

VENTURE INVESTMENT AND ITS ROLE FOR THE DEVELOPMENT OF INNOVATIONS IN THE REPUBLIC OF BELARUS

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The development of venture investment in Belarus is extremely important for the reason that it will largely determine the innovative development of our state. According to the statistical information, venture investment in the Republic of Belarus is practically non-existent, as there is no effective mechanism for realizing this process. So, since the approval of the Regulations, no Belarusian venture fund has been established in the country. However, it is worth noting that the Russian-Belarusian (RBF) and Chinese-Belarusian Venture Investment Funds were founded. In December 2016 the **Russian Venture Company (RVC)**, RVC Infrafund, and the **Belarusian Innovation Fund** established a joint Russian-Belarusian Venture Investment Fund [1]. It plans to invest in healthcare and medical technology using IT technologies. As we know from news article, RBFVI will finance the project of a Belarusian company, which has developed a new tool for the rehabilitation of patients who have underwent cerebral hemorrhage.

So, let me consider and analyze various opinions concerning Belarusian system of venture investment, its advantages and shortcomings.

In compliance with the article «Investment Climate Statements» 2016 on the site of U.S. Department of State, there are no specific requirements for foreigners wishing to establish a business in Belarus. Investors, whether Belarusian or foreign, allegedly benefit from equal legal treatment and have the same right to conduct business operations in Belarus. However, according to numerous informal sources in the

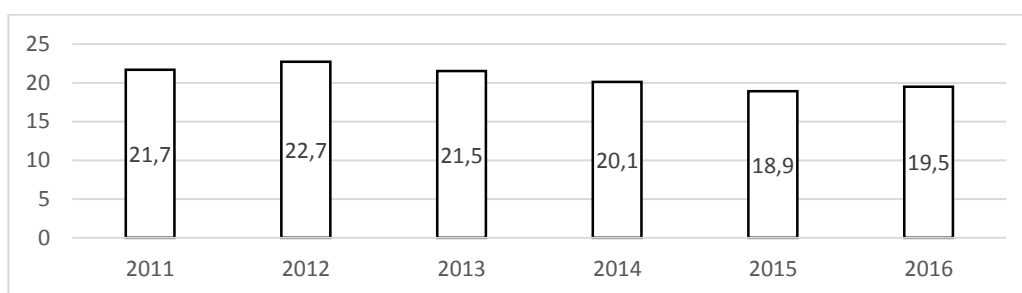
local business community and independent media, the existing laws and practices often discriminate against the private sector, including foreign investors, regardless of the country of their origin [2]. In fact, it is the obstacle for the development of venture business in Belarus.

While on the Official Website of the Republic of Belarus is mentioned no disadvantages and problems for foreign investors, however [3].

At the same time, Mr. Alexander Chekan in his article «Belarus Is Ready to Begin With Venture Capital Investments» pays attention to the fact that «foreign VCs and strategic investors are already hunting for start-ups from Belarus» [4].

We can notice unanimity among a large number of science works of Belarusian economists, lecturers and students, because all of them admit such problems in regulation venture and investment areas as a high degree of government involvement in this regulation, undeveloped legislation and the lack of experience.

Let's review the development of innovations of the Republic of Belarus as one of the most important elements of its modernization. The attraction of direct venture investments in this segment of the Belarusian economy is an urgent problem. The share of organizations that implement the costs of technological innovation is lower in 2016 than the similar indicator of 2011, and the reached level is not high enough for the dynamic development of innovations (Picture).



Picture – The proportion of organizations that carried out the cost of technological innovation, in the total number of surveyed organizations, %:

Source: own development based on [5, page 32].

Table – Structure of costs of industrial organizations for technological innovation by source of financing, % of the total

| The indicator | Percentage of total | | | | | |
|---|---------------------|------|------|------|------|------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Financing, total | 100 | 100 | 100 | 100 | 100 | 100 |
| Including at the cost of: | | | | | | |
| own | 60,5 | 48,0 | 50,3 | 54,1 | 67,1 | 50,2 |
| republican budget | 3,0 | 6,5 | 7,3 | 6,2 | 1,7 | 19,7 |
| local budgets | 0,1 | 0,1 | 0,3 | 1,4 | 1,4 | 3,3 |
| the budget of the Union State | 0,2 | 0,6 | 0,4 | 0,1 | 0,1 | 0,2 |
| extra-budgetary funds | 0,5 | 0,0 | 0,4 | 0,4 | 0,2 | 0,3 |
| foreign investors, including foreign credit and loans | 5,2 | 15,6 | 16,5 | 11,2 | 9,8 | 0,8 |
| credit and loans | 30,3 | 29,0 | 24,0 | 26,0 | 19,2 | 23,7 |
| others | 0,2 | 0,2 | 0,7 | 0,6 | 0,5 | 1,8 |

Source: own development based on [5, page 100].

On the basis of Table 1 it can be seen that technical innovations in the Republic of Belarus take place mostly at the expense of own funds or credit and loans. The share of own means of the organizations of the industry has decreased in 2016 to 50,2% against 67,1% in 2015. Besides we can see sharply decreased financing at the expense of foreign investors means in spite of the fact that the State program of innovative development of the Republic of Belarus for 2016–2020 provides forming and ensuring the

implementation of the list of innovative projects with the involvement of the mentioned source [6, page 22].

Taking into account all the above mentioned, the obvious conclusion to be drawn is that the development of venture investment is necessary for the potential improvement of innovation in the Republic of Belarus. Financing this sphere can be carried out in various ways, for example, mostly at the expense of foreign investors. However, in this case, we will have to deal with the problems of attracting them, which are currently relevant for our country. On the other hand, the state can manage this sphere and allocate funds independently, which is attractive for Belarus, because this means independence from the external environment. Another option for developing venture capital investment in the field of innovation may be a mixture of state funds and foreign investors in certain shares. This strengthens international relations and stresses the openness of the foreign policy of the Republic of Belarus. At the same time, the state spends less money on this development. We suppose that the last way is the most effective and perspective one.

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