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**СОЦІАЛЬНІ БІЗНЕС І ПІДПРИЄМНИЦТВО ЯК ФОРМА
ГРОМАДСЬКО-ДЕРЖАВНОГО ПАРТНЕРСТВА**

Анотація. У статті досліджено громадсько-державне партнерство як нову форму взаємовідносин держави і суспільства, державних органів і громадських організацій. Соціальні бізнес і підприємництво розглядаються як форма громадсько-державних відносин. Пропонуються шляхи їх розвитку в Україні.

Ключові слова: державне управління, громадсько-державне партнерство, соціальний бізнес, соціальне підприємництво, взаємовідносини влади і суспільства.

Боделан В.Р. Социальные бизнес и предпринимательство как форма общественно-государственного партнерства

Аннотация. В статье исследуется общественно-государственное партнерство как новая форма взаимоотношений государства и общества, государственных органов и общественных организаций. Социальные бизнес и предпринимательство рассматриваются как форма общественно-государственных отношений. Предлагаются пути их развития в Украине.

Ключевые слова: государственное управление, общественно-государственное партнерство, социальный бизнес, социальное предпринимательство, взаимоотношения власти и общества

Bodelan V.R. Social business and entrepreneurship as a form of private-public partnership

Annotation. The paper studies private-public partnership as a new form of relationship between the state and the public, public authorities and non-governmental organizations. Social business and entrepreneurship are viewed as a form of private-public relations. The researcher brings forward ways of their development in Ukraine.

Key words: public administration, private-public partnership, social business, social entrepreneurship, relationships between the authorities and the public.

Formulation of the problem in general and its connection with significant scientific or practical tasks. Analysis of legal basis for development of social business and entrepreneurship in a number of states (Albania, Brazil, Great Britain, Haiti, India, Italy, Columbia, Poland, Tunisia, Uganda, and Switzerland) [1, 2] shows that a few legal models of private-public partnerships

in foreign countries clearly stand out: government-business-financial partners; government-business-civil society institutions-science; government-business-the public; government-public opinion leaders-civil society-local community-financial institutions; government-international investors-business-the public; government-business-local authorities.

In Ukraine social business and social entrepreneurship are associated with private-public partnership, forgetting about opportunities offered by legislative and standard legal acts.

Analysis of recent research and publications, which initiated solution to this problem and which the researcher draws upon. One should mention that domestic science widely uses diverse categories relating to private-public partnership, such as “private-public partnership”, “social partnership”, “state-private partnership”, “public-private partnership”. They all refer to procedures for building relationships between the state and the society. However, their similarity is due to the fact that they are based on the same indicators: creation of adequate conditions for development of civil society; introduction of public supervision of governance, ensuring independent operation of civil society institutions, increasing their influence on socially significant decision-making, creating conditions for wide representation of interests of the people in public and local authorities, holding routine public consultations on important issues of life of society and the state [3-9]. Private-public partnership, just as social business and entrepreneurship, is interpreted from the perspective that the state provides financial resources for activity of the non-governmental organization. As a matter of fact, role of private-public partnership is drawn out of socioeconomic relations of the state.

As to legal basis of private-public partnership, one can find plenty of opportunities there. That applies, for instance, to art. 21, par. 2 of the Law of Ukraine “Civil Groups” [8] concerning rights of civil groups having legal personality. Among such rights there are the following: to take part in civil legal

relations, acquire property and non-property rights consistent with the laws; carry out business activity subject to the law directly, provided it is stipulated in the by-laws of the civil group, or through legal entities (societies, companies) established in the manner consistent with the law, provided such activity meets objectives (goals) of the civil group and promotes achievement thereof. Data on any entrepreneurial activity carried out by the civil group are entered into the Register of Civil Groups; establish mass media for its statutory purpose (goals); take part in state regulation policy subject to the Law of Ukraine “Principles of State Regulation Policy in Business Activity” [10]. Moreover, there are legislative requirements to civil group enterprises. This refers to art. 112 par. 1 of the Business Code of Ukraine, where it is said that civil group enterprise is a unitary enterprise founded on the basis of civil group property (property of non-governmental organization or political party) or property of a religious organization for the purpose of business activity aimed at achieving its statutory tasks. The same refers to art. 21, par. 2, 3, where it is said that civil group ownership is exercised by its supreme management bodies in the manner stipulated by the law and its constituent documents; founder of the civil group enterprise is a respective civil group having legal personality, as well as an association (union) of non-governmental organizations in cases when its by-laws stipulate the right to establish enterprises [11].

Virtually, this refers to “public-private partnership”, since non-governmental organizations have both the right and possibility to establish enterprises. It is up to the public to be active and show initiative. The state controls allocation of profit from such enterprises. Profit is channeled to key activity of the non-governmental organization according to its by-laws, which refers mostly to none other but social and humanitarian problems, proved by the fact that in the first half of 2014 1,988 organizations have been created. The number of such organizations increased significantly: human rights organizations – 344, physical culture and sports oriented organizations – 260,

occupation-oriented organizations – 225, educational, cultural groups – 172, other – 134 [12]. Thus, this is the essence of social business and entrepreneurship, based on “profit plus benefit” pattern. If we talk investments received not from the state, but from businessmen, then the partnership pattern in this case is as follows: “non-governmental organizations-investors-state”. Public position is to provide services through non-governmental organizations and channel profit to address social concerns and life improvement. Social position of businessmen is to invest into society. Position of the state is to offer a chance for the public to exercise their civil responsibility and activism by means of creating conditions for social business and entrepreneurship.

Now, since profit from social business and entrepreneurship is channeled to address social problems of the regions, is governed by legislative and standard legal acts, is built on interaction of public authorities and non-governmental organizations and reflects initiative and willingness of the people, then it makes sense to talk about a new kind of relationship between the state and the society: *and we mean private-public partnership*. The latter is based on the role of non-governmental organizations and their significant contribution into socioeconomic development of the state. They become a reliable investment partner of the state. To build private-public partnership in the state one should amend a number of legislative and standard legal acts and create special legislative, financial and taxation conditions for social business and entrepreneurship, which in its turn will promote payment of taxes in good faith and transparent contributions to budgets at all levels, meeting requirements of international and domestic laws, changes in attitude to involving the public into government supervision of socioeconomic development. Key role and position in private-public partnership belongs to non-governmental organizations able to become proactive participants for drawing and promoting additional investments into regions.

Based on the above we can tag **parts of the general problem not**

resolved before, which this article is about: establishing and developing private-public partnership through creation of conditions for development of social business and social entrepreneurship.

These arguments laid the groundwork for formulation of **the purpose of the article**: to highlight practical concerns regarding establishment and development of social business and entrepreneurship in Ukraine as a key component of private-public partnership; to define basic ways for development of public management of private-public partnership.

The main material of the research substantiating obtained scientific results. One should not say that nothing is done in Ukraine for development of social business and social entrepreneurship, despite the fact that Ukraine lags behind other countries for about 40 years. Yet, at the moment it is not up to public authorities, but to some Foundations and organizations famous in Ukraine, which implement the project “Local Economic Development: Development of Social Entrepreneurship”. According to website of these Foundations, this project started in 2010, and is aimed at development of social entrepreneurship sector in the regions of Ukraine. It is implemented in Burshtyn (Ivano-Frankivsk region), Dobrotvyr (Lviv region), Rovenki, Sverdlovsk (Lugansk region), Dobropillya and Zugres (Donetsk region) by combined efforts of the *British Council*, *Eastern Europe Foundation*, *PricewaterhouseCoopers in Ukraine*, *Erste Bank in Ukraine* and *Vidrodzhennya (Revival) International Foundation in association with Erste Bank* and Ukrainian Foundation for Entrepreneurship Support [13]. By these combined efforts it was planned to achieve the following from 2010 to 2013: to establish partnership relations between public, private and social sectors; to create a platform for cooperation, sharing experience and training; to spread social entrepreneurship ideas in Ukrainian society; to allow access to legal, financial and advisory assistance for social entrepreneurs trying to develop their business. In 2013 it was planned to create economic development agencies, to allocate money for establishment and

development of social enterprises, to create jobs for various categories of population and to develop small business. At the moment there is no relevant information as to success of those actions and implementation results. The only thing available is reports on seminars and other educational events held.

Thus, we can conclude that reserves and potential of non-governmental organizations are not used in our country when considering such matters as creating special investment climate, production development, contributions to budgets at all levels, creating conditions for entrepreneurship and development of civil society. This is not an easy way for solving problems, yet we believe it is cost-effective when compared to current proposals concerning development, investments into mono-functional, unprofitable beneficiary regions and territories where there is production of any sort. One should not forget that public sector is not an alternative or rival to government and business sectors in social and political spheres, it doesn't decrease level of support of government institutions by the population, does not undermine legitimacy of public decisions and does not decrease willingness of the public to implement those. Regrettably, civil society is viewed as political, communication and sociocultural partner, but not as socioeconomic partner. So the question arises: how can civil society and its institutions ensure high efficiency of public management decisions, if they are not considered to be socioeconomic partners of the state development? The only thing left is civil responsibility and activism based on one's own perceptions, beliefs and views, as a part of responsibility for personal and social condition.

This is also caused by those challenges non-governmental organizations face, even when using opportunities of private-public partnership. The researcher draws from his personal experience in introduction and promotion of changes in the Ukrainian laws concerning development of social business and social entrepreneurship in Ukraine. Being the Honorary Chairman of the Non-Governmental Organization "Businessmen Territory", he proposed to create a

special committee for regional development of society together with Information and Communication Branch at the Chief Administration of the Ministry of Internal Revenues in Odessa region and steering departments (as of September 2013; currently in the state of reorganization, though work goes on), based on the fact that public sector has hardly any influence on socioeconomic development of the territory and hence has no influence on processes of making contributions to the budget. All materials can be found on the NGO's website (www.TDL.od.ua).

Mission of the committee was defined based on the above: to promote development of partnership relations with the public, civil society institutions and business on matters of administration of taxes and levies, provision of services to individuals and businesses for the purpose of contributing to government revenues, to create conditions for development of entrepreneurship. The committee's role lies in the fact that it is an effective link to the general public for expanding taxpayers database via creation of enterprises by non-governmental organizations. The committee's achievements: creation of conditions for establishing new channels for contributions to the budget in mono-functional beneficiary regions; drawing up proposals concerning new forms and avenues of entrepreneurship encouragement in such regions; expanding taxpayers database.

This actually means creating a new culture of entrepreneurship (social business and social entrepreneurship) and tax culture in people. This will enable to mobilize reserves of civil society institutions for making contributions to the budget; to define priority areas of regional development strategies; draw up specific proposals for development of social business and social entrepreneurship in Ukraine. The committee encourages civil society institutes to influence investment promotion in the region and create favourable taxation conditions for development of beneficiary territories. Results of such work: drawing up proposals for amendments and modifications of the tax laws with

reference to regional features and creation of favourable conditions for contributions into the budget; encouraging creation of better conditions for taxpayer service involving civil society institutions. Activities of such a committee will enable to actively influence processes of making contributions into the budget at all levels and efficient cooperation with the public in the region. Naturally all this is based on establishment and development of social business and social entrepreneurship, as a form of private-public partnership. It is not an easy task. It is necessary to change public attitude, to promote and encourage them to establish enterprises. We believe that first results will be achieved in 1.5-2 years.

One should also take into consideration that there is a whole range of problems to be solved based on legal platform available for social business and social entrepreneurship. This refers to taxation of enterprises' profits: systems for taxation of profits of NGO's enterprise; limit of NGO's passive income, namely interest, dividends, insurance payments and indemnities, nontaxable royalty; what taxes NGO's enterprises should pay; what is nontaxable minimum earnings credited to NGO's accounts based on provision of services in the main line of business, namely provision of educational, cultural, scientific, research and similar services; what price fixed for types of goods has an impact on tax immunity for such enterprises and who sets up this price; in what cases profit of such enterprises is defined as taxable profits of non-governmental organization. There is such a concept as additional features of NGO's taxation, yet it doesn't specify the meaning of NGO's income (compared with other civil society institutions); the meaning of total gross revenues received during the reporting year and not exceeding 25% of NGO's revenues; what is the interest rate for such a tax, what kind of tax it is, etc.

Thus, there is a need for fundamental approaches to building private-public partnership in Ukraine, providing for development of the following:

- private-public partnership development strategies, the key part in which

is assigned to non-governmental organizations able to become proactive participants of processes for drawing and encouraging international investments;

- systems for using scientific potential and applied research in building social business and entrepreneurship;

- procedures for investment of interstate funds in socioeconomic development projects of the countries;

- systems of investment tax incentives for social business and entrepreneurship;

- strategies for development of social enterprises in Ukraine as an alternative source of resources to address social concerns in communities and for supporting vulnerable groups of population. Here social entrepreneurship is interpreted as business aimed at addressing social concerns.

- creating special credit, investment and taxation schemes for such types of enterprises following the pattern of the British market of similar services, with reference to practices of Big Issue Invest, Bridges Ventures, Charity Bank, ClearlySo, Impetus-PEF, LGT-Berenberg, Nesta, Social Finance, Social Investment Business and UnLtd;

- creation of special banks following the pattern of Big Society Capital, which builds capital lines and channels them to social organizations, with reference to practices of creating special investment and taxation schemes in such banks;

- development of uniform and applicable to all non-governmental organizations and associations, simplified and transparent mechanisms for establishing production facilities, extending the list of production facilities non-governmental organizations are entitled to establish, eliminating terms of “manual tax administration” for such enterprises.

Conclusions. Based on the conducted research it is feasible to change approaches to establishing private-public partnership, namely moving it into the realm of socioeconomic relations. Public management of such partnership

stipulates certain modifications in legislative acts, as well as changes in approaches to the role and participation of public administration agents in these processes. It is necessary to develop our own system of public management of private-public partnership based on global practices. And this is the essence of any further research in this avenue.

Prospects for further research in this avenue refer to development of private-public partnership strategy with reference to opportunities and peculiarities of establishment and development of social business and social entrepreneurship.

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Statement of the problem and urgency. Analysis of legal basis for development of social business and entrepreneurship in a number of states (Albania, Brazil, Great Britain, Haiti, India, Italy, Columbia, Poland, Tunisia, Uganda, and Switzerland) shows that a few legal models of private-public partnerships in foreign countries clearly stand out: government-business-financial partners; government-business-civil society institutions-science; government-business-the public; government-public opinion leaders-civil society-local community-financial institutions; government-international investors-business-the public; government-business-local authorities. In Ukraine social business and social entrepreneurship are associated with private-public partnership, forgetting about opportunities offered by legislative and standard legal acts.

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Summary. One should mention that domestic science widely uses diverse categories relating to private-public partnership, such as “private-public partnership”, “social partnership”, “state-private partnership”, “public-private partnership”. They all refer to procedures for building relationships between the state and the society. However, their similarity is due to the fact that they are based on the same indicators: creation of adequate conditions for development

of civil society; introduction of public supervision of governance, ensuring independent operation of civil society institutions, increasing their influence on socially significant decision-making, creating conditions for wide representation of interests of the people in public and local authorities, holding routine public consultations on important issues of life of society and the state. Yet, Ukrainian laws stipulate basic components of private-public partnership in terms of social business and social entrepreneurship. That refers mainly to possibility to establish enterprises by non-governmental organizations.

Conclusions and outcomes. There is a need for fundamental approaches to building private-public partnership in Ukraine, providing for development of the following: private-public partnership development strategies, the key part in which is assigned to non-governmental organizations able to become proactive participants of processes for drawing and encouraging international investments; systems for using scientific potential and applied research in building social business and entrepreneurship; procedures for investment of interstate funds in socioeconomic development projects of the countries; systems of investment tax incentives for social business and entrepreneurship; strategies for development of social enterprises in Ukraine as an alternative source of resources to address social concerns in communities and for supporting vulnerable groups of population; creating special credit, investment and taxation schemes for such types of enterprises following the pattern of the British market of similar services, with reference to practices of Big Issue Invest, Bridges Ventures, Charity Bank, ClearlySo, Impetus-PEF, LGT-Berenberg, Nesta, Social Finance, Social Investment Business and UnLtd; creation of special banks following the pattern of Big Society Capital, which builds capital lines and channels them to social organizations, with reference to practices of creating special investment and taxation schemes in such banks; development of uniform and applicable to all non-governmental organizations and associations, simplified and transparent mechanisms for establishing production facilities, extending the list of

production facilities non-governmental organizations are entitled to establish, eliminating terms of “manual tax administration” for such enterprises.