

STRATEGIC DIRECTIONS OF DEVELOPMENT OF INNOVATION AND INVESTMENT POTENTIAL OF BUSINESS IN UKRAINE IN CONTEXT OF EMERGING CHALLENGES

The Russian war has a fundamental impact not only on the national economy but has created instability and upheaval in the socio-economic environment of the EU and the world. In order to face the challenges caused by the war, as well as to build strategies for the rapid recovery of the national economy, a new holistic public policy aimed at promoting deep socio-economic transformation needs to be developed.

The investments that European and global households, businesses, and governments will make in Ukraine in the postwar years will determine the way of life in Ukraine for decades to come.

First and foremost, government policy will have to set clear objectives and take prudent actions, such as investing not only in R&D and business innovation, but also in education, skills and critical physical infrastructure to reach the pre-war period of national economic development.

Analyzing the experience of EU policy on strategic directions for the development of innovation and investment potential, this policy covers several policy areas and relies on various financing mechanisms to ensure co-benefits [1]. Recent examples of this approach include the 'S417 Strategy' Navarre, the Smart Specialization Coordination and local smart specialization programs.

Taking a closer look at the S417 Strategy' Navarre, we can say that this strategy is based on the S4 governance model, which creates space for the participation of the so-called spiral of 4 components of regional development: economy, knowledge production (education and science), public administration and civil society at different stages of design, implementation and evaluation.

This model includes five main working bodies: The Steering Committee, the Civil Society Steering Committee, the Strategic Platform, the S4 Challenge Teams and the Technical Steering Group (Fig.1) [1].



Figure 1. S4 governance responsible bodies

Source: compiled by the author based on [1]

In the case of Ukraine, it is necessary to create a powerful road map for carrying out transformations in a certain direction (for example, promoting a certain industry (or a group of related industries to a sustainable development trajectory).

If we consider the Smart processes of specialized strategies, they begin with the establishment of priorities that link sectors and transformational goals. In most cases, regional European S3s are directions related to the green economy or digitalization. A recent report by Prognos and CSIL (2023) highlights the fact that “out of more than 700 out of 1018 (69%) of the 185 S3 priority areas in the EU, the majority of priority areas are related to green and digital transition topics” [2].

In the ACTIONbook, practices and tools published in 2024 under the title "Innovations for local transformations", cases of building partnerships for the development of innovation potential are clearly written. Partnership building involves the strategic management of six interrelated activities led by territorial players seeking a fair transition to green and digital technologies (Fig.2) [3].

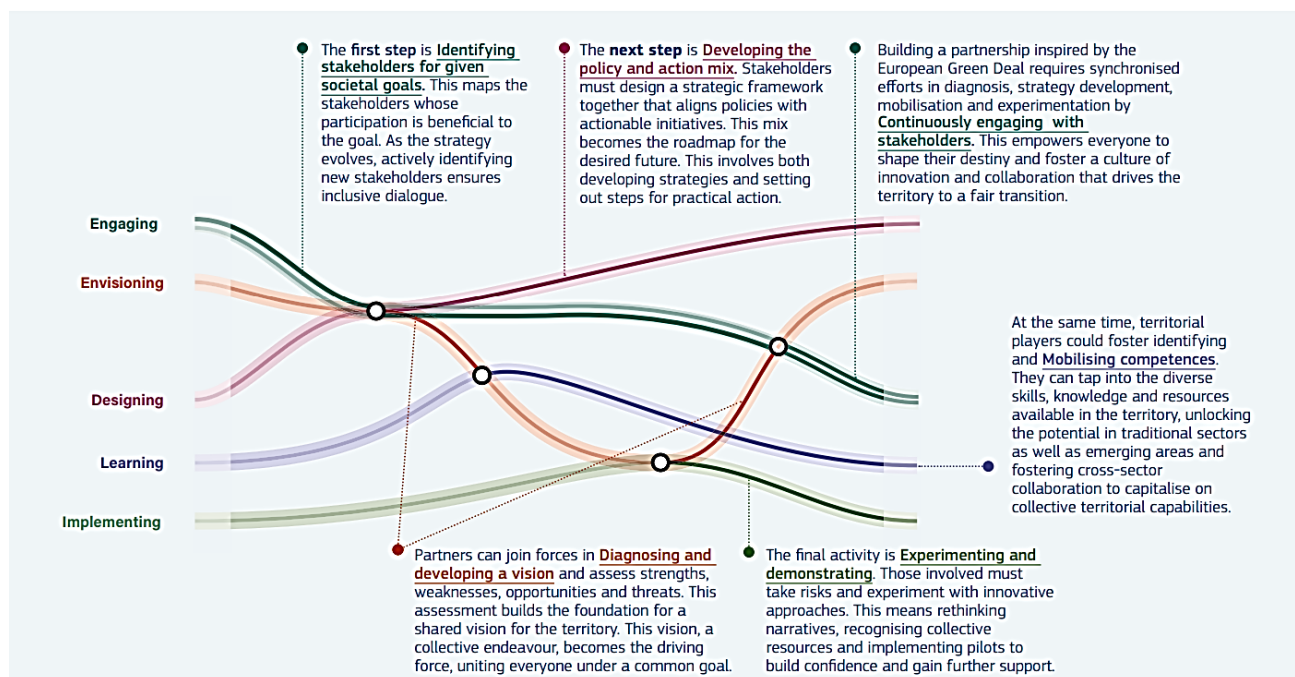


Figure 2. Building partnerships at the heart of dynamic territorial development
Source: compiled by the author based on [3]

As a conclusion, in the Ukrainian context, the Engagement Phase, which focuses on identifying and mobilising stakeholder groups that can help develop, implement and evaluate the innovation and investment strategy and policy, should be actively implemented.

These groups will contribute their involvement, resources and strength to the strategy and to the implementation of change. These stakeholders should become change agents working together to achieve societal goals. The scale and nature of the sustainability challenges facing Ukraine's current territories demonstrate that there is a need to reach out to different groups and foster innovative, challenge-driven partnerships across different sectors of the economy.

References:

1. NAVARRA's SMART SPECIALISATION STRATEGY PERIOD 2021- 2027. Access mode: https://s4navarra.es/wp-content/uploads/2022/01/S4EstrategiaNavarra%20_ingles.pdf
2. Follow-up study on smart specialisation strategies in the EU. Access mode: <https://www.prognos.com/en/project/follow-study-smart-specialisation-strategies-eu>

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IMPLEMENTATION OF SMART SPECIALIZATION AT THE LOCAL COMMUNITY LEVEL: DIGITAL CASE OF THE PROGRAM

In today's Ukrainian realities, the concept of smart specialization, within which the government, business, science and society determine the strengths of the region, is very relevant.

As defined in the National Smart Specialization Strategy For Innovation-2022-2027 [1], smart specialization is an innovation policy concept developed by the European Commission that aims to stimulate regional innovation, promoting growth and prosperity by helping regions focus on their strengths (Fig. 1).

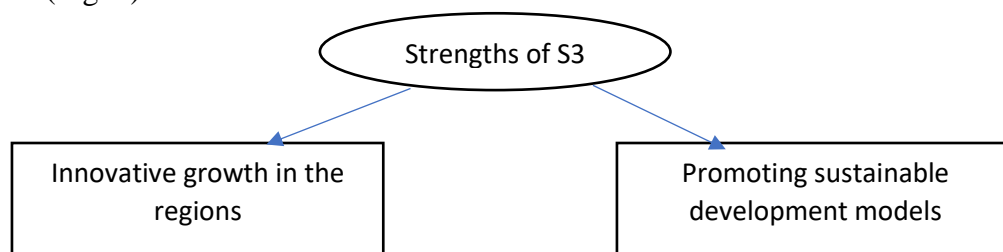


Figure 1. **Strengths according to the strategy of smart specialization in the regions**

Source: proposed by the author based on [1]

For Ukraine, the development and implementation of the S3 is a priority during the war and post-war reconstruction period, as it involves the “Entrepreneurial Discovery Process” - a type of consultation process that ensures inclusive and active involvement of all stakeholders [1].

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Between 2014 and 2020, only 5 regions of Ukraine registered on the Smart Specialization Platform (S3P). However, today, in 2024, despite the war, 16 regions of Ukraine are registered on the S3P (Fig.2) [2].