Institutional intermediaries as centers of innovation potential of local communities’ socio-economic development in Ukraine

Instytucje pośrednictwa – ośrodki innowacyjnego potencjału społeczno-gospodarczego rozwoju gmin na Ukrainie

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*Streszczenie*

The author considers an idea of decentralization the strategic planning in Ukraine in the view of recognition the territorial community as the basic unit of planning and driving force of the national economic system. The article focused on the necessity to determine the future local development through publicity and open dialogue of territorial community-business-government that is implemented in innovative activity of such institutional intermediary as territorial development agency. Author justifies the necessity of creation the regional development agencies network; outlines the basic benefits for the areas covered by the field of their activities. The basic steps towards building in Ukraine a network of agencies as effective leaders of the future changes in economic and social life are proposed.

*Summary*

Autorka porusza ideę decentralizacji planowania strategicznego na Ukrainie z pozycji uznawania społeczność terytorialna jako podstawową jednostką planowania i napędową siłę krajowego systemu gospodarczego. Akcent koncentruje się na potrzebie określenia przyszłego, lokalnego rozwoju na pośrednictwem i powszechnego terytorialnego dialogu między społecznościami biznesem i administracją eco to zrealizowane w działaniach innowacyjnych takich instytucjonalnych pośredników jak agencji terytorialnego rozwoju. Autorka uzasadnia potrzebę stworzenie sieci agencji regionalnego rozwoju. Określa podstawowe korzyści dla obszarów, które wchodzą w polu działalności agencji. Proponowane są podstawowe kroki do stworzenia na Ukrainie sieć agencji jako efektywnej liderów przyszłych zmian w życiu gospodarczym i społecznym.

*Słowa kluczowe:* pośrednicy instytucjonalne, potencjał innowacyjny, rozwój społeczno-gospodarczy, społeczności lokalne, agencje rozwoju regionalnego

*Keywords:* institutional intermediaries, innovation potential, socio-economic development, local communities, partnership, regional development agencies
State management of social and economic processes that take place in society under conditions of modern globalization transformations have a tendency to use the methodology of modern corporate management in public administration in accordance with the requirements of society democratization, improving the efficiency of public services and, in general, changing the style of relationship between the authorities and community. This methodological basis, as it was noted by scientists, underlies the transition from “traditional bureaucratic models of administration to those ones, on which the management system is evaluated by its ability of best satisfying the dynamic needs of citizens as major consumers of services” [8, p. 89] towards achieving the strategic goal of public management – increasing prosperity of local communities that is possible due to stimulation of economic growth. So the process of planning the long-term country changes in the economic and social sphere in present management conditions of socio-economic processes of national economy should start from the basic unit of planning – the territorial community, that is try to predict first the local development, because a clear understanding of local constraints and competitive advantages of basic areas of management all in all allows to develop a successful and effective public policies of economic and social development of the country.

The world globalization processes and international economy development indicate the fact that the territories of the lowest management level are the driving force of any national system. In fact, initial resources and financial flows are being formed on the territorial level; the basis for the division of labour and industrial cooperation are being laid and stable relationships and interdependencies of various types of reproductive cycles and socio-economic processes are being formed at this level as well as programmes of socio-economic development of territories are being implemented, key demand of the population are being satisfied, protection of the environment are being carried out, all in all the indicators of territorial development form at first regional and then national indicators.

The growth stimulating at the level of territorial communities requires stable resource provision. The sources of local resources should be diversified under market conditions. Innovative resources become particular importance along with the traditionally main labour, material and financial resources in recent times. Innovations are positioning as the basis for rapid and sustainable socio-economic development of local communities in modern economy, because they provide high technological and competitive level as individual administrative units of the country and the country as whole through implementing new ideas with scientific and market novelty. In view of this, the level of socio-economic development of local systems is determined, in many respects, by the nature of realization of innovation potential.

It should be noted that in the process of scientific transformation of understanding the essence of category “innovative potential” an idea that innovative
potential is an ability of economic system to create a new target in certain socio-economic conditions that exist by integrating available resources for supporting the innovative development was formed [3, p. 370]. At the level of territorial management in the context of this paper under the term „new” we will understand the ability to organize and implement exactly those processes that are aimed at achieving such results which fully correspond to changes in the external environment and, first of all, the changes of market requirements and its main players.

Competitive challenges of the XXI century, as it was said in the analytical report of the National Institute for Strategic Studies of Ukraine, put such country’s strategic task – to ensure economic growth at the local level on the basis of sustainable development \(^1\) and to determine the future of local economic development based on publicity and open dialogue between the three main actors of the national economy that are “territorial community-business-government”; that will join people and will form civil society in Ukraine [7, p. 3]. Considering this, the planning of social and economic development on the principle of dialogue between three stakeholders and according to the principle “bottom-up” becomes the object of our study from the standpoint of innovation activity at the level of territorial management.

Foreign and domestic management practice indicates that there are many interaction institutions of government, businesses and community, such as: private-public partnerships, technology platforms, an advisory body to government authorities at various levels, business associations. Specific institutions that are involved directly in the development process of territories (except public authorities and local governments of various levels) overseas are: association of municipalities, national development agencies, trade-commercial and industrial chambers, techno parks, business and innovation centres, regional finance companies, private consultants and experts, trade unions, organization that specialize in bringing new technologies, business incubators, venture capital funds, guarantee funds, charities, local development agencies, community development funds, community foundations, institutions of higher education, regional research centres, engineering research laboratories, regional development agencies, etc. [4, p. 20]. In this article we will consider the activity of such institutional structures as a component of innovative potential in view of the ability of such institutions to provide a combination of national, regional and local initiatives with the interests of private sector and the needs of local communities under a separate territory.

The institutional component of the innovation potential that is the ability to develop innovation infrastructure takes a leading position among the problems that hinder the development of innovativeness in Ukraine nowadays. This was stated not only in scientific studies, but also at the macroeconomic level: «the problematic element in the development process of innovative activity in Ukraine

\(^1\) The purpose of the sustainable development is to satisfy the needs of modern society, without compromising the ability of future generations to meet their own needs.
today is no money, and not regulatory framework, which also slows the matter, but as well is presence of structures that able to transform ideas into scientific and technical workings and to ensure such implementations in production» [5].

In general, infrastructure of innovation development in Ukraine is only at early stage of its development. However, it is clear that those innovation intermediaries are the engine of innovation development, because they provide horizontal and vertical connections between the actors of innovation activities, they create favourable conditions for effective activity and small innovative enterprises development through providing them, for temporary usage, the production areas, material and technical resources, information networks, research instruments and equipment, and also advice on a wide range of scientific, technological, economic and legal issues.

The State Agency of science, innovations and information assesses the infrastructure of innovative development of the country as one that presented by only individual types of innovative structures, in particular, such as: technology parks, research centres and business incubators. So, according to official statistics, there are 12 technological parks, 22 innovation centres, 23 innovative business incubators, 38 centres of commercialization of objects of intellectual property rights that operates in the regions of the country. For reference, only some of the innovative infrastructure elements were formed on different management levels during the period of implementation of the State target economic program “Creation in Ukraine an innovative infrastructure for 2009-2013”, which was aimed at the complex development of the country’ innovative infrastructure (see table 1).

However, the activity of only a small part of these structures corresponds to the tasks that must be solved by them, based on the world experience in organization of different types of innovative structures. Besides in Ukraine not only the number of innovative structures is limited, but also their structural incompleteness and functional uncertainty of their activities was formed.

It is important to note that the policy of innovative development of local communities must combine the State interests to its administrative units as well as intra-regional interests. Because, the state regional policy and the policy of local authorities and executive bodies of relevant regional entities should not be contradictory, ideally they should be integrity, complementing and enriching each other. Today, European regional policy is closely correlated with the state innovation policy; this creates new incentives for economic development of territories and encourages regions for effectively and creative using the available potential. In Ukraine there is a principle of centralization, especially, in the planning of socio-economic development. Thus in the country at first the social and economic development strategic plans for macrolevel are being elaborated, then strategies for general regional level (that is the national strategy for regional development), and only with the provisions of the last one and for the such period different regions
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can write the projects of their own strategies of economic and social development [6]. The necessity of writing the strategic plans of socio-economic development for other administrative units of lower management level, including development plans of local communities, is not mentioned in Ukrainian law. According to such policy, the priority directions of territorial development are set centralized and the potential of local communities was not taken into account.

Table 1. Elements of innovation infrastructure in Ukraine (as of 1.01.2014)

<table>
<thead>
<tr>
<th>Element</th>
<th>Number</th>
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<th>Number</th>
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<tbody>
<tr>
<td>Innovation and technology transfer centres</td>
<td>24</td>
<td>Centres of commercialization of intellectual property's objects</td>
<td>38</td>
</tr>
<tr>
<td>Research, training centres</td>
<td>108</td>
<td>Enterprises (institutions and departments) of STI</td>
<td>17</td>
</tr>
<tr>
<td>Educational-scientific-production complexes</td>
<td>34</td>
<td>Industrial parks</td>
<td>1</td>
</tr>
<tr>
<td>Investment (innovation) venture funds</td>
<td>1</td>
<td>National contact points of the Seventh EU framework programme on research and technological development</td>
<td>8</td>
</tr>
<tr>
<td>Scientific-innovation companies</td>
<td>27</td>
<td>Science parks</td>
<td>9</td>
</tr>
<tr>
<td>Consulting centres on the issues of innovation activity</td>
<td>7</td>
<td>Regional investment and development centres</td>
<td>27</td>
</tr>
<tr>
<td>Innovation and technology (or innovation) clusters</td>
<td>10</td>
<td>Public organizations (Council) on questions of innovative activity</td>
<td>7</td>
</tr>
<tr>
<td>Innovation centres</td>
<td>22</td>
<td>Technological parks</td>
<td>12</td>
</tr>
<tr>
<td>Innovation business-incubators</td>
<td>23</td>
<td>Other innovation structures</td>
<td>61</td>
</tr>
</tbody>
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Based on the data [1, p. 56-57]

Also, the procedure of elaboration the plans of social and economic development requires its revision. Because, in order to achieve success of modernization reforms, the interests of the three subjects of territorial systems that are state (represented by the government and management ones), business and the community should be taken into account today, given the fact that not only the power but also the business and residents of the relevant administrative-territorial unit are interested in improving the socio-economic environment and in increasing the level and quality of life.

In view of this, we see the solution of the problem, first of all, in decentralization of management, in which the priority directions of the national policy of economic and social development will be formed taking into account local features and needs as well as a clear understanding of the limitations and the competitive advantages of the basic areas. Second, in our opinion just institutional intermediaries in the sphere of strategic planning and implementation of the policy of innovation and investment development of such territories as regional development agencies (RDA), which in its activities should pay the great attention to the territory development and its social component, are able take into account the needs
of local communities and to summarize the position of strategic plans of economic and social development of territories within the region.

There were some efforts to create in Ukraine the network of regional development agencies at the beginning of this century. According to the general idea, as a kind of institutions (as the subjects of the national innovation system), regional development agencies should perform in Ukraine the function of a mediator between the private and public sector of certain territory on the one hand and the intention of the authorities towards socio-economic development on another one. The network of agencies should have been established in the country during 2001-2003 in order to build the infrastructure for regional development. Just positive foreign experience of institutional the supporting territorial development through such agencies served as motivation for chosen such idea, because such institutions cooperate abroad with local and central authorities as focal centres of strategic planning and centres of supporting the development project of areas, also they provide an effective inter-sectoral cooperation of the government-business-community and create a qualitatively new economic environment [2, p. 4]. Agencies are not bound to a specific project or to perform a specific purpose. Their main function is to build trust of the main participants of relationships to each other, to identify their preferences and on this basis to select the most effective ways to improve social welfare. Agencies are able to determine the ability of national and local players, to understand their incentives and to overcome common problems and barriers, turning them into cooperation. In other words, these institutions “fill gaps of multilevel governance when there is no success of local development policy coordination” [9, p. 139].

However, such idea did not find in Ukraine its completion. Instead, there are a significant number of institutions in Ukraine that identify themselves as regional development agencies they have no corresponding title and on the territorial coverage they mostly belong to local development agencies. Also on the legislative level neither legal regime of the concept of “Regional development agency” nor matters of creation and functioning of such institutional intermediaries are not regulated with regard to range of their possible powers. In the absence of any legal regulation the activity of those institutions which identify themselves as RDA, and which were created through the activities of donor organizations and local initiatives can be described as chaotic, diversified, varied, uncoordinated and uncoordinated.

Those institutions that operate in the country and are the members of NARDA cannot be regarded as conductors of a policy of solving specific problems of local communities, because most of them are independent institutions which define priorities and directions of its activities independently: besides the level of their cooperation with local authorities and local governments is rather low, they are almost never being involved in the process of elaboration the local and regional development strategies and programs as well as to their further implementation,
their activity today are carried out mainly due to the financial support from foreign and international donors and there is no coordination and harmonization of institutions activities.

To make institutional intermediaries, as a kind of interaction institutions between interests of three subjects of the national economy and an effective leaders of future changes in the economic and social life of the territories on the way to their prospective development, it is necessary to develop the algorithm of functioning of institutional intermediaries adapted to domestic conditions and to regulate at legislative level the questions of their status, quantity, responsibilities and funding.

When building the country’s network of regional development agencies, in our opinion, should guide the following: territorial (regional or local) development agency is an institute that studies the problems of the specific territories connected with economic and social development, examines the prospects of their (territories) development, elaborates economic and social development plans for local areas through cooperation between local and regional authorities, business and communities, provides flexible information activities and is engaged in implementation of specific projects. The activities of territorial development agencies should have a clear connections with the area and therefore, depending on the size (the territory that covered by the activities of an institutional agent), there are the regional development agencies and local development agencies. Accordingly, the RDA according to the administrative division of Ukraine covers larger territories (regions), local development agencies cover the territory of district or city and the area of its influence can be included in the RDA areas’ interest.

We propose to build the RDA network that cover by the field of their activities the regions – areas that are (in accordance with the regional division of the country) belong to the nomenclature of territorial units for statistics NUTS-2. So the number of institutional intermediaries in the country must be equal 25. The founder of the RDA should be a body of local self-government at regional level – namely, the Regional Council.

The main steps on the way of building the country’s network of regional development agencies and the author’s approach regarding their understanding present in pic. 1.
Pic. 1. The main steps on the way of building the country’s network of regional development agencies

1. Understanding the nature of RDA
   APP is a structure that is created within each region of the country, on the principle of partnership between state, private and community sectors in order to facilitate rapid socio-economic development of meso-level’s territories.

2. Legislative regulation of the RDA’s status
   
   - **Establisher**: The regional council  
   - **Number**: 25
   - **Form of incorporation**: Institution (non-profit status)
   - **Sources of finance**: Budget, sponsorships, grants and income from service potential investors and businesses
   - **Directions of activity**: Potential departments:
     - strategic planning;
     - developing and project implementation;
     - investment support

3. Reasoning the organizational structure of RDA

4. Promulgation agency’ provision that define the structure, functions and working order of the RDA of certain region

When approach for creating a network of regional development agencies are properly selected, their effective functioning will embody a number of significant benefits to areas that will be covered by their field of activity. First, it is activation the activity of local community. Agencies will moderate processes of territorial management through wide discussions with local community area vision, the key vectors of its development, current problems and their possible solutions. The starting basis here is the principle that “the best expert is a citizen as a consumer of goods in the territory” [2, p. 14]. Second, it is an ability to use the agency as a tool for engaging a wide range of stakeholders to the process of the territory’s development that allows to mobilize the internal resources and to implement together various initiatives. Thirdly, it is access to alternative sources of financing for territories’ development. Agencies allow forming for projects of social and economic development of territories different funding sources as alternatives to budget ones, and those which have more freedom of their using. The advantages also include the possibility to involve different specialists to the planning process, to identifying problems and finding opportunities for mobilization and development of expert potential of territory and also the possibility to obtain access to the best national and international experience management, forecasting and planning of territorial development.
Thus, the regional development agency as a structure established on the basis of partnership between private, public and community sectors in order to identify and complex solution of different problems of certain territories’ development is an integral part of the innovation potential. Such recognized necessity of joint participation in territories’ development of the government, business and society is seen as one of the unchanging foundations for creating effective and sustainable agency. Institutional mediator models future of territories based on current issues and available resources: however, its internal constant creative search forms new instruments of influence, increases or weakens the separate activity areas and opens them in a new light.

References:


