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EU Association Agreement: Legal, Political and Economic Aspects

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FORMATION THE AGRICULTURAL INNOVATION SYSTEM AS A WAY TO ACCUMULATE INTELLECTUAL CAPITAL IN TERMS OF THE EU INTEGRATION

ABSTRACT

The article deals with the need of formation and accumulation of intellectual capital within the functioning of agricultural entities. It has been determined that the formation of intellectual resources and their capitalization is closely linked to innovation processes. It has been emphasized the importance of reforming the current system of agricultural education and research for performing current research and development. Modern system of agricultural education and science should meet the best national traditions and the requirements of the single European educational space. The author has offered the creation of agricultural innovation system as a set of institutions of the agricultural sector, which generate and disseminate knowledge and technology through communication and interaction and ensure their conversion into innovative resources in obedience to the requirements of agribusinesses, state and society. The general algorithm of this system in the current economic conditions following the principles of equal access to developments by agricultural producers has been developed.

Key words: *intellectual capital, European integration, innovative development, agricultural innovation system, agricultural research, agricultural science.*

JEL Classification: O15; D83

INTRODUCTION

In terms of economic transformation and growth of the role of innovative technologies in production, education and science have become the determining factor and the main instrument of converting human potential into high-quality human capital. According to the Lisbon strategy, the EU should become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion. Effective educational and scientific sector, including higher education that meets the needs of society and the labor market, makes it possible to create each person's ability to quickly adapt to the current economic realities, ensuring it adequate level of living. One of the priorities should be creation a complete effective system of continuous vocational training, development and introduction of scientific developments in the economic system.

One of the aspects of European integration process is implementation European standards in education and science, expanding their cultural and scientific achievements in the EU. These steps are aimed at strengthening Ukraine European cultural identity and strengthening integration in European intellectual and educational environment. Implementation of joint cultural, scientific and educational projects, involving Ukrainian educators, scientists and specialists in the European program of scientific and educational research are especially important.

In agricultural education and science system, there is a rather inefficient institutional support, which requires significant modernization according to European professional standards. At the same time the modern system of agricultural education and science should meet the best national traditions and the requirements of the single European educational space.

MATERIALS AND METHODS

The agricultural sector is one of the most important components of Ukrainian economic system, which forms over 10% of GDP. On purpose of agricultural sector development, it should be a timely and systematic improvement of the mechanism of its management. Based on the fact that the transformation process of the agricultural market determines more relevant involvement of information and intellectual resources, to create strategic competitive advantages of agricultural

enterprises, it is necessary to say that one of the main and most promising areas of development of the domestic agricultural sector is innovative; based on the efficient use of human, intellectual, educational and scientific potential. However, the shift to this course involves the transformation of the system of „education - science - production" and the construction of so-called innovative systems both within the region and at the macro level. Formation and efficient use of that system can allow to create innovative products with high added value, capitalized intellectual resources, thereby creating intellectual capital of business entities and the state as a whole, transforming the domestic agricultural economy to innovation-intensive platform.

The study aims to determine the role of creating national agricultural innovation system for the development and effective use of intellectual capital research institutions agro-sphere in the process of integration of Ukraine into European economic space.

RESULTS

The most developed countries of the world shifted from an industrial economy to a 'knowledge economy', which is the basis for the identification, creation and use of new knowledge. For the domestic economy, it is an opportunity to change the image from the 'attachment of raw materials' to the innovation-oriented economy. It is necessary to accept the fact that the providing the reform of agricultural production, on the basis of innovation, is a call of time, a challenge for the industry workers and the state. Innovative changes are possible only with the combined efforts of the fundamental science, education, business and government (Kaletnik, 2013).

Intellectual capital is almost the only resource that allows the company to have the ability to differentiate its activities in modern conditions and be effective on the market in the long term. Intellectual capital of agricultural enterprises should be understood as a set of intellectual resources, embodied in human knowledge, abilities, skills, and knowledge products (both own and purchased), which in the process of integrating into the economy can create more value and provide a competitive advantage. The main institutions providing formation of the intellectual resources of the agricultural sector are

educational institutions, research institutions, breeding stations, experimental farms, but statistics show negative trends in the development of innovation and intellectual component of the agrarian sector. Therefore, there is a reduction of the amount of financing of one of the most important sources of the intellectual resources of the agricultural sector - the Academy of Agrarian Sciences of Ukraine. At the same time, there is a reduction of the number of organizations carrying out research work in the field of agriculture.

Now we are observing the reducing the number of qualified staff with the necessary supply of knowledge and skills. There is a significant information lag between business practice and education system, i.e. the knowledge and skills of graduates are not sufficient for beginning the effective work. There is no doubt that the existing gap in skills caused by the lack of cooperation between the system of agricultural education and training, and the private sector; theory overloaded curriculum with insufficient practical training; as well as the prevalence of corruption, eliminates the quality of education (OECD, 2015)

The research results of foreign scholars reveals that investment in agricultural research and development of extension is one of the most effective investments. According to the data, the rate of return on research projects in the agricultural sector varies considerably across countries of the world: in developed countries, this index has a higher value than in developing countries (Alston, 2000).

The obvious fact is that, financing only sphere of agricultural science does not lead to significant results, if such process does not have a complex character and does not include the whole system development - from elaboration of ideas and innovative solutions to their implementation, dissemination and capitalization.

One of the ways to resolve this issue is to create agricultural innovation system, with a scientific and educational consortium as a key element. This system represents a mechanism of cooperation and brings together organizations working in the area of technological, managerial, organizational, and institutional reforms in agriculture. Such a system may include agricultural research institutions, national and transnational corporations, agribusiness firms and entrepreneurs, farmers associations and consumer organizations, etc. (Fig. 1).

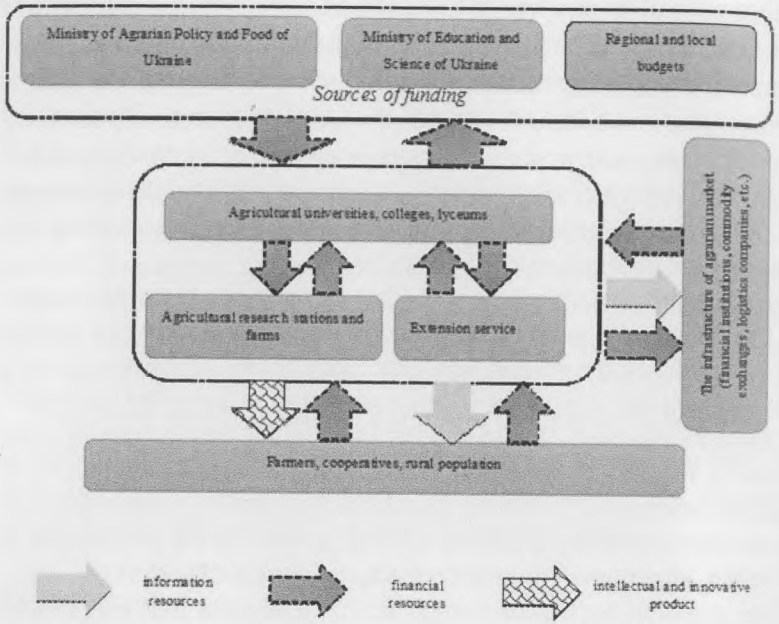

Fig. 1. A simplified scheme of interaction between the institutions in the agricultural innovation system

Forming the AIS' architecture should push off from the features of economic and political development of the country, to take into account national, geographic, economic, industrial and commercial manufacturing conditions. Unlike traditional approaches to the functioning of agricultural systems, innovative type of agricultural system is characterized as a dynamic, open and complex. At the same time, the AIS is a self-developing systems, i.e. it can forms the factors of development and forward them to the surrounding socio-economic environment (Sirenko, 2009).

The general algorithm of processes over this system in modern conditions of agro-sphere, in our opinion, should consist of three stages and eight phases (table 1).

Table 1 The main stages and phases of the innovation process in the agricultural innovation system

Stages of the innovation process	Phases of the innovation process	The institutions involved in the implementation phase
planning	1) monitoring market needs to determine the need for certain innovative products or solutions	agricultural education institutions
	2) discussion of draft studies, establishing their relevance and priority, preliminary assessment of their value	agricultural education institutions, farmers, agribusiness, research farms and village communities
	3) development plan and the objectives of the study and definition of institutions for its implementation; the formation of the actual project cost estimate	agricultural education institutions
implementation	4) carrying out the research	breeding stations, experimental farms, the authorities
	5) protection of intellectual property	agricultural education institutions, research farms
	6) training of workers who will be directly involved in working with innovation	agricultural education institutions, research farms
	7) implementation of research results in practice management)	farmers, agribusinesses, private farms
control	*8)* organization efficiency discuss about implementation of developments and gathering information on opportunities to improve the quality characteristics of the developments	agricultural education institutions, local authorities, farmers, agribusiness, private farms

Functioning of this system needs financial resources. The main sources of funding for AIS, in our view, should be: funds of state, regional and local budgets; funds of farmers in the form of uncompensated VAT; funds created from profits from the sale or use of licenses, patents, copyrights for research and development; foreign investment funds; other sources.

Thus, agricultural innovation system will be the integration platform for institutions of agrosphere and perform with background information, and innovative educational and scientific function. Its main

feature should be a decentralization of the vast majority of functions of the Academy of Agricultural Sciences to leading agriculture universities, breeding stations and experimental farms and agricultural producers.

CONCLUSION

Only a comprehensive approach to reform agricultural education, science and business will shape the agricultural production system on innovative principles in order to integration in European economic space. Agricultural innovation system provides not only the implementation of current research to farmers, but creation of agricultural innovations, and development of curricula oriented to the needs of farmers. One of the main results of this system is an innovative product and one of the most powerful competitive advantages in the market today – intellectual capital. Its accumulation and effective use is the path to economic development of the agricultural sector.

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THE REFORM OF PUBLIC FINANCIAL MANAGEMENT SYSTEM IN GEORGIA AND ITS COMPATIBILITY WITH EU PRACTICE

ABSTRACT

Public Financial Management (PFM) in developing countries is often considered as a „technical" issue, which includes various actions connected with revenue mobilization, funding of expenditures and their accounting. However, PFM is much more complex, fundamentally political and institutional issue. PFM is a system, containing: - Legislation and regulations applied by the governments for revenue mobilization, formation of public funds, funding of public expenditure, accounting and audit; - Institutions and other participants, involved in the process. PFM has a wider function than Financial Management. PFM is a Cycle, consisting of several phases: beginning with policy design and finishing with external audit and evaluation. Budgetary cycle is an integral part of PFM. Strong PFM system is a core aspect of the institutional frame of an efficient state. Countries with strong, transparent, accountable PFM system deliver service and control the market more efficiently and fairly that is tightly connected to overcoming of poverty and economic growth. The presented paper reviews process of reforming of the PFM in Georgia, its current condition and compatibility with EU requirements and standards. It also contains conclusions and ways of improvement functioning of the system.