Nizhniy city. Unlike the national and regional Councils, there is no CoM order mandating such initiatives are the local level. This is a decision made at the local level.

In the case of Nizhyn, the current Entrepreneurship Council was established by Order of Nizhyn City Council "On Approval of the Regulations on the Council of Entrepreneurs at the Nizhyn City Council" №7-13/2016 dated July 15, 2016.

The main objectives of this local Entrepreneurship Council are:

- Assistance in creating an effective mechanism of communication between businesses, NGOs and business-associations with local self-government bodies on transparent basis, participation policy making and implementation in Nizhyn city;
- Drafting proposals for amending regulatory acts in the field of entrepreneurship;
- Consideration of drafts city development programs for entrepreneurship and participation in conducting an analysis of their implementation;
- Creation of legal, economic and organizational conditions for the further development of entrepreneurial activity in the city;
- Drafting and submitting proposals on: regulatory policy and state policy on entrepreneurship; solving disputes in the field of entrepreneurship; development and popularisation of entrepreneurship, social responsibility, charitable traditions and ethical principles of entrepreneurship.

Box 3: Composition of the Nizhyn Local Entrepreneurship Council

#	Full Name	Position and Organization
1	Artemenko Larysa Mykolayivna	Head of NGO "Union of Entrepreneurs of Nizhyn NKR", Private entrepreneur
2	Andriyevska Valentyna Vitaliyivna	Private entrepreneur
3	Hlushhenko Vasyl Mykhaylovych	Private entrepreneur
4	Kosarenko Nataliya Volodymyrivna	Member of the Nizhyn city organization of the League of Women of Ukraine, the League-club "Business Woman", Private entrepreneur
5	Kurochkina Svitlana Pavlivna	Member of the Nizhyn city organization of the League of Women of Ukraine, the League-club "Business Woman", Private entrepreneur

6	Murava Olena Anatoliyivna	Private entrepreneur
7	Podolyanko Nina Mykolayivna	Private entrepreneur
8	Solovey Maryna Mykhaylivna	Private entrepreneur
9	Stratilat Tamara Mykhaylivna	Head of the Nizhyn city organization of the League of Women of Ukraine League-club "Business woman", Private entrepreneur
10	Strilko Tamara Oleksandrivna	Member of the Nizhyn city organization of the League of Women of Ukraine, the League-club "Business Woman", Private entrepreneur
11	Stupak Mykola Ivanovych	Private entrepreneur
12	Ilchuk Valentyna Ivanivna	Private entrepreneur
13	Okhonko Olena Borysivna	Head of the public organization "United Independent Nonprofit Union of Entrepreneurs "Nizhinsky Oberih", Private entrepreneur
14	Topalsky Serhij Vasylyovych	Private entrepreneur

Although there is a sound foundation for the Entrepreneurship Councils at national and regional level, in practice the system does not work well. At the national level, the reform has been pending for a long period of time and it remains unclear if and when the reform will take place. As such, the national level has not been functional for a long period of time.

Other weaknesses are the non-transparent procedures of nominating members of the Councils on regional/local levels, when the members do not go through an open voting process, but are nominated by the Head of Oblast/City administration. A further issue concerns the regularity or otherwise of these activities at the regional/local Councils. According to the Order of the CoM, each Council is empowered to determine its own schedule (semi-monthly/monthly/quarterly, etc.), which leads to significant variations from region to region and renders inter-regional coordination and synergies difficult. Another problematic issue is inter-level coordination; since many SME-related issues can only be solved at the national level, for example regulations, taxation, etc. the communication between the regional and national-levels (including local level) at the level of the Councils must be organised effectively.

Practical examples of collaborative dialogue in Ukraine include working groups established for development of local/regional SME Programmes, economic chapters of the Regional Development Strategies, new regulations, etc. This is an additional tool for PPD and participation of private sector in the SME policy making process. It is important to have a balance of public and private sectors in composition of the working groups, which is currently mostly not the case in Ukraine. The second important issue which may be improved in Ukraine is ensuring continuity of dialogue at all stages of the policy cycle by organising meetings not only at the preparatory stages, but also at stage of implementation, monitoring and evaluation of the resulting policies, strategies and programmes.

The private party of the working groups usually consist of a variety of SME representative bodies, as BMOs, BSOs, Chambers, voluntary groups, associations and consulting organisations. In this regards, NGOs form a crucial component of participation. The fact that many of these individuals are also voters underlines the complementary relationship with representative democracy. NGOs can bring additional benefits such as knowledge and independent expertise to the process of

decision making. This has led governments at all levels, from local and regional to national, as well as international institutions, to draw on the relevant experience and competence of NGOs to assist in policy development and implementation.

It is worth highlighting two main issues regarding position of SME-focused NGOs in Ukraine. Firstly, the absence of an official definition for “business-associations”, which is also connected to an absence of basic statistics on the number of business-associations, the lack of monitoring of their work and a widespread misunderstanding and/or misinterpretation of their role and function. Secondly, NGOs` representation levels as partners for PPD are low. The absence of monitoring of representative NGOs creates scope for “lobbying NGOs” often representing very few SME, to take part in PPD while in fact representing the interests of a very narrow range of businesses.

4.2.4. Public-Private Partnership

In good practice, partnership implies shared responsibilities in each step of the political decision-making process from agenda setting, drafting, decision and implementation of policy initiatives. It represents the highest form of participation. At this level private sector and the public authorities come together for close cooperation while ensuring that the private sector continues to be independent and have the right to campaign and act irrespective of a partnership situation. Partnership can include activities such as delegation of a specific task to an NGO and other stakeholders and the establishment of co-decision-making bodies, including for resource allocation. Partnership may take place at all steps of the political decision-making process and is particularly relevant at the agenda setting or implementation steps.

The notion of partnership in policy making is not well established in the country. Ukrainian legislation does define Public-Private Partnerships (PPP), a different concept, as an organisational and legal framework for cooperation of state and private partners, basic principles of public-private partnership (Law “On Public-Private Partnership” Adopted July 1, 2010, registration number 2404-VI). The main focus for PPP Law is on public-private projects and it defines the scope for PPP, mostly connected with infrastructure and mineral sources. For example, exploration of mineral deposits and their extraction, production, transportation and supply of heat and the distribution and supply of natural gas; construction and / or operation of motorways, roads, railways, bridges, waste management, production, distribution and supply of electric energy, energy saving technologies. Among services, PPP may also be applied in health care; tourism, culture and sports; provision of social services, management of a social institution, educational services and services in the field of health care; management of architectural monuments and cultural heritage. Thus, the SMEs may benefit directly or indirectly from implementation of PPP projects.

Alternative way for improving partnership may be sharing responsibilities through improvement of self-regulation in Ukraine. Currently, several initiatives on promoting self-regulation are taking place in the country. For example, the draft Law is being developed, the Committees on self-regulation within the national Chamber of Commerce and Ministry of Infrastructure; the initiative by the NGO “Business Women League” to set beauty industry standards, etc.. None of the initiatives has made significant progress as yet.

4.3. Conclusions

The rationale for PPD in the context of SME development is clear and it is important for Ukraine to develop such a tool, both for the SME sector in general and for government at all the levels.

While information provision and consultations are relatively well developed in Ukraine, unlike Dialogue and Partnership, the preceding analysis demonstrated that there is still significant scope for improvement at every level of private-sector participation.

PPD exists at national, regional and local level through the Entrepreneurship Council system. The national level is currently dysfunctional and dependent on a long-awaited reform which shows little sign of making progress. The regional level is highly variable in effectiveness and requires reform too. The local level is very patchy, with only some cities / municipalities taking the initiative.

To the extent that effective PPD should be legitimate, two-way and regular, the further progress is not likely to be made without reforming of the Entrepreneurship Councils system or setting up new institutions for the dialogue. At the national level this would happen through the SME Development Office (SMEDO) to be established in 2018. At the regional and local levels, other pilot initiatives could be developed, building on the activities of the FORBIZ project, as per the conclusions of this report.

While the legislative and institutional basis for PPD are important to develop and strengthen, it is also crucial to form generate a suitable mind-set among the various stakeholders and to raise awareness and understanding about importance of the dialogue and benefits for each party.

PPD should be inclusive, transparent, focused, representative and policy-oriented. It is also crucially important to ensure a balance between public and private sectors in the composition of the PPD tools and for the inputs and representation of the NGOs to be carefully monitored.

5. Regional Development Strategies: SME scope

5.1. State Strategy for Regional Development of Ukraine 2020

The basis of strategic planning and implementation of Regional Development Strategies (and other strategies for socio-economic development) is important to the integrity of the chain of documents of “national level - a regional level – amalgamated territorial community level – city level - a village”. The strategies at these levels should not be contradictory. The mutual agreement of the development and implementation of action plans at all levels can ensure effectiveness of the entire system of strategic planning in the context of the national economy.

As previously mentioned, according to existing legislation, the Strategy for Regional Development is a government tool for regional development and the only strategic document that:

- Is obligatory for development and implementation for governmental bodies for both regional and local levels;
- Is a common and understandable tool for administrations at all levels, together with a manual, which has been adopted by Cabinet of Ministers in 2004 and revised at every round of the planning process;
- Foresees consistent strategic planning at the regional level after the national Strategy is adopted. In this way the Strategy forms a comprehensive and systematic approach to regional development planning;
- Has governmental financial tools, such as Regional Development Fund, Structural Budgets (other EU funds) etc. were composed to fund activities under all national and regional level strategies.

The State Strategy for Regional Development 2020 defines economic development generally and business development particularly as one of its priorities:

“The Strategy is aimed at defining objectives and instruments for solving social problems, increasing the level of economic potential of territories, their economic productivity, profitability of business and income of the population, and, consequently, creating conditions for general increase of social standards, quality of life and development of business environment.”

The State Strategy for Regional Development determines three strategic objectives, which are:

- Increase competitiveness of regions;
- Territorial social-economic integration and spatial development;
- Effective public administration of regional development.

Within each strategic objective, its allocate 3 - 5 strategic directions (see Annex 2).

Analysing the document from an SME perspective, it is possible to identify the various SME/business related issues covered by different directions of the State Strategy, reflecting the horizontal/inter-sectoral nature of the SME issues. For example, within Strategic Objective 1 “*Increase competitiveness of regions*” there are following items:

Development of rural areas

- Diversification of agricultural production, development of alternative types of economic operations in rural areas;
- Stimulating employment in areas other than agricultural production in rural areas, including agricultural business development, rural tourism, crafts, services, collection and processing of berries and mushrooms, medicinal raw materials, etc.;

Intellectual capital development

- Encourage cooperation between educational institutions, scientific and research institutions and enterprises in the region;
- Support and development of intellectual and creative potential through the system of education and lifelong learning;

The following directions of the Strategy are the most related to the SME/Business Development:

Development of business environment and competition in the regional commodity market. The direction includes following measures:

- Simplify the procedure for starting and exiting a business by optimizing maintenance of state registers, containing information on business entities, provide free and unhindered access to such information, improve the procedure of starting a business, simplify the procedure of voluntary termination of an economic activity by an individual entrepreneur based on their application;

- Improve licensing system and the scope of licensing, implementation of state surveillance (control) in the field of economic activity, reduce the number of state surveillance (control) measures;
- Create conditions for development of an effective competitive environment at regional commodity markets by developing market infrastructure of such markets, reduce barriers and encourage new producers to join commodity markets, increase efficiency of state regulation of monopolized commodity markets, minimize a negative impact on economic competition, arising as a result of anticompetitive actions of executive authorities and local self-government authorities, improve the state policy to protect economic competition;
- Simplify the procedure and increase the amount of state financial support to small businesses, including microcredits for launching and conducting entrepreneurial activities;
- Provide training on entrepreneurship;
- Develop leasing operations for the technical re-equipment of fixed assets of enterprises;
- Support enterprises dealing with increasing energy efficiency in the regions, increasing the share of energy received from renewable sources and alternative fuels. The SME/business related measures are present as well in strategic objective 2 "Territorial social and economic integration and spatial development"

Coordination of policies for development of growth points and support to economically underdeveloped and depressive territories

- Providing state support to economic entities that create "growth points" (industrial parks) and solve problems of employment, activation of economic initiatives, development of entrepreneurship at the local level;
- Introducing various instruments and mechanisms to stimulate local economic development (clusters, national projects, mechanism of public-private partnerships, etc.), creating new enterprises focused on local raw materials and satisfies primarily the needs of the domestic market;

In this way the State Strategy for Regional Development 2002 sets the basic background for SME and business development as a part of economic and social aspects of regional growth. At the same time the existing measures cannot be considered as a comprehensive policy for SME development and should be strengthened through the preparation of targeted strategic documents, within the framework of the approved national SME Development Strategy.

The State Strategy for Regional Development sets a background for further horizontal and inter-level coordination of objectives and activities of the Regional Development Strategies with priorities of other sectoral policies, including economic development and investments, entrepreneurship, business and regulatory environment, competition policy, labour market, education and science, innovations.

Strengthening of inter-sectorial coordination during development and implementation of regional policy ensured by:

- Coordination of objectives, priorities, tasks and activities of central and local executive authorities, local self-government authorities in solving current challenges of regional development and attainment of long-term strategic goals;
- Coordination of state and regional long-term strategic priorities based on regional development agreements, programmes to overcome regional depression and other instruments contributing to regional development;

- Harmonizing national and regional interests during the formation and implementation of the state regional policy

The preceding analysis forms a sound basis for the future coordination of Regional Development Strategies with SME Development Strategy 2020.

The implementation instruments of State Strategy for Regional Development compose of the Action Plan for State Strategy, Regional Development Strategies and their Action Plans, as well as the State Target Programmes. All mentioned instruments need to be used in cooperation in order to avoid duplication of activities envisaged by them.

Authorities implementing the strategy include Ministry of Regional Development, City and Oblast Councils; Oblast and Rayon State Administrations; Associations of local Self-Government Authorities and Regional Development Agencies; Donor organizations (EU, UN, Governments of USA, Canada, Switzerland, Sweden, Germany, etc.) and international financial institutions (European Bank for Reconstruction and Development, World Bank Group, European Investment Bank), which provide technical assistance and credit resources for creation and implementation of state regional policy are also involved in the process of regional development in one form or another, directly or indirectly.

To insure implementation of the policy, the Strategy for Regional Development foresees international cooperation and the creation of special financial tools and mechanisms which are reflected in the following tasks:

- Maximum concentration of the state financial support for regional development within the framework of the state Regional Development Fund (Institutional support of regional development);
- Create conditions for cooperation of Ukrainian regions with European organizations and funds, which are concerned with the regional development policy and its financial support;
- Financial support of regional development under international cooperation programmes, in particular at the expense of the EU funds within the framework of the European Neighbourhood Instrument, border cooperation programmes, other international programmes and donors (World Bank, UN, Canada, USA, Sweden, Switzerland, Germany and others).

Despite of availability of various financial tool for funding the strategy, according to the statistics, the programmes with economic focus are not exceed 2% of all the applications were sent to Fund for Regional Development and Sectoral Budget for 2014-2017 years. This indicates the necessity for future strengthening of the economic focus (including business/SME development) of the Regional Development Strategies, which may be partly covered by activating SME related programmes in parallel with awareness raising and capacity building of regional/local authorities.

5.2. SME development scope in the Regional Development Strategies 2020

The region/oblast is an administrative unit according to existing territorial organization in Ukraine. The regional development strategy is a strategic plan for the development of the region that defines the goals, tasks, priorities, direction of sustainable economic and social development of the regions and cities of Kyiv and Sevastopol for the medium-term (4-6 years) and long-term (10-15 years) periods.

The Regional Development Strategies take into account national priorities, regional competitive advantages, constraints, threats and problems of the region, priorities for development, coordinated actions of stakeholders aimed at realization of certain tasks, and the basis for their solution.

Regional development strategies are prepared for a period that is consistent with the implementation period of the State Strategy for Regional Development, and includes, both objectives determined at regional level and prescribed by the State Strategy for specific region(s). The documents are developed by regional, Kyiv and Sevastopol city state administrations involving district and city councils, public associations and approved regional, Kyiv and Sevastopol city councils.

Regional Development Strategies are becoming basis for the development of:

- medium-term programmes of economic and social development of the regions, which should determine the indicators and budget necessary for strategic goals of regional development, implementation of which lasts more than one budgetary year;
- annual programmes of economic and social development of the regions, which determine the measures for implementation of the regional development strategy included in the draft budget of the region for the next year;

The Order of the CMU “On Approval of the Procedure for the Development of Regional Development Strategies and their Action Plans, monitoring and evaluation of these regional strategies and action plans ” identifies the terms, responsible bodies and main approaches to the development of these Strategies. There is Methodology for Regional Development Strategies approved by Ministry for Regional Development, as briefly described above and “Methodology for regional planning. There is a Tool for Development of Strategies for Regional Development and their Action Plans” which was developed by EU Project “Support to Regional Development Policies” 2013-2016. The methodology provides a step-by-step plan for strategic planning and recommends the main strategic directions for the Regional Strategies based on the piloting of the methodology in 5 regions in 2015: Sumy, Poltava, Kyiv, Rivne, Ivano-Frankivsk.

According to the Methodology, the logical Structure of Strategic objectives should include following directions:

- Economic development, which includes problems, factors for target industries and companies; improvement of economic capacity and competitiveness of the region; improvement and acceleration of restructuring of regional economy;
- Social Development: Availability of quality services for different target groups; Development of sustainable community; Strengthen of social integration and social capital; Improvement of public services;
- Protection of the environment.

As for the Economic Development direction, the Methodology defines the following target groups:

- Existing companies already operating in the region;
- New companies that are at the preparatory stage or just started to work;
- Foreign investors who are looking for opportunities to set-up or expand their business.

A focus should also be placed on creative and high-tech companies, which could compensate for problems with employment and decrease of volumes of production in problematic sectors; and large employers regardless of they are growing or not.

Apart from a SWOT-analysis, the Methodology suggests that consideration be given to higher level elements such as sectoral and other policies, including Strategy and Action Plan on SME Development, Investment, Export Promotion, Tourism, Agriculture, Development of Rural Area Strategies, etc.

On the one hand it means that planned activities and analysis of these plans should be considered as opportunities for economic development of the region. On the other hand, in the context of this Report, this means that the Regional Development Strategies represent a collective policy document, which may be used as a regional framework for delivery of national SME Development/other priorities to regional level.

5.3. Current SME content of the Regional Development Strategies 2020

All 24 regions of Ukraine have active Regional Development Strategies for period until 2020, as well as Action Plans for their implementation. Most of the oblasts prioritize the development of SMEs and entrepreneurship skills in regional/local policies but historically these directions do not have adequate funding from local budgets, which means that it is essential to connect up with alternative source of financing for effective implementation.

In order to assess the existence and quality of SME scope in the Regional Development Strategies, nine oblasts situated in different parts of the country were selected, with various size, profile and level of economic development. These were: Cherkasy, Chernihiv, Ivano-Frankivsk, Kharkiv, Mykolaiv, Ternopil, Sumy, Lviv and Poltava oblasts. The current SME scope in the Strategies for Regional Development of the mentioned oblasts was analysed, as illustrated in Annex 3.

Among the most frequent measures related to development of the SMEs in the Regional Development Strategies of above oblasts were:

- Development of business support infrastructure (Cherkasy, Chernihiv, Ivano-Frankivsk, Mykolaiv, Ternopil, Lviv and Poltava oblasts);
- SME competitiveness (Chernihiv, Ivano-Frankivsk, Kharkiv, Ternopil oblasts);
- Informational support / consultancy for SMEs (Cherkasy, Ternopil, Lviv oblasts);
- Access to finance, microcredits for SMEs (Ternopil, Sumy, Lviv, Mykolaiv oblasts);
- Development of SMEs/entrepreneurial skills in rural areas (Ivano-Frankivsk, Ternopil oblasts).

It should be noted that this is a limited sub-set of issues. Some directions for SME development which were identified by the State Strategy for Regional Development are not reflected in reviewed documents, including: encourage cooperation between educational institutions, scientific and research institutions and enterprises in the region; create conditions for development of an effective competitive environment at regional commodity markets by developing market infrastructure of such markets, reduce barriers and encourage new producers to join commodity markets; support enterprises dealing with increasing energy efficiency in the regions, increasing the share of energy received from renewable sources and alternative fuels.

As things currently stand, the existing SME content may not be considered as a comprehensive approach to SME strategic planning and SME development at the regional level, as the scope of measures proposed by Regional Strategies are fragmentary and very limited in scope and range. This may be explained by the fact

that the current documents were developed in absence of the national SME Strategy, but they also do not reflect the full set of options foreseen in the Methodology. The coordination of the strategic directions of these documents will strengthen the economic part of Regional Development Strategies generally and SME focus in particular.

5.4. SME development scope in Local/City Development Strategies 2020

The City Development Strategies are strategic planning documents which are developed by city councils and their goal is to establish the long-term priorities for local development. The city development strategies are planned to become a local link in strategic planning tool of the system: Regional Development Strategies – State Strategy for Regional Development – Strategy for Development of Ukraine 2020. The documents are developed according to acting legislation of Ukraine: Law of Ukraine “On Local Self-government”; Law of Ukraine “On Sustainable Development Strategy 2020”; Order of the Cabinet of Ministers of Ukraine “On State Strategy for Regional Development”.

At the same time, city councils are self-governing bodies which operate according to their own legislation and statutes. This gives them more flexibility regarding the substance of the document and identification of strategic direction and vision of the city development.

To identify the existing approach for development of the documents and analyse presence in them SME related focuses, the following city development Strategies were analysed: Khmelnytsky City Development Strategy 2025; Ivano-Frankivsk city Development Strategy 2028; Chernihiv city Development strategy 2020; Vinnitsia city Development Strategy 2020; and Kharkiv city Development Strategy 2020. The main findings of the analysis were the following:

- Some of the strategies are long-term and have different timeline compared with the governmental strategies for development of the regions;
- Most of the Strategies do not seek coordination with strategic documents of other levels (Regional Strategy) and none of the strategies seek coordination with national sectoral strategies during development of strategic directions and appropriate measures;
- The basic composition of the strategic objectives in City Development Strategies is similar to what is proposed in the Methodology for Regional Development Strategies and include economic, social and environmental directions;
- Strategies include SWOT analysis and identify the strategic objectives on the basis of it;
- The City Development Strategies have a much focus on the necessity of PPD and involvement of the community/private sector into policy-making process than the Regional Development Strategies;
- In contrast to the Regional Development Strategies, the formulation of the strategic directions in the City Development Strategies are much more geared to citizen, using easy to understand language;
- Not all the Strategies contain information about the implementation stages, so it is not possible to identify if the documents have Action Plans or not;
- The documents have different monitoring and evaluation procedures, most of which do not correspond with established good practice.

- City Development Strategies, as well as Regional Development Strategies include the SME scope and identify the development of SME and entrepreneurship as sub-objectives and specific measures under strategic objective on Economic Development.

For example, in Chernihiv City Development Strategy 2017-2020, the SME focused issues are at the level of sub-objectives, namely: “Improving the business environment” and “Development of PPP” with a number of related measures;

Vinnitsia City Development Strategy 2020 includes two sub-objectives of the Economic Development strategic objective, namely: “Favourable business-climate for sustainable business development” and “Infrastructure for SMEs” but there is no Action Plan, though it does demonstrate a degree of coordination with the strategic objectives of the “Europe 2020” Strategy.

The Strategy for Development of Khmelnytsky City promotes itself as the “City for Entrepreneurship” and this forms the first of three strategic objectives. The Strategy includes 14 measures within this Strategic objective, including awareness raising and creating of positive image of entrepreneurs, attracting investment, ease of doing business, creation of IT clusters and techno parks. The Strategy will be supplemented by the Action Plan. The Strategy also identifies three Programmes within this direction which will become implementing tools: SME Development Programme, Programme for International Cooperation of Khmelnytsky and Programme for Financial Support of City Development Agency.

6. SME Development Strategies

6.1. National SME Development Strategy 2020

The National Strategy for SME Development 2020 is the first Strategy for development of the small and medium enterprise sector in Ukraine and was adopted by the Cabinet of Ministers on 24th May 2017. The Strategy development took into consideration international good practice including EU Small Business Act (SBA) as a basis for its structure. The document creates the framework of the national SME development policy in Ukraine and includes the Action Plan (put out for consultation and currently being finalised) as a mechanism for its implementation. It also foresees creation special tools for monitoring and evaluation, as well as coordination between all key levels and between key stakeholders.

The Strategy consists of six strategic objectives:

- Creating a favourable environment for SME development;
- Improving an access to finance for SME;
- Simplifying Tax Administration for SME;
- Promoting Entrepreneurial Culture and Developing Entrepreneurial Skills;
- Promoting SME Export / Internationalisation;
- Improving competitiveness and developing the innovation potential of SMEs.

Within each of the strategic objectives, the Strategy proposed various measures and instruments such as: Improving Information Provision Including Enhancement of the State Statistics System; Streamlining Bankruptcy Procedure and Promoting the

"Second Chance"; Intensifying Use of Promissory Notes; Developing and Promoting Entrepreneurship Culture; Encouraging Employers to Train their Employees; Fostering Development of Social Entrepreneurship; Launching Target Initiatives with Regard to Clusters and Value Chains.

The proposed measures have different scope and relate to both national and regional levels. All the various existing tools compose a complex mechanism for entrepreneurship support within the national scope.

The Action Plan represents a practical framework for implementing the Strategy. The Action Plan describes how the measures proposed in the SME Strategy may be implemented and defines the necessary details for monitoring and implementation of the document. The Action Plan is in the form of a table with following columns: measure, rationale, timeline, responsible body(ies) and indicators. The Action Plan for SME Strategy 2020 consists of 98 measures to be implemented by the end of 2020.

It is expected that the Strategy will be implemented partly with funds allocated from the state budget by the authorities responsible for the measures defined in the Strategy, supplemented with support from international technical assistance projects and funds from other resources not prohibited by law.

Neither the Strategy nor the Action Plan have an explicit regional dimension and do not oblige regions/cities to implement specific measures. Both documents leave scope for oblasts/cities to define appropriate tools and to define the regional/local SME policies according to the local specificities, strategies, needs and priorities, which are in line with the decentralisation reform taking place in the country.

This means that the regional/local SME development policies should be developed as an integral part of the policies for regional/local economic development and their measures should be coordinated with other relevant documents. Such an approach would form a vision of further development of individual regions.

From the other side, SME policies at the regional/local level should be consist with the national SME Development Strategy, as well as with the EU SBA principles. This coordination should be secured at the stage of drafting and defining the strategic objectives.

To ensure implementation of the above-mentioned, the SME Strategy foresees a number of coordination tools at different levels, including a focus on public-private dialogue:

- Since the SME Strategy is a horizontal/inter-sectorial document, the implementation of the measures is the responsibility of various ministries/public authorities. Therefore, the document prescribes the establishment of an inter-ministerial coordination tool, which will meet regularly and supervise implementation of the SME policy;
- Coordination tool between national and regional level will become especially important in framework of decentralization processes in Ukraine, when local governments will play an increasingly important role in resolving issues of local significance, specifically, facilitation of SME development. To ensure proper linkage between the priorities of government policies in the sphere of SME development and the needs at the regional level, dialogue between central and local executive

authorities with engagement of regional councils of entrepreneurs must be strengthened.

- To ensure efficient capacity for implementation of the policy at the national level the Office for Small and Medium Enterprises Development will be created as a special body for monitoring and evaluation of the national SME development policy. Its role will cover national and regional dimensions.

According to the SME Strategy, it is expected that the programmes/services performed within implementation of the national Action Plan as well as measures of regional/local policies for SME Development and appropriate programmes/services for SMEs will be provided through existing and newly-established SME support institutions. The National SME Development Strategy 2020 prescribes a number of potential institutions, will be involved into the process such as:

“Central and local executive authorities, local governments, business entities and their associations, businesses' and employers' associations, Entrepreneurship Council under umbrella of the Cabinet of Ministers of Ukraine, research institutions, public councils under auspices of central executive authorities and local state administrations; consulting, advisory, and other auxiliary bodies dealing with SME development; Business Ombudsman Council, regional councils of entrepreneurs, international organizations, donors-funded international technical assistance projects, and other entities may be engaged in implementation of the Action Plan for the Strategy implementation.”

6.2. Regional SME Development Strategies

The important role of regions and cities in SME development is explained by the fact, that regional and city government are accessible to the business sector, can meet representatives of SMEs, information on the economic situation and problems in the region, a good understanding of the needs of SMEs, etc. Such issues as training for SME employees, business-consultancy, administration of business procedures, etc. are usually resolved at the regional/local level.

Development of SME policies at the regional level have to ensure a consistent long-term perspective. The common approach for drafting regional/local SME policies in Ukraine is to develop a number of short-term Programmes, what have and appropriate legal base. Despite of this, there have been several attempts since 2010 to develop SME Strategies at the regional level.

Donetsk regional SME Development Strategy 2011-2016 - GIZ

The first SME Strategy was drafted by Donetsk Oblast Administration in cooperation with the GIZ programme. It started in 2011 but had to terminate implementation in 2013 because of the political crisis and military conflict in the region. The Strategy defined the following strategic objectives: prioritize SME as a strategic sector for local government; establish sufficient SME support infrastructure; support SME friendly regulations; activate of innovation and investment systems in Ukraine. During the development the Strategy was coordinated with the Regional Strategy for Social and Economic Development of Donetsk Region 2015.

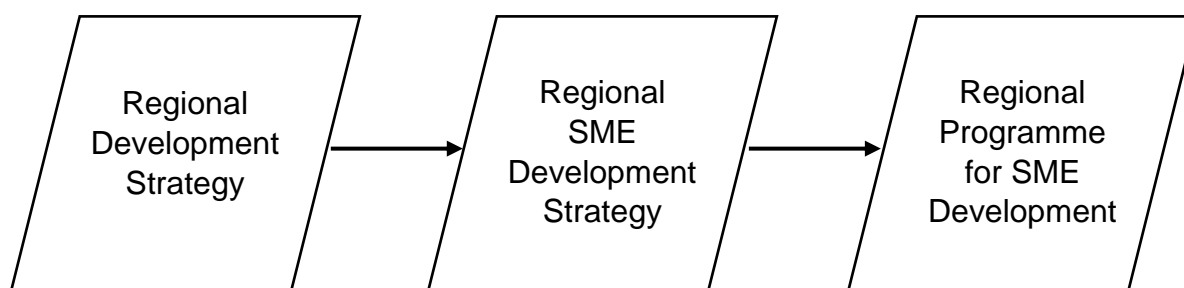
There are some weaknesses in the approach: SWOT and risk analysis are absent from the document, it does not coordinate with Small Business Act or other national level strategic documents and principles. The Donetsk regional SME Development Strategy 2011-2016 does not foresee mechanisms for further implementation, monitoring and evaluation. Overall, the document has mostly declarative in nature and cannot be considered as an effective element of the planning system. The Strategy represented an initial attempt to develop a long-term planning document for SME development at the regional level but cannot be considered as a good practice example for the development of the future regional templates.

Regional SME Development Strategy 2020 piloted - USAID

Currently, six regions of Ukraine are working on development of regional strategies for SME development. The assistance in development of these documents was provided by USAID programme LEV (Leadership in Economic Regulations), which has been working in Ukraine since 2014 and its goal is to improve business-climate by drafting SME policies and simplifying regulations which burden SME development.

A strategic planning exercise was done with five target regions: Kherson, Kyiv, Lviv, Ternopil and Vinnitsia; Cherkasy oblast became the sixth region at the end of 2016 year. Currently, two SME Strategies (Ternopil and Cherkasy oblasts) have been adopted and the SME Strategy of Vinnitsia region has been submitted to the Regional Council for approval. The other three regions continue their work on drafting the policies.

The overall approach of the LEV programme is to develop the regional SME Strategy as an intermediary document between the Regional Development Strategy and Programmes for SME development (Scheme 1).



Scheme 1. SME Strategic Planning System used by LEV (USAID) programme

The document considers the strategic objectives and SME-related measures of the Regional development Strategy and expands upon them. The LEV programme's methodology is mostly concentrated on coordination with the Small Business Act principles and providing recommendations about how to ensure the step-by-step development of regional policy. This is well reflected in the SME Strategies of Ternopil and Cherkasy oblasts, for example.

Taking into consideration the fact that the national SME Development Strategy 2020 was also developed on the basis of SBA, we compared strategic objectives and tasks of both national and regional SME strategies. As an example of the regional strategies, the Ternopil SME Strategy 2020 was considered.

Table 2. Coordination of Strategic objectives Ternopil oblast SME Strategy with National SME Development Strategy 2020

<i>Ternopil oblast SME Strategy 2020</i>	<i>National SME Development Strategy 2020</i>
1. Improve SME regulations	1. Following the “Think Small First” Principle
2. Development of regional SME infrastructure	2. Modernising Existing SME Support Infrastructure
3. Improve access to finance	3. Improving access to finance for SMEs
4. Improve quality of business process in SME	4. Improve competitiveness of SMEs
5. Access to new markets	5. Promoting SME export / internationalization
6. Improve entrepreneurship culture and forming positive image	6. Promoting Entrepreneurial Culture and Developing Entrepreneurial Skill
7. Strengthen PPD	7. Ensuring Development of Effective PPD
8. Involve representatives of vulnerable groups into entrepreneurship	8. Supporting Entrepreneurship for Selected Categories of the Population

Although the Ternopil SME strategy was developed before the national SME Development Strategy 2020, comparing of these documents shows that all objectives/measures of Ternopil oblast Strategy are covered by National SME Strategy. It indicates that the national SME Development Strategy 2020 has comprehensive analysis and approach, which considers existing problems of SME sector on both national and regional/local levels. Thus, although the national SME Strategy does not have an explicit regional dimension, it reflects needs of SME sector and represents a suitable framework for further coordination with regional (and local) SME policies.

Analysing the existing SME strategies of Cherkasy and Ternopil oblasts, it is possible to define a common structure, including:

- Analysis of SME Sector;
- SWOT analysis;
- Vision;
- Opportunities and risks for implementation;
- Strategic objectives, measures and rationales;
- Mechanisms for implementation;
- Monitoring and evaluation.

The official methodology of the LEV programme comprises eleven steps of strategic planning exercise, which include creation of working group involving external experts; analysis of stakeholders; analysis of SME sector in appropriate level, SWOT analysis; drafting of vision, strategic objectives, measures and rationales; discussion of the draft(s); public consultations; incorporation of the recommendations; approval of the Strategy; and coordination of implementation.

It is evident that the LEV (USAID) programme methodology is almost entirely concentrated on drafting the SME Strategy, but devotes little focus on its implementation. The existing SME Strategies for Ternopil and Cherkasy regions demonstrate a lack of detail in respect to the implementation period. Each strategic direction includes number of measures and rationales, but not responsible institutions

and timelines of implementation. Indicators for implementation are identified for the strategic objective but not for each measure. The indicators are mostly general and may reflect the economic situation in the region, but may not be as conducive to implementation of concrete measures.

Although the LEV programme's approach for SME strategizing is a significant step forward comparing with previously existing medium-term practice, the methodology demonstrates some weaknesses which should be taken into consideration in the future:

- Absence of recommendations on the working group composition. During analytical work, drafting SWOT analysis and identifying SME needs, it is important to ensure representing of key stakeholders in the group, which is the main basis for comprehensive analysis;
- Absence of focus on Public-Private Dialogue (PPD). The methodology does not consider the PPD as integral part of policy-making process;
- Limited focus at the implementing part of the policy. The methodology is mostly concentrate on the organizational part and drafting of the document: analytics, identifying structure of the document and strategic objectives, etc. The methodology generally says that the Strategy needs to be monitored and evaluated but does not provide recommendation on how to ensure this in the form of, for example:
 - Action Plan, which needs to identify key issues for monitoring. At the present within the Strategies these data are missed.
 - Ensuring sufficient Oblast state administration/City Government's capacity of SME unit. This create a risk of lack of capacity to ensure effective implementation
 - Accessing alternative sources of financing beyond the regional/local budget are not recommended. The methodology does not address the fundraising issues of implementation, which is currently a key weakness in almost all strategic documents.

Taking into consideration all above-mentioned, the LEV programme methodology is not sufficiently oriented to the implementation part of the policy. Ukrainian regions need a pragmatic approach, especially in view of the absence of targeted SME funds in the country and the current apparent prioritization of social issues over economic ones. The design of SME policy at regional level should ensure its implementation and foresee the possibility to involve the widest range of alternative funds possible.

A further issue is that the development of separate SME Strategies at the regional level may be too advanced for Ukraine's current state of development. The current levels of public administration capacity means that regional and local level institutions tend to only implement the initiatives that they are required to implement by law, such as the Regional Development Strategy. This means that voluntary initiatives implanted with donor support, such as the LEV SME regional strategy run the risk of not being extended in the future.

Therefore, the only obligatory strategy for regions is the Regional Development Strategy, which is described in previous paragraph. As has already been shown, these strategies a focus on SME-oriented measures but that there is great scope to strengthen such measures. Since the development of separate SME Strategies for Oblast Administration is based on a voluntary process with no guarantee that they will

be sustained, it is evident that a more sustainable approach would involve strengthening and deepening the SME dimension of the Regional Development Strategies.

7. Programmes for SME Development as a medium-term policy

7.1. Methodology for SME Development Programmes

Regional and local planning documents, which are concentrated on SME development and represented in Ukraine according to the acting legislation may be divided to two main groups:

- Regional long- and short-term documents, which contain SME development issues as a part. These are the Regional Development Strategies, which were discussed earlier in this Report (According to the Law “On State Regional Policy” dated 05.02.201 №156-VIII) and short-term programmes for economic and social development (Law of Ukraine “On State Forecasting and development of Programmes for economic and social development” dated 23.03.2000 №1602-III).
- Regional planning documents fully devoted to SME issues. These are regional and local Programmes for SME development (Law of Ukraine “On National Programme for small and medium entrepreneurship development in Ukraine” dated 21.12.2000 #2157-III)

As mentioned earlier, (paragraph 3 “Legislative background” of the Report) the development of SME Programmes is regulated by the Law on National Programme for SME Development in Ukraine. This Law was adopted in 2000 and sets the main directions of the National Programme, which are:

- Improvement of the regulatory framework for entrepreneurial activity;
- Comprehensive state regulatory policy in the field of entrepreneurial activity;
- Intensification of financial-credit and investment support to small business;
- Development of support infrastructure for small entrepreneurship;
- Introduction of the regional policy for SME development.

The National Programme also has the Action Plan for the year 2001, which includes measures, expected results, timescale, responsible bodies and budget.

The existence of the national-level Programme implies development of relevant medium-term documents at the regional and local level. However, since the last update of the National Programme for SME Development took place in 2001, it is obsolete as a framework for current SME Programmes.

To coordinate the process of drafting of the regional/local SME Programmes, Guidelines were developed by the State Regulatory Service in 2010 with allowance for the Laws of Ukraine "On Development and State Support of Small and Medium-Sized Enterprises", "On Stimulating Regional Development", "On National Programme for Facilitating SME Development in Ukraine", "On State Forecasting and Formulation of Ukraine Socio-Economic Development Programmes" and other laws and regulations.

The Guidelines are of an explanatory nature and may be defined more precisely depending on regional specifics. Although, the Guidelines foresee coordination with other policies: “Priority areas of SME support in the Programmes should be based on regional strategies and be a logical continuation of the last period's regional programme with allowance of its outcomes”. At the same time, the guidelines do not include recommendations on coordination with national SME Development Strategy and Small Business Act.

Developing and implementing the Programmes include a number of stages described below:

- Comprehensive Analysis of the Actual Situation with Development and Support of SMEs in a Region.
- Identification of Priority Areas of SME Support in the Region.
- Development of Programme Tasks and Measures Needed to Accomplish the Programme Tasks.
- Monitoring the Progress in Implementing Regional and Local SME Development Programmes and Specific Measures under these Programmes.

The Guidelines identify the following sources of funding for the Programmes: regional and local budgets, national and regional entrepreneurship development support funds, other funds, regional employment centres, loans of banks and non-banking financial institutions, revenues from privatisation, foreign investments, regional business associations, donations of individuals, legal entities and other organizations interested in implementation of the Programme of selected measures under Program.

Despite the long list of potential sources of finance, the Guidelines do not identify among them Regional Development Fund, which is the largest local funding source with which to implement regional development strategies. This may be interpreted in three ways: either the guidelines do not foresee linkage of the SME Programmes to the Regional Development Strategies. Alternatively, the Regional Development Fund was not perceived to be an effective funding tool in 2010 when the Guidelines were developed. Or lastly, because the Guidelines contain the recommendation to oblast state administration and city councils to allocate at least 0.5% from the relevant budget revenues for SME development support purposes, it did not need to consider the RDF as a potential course of funding. However, the fact that 0.5% is currently not being allocated by oblasts, this is a serious weakness. Either way, greater linkage between SME strategic documents and the RDF and other sources of funding needs to be development in the future.

The monitoring of the Programme implementation progress should be organized on a quarterly basis. The results of the monitoring should also become a basis for identifying reasons for inefficient implementation of the Programme. The proposals for necessary improvements will be developed afterwards. The monitoring data will be considered as well in the process of updating/ developing new Programmes for new periods and determining their funding requirements.

The Programmes have to be approved by the oblast state administrations and city councils according to the legislation. A copy of the approved Programme accompanied by a cover letter describing the details of the decision on approval have to be sent to the national Institution in charge of SME Development (Ministry of Economic Development and Trade).

Once regional budgets of oblasts, cities of Kyiv and Sevastopol and local budgets have been approved, the governments have to send copies of decisions on the funds allocated to Programme measures to the national Institution in charge of SME Development (Ministry of Economic Development and Trade).

Considering the discrepancies between recommendations of the Guidelines with current policy environment, infrastructure and challenges for SME sector, the existing Guideline would need to be revised and updated. This would contribute to the development of more effective and relevant medium-term SME Programmes.

7.2. Programmes for SME Development at Regional/Local Level

As for today 16 oblasts have their Programmes for SME Development. Most of the Programmes (14 from 16) have a consistent two-year timeline (currently for 2017-2018). The Rivne oblast has a Programme for 2015-2017 and Kirovograd for 2016-2018. The SME issues in Kyiv are included into the Kyiv Programme for Development of Entrepreneurship, Industry and Market 2015-2018. Some of the regions, such as Poltava, Kharkiv and Chernihiv, have the Programmes with a timeline of 2016/2017 - 2020. There is no SME Programme in either Lviv or Cherkasy regions.

During the developing process, most of the state bodies follow the methodology proposed by State Regulatory Service (see above). The Programme usually consists of an analytical overview of the SMEs in respect to their influence to economic development. In some oblasts this analysis is accompanied by a SWOT analysis. The other notable parts of the Programmes are tables in the form of Action Plans with following information: measure, rationale, responsible, timeline, expected cost and amount of funding.

Sources of funding for SME Development Programmes

Some of the Programmes are expected to be funded exclusively from regional budget and some others foresee the involvement of alternative funds, donors and private funds (Table 3). This suggests a need for awareness raising of the Oblast State Administration of the widest possible of range of funds for the implementation of regional policies in the future.

Table 3. Resources for SME Development Programmes

<i>Details of the SME Programmes</i>	<i>Oblasts</i>					
	<i>Chernihiv</i>	<i>Sumy</i>	<i>Ternopil</i>	<i>Kharkiv</i>	<i>Ivano-Frankivsk</i>	<i>Poltava</i>
Timeline	2017-2020	2017-2019	2017-2018	2016-2020	2017-2018	2017-2020
Total budget, thou. UAH	23380,0	14705,0	6350,0	55952,5	7658,0	12287,0
Approximate annual budget, thou. UAH	5845,0	3676,25	2116,67	11190,0	3829,0	3071,75

Funding from regional budget, thou. UAH	23380,0	8705,0	5350,0	5650,0	7658,0	12287,0
Other sources, thou. UAH	0	6000,0	1000,0	50302,5	0	0

Among the measures typically funded from oblast budget are:

- Micro-credits and loan interest subsidies (Entrepreneurship Funds);
- E-services for entrepreneurs;
- Trainings on entrepreneurship/ Rural Development;
- Participation in exhibitions, fairs and conferences;
- Development of promotional leaflets of the region.

The measures in the SME Programmes which often involve alternative sources of funding are:

- Trainings on M-test and better regulations;
- Study tours and international events;
- Projects competitions/call for proposal;
- Development of web resources;
- Establishment of business support centres.

Existing practice for SME Development Programmes:

The Oblast and local Programmes for SME Development typically do not fully meet the international good practice for strategic planning of SME Development at regional and local level because:

- Programmes are elements of medium-term planning but not of strategic planning. Programmes do not provide the possibility to create systematic SME policy at the regional and local level.
- A significant portion of the Programmes involve an academic style overview of the economy and SME sector but do not typically have a SWOT analysis of SME sector or an analysis of the comparative advantages of the region, both of which should form the basis for defining the strategic objectives and range of measures of SME Development policy. Examples of these include Vinnistia, Mykolaiv, Rivne, Ternopil, Chernivtsi oblasts and Kyiv city.
- Most of the Programmes have non-existent or weak coordination with other strategic documents. Most of the programmes refer to Law of Ukraine “On National Programme for small and medium entrepreneurship development in Ukraine” and simply duplicate directions envisaged in the Law.
- Monitoring systems of the programmes foresee reporting but it is currently organized on a very basic level. While monitoring may exist, evaluation is weak or non-existent. Information about responsible bodies may exist, but information about expected results and indicators are typically absent;

It is evident from the above, that the Programmes for SME Development cannot replace strategic policy documents to determine development of SME sector in strategic perspective. But once the methodology for development of the Programmes is updated in line with international good practice, these Programmes have the potential to become an effective tool for medium-term targeted planning.

SME Programmes facilitated by PROMIS project

The Canada PROMIS PLEDDGE started in 2015 and is working with city councils and oblast state administration on creating Programmes for SME Development and other Programmes with an SME scope. The project developed a Concept for SME Development in the oblast for Zaporizhzhya oblast and three types of programmes:

- SME Development programmes: in Zaporizhzhia, Ladyzhin, Energdar and Kolomyia cities;
- SME Competitiveness Programme: in Vinnitsa city;
- Programme for Expanding Local Products to External Markets: in Horyshni, Plavni, Kremenchuk and Zhmerynka cities.

The process usually takes approximately 4-6 month and includes following stages:

- Creating a working group;
- Discussing data and available statistics with the working group;
- Identifying priority directions and Drafting the Programme;
- Public consultations of the draft Programme;
- Preparation of the final version for adoption.

The methodology of PROMIS Project is mostly concentrated on organizational principles, such as: ensuring PPD during the process, creating representative working groups, including monitoring age and gender balance, representing of the main stakeholders. The project is less concentrate on analytical work, strategic planning methodology and implementation of the resulting Programmes.

8. Conclusions

1). The emergence of new element as SME Development Strategy at the national level requires appropriate changes in policy-making and implementation on regional, local and community levels, what will ensure comprehensive approach, coordination and effective implementation of SME policy in Ukraine.

2). There is no unified approach in Ukraine on development / implementation of SME policy on regional and local levels. The main SME-related planning elements which currently present on regional and local levels are: Regional Development Strategies (RDS), Regional SME Strategies and medium-term Programmes for SME Development.

3) There is an urgent need to establish effective mechanism for dialogue and cooperation between public and private sectors both at the regional and national levels. The dialogue should become background principle at the every stage of SME policy development and implementation, including monitoring and evaluation.

4) Regional/Local Programmes for SME Development may not be considered as potential Strategic planning documents because of their medium-term timeline and absence of necessary strategic planning approach at analytical part of the documents.

5) Regional and local SME Development Strategies may not nowadays become unified example and sustainable element of SME Strategic Planning system, as far these documents are voluntary both for development and implementation. In terms of lack of funding for SME development, optional nature of these documents, may not ensure involvement of sufficient financing for their implementation.

6) Strengthening of SME scope within the Regional Development Strategies and its coordination with national SME Development Strategy is nowadays the most realistic way to establish unified approach for development and multi-level coordination of SME policies in Ukraine. As far the RDS are the only obligatory Strategies for regions, this will ensure broad implication of the approach and enable access to variety of funding mechanisms for implementation of the policies.

9. Main Principles of Effective Regional/Local SME Policies

The regional/local SME policy is agreed position of regional stakeholders on ways for how to improve SME sector.

The Policy should:

- ***Reflect and provide analysis the real situation in city/region/ATC and propose ways for its improvement;***
- ***Be agreed by stakeholders (PPD);***
- ***Be coordinated with national and regional documents (PPD);***
- ***Have Action Plans which provide sufficient information;***
- ***Be able to involve sufficient funding;***
- ***Have proper implementing infrastructure;***
- ***Be monitored and evaluated (PPD).***

1). SME Policy need to ***consider regional/ local specifics***: use the local competitive advantages, improve the local business climate, reduce problems of SME. This may be achieved by performing following exercises:

- Creation of representative working group during work on the policy
- Undertaking analysis of SME sector on appropriate level
- SWOT analysis of regional/local SME sector
- Identifying comparative advantages of SME sector on appropriate level

2). SME Policy should be a planning and co-ordination document **agreed by stakeholders**. The stakeholders should feel their ownership, understand responsibility and role in implementation, what is usually achieved by extensive PPD:

- PPD at the stage of development of the Strategy
- PPD at the stage of development of the Action Plan, Programmes and Projects
- PPD at the level of implementation, monitoring and evaluation.

3). The SME Policy has to ***coordinate with all relevant policies***

- National SME Strategy / Small Business Act
- Regional Development Strategies
- Other SME Targeted Programmes/ Funds/Budgets

4). The SME policy has to be ***implemented***

- Action Plan has to be developed to determine responsible bodies, timeline and KPIs
- Relevant Programmes and Project to implement the SME policy have to be drafted
- Oblast Administrations need to have enough capacity to facilitate all stages.

5). The SME policy need to have **sufficient funding**

Fund	Tool for access
Oblast/City Budget	SME Support Programmes
Fund of Regional Development and Sectorial (EU) Budget	SME Programmes in line with Regional Development Strategy,
Donors/ other funds	Programmes in line with National SME Strategy/ Small Business Act
Banks and Private investments	Drafting Commercial Projects
SME funds	Promotion of the policy, communicating it to SMEs; involvement BSOs

6). The SME Policy should have **available regional/local infrastructure for its implementation** (see Chapter 9 below):

- Access to information about acting SME infrastructure (inventory);
- Involvement of representatives of SME infrastructure into drafting of Strategy/Action Plan;
- Implementation needs to be coordinated and agreed with involvement of maximum possible SME support infrastructure: ARDs, Chambers, BS Centres, Export Promotion Offices, Funds for SME Development etc.

7). The SME Policy should be **monitored and evaluated** (PPD):

- Targets/indicators should be developed and approved;
- Oblast Administration/City Council should have enough capacity to monitor and evaluate implementation of the policy;
- Collecting feedback from the beneficiaries and using it as a background for future policies (PPD)

10. Template

Considering undertaking analysis, main findings and identified principles for regional/local SME development policy, we propose the following template as basic algorithm for development of SME-focused part in Strategies for Regional/Local Development. The final structure of SME Chapter within Strategies of Regional/Local Development will be identified by concrete parties.

1. Analysis of SME Sector at Regional/ATC/Local Level

- Overview of the sector, main statistics, trends
- Comparative advantages
- SME infrastructure
- SWOT analysis, conclusions

2. Substance of the Strategy

- Strategic directions
- Bullet points of possible solutions

4. Coordination with other documents

- National Strategy for SME Development/ SBA,
- Regional Development Strategy

- Other documents/calls for proposals (Donors, IFIs, available Funds` & Banks` programmes)

5. Implementation of the document

- Coordination, Monitoring and Evaluation, PPD
- Action Plan: Measures, Rationale, Responsible bodies, Timeline, Indicators, Budget
- SME Development Programme (Regional/Local Budget)
- TOR (for Strategy of Regional Development (Regional Development Fund)
- Projects and Programmes for Strategy implementation (from other Donor/IFI funds)

6. Annexes

11. SME infrastructure at the regional/city level

Oblast State Administrations (Economic Dpt./ SME Unit) – Regional executive government bodies, headed by Governors, operating in each region of Ukraine. The Administrations establish and implement regional policies. The OSAs have vertical connection with MEDT and coordinate their activities at policy development and implementation with national level. The Economic Development Departments (and SME Units) of OSAs are responsible for SME Policy making (including facilitation of the process) and implementation at the level of regions.

City Councils (Economic Division/ SME Unit) – Local self-governing bodies, headed by Mayor, elected by city citizens. The Economic Divisions (SME Units if exist) of the Councils are responsible for SME policy making (including facilitation of the process) and implementation on city level.

Agencies for Regional Development – non-profit NGOs established by OSA Order and has its goal to assist regional government in implementation of Regional Development Strategies and their Action Plans. The Agencies work as consultative bodies for development and implementation of programmes and projects of regional development and make other input to increase of investment attraction of the region.

SME Development Fund – was created as financial and credit institution, which provides financial support to implementation of SME support policies in accordance with SME development programmes. The Fund supposes to be involved in implementation of regional SME policy through financing of particular measures and introduction of effective credit and guarantee mechanisms for financing entities.

Employment Service Centres – institutions targeted to work with unemployment citizens. The Centres often provide trainings on new skills and entrepreneurship. In this regard, Employment Service Centres may participate in implementation of SME policy in cooperation with other institutions.

Regional Entrepreneurship Councils – party of PPD (from private sector), which is created as advisory bodies to the Oblast State Administrations according to Order of Cabinet of Ministers No526 “On establishment of regional Entrepreneurship Councils” dated May 18, 2011. The Councils have their task to improve cooperation between business sector, NGOs and Oblast State Administrations. The Regional Councils are important parties in policy-making process, as far they are authorized to provide

propositions and expertise to SME development policy, draft SME Programmes and other SME related legislations and regulations.

Business Support Centres (EBRD) – 15 institutions were created in 15 regions of Ukraine (Vinnitsia, Dnipro, Zaporizhzhia, Ivano-Frankivsk, Kyiv, Kramatorsk, Kropivnitskiy, Lviv, Mykolaiv, Odesa, Rivne, Sumy, Kharkiv, Khmelnytskyi and Chernihiv) in 2016-2017 within EU4Business initiative funded by EU on basis of already existing local NGOs and BSOs. The infrastructure provides to SME consultations on starting-up and development of business, crediting, modernization, internationalization as well as participation in EU programmes COSME and HORIZON2020. Centres may effectively participate in implementation of the regional and local SME support policy within their focus and capacity.

BSOs/BMOs – NGOs established with the aim to protect and represent interest of their members, initiate advocacy campaigns, as well as provide to the companies range of business-services and consultancy. BSOs/BMOs are usually interested to participate in policy-making process as PPD party in order to include the issues of interest of their clients/members into the policy-agenda. BSOs/BMOs may as well participate in implementation of the policies.

Regional Chambers of Commerce and Industry – NGOs established and operating at regional level, representing interests of entrepreneurs and providing services to entities (legal expertise, export, trainings, organizing exhibitions, conferences etc.). The CCI web in Ukraine consist of 24 regional Chambers and a National CCI. The CCIs may participate as SME stakeholder in PPD and be involved in policy-making processes by collecting problematic for SME issues in order to address them to appropriate governmental institution(s) and to include into regional/national agenda. The CCIs may as well be involved into policy implementation by drafting and implementing projects in line with regional/local policies.

Export Promotion Centres (within regional CCIs) – on basis of 10 regional Chamber operating Export Promotion Centres which have their goal informational and service support to Ukrainian entities. Among classical CCI`s services, the Centres provide: marketing research, development of export strategy for entities, comprehensive TOT for consultants on export to EU countries, searching of partners abroad. The Centres may be involved in implementation of export-related measures and projects of regional SME policy.

EEN contact points (within regional CCIs) – 5 regional Chambers (Donetsk, Lviv, Odesa, Chernihiv, Dnipro) obtained access to European Enterprise Network and work as contact point/member of consortium in close collaboration with National CCI. Mentioned Chambers may be involved in implementation of innovation and internationalization-related measures and projects of regional SME policy.

Business incubators – institutions providing with support to entities on every stage of their development from creation of business-idea to its commercialisation. Business-incubators usually provide basic services, which are needed for every starting-up entity, such as registration of address, office-space and access to internet, consultations, advertisement and accounting services etc. Business incubators may be involved at the level of implementation of the policy and include establishment of business-incubator, expanding or improvement of their services.

Business-consultancy units – institutions providing consultations to entities at various stages of their development with a focus on administrative, fiscal, legal issues. The institutions may be involved into SME development policy as implementers of certain programs by providing their targeted job.

Innovation support infrastructure (techno parks, innovation centres, hackathons, offices for transfer of technologies, etc.) – variety of infrastructure with the focus on competitiveness of SME sector and strengthening linkage between science and real sector. The development of innovation support infrastructure demands cooperation of regional/local government, universities/labs/think-tanks and private sector. The infrastructure may become result of SME policy implementation. The existing infrastructure or its elements may be included into working groups during development of SME policy and be an active party during implementation stage.

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Annexes

Annex 1

The ten principles of the SBA

1. Create an environment in which entrepreneur and family businesses can thrive and entrepreneurship is rewarded. Entrepreneurial interest should be fostered, particularly among young people and women.
2. Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance. To promote a positive attitude in society towards giving entrepreneurs a second chance, the Commission recommends public information campaigns. Each year, 700 000 SMEs in the EU file for bankruptcy.
3. Design rules according to the 'Think Small First' principle. 36% of EU SMEs report that red tape has hampered their business activities over the past two years. The time required to set up a business should be less than one week, with the appropriate permits being available within one month at the latest. In 2007 the Commission set up a high level group of external experts, under the direction of former Bavarian Prime Minister Edmund Stoiber, which deals exclusively with the question of reducing the administrative burden.
4. Make public administrations responsive to SMEs' needs. Electronic government and one-stop shops for all SME needs are the key ideas for implementation.
5. Adapt public policy tools to SMEs' needs: facilitate SMEs' participation in public procurement and better use State Aid possibilities for SMEs. The Commission intends to make the sometimes complex and lengthy support procedures more efficient and more attractive to SMEs.
6. Facilitate SMEs' access to finance and develop a legal and business environment supportive to timely payment in commercial transactions. It should be easier for SMEs in particular to obtain risk capital, micro-credit and mezzanine finance. One out of four insolvencies is due to poor payment practices in European business.
7. Help SMEs to benefit more from opportunities offered by the Single Market. In this case, the Commission is promoting advisory and networking services, such as the Enterprise Europe Network. Member States should also reinforce the SOLVIT online network for resolving problems with Single Market rules.
8. Promote the upgrading of skills in SMEs and all forms of innovation. Support measures should encourage SMEs to carry out research, including within transnational cooperation projects.
9. Enable SMEs to turn the environmental challenges into opportunities. Suppliers of environmental technologies are primarily SMEs. To increase their own energy efficiency, SMEs should make use of environmental management systems.
10. Encourage and support SMEs to benefit from growth of markets. Large enterprises are more likely than SMEs to take advantage of market opportunities abroad. SMEs should be helped to benefit from globalization and EU enlargement.

Annex 2**(Annex 2 to the Strategy)****Objectives of the State Regional Development Strategy for the period till 2020**

Objective 1 Increase competitiveness of regions	Objective 2 Territorial social and economic integration and spatial development	Objective 3 Efficient public administration in the field of regional development
<p>1). Increasing the role and functional capacities of cities in further development of regions.</p> <p>Urban infrastructure development.</p> <p>Support of integrating role of cities as centres of economic and social development.</p> <p>2). Creating conditions for expending a positive process of urban development in other territories, development of rural areas.</p> <p>Improvement of transport accessibility within the region.</p> <p>Rural development.</p> <p>3). Increasing efficiency of using internal factors of regional development.</p> <p>Development of intellectual capital.</p> <p>Increasing the level of innovation and investment capacity of regions.</p>	<p>1). Fulfilment of objectives and implementation of measures aimed at solving urgent issues related to Donetsk and Luhansk regions, the Autonomous Republic of Crimea and Sevastopol.</p> <p>Restoration of life safety and economic rehabilitation of Donetsk and Luhansk oblasts.</p> <p>Protection of national interests and prevention of violation of the constitutional rights of Ukrainian citizens in the temporarily occupied territory of the Autonomous Republic of Crimea and Sevastopol</p> <p>2). Preventing an increase in disproportions that hinder the development of regions.</p> <p>Coherence of policy stimulating development of "points of growth" and support of economically less developed and depressed areas.</p>	<p>1). Decentralization of power, reform of local self-governing authorities and administrative-territorial organization.</p> <p>2). Improve system of strategic planning and regional development at the national and regional levels.</p> <p>3). Increase the quality of public administration in the field of regional development.</p> <p>4). Strengthen inter-sectoral coordination in the process of state policy making and implementation.</p> <p>5). Institutional support of regional development</p>

<p>Development of entrepreneurial environment and competition in regional commodity markets.</p> <p>Rational use of natural resource potential, preservation of cultural heritage and valuable natural territories.</p> <p>Development of cross-border cooperation.</p> <p>Diversification of energy supply sources and increase of energy efficiency in regions.</p>	<p>Creating conditions for productive labour of the population.</p> <p>3). Ensuring comfortable and safe living environment for people irrespective of the place of living. Creating conditions for solving urgent problems of displaced people.</p> <p>Raising living standards in rural areas.</p> <p>Modernizing the system of education</p> <p>Creating conditions for formation of a healthy population</p> <p>Socio-cultural development</p> <p>Providing high-quality transport and communication services</p> <p>Providing high-quality housing and communal services, providing housing</p> <p>4). Development of interregional cooperation</p> <p>Creating conditions for strengthening links between regions and communities</p> <p>Development of border areas</p>	
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Annex 3**SME related measures in Strategies for Regional Development**

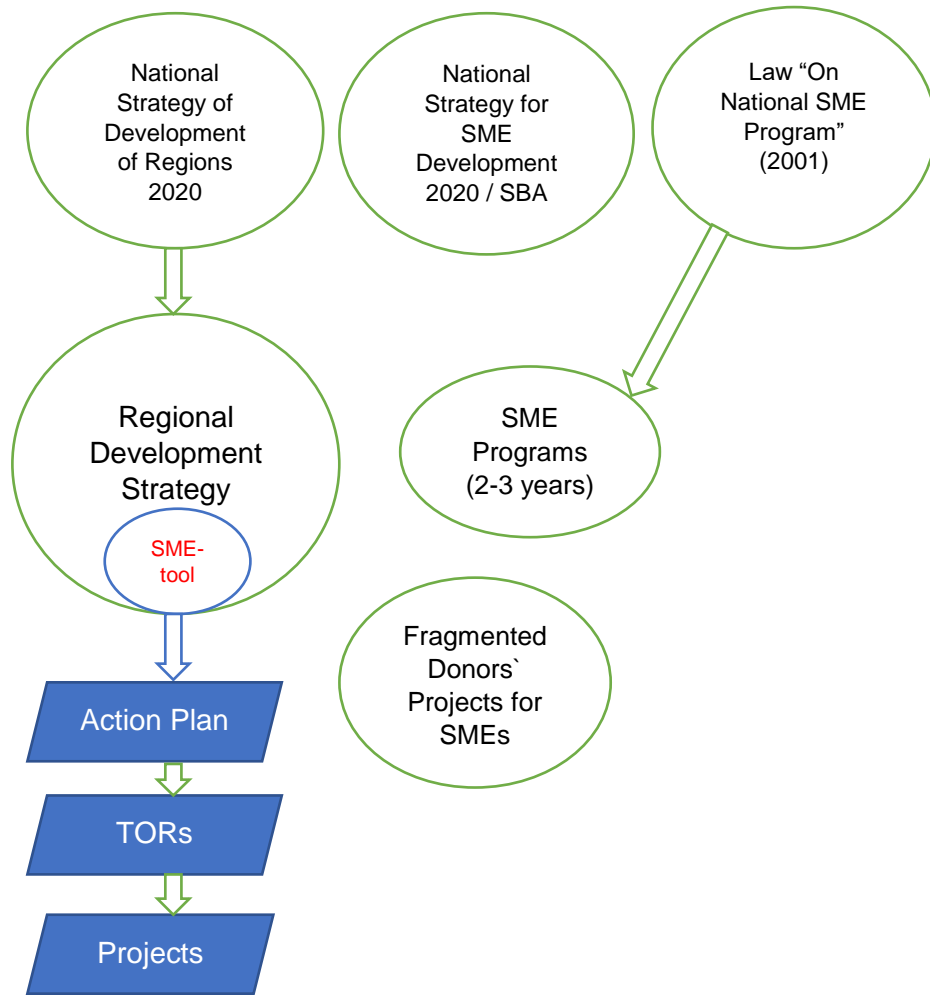
Strategy for Regional Development of Cherkasy oblast 2020	
1.4. Create favourable conditions for SME development	1.4.1. Development of business support infrastructure. 1.4.2. Facilitate local producers to export products. 1.4.3. Provide information support to local producers. and facilitate creation of local brands. 1.4.4. Facilitate IT development.
Strategy for Regional Development of Chernihiv oblast 2020	
2.2. Stimulate SME development	2.2.1. Improve SME competitiveness. 2.2.2. Development of business support infrastructure. 2.2.3. Provide information and resources support.
Strategy for Regional Development of Ivano-Frankivsk oblast 2020	
1.2. Stimulate SME development	1.2.1. Development of business support infrastructure. 1.2.2. Improve innovation potential of producers. 1.2.3. Improve SME competitiveness.
3.2. Development of rural areas	3.2.2. Support development of non-agricultural business in rural areas. 3.2.3. Improve training/formal learning for SME specialists in rural areas. 3.2.4 Facilitate self-employment in rural areas, first of all in mountainous areas.
4.2. Raise awareness and social involvement of people	4.2.1. Development of leadership and entrepreneurship skills among young people
Strategy for Regional Development of Kharkiv oblast 2020	
1) Competitiveness of the economy and increase of GRP	7. Development of interregional recreational and event tourism as an SME sector which has a high potential for creating employment and bringing revenue to local budgets if there is a growing demand for tourism and leisure activities from the regional centre residents. 9. Development of added value chains of SME agri-producers through creation of cooperatives, value chain associations, processing enterprises.
Strategy for Regional Development of Mykolaiv oblast 2020	

1.3. Create conditions for priority SME development	1.3.1. Development of business support infrastructure. 1.3.2. Financial, loan and investment support 1.3.3. Support and stimulation of SME EU integration in the region.
2.2. Get people prepared for life and activities in the conditions of the changing economy	2.2.1. Development of lifelong education system. 2.2.2. Development of leadership and entrepreneurship skills among young people.
Strategy for Regional Development of Ternopil oblast 2020	
2.1. Stimulate SME development	2.1.1. Deregulation of entrepreneurship. 2.1.2. Improve SME competitiveness. 2.1.3. Provide information and resources support, development of business support infrastructure.
3.1.2. Facilitate self-employment in rural areas	- support self-employment in rural areas, facilitate development of individual entrepreneurs in rural areas; - provide advisory support to individual farms, support initiatives on creating SMEs in rural areas.
3.2.1. Build capacity of small and medium agricultural producers, improve access to financial resources	- create retail agricultural markets for small and medium agri producers in cities; - create a regional certification centre for agricultural products; - develop a system of micro crediting of agri SMEs (microcredit fund) provided funds are raised as collateral security to minimize bank risk and reduce lending rates; - create conditions for providing agri SMEs with equipment to process agri products; - provide training and advisory support to agri SMEs; - Support development of family farms.
Strategy for Regional Development of Sumy oblast 2020	
Stimulate SME development	- Support the microcredit fund for SMEs; - Support IT sector in Sumy region; - Examine the capacity of enterprises to conduct marketing research and marketing of goods
Strategy for Regional Development of Lviv oblast 2020	
1.1.2. Modern instruments of financial support of business	<ul style="list-style-type: none"> • Create a regional institutional platform for a dialogue between banks, business associations and business in order improve SMEs access to credit resources and finance services. • Develop a methodology of selection of recipients of credit support taking into account environmental regulations and modern standards.

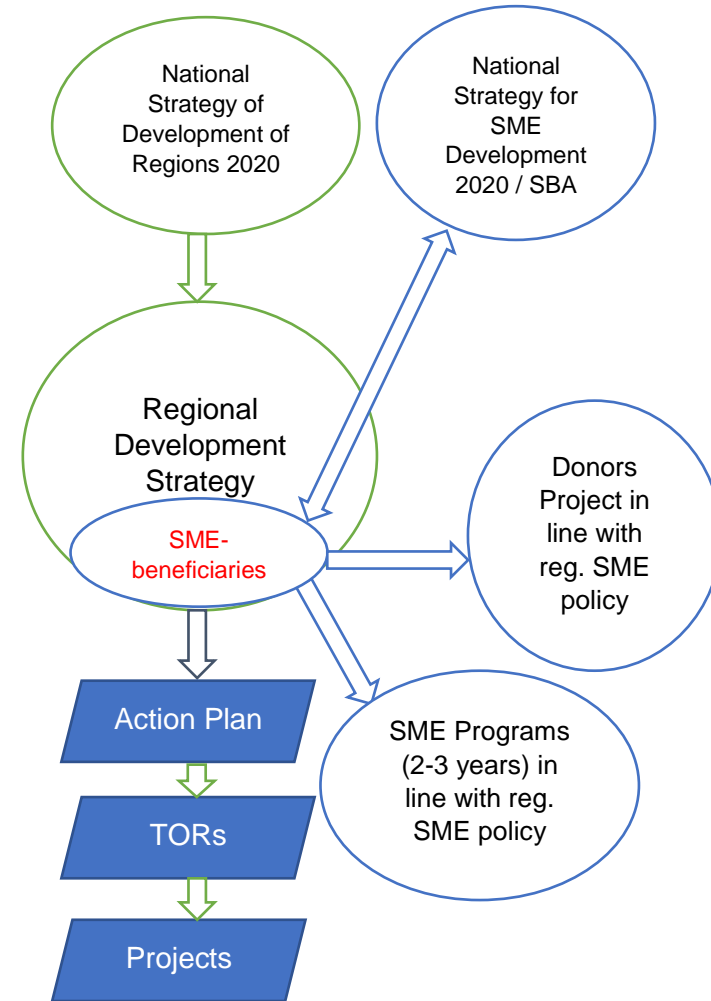
1.1.3. Development of business support infrastructure	<ul style="list-style-type: none"> • Support development of women’s and youth entrepreneurial initiatives, as well as initiatives of people with special needs (the disabled). Implementation of targeted projects and contests in this area. • Create Business support centres. • Create a network of information and advisory points, in particular based on administrative services centres, local development agencies, and other organizations in order to provide free of charge consultations to entrepreneurs related to the registration procedure and permits. • Create and support local development agencies. • Introduce e-services via administrative services centres. • Use mechanisms of corporative and social partnership to stimulate development of business environment and business support infrastructure.
<i>Strategy for Regional Development of Poltava oblast 2020</i>	
2.2. Strengthen SMEs	<p>2.2.1. Simplify procedures to start business.</p> <p>2.2.2. Develop horizontal networks, sector and territorial clusters, support their links with innovation and know-how centres.</p> <p>2.2.3. Build capacity to produce new products and competitive services.</p> <p>2.2.4. Create business incubators, Business Support Centres and promote e-business.</p>

XI	Existing SME Infrastructure	5	4	SME infrastructure		20	15	5	15	15	10	15	10	10
				<i>Fund for Regional Development</i> allocated funds/spended funds, (mln UAH, in 2016)	91,9/81,4	97,9/91,4	93,6/91,3	152,6/150,6	65,0/58,3	121,3/115,1	222,5/213,5	69,8/67,2	80,8/77,0	
		1		<i>Fund for SME Development</i> allocated funds (thou UAH, in 2016)	4000	2000	Registered but not acting	1800	2800	1500	1000,00	петро васьильвич 098 886 46 22	Conflict situation. 2 Funds registered, both of them now are under investigations	
		1		<i>Agency for Regional Development</i>	Exist https://goo.gl/VMsA7Y	<i>Order of OSA is exist</i>	Absent	Absent	Absent	<i>Order of OSA is exist</i>	Order of OSA is exist	Exist	<i>Exist</i>	
		1		<i>EBRR Centers</i>	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	
TOTAL SCORE						96	79	40	63	67	52	69	43	50

Outline of Proposed by FORBIZ Approach to SME Policy Making at Regional/Local Level



Current Composition of SME Development Policy



Proposed by FORBIZ approach for SME Policy-Making