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## **STRATEGIC OBJECTIVES OF REGIONAL INNOVATION POLICY AND MEANS OF ITS IMPLEMENTATION**

The article deals with methods of overcoming economic crisis in Ukraine by means of development and implementation of modern methods and forms of government innovation management, creation of conditions for its activation and effective development. The regulatory function of the state in the field of innovation and investment development in the region has to become strategic and thus may help to resolve the problem of stimulation of venture capital firms that have high innovation potential. In the period of significant transformation it becomes highly important to have qualified experts who are motivated to develop and implement new advanced energy technologies, create new high-tech products. Therefore, management of intellectual capital, creation of training and retraining are very important for regional innovation development.

**Key words:** regional innovation policy, innovation, governance, innovation management

Economic growth of the country, its competitiveness in the world market and its national security is no more determined by the amount of physical resources. It mainly depends on how society can create and effectively use intellectual factor to develop innovation and innovation processes both within the national economy and at the local level. It is also impossible for the modern Ukraine to solve the key socio-economic issues without productive use of scientific and technological potential, its restructuring and formation of the national innovation system basis. Domestic economy reform practice has shown that the market cannot resolve all the problems of overcoming the degradation of production technological base and the formation of new technological structures, so necessary for sustainable economic growth in our country and its regions. All this determines the need to strengthen the state's role in supporting economic innovation processes and innovation management in general. The effective economic policy formation along with innovation policy becomes more and more important.

Therefore, one of the main tasks of economy development and overcoming the economic crisis in Ukraine will be the development and implementation of modern methods and forms of government innovation management, the creation of conditions for its activation and effective development. The regulatory function of the state in the field of innovation and investment development in the region has to become strategic shortly. Modern literature focuses mainly on structural sense of innovation policy in modern Ukraine which is not enough to achieve economic development. The problem of innovation policy structural content is important. However, currently the development of innovation policy official documents is not as important as formation of an effective system of state relations among participants of the innovation process.

Scientific efforts of J. Galbraith, Karl Marx, David Ricardo, B. Santo, A. Smith, M. Tugan-Baranovskyi, P. Drucker, B. Twist, P. Nixon, G. Lesser, K. Knight, V. Alexandrov, A. Prigogine and others have brought significant contribution to the innovation theory of economic development.

The problems of innovation and improvement of innovation policy have been analyzed by representatives of leading national scholars, among them: Z. Adamanova, O. Amosha, L. Bezchasnyi, O. Veklich, A. Galchinskyi, M. Haman, V. Geets, B. Danylyshyn, O. Datsii, M. Koretskyi, M. Krupka, A. Kuzmin, V. Miller, V. Ossietzky, O. Tyvonchuk, A. Fedorysheva, V. Chizhov, and others.

Despite scientists' great attention to the problems of innovation, still there are quite a lot of unresolved problems which hinder economic growth. There is lack of researches on political and economic aspects of innovation policy; theoretical study and practical implementation of innovation policy does not meet the current stage of competition; the role of a strategic approach to public innovation policy is not fully investigated; no systematic approach to building market-oriented infrastructure systems has been developed; a coherent national innovation system has not been built in Ukraine yet. Not enough attention is paid to legal problems of the innovation policy and innovation activity; studies on theoretical and practical

aspects generalization are still missing.

The aim of the article is to provide a scientific and theoretical analysis of the innovation policy implementation at a local level.

According to the strategic monitoring of regional development, conducted between January and December 2011, the National Institute for Strategic Studies highlighted some positive trends in regional development. Among other trends, there was a rapid growth in industrial production in 20 regions; an increase of agricultural production in all regions of Ukraine; an increase in the volume of construction work in 19 regions; an increase in investment in fixed assets in January-September in 21 regions of Ukraine. Despite all these positive trends, we can say that they had a pronounced extensive and unsustainable background. Improved dynamics in basic industries and exports activation occurred primarily due to positive dynamics on the world market industries Ukraine specializes in. In particular, exports of goods from Dnepropetrovsk, Donetsk and Luhansk regions increased by 29.6%, 31.0% and 95.7% respectively in January-December 2011.

Exports of ferrous metals has increased dramatically for more expensive products and reduced for low-level processing. The share of metallurgy, coke, petroleum products, chemicals and petrochemicals, and mining industries increases in regional structure of industrial production<sup>1</sup>. It has to be mentioned, that dominance of extensive type of management at the local level, the lack of legal framework and national strategy for regional development prevent the innovative development in the country. Lack of structural innovative development aimed at improving the competitiveness of regions, based on the fact that there is no long-term national strategy for technological breakthrough as a whole, which would unite the efforts of all forces of society.

Organizational support of regional policy implementation remains critically ineffective and it can be seen out of the following:

- the bases of regional policy as a component of socio-economic policy (including lack of the law on the principles of regional policy) have not been legally defined yet;
- there is still an unsettled state in departmental structure of regional policy;
- no strategic vision of regional development has been developed yet; the majority of program documents of Ukraine's regions is just a declaratory one;
- basic provisions of the current National Strategy for Regional Development until 2015 (approved by the Cabinet of Ministers of Ukraine No. 1001 of 21.07.2006) do not fully meet the new challenges of systemic socio-economic modernization of Ukraine, it does not take into account the growing difference in the levels of socio-economic development of regions and their implications, the potential of modern mechanisms and tools to overcome regional disparities; stages of above strategies do not determine long-term trends of regional development (2020), and the strategy requires coordination with modern European institutional approaches to the regional policy<sup>2</sup>;
- continuing conflicts between local governments and local administrations in terms of available local resources management still remain;
- the procedure of creation and operation of the Regional Development Fund with the purpose to finance medium-and long-term investment programs for regional development has not been legally regulated.

Thus, the ineffectiveness of regional redistribution of resources and income, lack of innovation and structural changes of regional economies, inefficient financial mechanisms to overcome socio-economic underdevelopment of regions enhance uneven development, prevent economy restructuring and modernization of production based on the new technological order. The factors mentioned above also resist establishing harmonious interaction between the center and regions in the post-crisis period of the national economy recovery.

In order to provide an adequate response to the challenges of the post-crisis period and prevent potential crises, regional policy should aim at creating a favorable environment for development of regions, which includes:

- creation of institutional conditions to stimulate economic growth, elimination of administrative

<sup>1</sup> Аналітична записка. Стратегічний моніторинг регіонального розвитку (січень-грудень 2011 р.) (2012). Київ.

<sup>2</sup> Експертна доповідь НІСД до Послання Президента України В. Януковича до Українського народу (2010). Стратегічні пріоритети, 2 (15).

barriers for business development, including new, innovative directions;

- development of regional and international cooperation, the implementation of regional cluster initiatives capacity;
- investment reforms implementation, improving the investment climate, formation of innovation-oriented investment projects, creation of new instruments for investment funding;
- diversification of financial support sources for regional development; rational rearrangement of state, local, private and international funding;
- innovative development of agricultural sector, implementation of the export potential of agricultural production at the regional level.

That said, the normalization of the regional and sectoral, national and local proportions, achieving improvements in terms of innovation development at the macro level and at the local level have to become a reference point for the government policy in the regional socio-economic development.

National strategy of the technological breakthrough has to be implemented in the following main areas: solving problems of general nature as well as special assignments generated at the regional strategy of technological breakthroughs that are aimed at solving problems of specific economic activities, as well as problems at the local level. In our opinion, among the issues mentioned above, the most important is to identify priorities for innovation in Ukraine in general and in the regions, in particular. Identification of major areas of innovation, legal and tax support of innovation activity, helping businesses to attract investments, development of venture funding – these are the most effective forms of state regulation of innovation at both the country and regional levels. These forms should determine the modern development.

It is very important to intensify cooperation on macro and micro levels in international scientific and technological cooperation. The main driving force of this process is general economic, financial, social interests of the state, and the interests of individual businesses at the local level. The state's role in this process is, on the one hand, to attract and promote leading industries of the region, on the other hand, to guarantee parity and mutually beneficial cooperation between Ukrainian and foreign businesses. The national interests and rights of R&D products' owners can be protected only under these conditions.

Another component of the steady innovation development of the region is a technological forecast system implementation along with the development mechanism implementation, especially at the regional level. The main means of innovation policy implementation in this area is to create a working group of experts in the most important areas of the region, which should include high-level specialists. A group of system analysts should organize and manage their activity. Also, their tasks are to analyze, organize and provide suggestions in the form of draft legislation for local authorities.

The main weakness of the Ukrainian economy is a poorly organized transfer from developed innovative product to production. One of the innovation policy means is to attract industrial, commercial banking and capital to powerful amalgamations that can implement the mechanism of innovations transfer to production.

The basis for innovation policy should be the creation of financial-industrial groups, including multinational and holding companies, scientific technological centers, techno and industrial parks, leasing firms. These organizational structures have to become the core of the innovation process. Some of these structures have already been developing in Kharkiv, Ivano-Frankivsk, Odesa, Donetsk regions. Today it is a common practice for developed countries to have theoretical and practical achievements in the field of innovation in regions. Thus, in some Russian regions enterprises refuse from subsidies and take measures to increase competitiveness and improve their business environment, which is regulated by the state. The main emphasis in their activities is aimed at developing the infrastructure that provides business, technology transfer, development consulting services. This is how the transition from exogenous to endogenous regional policy is performed.

Thus, the main objectives of the regional policy are as follows:

1. Selection of effective, sustainable strategies for a particular region and priorities of innovation sphere in the implementation of innovative technologies and projects which are most influential in the process of production and competitiveness of innovative products.
2. Coordination of government actions at all levels in order to develop a comprehensive approach to innovative development, effective functioning of innovation system and state innovation policy realization.
3. Concentration of organizational measures and resources in priority areas of innovation sphere and ensure the unity of the state scientific and technical, innovation policy in order to increase demand for industrial production of scientific and technological achievements, to attract free capital to finance

innovative projects.

4. Preservation and development of innovative potential and move towards higher technology.

5. Creation of training and retraining in the field of innovative entrepreneurship; support of leading scientists and research teams in various industries.

6. Ensuring of favorable environment for innovative activities promotion; solving problems of intellectual property, inventions and patent licensing operation; evaluation and remuneration of intellectual work of research organizations, technology parks and other innovative companies; promotion of international cooperation in the field of innovation, foreign trade and collaboration with foreign partners research and business activities, etc.

7. Use in the real economy of competitive products, computer technology and automation of complex innovation processes.

8. Development and implementation of the innovative image of the region.

Selected strategic goals are interconnected, and each has an independent significance with a view to establishing interactions among innovation economy, the government and social sphere. The task is quite difficult to perform in the current situation.

The basis of the strategy of economic and social development of regions of Ukraine should be based on the following areas of development:

- creation of economic incentives and institutional regime to encourage and effective use of science achievements in all sectors of the national economy, taking into account regional particularities;
- development of already existing and new regional innovation systems;
- formation of interaction among business, science and education; formation of innovative culture at regional level.

The system of measures to improve personnel management includes:

- To develop a mechanism to motivate people involved into the innovation process. It can be based on the stimulation of an initiative and creativity (invitation of companies personnel to participate in academic competitions; graduate students - in competitions etc.).

- To establish effective mechanisms to promote regional industrial upgrading of enterprises, which in its turn, should positively affect the development of industrial potential of the country. On the other hand, it requires constant mandatory professional development of personnel.

- To develop new and improve old methods of management of engineering teams.

Nowadays it is highly important to stimulate venture capital firms that have high innovation potential. In regional terms, these are not only some small businesses, but also divisions of large enterprises that are suitable for this purpose.

In the period of significant transformation it becomes highly important to have qualified experts who are motivated to develop and implement new advanced energy technologies, create new high-tech products. Therefore, management of intellectual capital, creation of training and retraining are very important for regional innovation development.

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