

PROSPECTS FOR THE DEVELOPMENT OF THE DIGITAL ECONOMY IN UKRAINE

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On January 17, 2018, the Cabinet of Ministers of Ukraine has approved the " Concept for the development of the digital economy and society of Ukraine for 2018-2020." This concept provides a transition from a commodity economy to a high-tech productions.



The commodity economy consumes natural resources. The digital economy provides high-tech production and efficient business processes where IT technologies and telecommunications are used. That is, the digital economy is an economic activity that differs by the networked intelligence and dependence on virtual technologies. In other words, it is the economy of virtual worlds. The basic principles of the digital economy include: global access to resources without intermediaries; provision of resources for rent; use of a volunteer model; sales on demand through global ecosystems.

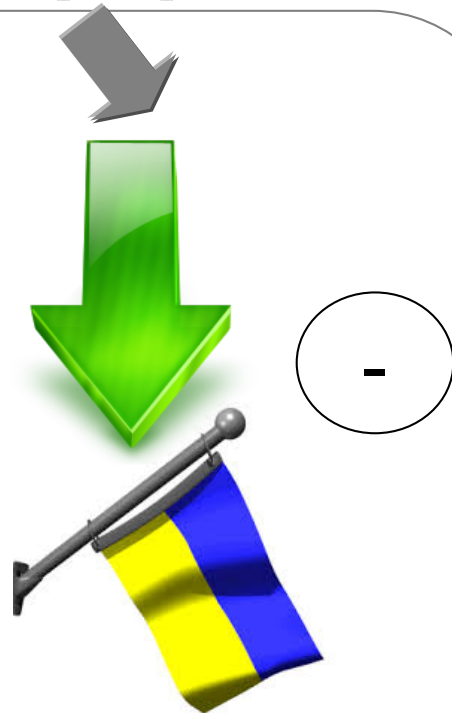
The unpredictable rapid development of the digital economy has already become the main world trend. We are rapidly entering the era of the industry 4.0, which provides for end-to-end digitalization of virtually everything that concerns business.

All physical assets will be integrated into the digital ecosystem along with partners who participate in the value chain.

WHAT DOES GLOBAL DIGITALIZATION MEAN FOR UKRAINE?



A chance to catch up with more developed countries



A factor of even greater lag

**At present, most countries in the world have approved the concepts of digital development.
Many companies have already understood:**

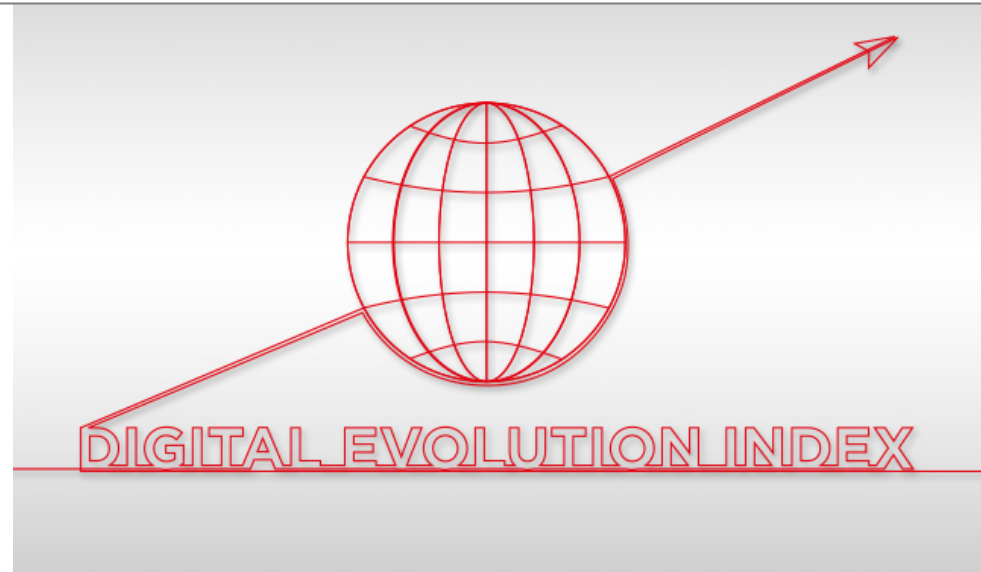


«...If you do not start to engage in digital transformation now – it means writing a testament to your business....»

To estimate the prospects for the development of the digital future in Ukraine, it is necessary to explore the world map of digital economics

The most popular rating is the American rating "Digital Evolution Index 2017". The rating evaluates each state according to 170 unique parameters.

They describe the 4 main factors that determine the pace of digitalization:



- ✓ **the level of supply (the availability of Internet access and the degree of infrastructure development)**
- ✓ **consumer demand for digital technology**
- ✓ **institutional environment (governmental policies, legislation, resources)**
- ✓ **innovative climate (investments into R&D and digital start-ups).**

The analysis allows distinguishing 4 groups of countries in terms of the level of development of the digital economy:



THE FLETCHER
SCHOOL
TUFTS UNIVERSITY

The Digital Evolution Index 2017

Uncovering the world's
digital economies

Markets across the
globe can be grouped
into four quadrants

A history of
strong growth,
but momentum is
slowing. Without
further innovation,
countries are
at risk of falling
behind.

Stall
out

High levels of
growth and digital
development while
continuing to lead
in innovation and
new growth.

Stand
out

Constrained
by low levels of
digital
advancement
and slow pace
of growth.

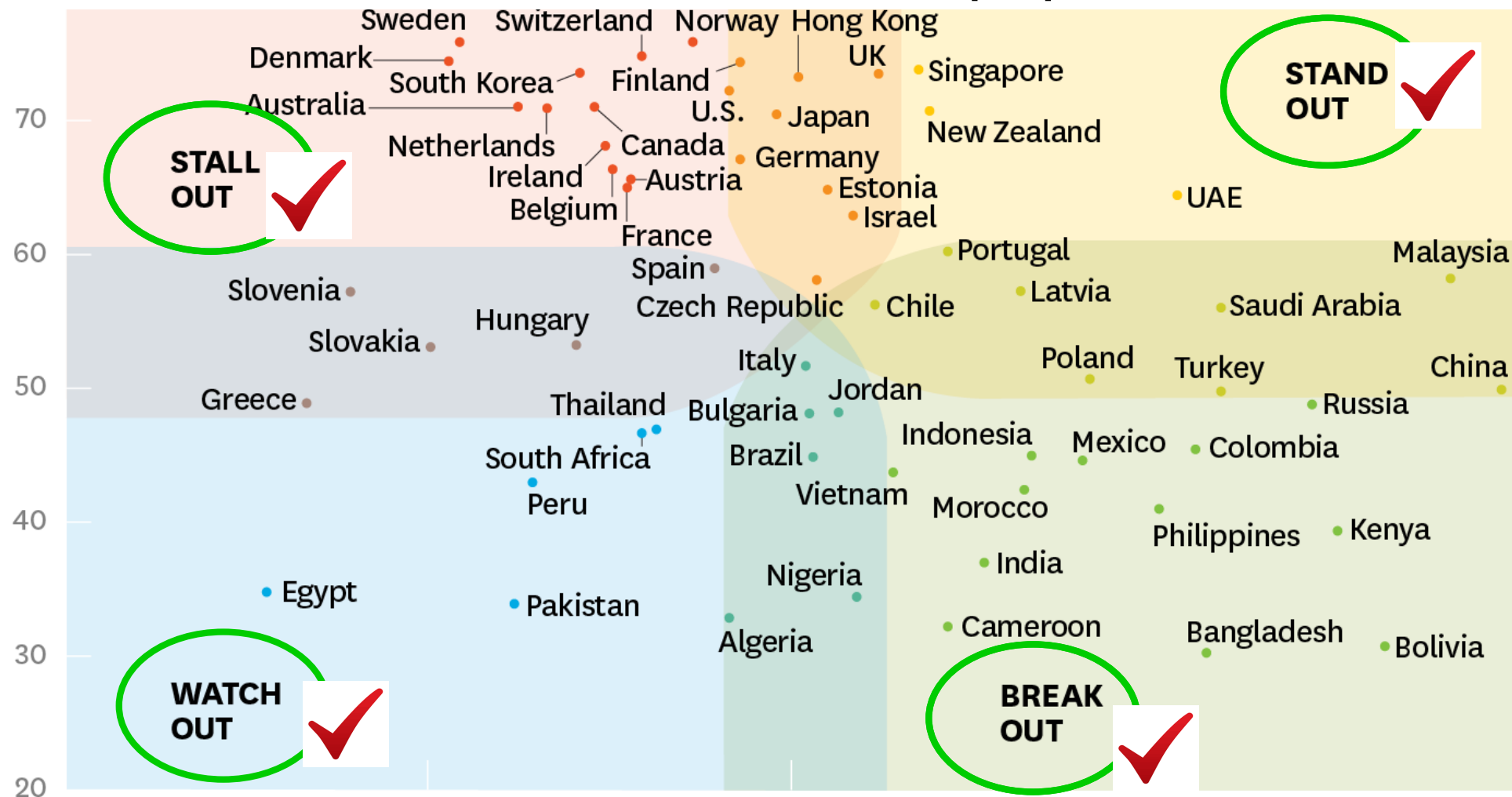
Watch
out

These countries are
at relatively lower
absolute levels of digital
advancement, but
demonstrate the fastest
momentum, are poised
for growth and are
attractive to investors.

Break
out

Plotting the Digital Evolution Index, 2017

This rating reflects the progress in the development of the digital economy in different countries, as well as the level of integration of the global network into the lives of billions of people.



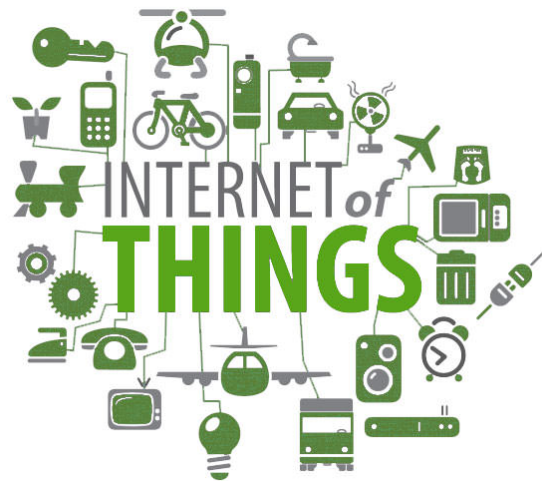
As we see, Ukraine is not represented in this rating.



The transition from the information economy to digital took on the international stage took a little more than 30 years. Currently, the leading international organization that develops standards for the development of the digital economy is the Organization for the European Economic Cooperation (OEEC). In 2017 OEC singled out four key drivers of digital transformation.



Internet of things



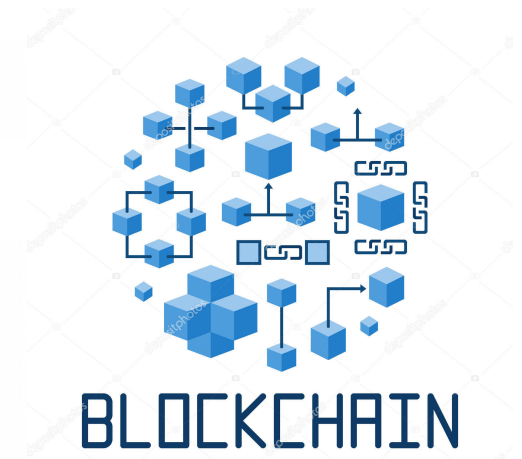
Big data technology



Artificial intelligence

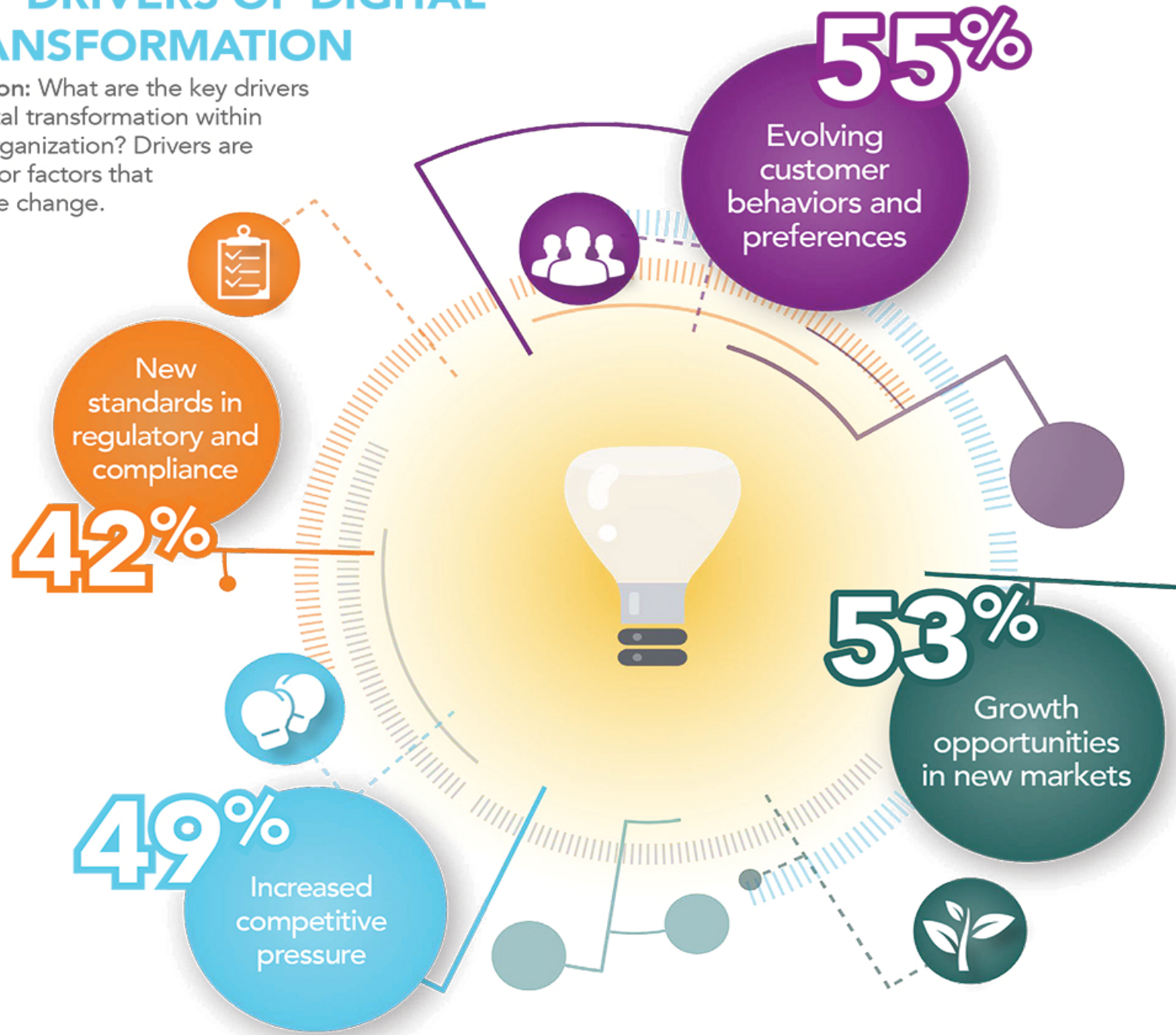


Blockchain technology



TOP DRIVERS OF DIGITAL TRANSFORMATION

Question: What are the key drivers of digital transformation within your organization? Drivers are trends or factors that catalyze change.



PROSPECTS FOR THE DEVELOPMENT OF THE DIGITAL ECONOMY IN UKRAINE

Current situation:

1.

The peculiarity of Ukrainian digital development is that users and business are much ahead of the state and industry. Our small and medium-sized businesses are already quite familiar with work in the Internet and mainly use digital methods to promote their services. But the state and large industry in Ukraine are fundamentally behind. No doubt, than the state is making technological changes, but this is not enough.

2.

Even more difficult is the situation in the large industrial sector. The idea of updating the old industrial park is under realization at a very slow pace. Therefore, the task that the digital economy sets before us today is the introduction of digital technologies into production, education and medicine. At this stage, the digital infrastructure in Ukraine is underdeveloped.

According to Speedtest.net resource, Ukraine's position in the world in terms of quality of Internet connection is very low:



114th ranking position in terms of mobile Internet quality 45th one in terms of quality of broadband Internet.



45th one in terms of quality of broadband Internet.



Today, about 35% of the rural population of Ukraine do not have access to broadband Internet at all.



53% of Ukrainian schools and 83% of medical institutions are also not connected to the Internet.



The correction of this situation is possible through projects of public-private partnership. This will make it possible to reach in a few years a broadband Internet coverage of more than 80%.

PROSPECTS FOR THE DEVELOPMENT OF THE DIGITAL ECONOMY IN UKRAINE

Current situation:

3.

The digital economy is also a digital market. If Ukrainian IT companies can afford the most advanced equipment, then small and medium-sized businesses, potential buyers of their goods and services in Ukraine, are limited both in technology and in finance. This applies to the average consumer, who, for the same reasons, does not have access to modern digital goods (for example, "smart house", automated mobile shops).

The main drivers of digital transformation today are new products and services, new information and management technologies, innovative business models.

The key driver of digital transformation is the industry digital platforms.

Considering Ukraine's high potential in the development of the IT sphere, at this stage we are considering an optimistic forecast for the development of the digital economy.

In order to realize the accelerated scenario of digital development in Ukraine, it's necessary:

1.

elimination of bureaucratic obstacles that hamper the development of the digital economy in 2018

2.

promotion for businesses which seek digitalization

3.

state implementation of large-scale digital transformation projects on the basis of modern models of public-private partnership

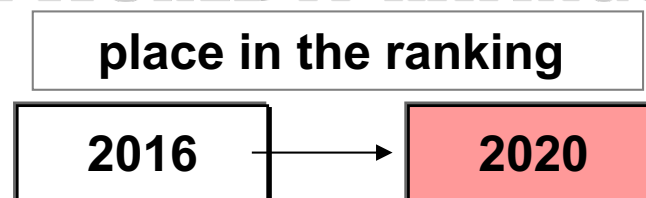
4.

development and deepening of digital competencies of citizens

5.

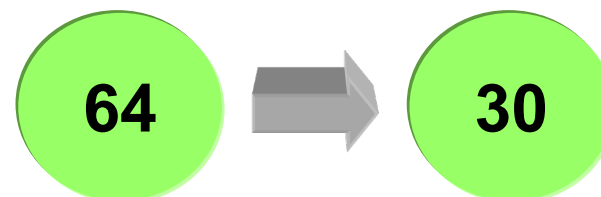
development of digital entrepreneurship

SUCCESSFUL IMPLEMENTATION OF THE CONCEPT LETS UKRAINE TO RELEVANTLY IN THE WORLD IT-RATINGS



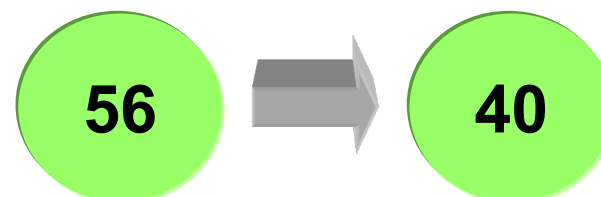
Networked Readiness Index (WEF)

Индекс сетевой готовности



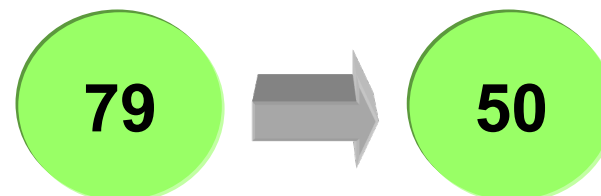
Global Innovation Index (INSEAD)

Глобальный индекс инноваций



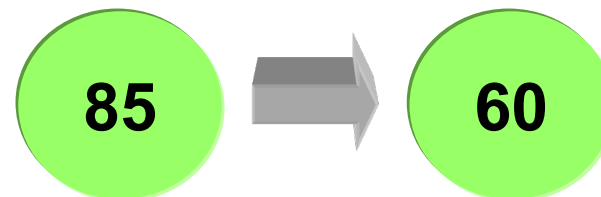
ICT Development Index (ITU)

Индекс развития ИКТ



Global Competitiveness Index (WEF)

Индекс глобальной конкурентоспособности



CONCLUSIONS:

The main areas of development of the digital economy in Ukraine include

**bridging the society digital gap through
the development of solid digital
infrastructures**

**implementation of the national vision
on the development of broadband Internet
access**

**digitalization of the real sector of the economy
by creating industrial parks,
providing access to funds
for innovative projects and relevant
specialists training**

**the introduction of basic innovations not
in technology, but in business models**

*...Как смелый воин, принимаю вызов
И призываю в помощь только смелость...*

***As a brave warrior, I accept the
challenge
And I call for help only
courage***

William Shakespeare

