

consumption. Over the 2002 to 2025 period, world economic growth is projected to average 3.9 percent annually. Economic activity, as measured by gross domestic product (GDP) is expected to expand by 5.1 percent per year in the emerging economies, as compared with 2.5 percent per year in the mature market economies and 4.4 percent per year in the transitional economies of EE/FSU.

KEY FACTORS DETERMINING INNOVATION PERFORMANCE

I. V. Zakharova, *PhD student*

Innovation systems are a set of actors (e.g. firms), institutions, markets and networks which jointly and individually contribute to the development and diffusion of new technologies. And which provide the framework within which governments form and implement policies to influence the innovation process.

The performance of an innovation system can be assessed by its capacity to generate innovation and translate that innovation into economic growth. The system includes incentives provided by the economic and regulatory environment, access to critical inputs and the internal capacity to seize market and technological opportunities. Innovation systems do not usually coincide with national boundaries. They can exist in a variety of geographical settings. But national Governments have an impact on system performance through national policies. The main role for Government is to improve the efficiency of innovation systems and facilitate their formation.

To provide a structure for policy analysis a small number of critical success factors, determining the strength of innovation systems, have been identified. All are, to varying degrees, amenable to favorable Government influence. They are:

- **The capacity to absorb and exploit knowledge** defines a firm's ability to turn knowledge into profitable goods and services.
- **The regulatory framework affects** the possibilities and incentive structures for innovation.
- **The competition regime** can remove impediments to market entry.

• **Access to finance** because all investments in new products, services or processes have to be financed in advance of production.

• **Sources of new technological knowledge**, such as the Science and Engineering Base play an important role in shaping innovation systems.

• **Networks and Collaboration.** Firms rely on a variety of knowledge sources as inputs to the innovation process. Networks help them access these.

• **Customers and suppliers.** Demanding customers and suppliers put pressure on firms to deliver better quality goods and services.

It could be argued, with some truth, that a whole host of other factors (such as transport) affect productivity or innovation performance. But in any assessment of this sort the difficulty lies in trying to keep its scope within manageable bounds. This has obviously constrained the choice of success factors, which have been selected on the basis that they seem to be the most important.

MAJOR KINDS OF ECONOMICALLY COMPETITIVE ENVIRONMENTAL FEES

Y.B. Kalenichenko, PhD student

Of government revenue streams commonly labeled taxes, I want to identify three major kinds, each with different functions. These are 1) taxes—compulsory levies for the general purposes of government according to one's ability to pay; 2) user fees—paid by those who use services according to benefits received, direct costs imposed, or wear and damage caused; and 3) environmental fees—which recover the costs of negative externalities that otherwise are imposed on others. For motor vehicle revenues, logic dictates (1) taxes on the commodities themselves as long as we choose to rely on sales taxes to support government, 2) fees levied on some proxy for road use such as tires and fuel to pay for such costs to the extent that they represent private consumption—that is, are a private good, and 3) environmental fees to recover the costs of (or to correct) damages to nature that are otherwise externalized. Again, it is often