Start-up Centers in Ukraine: A Roadmap

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Structure

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1. Introduction

- Start-ups in Ukraine consists of very heterogeneous groups
- Target group for immediate action:
  - Small entrepreneurs, currently under the simplified taxation scheme, who plan/need to found a company
  - Background: Non-deductibility of invoices starting from 1 April 2011
  - Important: Not only registered unemployed people!
- Problems of target group to be addressed:
  - Little experience with business administration, especially regarding accounting, bookkeeping and taxation
  - Insecurity and anxieties regarding compliance requirements for setting up and running a company
- Solution: **Establishment of start-up centers**
- Institutional framework: Start-up centers on basis of state employment centers (most preferred option by the government)

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2. Overview of roadmap

The following list sketches a roadmap towards a comprehensive start-up center. Each step represents a measure. The successful implementation of a step is the prerequisite for the implementation of the next step.

I. **Information desk**

II. **Help desk**

III. **Counselling**

IV. Training

V. Coaching

VI. State loans, loan guarantees

VII. Facility provision

VIII. Subsidy schemes

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2. Overview of roadmap (cont.)

- In the following, we concentrate on the first 3 steps of the roadmap because they are
  - Easy and fast to implement
  - Involve relatively small budgets
  - Entail low risk of misuse
  - Target a large audience and thus have a broad impact
- The implementation of the next 5 steps requires more conceptual preparation, mainly regarding:
  - Financing
  - Organisational prerequisites
  - Market impact, risk of structural distortions
  - Prevention of misuse and fraud

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3. Immediate actions (1/3): Information desk

Step I	**Information desk**
Target group	People considering founding a business/company
What services should be provided?	Information about how to found a business, mainly regarding • Legal forms • Registration and licensing requirements • Accounting and taxation • Compliance
Why is it the first step?	• Addresses the most pressing issues of target group • Easy and fast to implement
Financing	See below separate discussion (slide 9)
Issues for implementation	• Provide information material and guidelines for information desk staff • Make use of existing resources and experiences • Collaboration with existing institutions in this field
What is the link to the next step?	• Information desk staff collects most frequently asked questions (FAQ) • FAQ will be centrally evaluated • FAQ are used for designing the next step

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3. Immediate actions (2/3): Help desk

Step II	**Help desk**
Target group	People in the process of founding a business
What services should be provided?	Short (“first aid”) advices, mainly regarding • Registration and licensing requirements • Accounting and taxation • Compliance
Why is it the second step?	• Fast to implement, needs only few preparation
Financing	See below separate discussion (slide 9)
Issues for implementation	• Training for help desk staff • Provide FAQ list with answers and counselling guidelines • Collaboration with existing institutions in this field
What is the link to the next step?	• Help desk staff protocols most frequently addressed problems • Protocols will be centrally evaluated and used for designing the next step

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3. Immediate actions (3/3): Counselling

Step III	**Counselling**
Target group	Young businesses, no older than 1 year
What services should be provided?	Short consultations (e.g. 1h per entrepreneur per month) Assistance with issues of • licensing, compliance, tax declaration • Inspections, especially tax inspections
Why is it the third step?	• Needs some time for preparation, mainly recruiting of counsellors
Financing	See below separate discussion (slide 9)
Issues for implementation	• Requires skilled and experienced counselling staff • Services should not be a competition for services provided by private sector (accounting firms, law firms etc.) • Collaboration with existing institutions in this field
What is the link to the next step?	• Counsellors protocol most frequently raised issues beyond compliance • Protocols will be centrally evaluated, used for designing the next step

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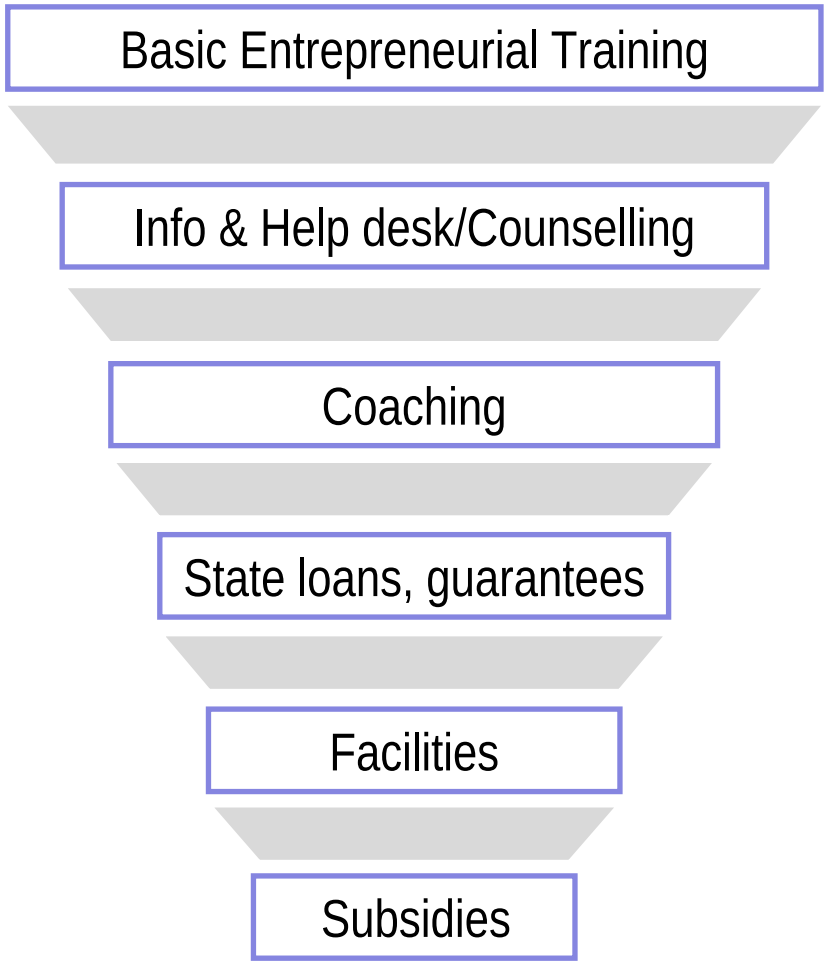
Excursus: Short discussion on financing of the start-up center services

Financing Source	Pro	Con
Option A: Unemployment Insurance	• Starting a business is an alternative career option • Self-employment reduces unemployment benefits and placement costs	• Risk of increasing social contributions
Option B: State Budget	• No impact on social contributions • Start-up promotion is a cross-sectional task of all state authorities	• High dependence from state budget policy • Risk of short-term funding commitments
Option C: Target Audience	• No impact on social contributions • No impact on state budget • No risk of fraud and misuse	• Service should not be a substitute for private market services • Poorest people need support most urgently

Conclusion (preliminary): For financing the first 3 steps: Option A.
The financing of the next steps of the roadmap should be discussed in more detail.

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4. Medium- and long-term actions (1/2): Blueprint of a comprehensive start-up center



... attract potential entrepreneurs

... facilitates a stream of new businesses

... filters out the most promising business concepts

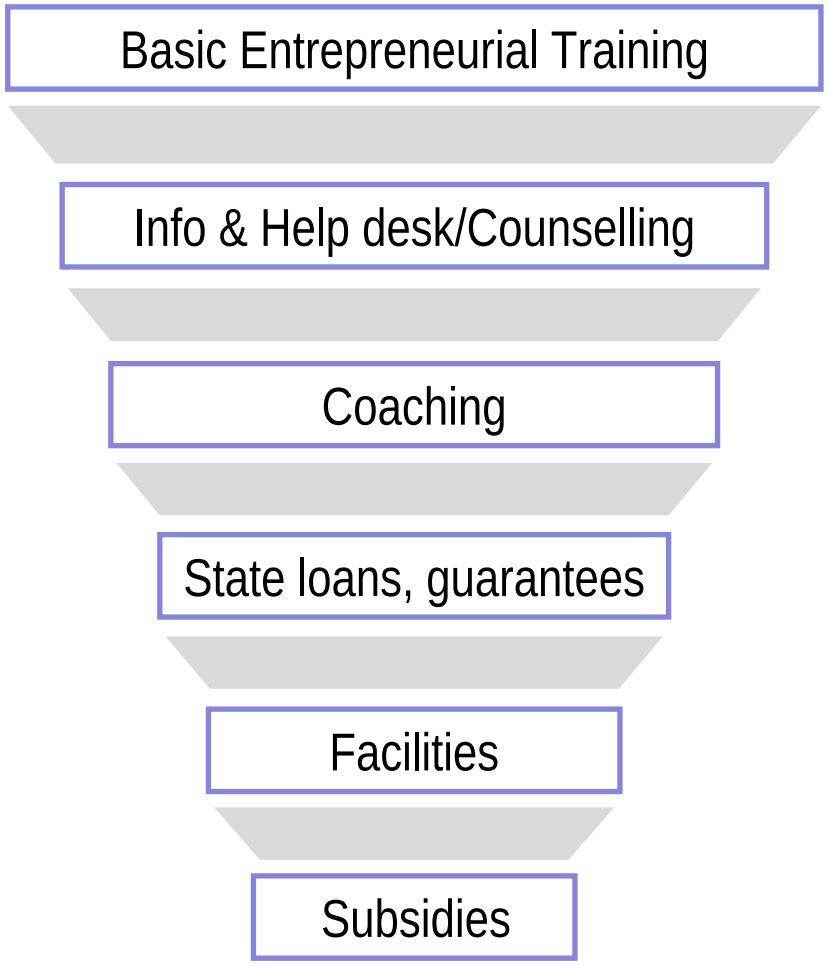
... provide basis for sustainable growth

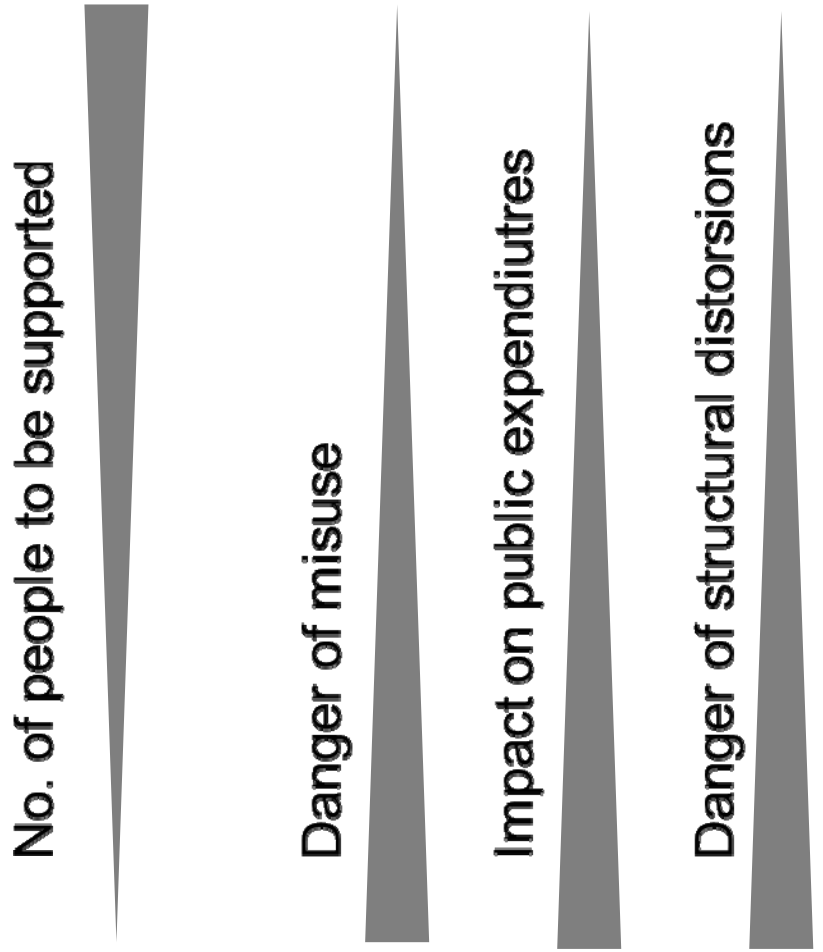
... provide fertile ground for innovations

... actively promote innovative start-ups

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4. Medium- and long-term actions (2/2): Risks entailed with a comprehensive start-up center





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