

## СЕКЦІЯ 3 ДЕРЖАВНЕ РЕГУЛЮВАННЯ ІННОВАЦІЙНОГО РОЗВИТКУ ЕКОНОМІКИ: ВІТЧИЗНЯНИЙ ТА МІЖНАРОДНИЙ ДОСВІД

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**Nataliia Shalimova**

Doctor of Economics, Professor  
Central Ukrainian National Technical University,  
Kropyvnytskyi, Ukraine

**Halyna Kuzmenko**

PhD in Economics (Candidate of Economic Sciences), Associate Professor  
Kyiv National Economic University named after Vadym Hetman  
Kyiv, Ukraine

### **“DOING BUSINESS” AND BUSINESS ENVIRONMENT OF PUBLIC SECTOR ENTERPRISES**

The public sector plays a major role in society. In most economies, public expenditure forms a significant part of gross domestic product (GDP) and public sector entities are substantial employers and major capital market participants. The public sector determines, usually through a political process, the outcomes it wants to achieve and the different types of intervention. These include enacting legislation or regulations; delivering goods and services; redistributing income through mechanisms such as taxation or social security payments; and the ownership of assets or entities, such as state owned enterprises [1]. Public sector entities may contribute to wealth generation through the application of economic stimulus measures and fiscal interventions. Governments also make decisions on the distribution of resources between different sectors of the economy. Unlike most private sector entities, the future existence of public sector entities is not dependent upon the generation of profits. The size of the public sector and the goods and services that it provides are dependent upon factors such as political ideology and the size of the economy [3]. Despite these features, public sector enterprises play an important role in the economy of each country and an assessment of their functioning environment is an important factor in improving the quality of their services and the effectiveness of their functioning.

At present, a unified rating that would allow evaluating the conditions that are created for the functioning of public sector enterprises has not been developed yet. The most popular international ranking in the world assessing the economic conditions is “Doing Business” which has existed since 2003 and is prepared by The World Bank Group. “Doing Business” index determines the quality of business regulations which enhance or constrain business activity, the use of the regulations in different countries, regions and selected cities. Among the areas of evaluation much emphasis is put on tax system. The “Paying Taxes” indicator which is an important component of the above-mentioned ranking is additionally published in separate reports “Paying Taxes” which are compiled by the World Bank in collaboration with the auditing firm PricewaterhouseCoopers (PwC) to

assess the quality of the tax system for business. The number of countries covered by the ranking is constantly increasing: in 2017-2019 – 190 countries.

Currently the international ratings "Doing Business" consist of 11 indicators including ten basic and two extra. Analyzing the basic indicators, it can be concluded that seven indicators ("dealing with construction permits", "getting electricity", "getting credit", "paying taxes", "trading across borders", and "enforcing contracts") fully comply with the need to evaluate the operating environment of public sector enterprises. Other indicators should be taken into account with restrictions, regarding the peculiarities of creating and functioning of public sector enterprises: "starting business" should be considered taking into account the fact that public sector enterprises are created by the state and not by private individuals; "registering property" fully complies with the specifics of the functioning of public sector enterprises, since they also act as equal subjects in the operations of buying and selling property, but subject to restrictions in the field of state property; "protecting minority investors" has a limited impact on the assessment and can be taken into account when analyzing the operating environment of enterprises that are not 100% owned by the state; "resolving insolvency" should be taken into account that unlike most private sector entities, the future existence of public sector entities is not dependent upon the generation of profits and the procedures of resolving insolvency have limitations and specifics

The public sector entities have certain characteristics. But the further increasing of the ranking in the world economy in general and in different areas in particular (trade, financial, social, etc.) is impossible without forming a solid basis for internal development for public sector entities by improving institutional, administrative and economic instruments in this sphere. This basis must be founded on the principle that economic activity benefits from clear rules: rules that allow voluntary exchanges between economic actors, set out strong property rights, facilitate the resolution of commercial disputes, and provide contractual partners with protections against arbitrariness and abuse. Taking into account the globalization of the economy and the intensification of European integration processes, an important part of evaluating the public sector should be a comparative analysis of the overall operating environment with the relevant systems of other countries of the world.

In order to evaluate the conditions of their functioning, it is advisable to combine general international ratings in the sphere of conditions for business activity and taxation and special international ratings in the sphere of public procurement. The ratings of World Bank such as "Doing Business" are very useful. But the following limitations in data usage can be distinguished: insufficient detail of the data, there is no complete comparison between the data because the last report "Benchmarking Public Procurement" has been published in 2017. Moreover On August 27, 2020 The World Bank Group issued the statement on the Doing Business Report [2]. A number of irregularities have been reported regarding changes to the data in the Doing Business 2018 and Doing Business 2020 reports, published in October 2017 and 2019. The changes in the data were inconsistent with the Doing Business methodology. The publication of the Doing Business report will be paused as World Bank conduct assessment.

The importance of such comparative studies is explained by the numerous facts. Public sector entities in economies with good public procurement systems face lower losses from shipping to domestic markets, and experience lower incidence of bribery. Moreover, the impact of reforms in the sphere of public procurement goes beyond effective public

procurement because it affects management of public funds, efficiency in their expenditure, and accountability of public officials. It also fosters innovation in the delivery of projects, potentially leading to cost savings for governments worldwide. For all governments, the administration of tax is a priority. Paying tax is one of the most universal, frequent and potentially contentious interactions that public sector entities have with their government.

The results of such comparative analysis will allow identifying risk areas, and relevant information can be used in developing of recommendations and proposals for improving the effectiveness of the operation environment. However, it is important to avoid activities that “artificially” increase the ranking without real improvement as this may adversely affect the image and reputation of the country causing distrust to the governance.

## References

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**Дурман О. Л.**

кандидат наук з державного управління,

**Лінецька Я. М.**

студентка третього (освітньо-наукового)

рівня вищої освіти спеціальності 281

«Публічне управління та адміністрування,

Херсонський національний технічний університет

м. Херсон, Україна

## ДЕРЖАВНЕ СТИМУЛЮВАННЯ ІННОВАЦІЙНОГО РОЗВИТКУ ЕКОНОМІКИ І НАУКИ

Стимулювання національної економіки шляхом використання регуляторних інструментів різного характеру цілеспрямовано впливає на соціально-економічні процеси в суспільстві і забезпечує досягнення цілей та реалізацію пріоритетних напрямів державної соціально-економічної політики. При цьому правові регуляторні впливи визначають поведінку суб'єктів господарювання на ринку, а економічні