Current Tendency of Innovative Activity in the Country and Venture Investment for Uzbekistan

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The role of innovation plays an important role in determining the country's position on the world economic rankings. In particular, innovation projects involving venture capital are an integral part of the industry and exports of developed countries. In our country, we have also studied the prospects of development of venture financing in our research and presented in the following document.

World experience shows that continuous practical innovation provides a qualitative improvement in all areas, it has become a driving force for social and economic development.

Those countries, which have implemented the innovative model of development and «smart» technologies are considered as most successful and sustainable today. A steady progress of such countries, their competitiveness on the world market is not based on the export of natural resources and physical labor, but on innovative ideas and developments. The Action Strategy of Uzbekistan for 2017-2021 contains specific goals to radically improve the wellbeing, the quality of life, comprehensive and rapid development of society and the state, the country's modernization and liberalization of all spheres of life.

In other words, we have to turn Uzbekistan into a rapidly developing country with a stable market economy.

The achievement of goals demands the transition to an innovative model of development, which necessitates the establishment of an effective system of state support of innovation activities and promoting practical implementation of innovative ideas, developments and technologies in the public administration, the priority sectors of the economy and social sphere.

However, despite the presence of rich intellectual and infrastructural capacity in the country, the work on implementation of innovations is not established on a systematic basis.

During the past period efforts to preserve and develop scientific and technical potentials were made in the Republic. The control system of science was improved, legislative and standard-legal base of scientific-innovative activity were extended, Academic and high school science was reorganized, measures to increase the level of innovativeness of manufactures, to develop information and innovative infrastructure were taken.

However, all these measures lacked a systematic character and did not aim to form national innovative system capable of meeting market relations and international standards. Therefore, there are separate parts of NIS with scientific educational institutions, industrial enterprises focusing on potential innovation, and businesspersons of an innovative infrastructure with their varying degree of innovativeness. 717 scientific research institutes, high schools, and other scientific organizations carry out

scientific researches in the country nowadays (Makhkamova,url: www.review.uz). Almost 90% of R&D is carried out by organizations coordinated by the Academy of Sciences of the Republic of Uzbekistan, the Ministry of Education, Ministry of Public Health Services, and by the Ministry of Rural and Water management. They have 99.9% of basic researches and 3/4 of applied one (UNDP,2008). In this process a great role is played by the Agency on Intellectual Property of the Republic of Uzbekistan (the Agency was established in accordance with the Decree of the President of the Republic of Uzbekistan dated from 24th of May, 2011 on the basis of the State Patent Department and the Republican Agency under Copyrights), which ensures the implementation of a state policy in the field of protection of rights to objects of intellectual property).

Today, for our country, the transition to an innovative type of economic development that calls for the full disclosure of the national scientific and technical potential is especially relevant.

In the Republic of Uzbekistan, the targets for the innovative development of the economy were forecasted for the period 2016-2020 in accordance with the state program for the development of innovative activity and are presented in Table 5.

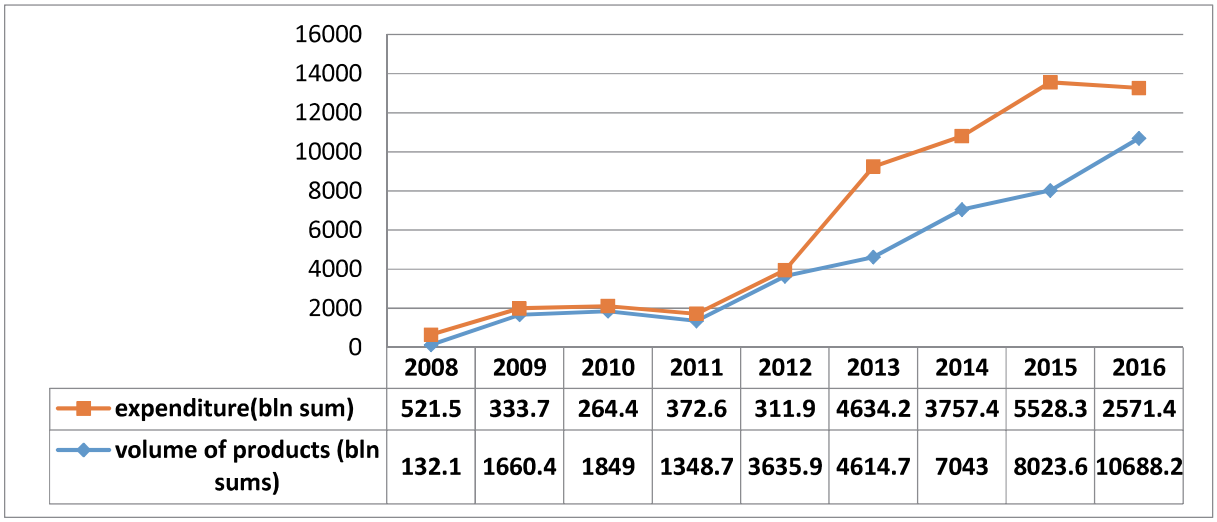
TABLE 1
TARGETS FOR INNOVATIVE DEVELOPMENT OF THE ECONOMY FOR THE PERIOD 2016-2020

Indicators	2015	Target
		2016-2020
Share of research expenditures in GDP, %	1,0	3,0
Share of high-tech industries (% of total volume of GDP)	15,0	31,0
Share of innovative products (% of total volume of GDP)	15,0	22,0
Share of expenses for innovation activity (in% to the volume of output)	2,8	5,0
Share of export of innovative products in general export,%	15,0	28,0
The share of admission of students in natural sciences and engineering education,%	40,0	45,0

(Olimjonov, 2017)

Reforms in the modernization of production in our country require not only the modernization of technologies and technological processes used in enterprises, but also an innovative approach to management and accounting. In this context, it is extremely important to study some aspects that are used in assessing the products produced by the enterprise.

FIGURE 1
DYNAMICS OF PRODUCTION VOLUME AND COSTS FOR INNOVATIVE GOODS, WORKS, SERVICES (2010-2016)



	2008	2009	2010	2011	2012	2013	2014	2015	2016
expenditure(bln sum)	521.5	333.7	264.4	372.6	311.9	4634.2	3757.4	5528.3	2571.4
volume of products (bln sums)	132.1	1660.4	1849	1348.7	3635.9	4614.7	7043	8023.6	10688.2

(Sultonov,stat.uz)

The volume of innovative goods, works, and services in 2016 amounted to 10.688.2 billion sums. This figure is 1.3 times more than in 2015 and 8 times as much as in 2008. The cost of innovation grew 5 times compared to 2008, down 53 percent compared to 2015.

TABLE 2
EXPENSES FOR TECHNOLOGICAL, MARKETING AND ORGANIZATIONAL INNOVATIONS BY SOURCES OF FINANCING, BILLION SUMS (2011-2017)

	2011	2012	2013	2014	2015	2016	2017
Total	**264,4**	**372,6**	**311,9**	**4634,2**	**3757,4**	**5528,3**	**2571,4**
own means of organization	184,3	263,2	213,4	2501,5	1381,5	1251,8	1180,0
foreign investment	48,3	24,9	39,9	1228,7	32,3	156,6	314,9
commercial bank loans	30,0	63,7	26,8	533,5	262,5	280,1	157,3
other means	1,8	20,9	31,7	370,6	2081,0	3839,7	919,1

(Sultonov, stat.uz)

In 2011, innovations were financed mainly at the expense of the organization's own funds (69.7 percent). Since 2015, the share of other funds has increased (55.4 percent). In 2017, funding from the organization's own funds increased 6.4-fold compared with 2011.

In 2017, 893 enterprises and organizations implemented 1816 types of technological innovation. Of the implemented technological innovations, 44 percent (799) belong to small enterprises and microfirms.

In Uzbekistan, the term "venture fund" first appeared when, on January 22, Shavkat Mirziyoyev freed all taxes and mandatory payments, except for a single social payment, from venture funds that finance high-tech projects and start-ups until 2023.

This is stipulated by the decree, which approved the State Program for the implementation of the Strategy of Action for the priority areas of the country's development in 2017-2021 in the Year of Support

of Active Business, Innovative Ideas and Technologies (2018). Also, Uzbekistan should develop a law on venture financing. Prior to this, the term "venture fund" was only found in the draft law on innovations.

The main difficulties in introducing venture capital financing methods for innovative enterprises are due to the insufficient level of institutional provision of the national innovation system, poor quality of most investment projects, a narrow range of services for venture financing participants, and a high level of risk for venture investors. In addition, the insufficient development of the national financial market and the lack of developed infrastructure in the regions of the country are affected. As a promising direction for improving the legal framework for venture financing, in the short term it is expected to develop, adopt and implement normative legal acts aimed at increasing the efficiency of using the potential of venture financing for the needs of innovative business entities.

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