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**DEVELOPMENT OF EFFECTIVE INSTITUTES OF INTERACTION BETWEEN
THE STATE TERRITORIAL COMMUNITIES AND BUSINESS**

Annotation

Priorities in the development of civil society organizations that provide partnerships between government and business in the region are determined. The analysis of institutional preconditions for harmonizing partnerships between government bodies and business entities in the region is provided.

Keywords: administrative barriers, harmonization, public administration, institutional requirements, partnerships, region.

Анотація

Визначено пріоритетні напрями розвитку організації громадянського суспільства, що забезпечують партнерські відносини влади й бізнесу в регіоні. Проведено аналіз інституціональних передумов гармонізації партнерських відносин органів влади з бізнесом в регіоні.

Ключові слова: адміністративний бар'єр, гармонізація, державне управління, інституціональна передумова, партнерські відносини, регіон.

Анотация

Определены приоритетные направления развития организаций гражданского общества, обеспечивающих партнерские отношения власти и бизнеса в регионе. Проведен анализ институциональных предпосылок гармонизации партнерских отношений органов власти с бизнесом в регионе.

Ключевые слова: административный барьер, гармонизация, государственное управление, институциональная предпосылка, партнерские отношения, регион.

Introduction

The most important motivation in the behavior of people is their interests, especially economic. To some extent this applies to the territorial community of people. Their appearance is due to the fact that the development of productive forces is going towards the socialization of production, characterized by the relationship and interdependence of economic actors in the process of social production. This tendency manifests itself under the influence of two areas of social development: the division of labor and the integration of social production.

The first is characterized by the high differentiation of production process and its division into branches. The second constitutes the formation of sectoral and territorial organization of production, which is the form of realization of sectoral and regional party entity which ensures implementation of relevant interests: a) departmental and b) territorial local interests.

Analysis of recent research

Questions of regulatory policy in regional economic development were investigated by Ukrainian scientists: A. Amosha, E. Boyko,

Z. Varnaliy, A. Galchinsky, V. Heyets, B. Danylyshyn, Y. Dyachenko, V. Kravchenko, I. Lukinov, O. Rudchenko, I. Chugunov, A. Chukhno, M. Chumachenko and foreign scientists: James D. Hvortni, Richard L. Straup, M. Lendel, J. Hanesen, D. Yull, E. Blekli, P. Fok, R. Green, D. Hammer.

Statement of research objectives

– to define the priorities in the development of civil society organizations that provide partnership relations between government and business in the region;

– to analyze the institutional preconditions for the harmonization of partnership relations between government bodies and business entities in the region.

Statement of research objectives

Interests of business entities are related to the production and marketing of products; these relations are of a particular industry and bring revenue. Individuals and groups of enterprises serve as carriers of industry's departmental interests. Territorial local interests are characterized by dynamic changes in the socio-economic status. Local interests include

the complex development of the area, providing opportunities of employment, environment etc. People living in this area serve as carriers of their own interests [2, p. 109].

Thus, the task of promoting civil society has a complex character and must be implemented within the legal and institutional framework. The main purpose for the development of institutions of a civil society is strengthening those bodies of civil society which are representing the interests of different social and economic groups. The priorities in the development of civil society bodies that provide partnership relations between government and business are:

a) the modernization of legislation governing the activities of nonprofit organizations, including: giving nonprofit organizations the right to receive donations without notification of their legal form; elimination of discrepancies which exist in the Civil Code of Ukraine, Law «On the non-profit organizations» and «On Charity and Charitable Organizations» concerning the definition of legal forms, the structure and the order of management of non-profit organizations; reducing administrative barriers in the field of activities of nonprofit organizations; providing educational, informative and advice support to nonprofit organizations;

b) ensuring equal access of both private and public nonprofit organizations into the market of social services;

c) ensuring transparency of activities of nonprofit organizations, public authorities and local governments, including the promotion of development of independent boards of trustees in order to prevent conflicts of interest;

d) development of mechanisms of dependence and optimal balance which creates independent public examination and socio-public consultation in the early stages of preparation and decision making;

e) development of mechanisms of public monitoring, including: the promotion of public monitoring of the result of implementation of reforms, development of the mechanisms of social control;

f) establishment of the mechanisms that contribute to straightening of the social responsibility of business, including distribution of reports from the side of the companies reporting about resolving of various social matters.

The diversity of relations in local communities is being reflected in numerous social institutions designed to meet specific community needs in organizational structures that are built on various

grounds. There are institutions of political, economic, legal, cultural, confessional, nature etc. With the system point of view a region is the environment in which these institutions operate. The development of effective institutions of interaction between state, local communities and businesses is one of the important conditions of effective economic policies, increasing innovation activity, development of economic and social infrastructure [3].

The system of territorial administration is being implemented by special structures (institutions) which, as any other control system, have their meters, rules for the development of regulations as well as executive bodies. In actual practice two objectives are carried on it: firstly, the redistribution of internal energy between institutions, which is necessary for their effective development, and, secondly, – management of energy which is being produced by these institutions and sent to the community for its improvement. The current civil society and its institutions are based on public databases in their activity, modern intensive information technologies, which in turn increase the importance of social control over the activities of state and society, their social institutions [4].

In the context of the institutional theory the state development of regions is considered as a dynamic system of interacting entities – population, businesses, organizations of different forms of ownership and regional and local authorities, among which in the institutional environment financial, social, communication and information ties are being implemented. It is their mutual

conditions for the harmonization of partnership relations between regional state authorities and business entities, reduces transaction costs of their interaction.

Restructuring and the empowerment of local communities, creating institutional conditions for social cohesion is critical for the formation of accountability of institutions at local, regional and national levels. In order to prevent the consolidation of discriminatory practices in the treatment of local or private institutions, public policy should provide incentives that induce these institutions. We have already pointed out is that the key element of the institutional environment in local communities is a public trust held to them in connection with innovative transformation. Thereby the ability of a state and economic

institutions to minimize the transaction costs and to increase the total income of a corporation goes up. Institutional environment also creates conditions for the formation of partnership relations between government bodies and business entities.

In real modern life institutions take the form of legal norms, traditions, informal rules, cultural stereotypes. There are so called system creating institutions that determine the type of economic order and the institutions that make up a particular system. Thus, one can talk further about the system of creating institutions in the first order and the system of its own in the second order. Fundamental institutional changes are usually slow and the higher the institutional uncertainty is the higher the costs of such changes are [5]. Thus, institutions in local communities grow in localized environments with which they are directly related to, and in the process of development are transforming themselves into community, which is the environment for all its institutions.

The formation of the institutional environment in local communities should take into account the trajectory of the previous development, which is defined as the relationship between society, economy and a human. Institutional environment creates the conditions for selecting the most effective elements of the institutional structure of the alternative forms of economic coordination. The study confirms the fact that the institutional environment always helps to choose the best options for the development of regional socio-economic systems, and, conversely, it can strengthen those institutions that are contrary to the interests of the community. We attribute this primarily to the institute of corruption, which substitutes the partnership relations between government bodies and business entities, and creates conditions not for the development of the community but for the enrichment of particular individuals within this community particularly in connection with public authorities and some members of the business.

Summarizing the analysis of institutional preconditions for the harmonization of partnership relations between business entities and government bodies the following problems which are facing the territorial community should be emphasized:

1. There is a need to re-build a system of cooperation between all branches of the government, based on professional experience of most managers of regional and local authorities and experts, analysts, who are effectively working in the territorial administration.

2. It should be learnt how to denounce the issues of local life, local government, residents not only to the government but also to business entities and the general public.

3. It is important to create a permanent system of providing quality services – informational, methodological, and legal – by the managers and specialists of the territorial government.

4. Personnel work associated with the selection, training and promotion of employees, including their promotion into public authorities should be a priority.

Despite the fact that people generally are members of a few grassroots of social organizations at territorial levels (labor team, neighbors, relatives), only a few identify themselves with an abstract «community» and demonstrate the willingness to act for the benefit of the community. Moreover, the sharp socio-economic stratification of Ukrainian society, which took place in recent years, has destroyed many social ties that united people within communities. Where such strong communities still exists, they do not necessarily cover the inhabitants of one region, city or village.

The weakening of social and economic integrity of local communities is also evident in the reduction of internal consolidation and coordination of business processes in enterprises of different ownership forms. Such features of the management of the regions as marketing, logistics, organization of production, personnel processes, etc., are not enough coordinated, have no strategic plan and generate unnecessary costs.

The main factors that ensure advantages in competition of the areas, according to some authors are:

- clear, institutionally supported strategy that is based on careful analysis (SWOT – analysis);
- development of conditions or opportunities for business enterprises in the region;
- infrastructure, including education, health, etc.;
- «flagship» (priority) projects, especially of regional, national and international importance;
- modernization of the economic system with the establishment of the «areas and development centers»;
- development of innovation and entrepreneurship;
- training of people during their lifetime, getting the economic and social benefits from the interaction with economic institutions;

- improvement of social support and protection;
- improvement of the environment, especially if one wants to keep or attract additional investment;
- marketing and the creation of network structures within the region for the stability and development of a potential;
- participation in international network structures.

In this context competitive are the areas which provide cohesion, partnership and institutional flexibility of the regional community. In the process of competition and increasing globalization, this time regions are competing for the capital, investments and enterprises, target groups for the labor market and population's structure, for institutions (organizations) that are important for political, cultural and social life.

Along with the traditional, such as a significant source of investment into the social sphere, in our view, could also be considered the charity activity, as well as the independent fund-raising development funds, including international. According to the results of the study of causes of business interest in corporate philanthropy, the following reasons can be noted:

- the business community representatives understand the need for the social activity of companies; many of them are willing to invest extra money in this;
- the main purpose of charity managers is finding a better company's image;
- charitable activities in Ukraine are generally of a haphazard nature: the decision on the allocation of funds is usually made up on the basis of personal preferences of the first leaders of the company whereas charity does not always agree with the strategy of the company;
- because of non-confidence in nonprofit organizations brokers generally practice a direct one-time events support, which doesn't allow creating an effective market infrastructure of social projects;
- charitable activities in Ukraine are actively growing, but its development is possible only in case of corporations realizing their benefits from charitable activities and the development of the institution of independent charitable organizations.

Changing institutional environment of Ukraine in the division of splitting the budget authority requires rapid decisions on the development of social partnership at the level

of regions of Ukraine, an effective system of contractual regulation of social and labor relations and employment.

A serious problem that needs to be resolved in a short run is increasing the efficiency of employment services, which have become an important tool of redistribution of labor.

This is especially important in times of crisis. In this regard, the main directions of improving the quality of services in promoting employment are:

- improving public awareness of the labor market and employment opportunities in different sectors;
- implementation of preventive measures in order to promote employment of citizens, implementation of effective conversion of unemployed people;
- improvement of vocational training and training of people who are looking for work;
- expanding the range and development of service standards of the state employment service;
- interaction with NGOs in promoting employment.

One of the most pressing problems in the formation of the state of development of regions is a high level of administrative barriers for companies that conduct business. These barriers can be characterized as a set of decisions of state regulations of business activity in the market, compliance with which is essential for conducting this activity. And they impose charges for passing bureaucratic procedures that are required for these rules, which usually don't come into the budget.

The most clear is the following grouping of administrative barriers:

1. In obtaining access to resources and their ownership rights (registration, registration of changes in the status of the company, its articles of association, the right to receive rent, access to credit, leasing facilities, etc.).
2. In obtaining the right to conduct business (licensing, product registration, certification of products and services, etc.).
3. In the current economic activities (sanctions for violations of the rules, coordination of decisions of regulatory bodies, receiving different benefits).

One of the most serious obstacles is the significant economic cost of a society. A. A. Auzan separates the economic losses from the existence of administrative barriers for carrying out business activities into two parts:

- transaction costs associated with the need to overcome barriers, many of which are being

transmitted into the loss of population by raising retail prices (direct loss);

– reduction of the resource efficiency and the cost of non-delivery (availability of administrative barriers significantly complicates the entrance into the market, especially for small and medium-sized businesses, leading to a reduction in competition and, consequently, the overall efficiency of the economy – consequential loss) [1, p. 123-124].

Any attempts to cancel certain entry barriers are faced with the resistance of interest groups within the state apparatus and commercial structures that are doing business with the help of the «barriers». In addition, in the introduction of new barriers are interested not only had those who receive rent directly from the barrier, but also those who implement the current control.

Thus, the tendency to expand barrier-regulation is associated not only with the inefficiency of the existing barriers, but also with a direct economic interest of certain groups. Clearly, companies and organizations operating in this area are interested in expanding the barriers.

Conclusions

So the «barrier» system of regulation is being self-supported, despite to its inefficiency and significant loss of economy under the condition of its presence. In order to access other more effective schemes the government must dramatically revise the regulatory framework and public pressure, which causes barriers to rent-oriented behavior of certain groups of administrative and business personnel.

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