



# SUSTAINABLE DEVELOPMENT: MODERN THEORIES AND BEST PRACTICES



Teadmus OÜ

# **Sustainable Development: Modern Theories and Best Practices**

Materials of the Monthly International Scientific and Practical  
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# REGIONAL FEATURES OF SUSTAINABLE DEVELOPMENT

## THE CHOICE OF THE SMART SPECIALIZATION AS AN EFFECTIVE TOOL FOR IMPROVING THE ECONOMY OF THE UKRAINIAN REGIONS

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Improving the level and quality of human life in a given area within the concept of the sustainable development is the most important, if not the main, task for regional authorities and for its implementation in practice, all conditions must be created, all tools involved and all opportunities used. The solution of this problem depends on a significant number of factors, which include the effectiveness of regional government and its awareness of the existing competitive advantages of the region and opportunities for their expansion and development, their ability to identify, position, develop and use in practice for socio-economic and innovative growth of the region. At the same time, the implementation of such scenario is possible only on the basis of close mutually beneficial relationship between all sectors of the region and all participants in the regional economy, which can be ensured through the introduction of a new tool of regional governance - smart specialization.

The current level of the innovative economic development of the Ukrainian regions is unsatisfactory, which leads to low economic efficiency of the economic processes taking place in the regions of the country and the inability of regional authorities to provide decent conditions for integrated social development and protection of the population and environmental safety. At the same time, to simultaneously develop all spheres of economic activity, which are represented in the economic structure of the region, is a desirable area of activity, but impossible in the current crisis conditions of Ukraine's economy. That is why there is a need to choose those areas of economic activity of the region, which, firstly, are a priority for its development in strategic terms, and, secondly, for their implementation there are all the necessary resources. Under such conditions, an important area of successful regional policy should be the focus on the principles reasonable specialization of the region or the so-called "smart specialization".

The emergence of the term "smart specialization" can be attributed to 2005-2007, and its first mention occurred in the work of D. Foray and B. Van Ark, which was devoted to the mechanisms of accelerated attraction of the innovation and innovation to European countries (Foray, 2007). From this point on, we can assume that "smart specialization" has become part of the scientific tools of the regional and national management of the economically developed countries. That is why in the text of the new economic strategy "Europe 2020", which was adopted in the EU in 2010, "smart specialization" has already appeared among the tools of economic reform in the region and the country to intensify the spread of technological innovation in Europe (EUROPE, 2010). It was emphasized that smart specialization is a lever to achieve the goals of "smart, sustainable and inclusive growth by enhancing the EU's regional and national

research and innovation capacity" (EUROPE, 2010). In 2013, the secretariat OECD (Organization of economic cooperation and development) published a report "Innovation-driven growth in regions: the role of the smart specialization" (Innovation-driven, 2013), which systematized all information on the general idea, features of strategy development and justification of a possible range the smart tools, specialization, illustrates the experience of the world in the cluster formation field, which is one of the proven effective methods of implementing regional smart specialization.

In the developed world, and especially in the EU, various aspects of the dissemination of the smart specialization principles since 2011 have become formalized and have effective organizational and advisory support in the form of a specialized platform S3 Platform (The Smart, 2015). UNIDO, the World Bank Group, OECD play an active role in the process of the spreading smart specialization. The main purpose of such a policy is to provide European regions with qualified assistance in finding the most appropriate activities for a given territory, focusing on which will increase its competitiveness and ensure sustainable growth in the future.

A detailed study of existing approaches to understanding the meaning of the term "smart specialization of the region", formed in science today, allowed to formulate our own vision - a purposeful focus of the regional development strategy to enhance economic activities with high growth potential and sufficient resources, and the implementation of which will be accompanied by a synergy of the efforts all participants in market relations, which will achieve ambitious goals for innovative growth, social security and economic efficiency of the production and economic activities of all participants in regional economic relations.

Detailed acquaintance with the official documents (Regulation, 2013; European, 2012; The Smart, 2015), which regulate the procedures of the region smart specialization, allowed to formulate requirements for this process:

- 1) The basis of the smart specialization is a radical restructuring and restart of the regional economy through the introduction of technological innovations;
- 2) Smart specialization requires significant investment and mobilization of all resources of the region, which should be directed to the development of the most promising activities;
- 3) A thorough choice of the sphere of economic activity of the region should be based on the basis of uniqueness, resource conservation and competitive advantages of the territory;
- 4) Under modern conditions, the economic development of the territory can be achieved on the basis of industrial, scientific and technological specialization;
- 5) Smart specialization of the region should be based on powerful and competitive systems of education and science, knowledge management and innovation development, a balanced regional labor market;
- 6) The strategy of smart specialization of the region should become a component of national and regional policy in the field of R&D, for which all stakeholders should take part in its development;
- 7) The socio-economic effect of smart specialization will be prolonged over time and increased due to the spread of the benefits to other areas of economic activity in the region.

Achieving the expected socio-economic effect from the smart specialization of the region will depend on the rationality of its implementation procedures, so it is advisable



to focus on the following sequence:

1) On the basis of a thorough qualified assessment of the available resources and enshrined in public opinion competitive the territory advantages is a professional justification for the choice of the sphere economic activity, the purposeful implementation of which will allow with minimal effort and cost to achieve rapid competitiveness;

2) Development of a strategy for the long-term development of the selected dominant economic activity sphere of the region with the provision of opportunities for redistribution and combination of available resources and obtaining a synergetic effect on this basis;

3) Monitoring the results of the implementation the smart specialization of the region and the results of adjusting the implementation of the strategy.

The understanding of the expediency and necessity of orienting the Ukrainian regions to smart specialization has appeared in scientific thought relatively recently, and therefore at the moment in the Ukrainian scientific environment a powerful scientific school of the smart specialization has not been formed. At the same time, starting from 2018, Ukrainian scientists began to actively explore the issue of the smart regions specialization in the context of finding ways to stabilize the socio-economic development of certain areas of Ukraine. The main emphasis in the research is on substantiation of institutional and legal bases and organizational and resource possibilities of smart specialization introduction at regional level in Ukraine, study of European experience of the smart specialization introduction as a tool of innovative growth of regions economy of the country, possibilities of the designing transformational changes, smart specialization, specification of potential and priorities of smart specialization in the regional context.

In the practical sphere at the regional level in Ukraine, the focus on smart specialization in Development Strategies appeared only in the reporting 2021 and these documents are planned to implement the concept of the smart specialization by 2027. At the same time, such an ambitious goal is unlikely to be fully achieved to some extent, as there is no clear understanding of the essence of this process at either the scientific or organizational levels. Indeed, starting in 2021, the regions of Ukraine have recognized the relevance and feasibility of a thorough installation and have further focused on the smart specialization of the regional economy. A detailed study of the content of the Regional Development Strategies for smart specialization allowed us to draw the following conclusions:

1) Ten regions of the country could not decide on a specific area of economic activity, further innovative development of which through smart specialization would allow to achieve socio-economic growth - Vinnytsia, Donetsk, Zakarpattia, Kyiv, Luhansk, Lviv, Odessa, Sumy, Chernivtsi and Chernihiv regions;

2) Four regions of the country could not focus on one or two types of economic activity that have the greatest potential for innovative growth and chose a fairly powerful range of economic activities for the simultaneous innovative development of which the region will not have enough resources - Ivano-Frankivsk, Mykolaiv, Rivne and Kharkiv regions;

3) Nine oblasts of the country focused on three or four types of the economic activity, which prevents their innovative growth - these are Volynska, Dnipropetrovsk, Zaporizhzhia, Poltava, Kirovohrad, Ternopil, Khersonska, Khmelnytsk and Cherkasy

regions;

4) There is duplication and fragmentation of the economic activities, which regions of the country were chosen to implement the principles of smart specialization: food production was chosen by eleven regions (Volyn, Ivano-Frankivsk, Kirovograd, Mykolaiv, Rivne, Ternopil, Kherson, Khmelnytsky, Cherkasy regions), mechanical engineering - in six regions (Dnipropetrovsk, Zaporizhia, Kirovohrad, Mykolaiv, Khmelnytsky regions), IT sector - in three regions (Rivne, Kharkiv, Cherkasy regions);

5) In most strategies, the formulation of activity areas, which at the regional level are recognized by experts as potentially innovative, is generalized without specifying the specific features and conditions that will allow the region to make an innovative breakthrough.

In addition, most Ukrainian regions in their Development Strategies have laid down only declarative theses on the need to disseminate the principles of the smart specialization. Exceptions are Kharkiv, Lviv and Cherkasy regions, whose development strategies, although they do not contain a specific plan for the implementation of smart specialization, but more thoroughly approached the justification of its components. This positive experience should be consolidated and further extended to all regions of Ukraine without exception, which will ensure the sustainable development of the regional economy.

Given the fact that Ukraine's economy has been in a state of the political, humanitarian, socio-economic, demographic and financial crises for quite some time, the dispersion of the small amount resources to be directed to the development of certain economic activities in accordance with the proclaimed regional development strategies country, will not achieve any of the ambitious goals. In addition, the lack of the policies coordination to implement regional smart specialization at the state level has led to duplication of activity areas that have chosen as potentially capable of the innovative growth, which will also hinder the rational allocation of all resources. Under such conditions, despite the emergence of such an effective tool of the regional governance as smart specialization in the texts of regional development strategies of Ukrainian regions for the period until 2027, expect in the near future significant positive changes in innovative economic growth and gradual exit from socio-economic crisis should not be.

The state of Ukraine's economy development requires the immediate introduction of the effective measures to gain positive trends in the competitiveness of the country's regions. World experience has shown that a promising tool to achieve this goal can be a smart specialization of the region, the content, which is a detailed in-depth study of the competitive advantages of a particular territory and on this basis. The study concluded that today in Ukraine the use of this tool is not carried out, but there are projects for its use since 2021. Paying sufficient attention by all participants in the regional economy to these projects will stabilize regional development.

A strategy for smart, sustainable and inclusive growth. Brussels, 3.3.2010. COM (2010) 2020. European Commission. (2020). URL: [ec.europa.eu/eu2020/pdf/COMPLET%20EN%20BARROSO%20%20%200007%20-%20Europe%202020%20-%20EN%20version.pdf](https://ec.europa.eu/eu2020/pdf/COMPLET%20EN%20BARROSO%20%20%200007%20-%20Europe%202020%20-%20EN%20version.pdf).

European Commission. Guide to research and innovation strategies for smart specialisation (RIS3). (2012).

необходимого их уровня;

- выбор коммуникационных инструментов для формирования каждой из составляющих туристического имиджа региона.

Разработана последовательность и определено содержание процедур (включая соответствующий методический аппарат) выполнения перечисленных этапов работ, выполнена их практическая апробация.

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