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## **FINANCIAL INSTITUTIONS OF DEVELOPMENT IN THE SYSTEM OF FINANCING INNOVATIVE DEVELOPMENT OF THE UKRAINE'S ECONOMY**

After the financial crises of the late 20th and early 21st centuries, which sparked controversy about the new role of the state in a market economy, interest in rethinking the role of financial development institutions highly increased.

Theoretical works began to appear that investigate the place and role of development institutions among other market institutions. At the same time, both theoretical and practical issues related to the definition of the role of financial development institutions in the system of financing the innovative development of economy and their interaction with other participants in the implementation of large investment projects in countries with a transitional economy, to which Ukraine belongs, remain poorly researched.

Financial development institutions are specialized organizations with state participation, which are entrusted with special functions to support long-term financing of socially significant projects, including international ones, that contribute to economic growth, diversification, economic modernization and the solution of social problems.

Financial development institutions include the following: development banks, development agencies, export-import banks, export credit and insurance agencies, debt agencies, financial corporations, investment funds, venture funds, sovereign funds. Among development financial institutions, development banks make the largest contribution to the development of national economies.

Development banks are a form of government intervention in the financial system to address market failures. Development banks have financial relationships with government and local governments; they receive support from a central bank and a ministry of finance.

Development banks play an important role as organizers of financing for innovation. They are a central element in the organization of public-private partnerships in the implementation of large investment and innovation projects, promote the creation or are founders of venture funds and other elements of the innovation system [1; 2].

We should note that development banks operate in more than 30 countries around the world, in particular in Germany, Spain, Japan, India, China, the Republic of Korea, the Republic of Belarus, Kazakhstan, etc.

The first attempt to create a development bank in Ukraine, "The Ukrainian Bank for Reconstruction and Development", at the initiative of the Ukrainian State Innovation Company took place in 2003. The National Bank of Ukraine, the Cabinet of Ministers of Ukraine and the German banking group KfW initiated the creation of another bank – "The Ukrainian Development Promotion Bank". This bank was planned as a second-tier bank,

working through authorized banks and whose task is to service the budget deficit. However, the creation of “The Ukrainian Development Promotion Bank” was perceived by the public as an attempt to reduce the cost of bank loans for small businesses.

Currently, the development bank in Ukraine has not been established; and control over the implementation of state programs for affordable lending to SMEs since January 11, 2020 has been entrusted to the “Fund for Entrepreneurship Development”.

The absence of a development bank, as an instrument of economic policy of the state, complicates the processes of financing innovative development in the lack of proper interaction with financial institutions of development. The latter are an important source of funding for investment and innovation. This situation also indicates the institutional unwillingness of domestic economic agents, in particular banks, to participate in the implementation of an innovative model of economic development.

To solve these problems, it is necessary, in our opinion, to form a system of financing the innovative development of the economy with the highlighting three levels of management: macroeconomic, mesoeconomic and microeconomic levels.

At the macroeconomic level, the state, as a subject of influence, plays a leading role in organizing the system of financing the innovative activities of the economy and the guarantor of the subjects’ interests in the implementation of public-private partnership projects. The state is represented by the National Bank of Ukraine, the Ministry of Finance of Ukraine and the Ministry of Economy, Trade and Agriculture of Ukraine, the Ukrainian Fund for Entrepreneurship Support, the State Innovation Fund, the Innovation Development Fund, the State Innovation Financial Institution, and the State Agency for Investment and Innovation [2, p. 68].

Regulation and supervision by the National Bank of Ukraine will be carried out in accordance with the requirements of monetary policy, taking into account the state structural, innovation, industrial policy, etc.

The functional subsystem of the mesoeconomic level consists of a significant number of participants, the composition of which is not static and can be constantly replenished. An important role in financing public-private partnership projects is played by start-up investors – project initiators (so-called “project sponsors”). Another group of participants in the financing of public-private partnership projects are creditors – individuals who invest resources in the project after its development. They are international financial organizations, regional authorities, “The Bank of Development”, banks, institutional investors, development institutions.

The main operator on the part of the state in cooperation with the business in public-private partnership projects is “The Bank of Development”. Its activities are aimed at creating a demand of participants to use new tools for financing innovative projects of national importance – the functions of accumulation and distribution of financial resources between entities. Commercial banks have been identified as the main partners in the implementation of measures aimed at the development of financial resources within the framework of state programs to support innovative business.

In order to refinance innovative loans, it is recommended to create a mechanism of refinancing through “The Bank of Development” and securitization for the issuance of project bonds secured by a state guarantee and future payments on the loan pool (Fig. 1).

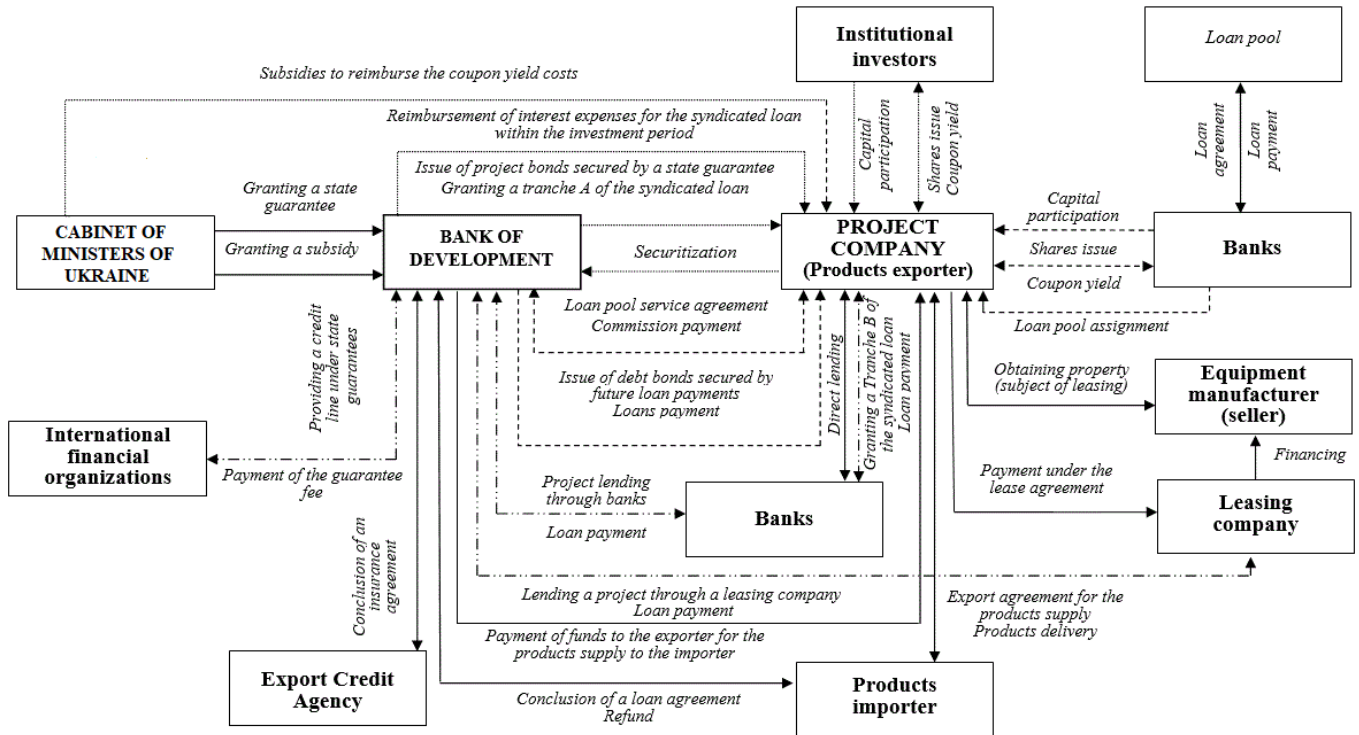


Fig. 1. Interaction of participants of the project financing mechanism in the process of accumulation and distribution of financial resources

Source: author`s own development.

The microeconomic level is represented by the level of an individual bank, whose lending activities are aimed at meeting the needs of innovation-active entities.

Summing up, we should note that the application of the proposed system will provide a synergistic effect, the implementation of strategic objectives of innovation development, the realization of economic interests of the state and participants in the innovation process.

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