



PUBLIC SECTOR IN THE TRANSFORMATION ECONOMY OF UKRAINE: MACROECONOMIC ANALYSIS

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Submission: 12/30/2020

Revision: 01/28/2021

Accept: 03/24/2021



ABSTRACT

The purpose of the article is to study the conditions and prospects for the development of the state sector of the Ukrainian economy and to determine the functions and tasks of state-owned enterprises in a transformational economy. The information base of the empirical research is the data of the official website of the Ministry of Economic Development, Trade and Agriculture of Ukraine for 2014-2020. The methodological and methodical sources lie in the provisions of the economic code, the Classifier of institutional sectors of the economy. In the course of the research, the following methodological techniques were used as a comparison, modeling, series of dynamics, grouping, structural-dynamic, and coefficient analysis. The necessity of improving the existing regulatory mechanisms of transformation from state institutions and the development of new effective approaches to the functioning of the system of state entrepreneurship, which takes into account



the features of the transformational economy and is based on international experience in building modern market relations and mechanisms for increasing the efficiency of the economic system, has been substantiated. The dynamics of the public sector share in the country's economy is analyzed, and the possible causes and consequences of these structural and dynamic changes are characterized. The results of the study are the proposed classification of types from state-owned enterprises, which is the basis for differentiating their functions and tasks depending on the goals of education, the characteristics of the activity, the structure of ownership, and the strategic priorities of the country's development. The necessity of the state-owned enterprises' sector reforming in the context of global integration is substantiated, as well as general directions and tools for implementing the reform of state-owned enterprises.

Keywords: State-Owned Enterprise; State Regulation; Regulatory Mechanism; Reform of State-Owned Enterprises; Management

1. INTRODUCTION

The experience of industrially developed countries shows that in the context of economic globalization, dynamic competition, transition to an innovative way of development, state-owned enterprises play a significant role in certain areas of activity. Scientific research and practice show that the effective implementation of functions is possible only with an adequate state regulation system and state-owned enterprise management.

This requires not only the improvement of existing regulatory mechanisms for transforming state institutions of a financial, fiscal, social nature but also the development of fundamentally new effective approaches to the functioning of the state entrepreneurship system, based on international experience in building modern market relations and mechanisms for increasing the efficiency of the economic system.

Allowance for the experience of many developed countries demonstrates the need and feasibility of public-sector involvement in the economy, especially for those activities that provide economic security and are strategic for the economy as a whole.

2. LITERATURE REVIEW

The role and importance of state development of the country's economy was studied in the work of Chinese scientists (Lin, Lu & Zheng, 2020), who identified priority areas for increasing the efficiency of their activities through improving corporate governance,

optimizing financial support from the state, developing a state program for reforming state enterprises, developing corporate social responsibility of business.

Taking into account the peculiarities of the public sector development in countries with transformational economy, Russian scientists (Abramov, Radygin & Chernova, 2017) have proved that in conditions of instability and high financial volatility, state-owned enterprises have certain advantages associated with access to long-term concessional lending and other forms of state support. Despite the higher performance indicators of private enterprises compared with state ones, recently there has been a tendency towards equalization of performance indicators in the public and private sectors in the context of the effective management mechanisms use.

Lithuanian scientists (Klovienė & Gimžauskienė, 2014) substantiated the need to develop specific criteria and indicators for assessing the state-owned enterprises performance by various regulatory bodies, taking into account their special functions and tasks. Piret Tõnurist (2015) proposed a new theoretical approach to analyze the special role of state-owned enterprises in state innovation policy.

The policy of economic reforms in a market economy provides for the transformation of state-owned enterprises, the main tasks of which are strategic reorientation, change in the organizational structure, reform of logistics policy, and staff renewal (Baliga; Santalainen, 2006).

The peculiarities of the development of the public sector in countries with transitional economies were studied in the work of Nguyen (2015). It has been proven that enterprises with state ownership are, as a rule, less profitable, but have higher social support for workers, and generally increase the competitiveness of companies.

The issue of strategic development peculiarities in the state enterprises activities within the global integration was studied by Reddy, Xie, Huang (2016). They proved that the purchase of private enterprises by state-owned companies in other countries with a transitional economy in resource-scarce industries contributes to the diversification of risks, increases the economic efficiency of their own activities and their competitiveness.

The study of the evolution of the development of state-owned enterprises in Finland at the stage of their internationalization, arises from the implementation of their venture opportunities and the transition from the state to the market direction, provided the basis of the following scientists (Cheungac, Aaltoc & Nevalainen, 2020) to argue that the

internationalization of state-owned enterprises due to a change in activities priorities (including geographic and partnership) has a positive impact on public policy and forms an inverse relationship between the state and state enterprises.

Hofmann, Sæbøa, Braccinib Am, Za (2019) studied the changing role and the importance of state-owned enterprises in the context of modern transformation, proving that in modern conditions the role of a state-owned enterprise as a regulatory lever is less important than the ability and necessity of the state to take on the role of a consumer, supplier and platform provider. That is, modern transformational processes contribute to strengthening the role of the state in economic processes and expanding the range of tasks facing state enterprises by providing support for public value in the context of professional, efficiency, service, and engagement.

The problems of developing and forming a strategy for the development and functioning of state-owned enterprises in the specific conditions of Iran's transitional economy were studied by Tajeddini and Trueman (2016) on the example of 127 state-owned companies. It was proved that under such conditions, to ensure an effective level of functioning, it is important to influence top managers on the organizational culture for innovation, a normative and cognitive dimension, as well as staff training. This direction provides an opportunity for state-owned companies to improve the quality, competence and speed of work, which will help to improve partnerships due to the sanctions restrictions in force against the country.

The issues of accounting and analytical support for managing the state-owned enterprise activities in the context of IFRS application have become especially relevant.

3. METHODOLOGY

The methodological and methodical basis was the provisions of the Economic Code, the Classifier of institutional sectors of the economy. In the research, the following methodological techniques as comparison, modeling, series of dynamics, grouping, structural-dynamic and coefficient analysis were used.

The information base of the empirical study is the data of the official website of the Ministry of Economic Development, Trade and Agriculture of Ukraine for 2014-2020.

The purpose of the article is to study the conditions and development prospects of the Ukrainian economy state sector and determine the functions and tasks of state-owned enterprises in the transformation stage.



4. RESULTS

State-owned enterprises are an influential force in the world economy and have become an effective tool for strengthening the competitive positions of countries in the global market in modern conditions. Even though state-owned enterprises play a special role in a transformational economy, there is a general trend towards a reduction in state ownership. At the same time, this trend does not mean a decrease in the influence of government structures on economic transformations in the countries of the world.

Effective restructuring measures of state-owned enterprises in Ukraine have not yet received a proper scientific and theoretical justification, considering the peculiarities of the transformation processes of the national economy. Now, this process is aimed mainly at changing the subjects of ownership and its redistribution, which contradicts the global strategic goals of enhancing the efficiency of the country's economy and its development through the intensification of innovation processes and improvement of public administration.

Effective restructuring of the country's economic infrastructure requires a scientific substantiation of the optimal volumes of the public economic sector, the identification of priority activities, and the main tasks facing state enterprises, considering the goals of strategic development and the characteristics of the national economy. According to the research of scientists, the share of the public economy in various European countries differs significantly: the share of public sector enterprises in the GDP of Austria is - 28%, Germany - 25%, Sweden - 14%, Italy - 12% Kindzersky (2013).

Table 1 and Figure 1 outline the trend in the share of the public sector in Ukrainian economy.

Table 1: Trend in the Share of the Public Sector in Ukrainian Economy During 2014-2020

Type of economic activity	2014	2015	2016	2017	2018	2019	The first half of 2020	deviation	
								2020 from 2014	2019 from 2015
Total	10,3	11,3	11,1	9,4	8,9	8,3	11,5	+1,2	-3,0
including									
Agriculture, forestry and fisheries	4,6	4,4	4	4	4,1	3,8	-	-	-0,6
Production	15,1	15,1	14,6	10,9	10,5	9,6	11,6	-3,5	-5,5
Mining and quarrying	7,9	7,9	6,7	6,6	6,8	7,3	6,2	-1,7	-0,6
Processing industry	4,6	4,4	4	3,6	3,5	2,9	3,9	-0,7	-1,5
Electricity, gas, steam and air conditioning supply	47,9	50,7	48,4	36,2	35,1	28,6	32	-15,9	-22,1
Water supply; sewerage, waste management	3,3	1,4	2	1,9	2	3	4,9	+1,6	+1,6
Construction industry	0,5	0,6	0,6	0,6	0,6	0,7	0,3	-0,2	+0,1
Wholesale and retail trade; repair of motor vehicles and motorcycles	0,7	0,6	1,1	1	0,3	0,5	0,8	+0,1	-0,1

Transport, warehousing, postal and courier activities	34,5	32,6	31	27,4	28,7	29,4	29,7	-4,8	-3,2
Temporary accommodation and catering	2,7	2,8	2,8	2,7	2,4	1,8	5,1	+2,4	-1,0
Information and telecommunications	3,8	3	3,4	3,2	3,2	4	5,9	+2,1	+1,0
Financial and insurance activities	0,7	1	0,4	0,2	0,2	0,2	0,5	-0,2	-0,8
Real estate transactions	1,8	1,6	1,6	1,2	1,1	1	1,9	+0,1	-0,6
Professional, scientific and technical activities	28,3	33,4	33,8	33,8	32,3	30,6	57,2	+28,9	-2,8
Activities in the field of administrative and support services	0,4	0,5	0,5	0,6	0,7	0,6	1,4	+1	-0,1
Education	3	1,3	1,2	1,1	1,1	1	-	-	-0,3
Health care and social assistance	1,9	1,4	1,4	1,7	1	0,5	1,5	-0,4	-0,9
Arts, sports, entertainment and recreation	12,5	12,7	13,7	14,4	14	14,3	35,7	+23,2	+1,6

Source: Developed by the authors according to the official website of the Ministry of Economic Development, Trade and Agriculture (2020)

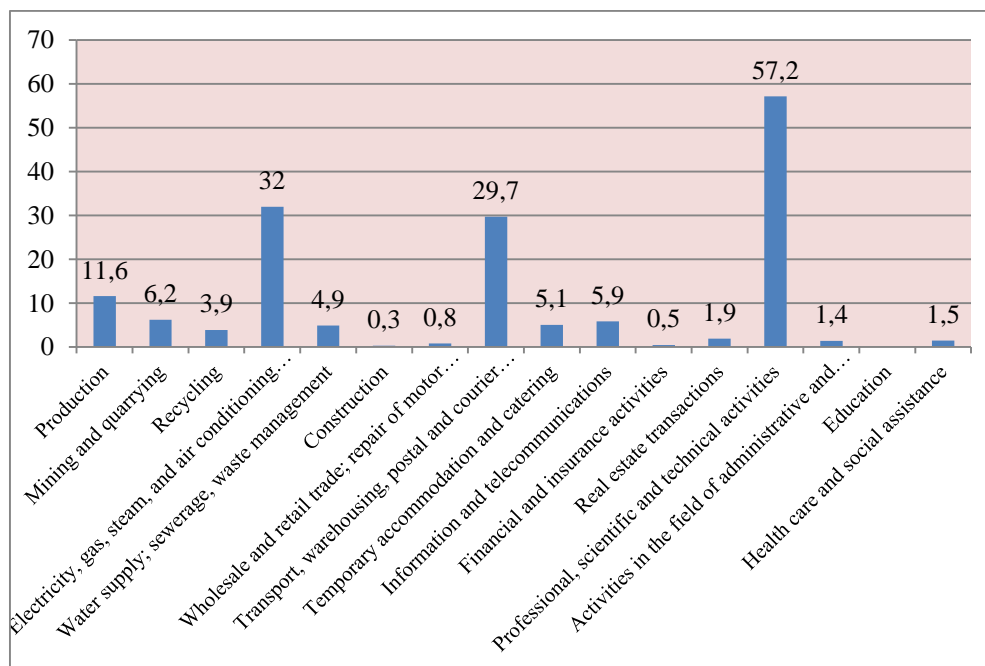


Figure 1: The Share of the Public Sector in the Economy of Ukraine in 2020 (%)

Source: developed by the authors according to the official website of the Ministry of Economic Development, Trade and Agriculture (2020)

According to the above data, there has recently been a clear tendency towards a decrease in the share of the public sector in Ukraine as a whole and for certain types of activity during 2015-2019.

In general, during this five-year period, the share of the public sector in Ukraine as a whole decreased from 11.3% in 2015 to 8.3% in 2019, or by 3 percentage points. The most rapid decline in the share of state-owned enterprises was observed in such activities as electricity, gas, steam, and air conditioning supply, where in 2015 the public sector accounted for 50.7%, and in 2019 its share decreased to 28.6%, i.e. decreased by 22.1 percentage points,

or almost twice as much. Not so rapid, however, a stable decline in the share of the public sector in the country's economy was observed in industry, from 15.1% in 2015, it decreased to 9.6% in 2019, or by 5.5 percentage points. At the same time, in 2020, the dynamics of the share of the public sector slightly changed towards its significant increase, which can be explained by the crisis phenomena in the private sector caused by the Covid-19 pandemic (Table 4).

The opposite trend towards an increase in the share of the public sector was observed for professional, scientific, and technical activities, as well as for art, sports, entertainment, and recreation. The share of the public sector in the field of professional, scientific and technical activities increased in 2020 to 57.2%, or increased compared to 2014 (28.3%) by 28.9 percentage points. A significant increase in the share of state-owned enterprises also occurred in such sectors of the economy as arts, sports, entertainment and recreation, which increased from 12.5% in 2014 to 35.7% in 2020 or increased by 23.2 percentage points (Figure 1 and 2).

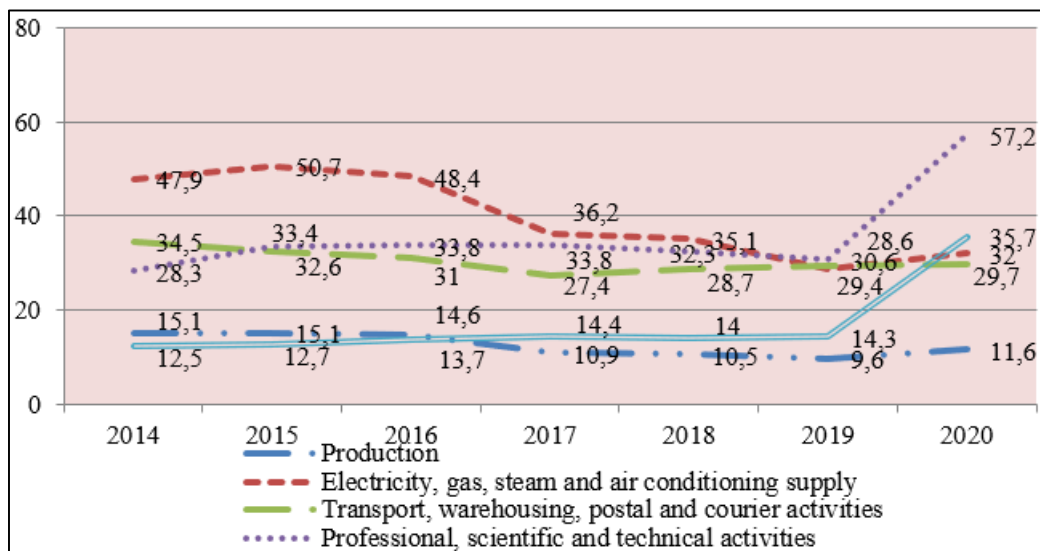


Figure 2: Dynamics of the share of the public sector by individual activities (2014-2020)
 Source: Developed by the authors according to the official website of the Ministry of Economic Development, Trade and Agriculture (2020)

It should be noted that the activities of state-owned enterprises have the same megatrends that are characteristic of other businesses, they are characterized by similar opportunities and threats, because they operate in the same economic environment. However, given the different purposes of state-owned enterprises, their mission and strategic goals in terms of realization of national interests and maximization of social effect, their functioning has certain features.

Therefore, there is no doubt that state enterprises play a special role in the economic and social development of the country, however, given the transformational nature of the

domestic economy, when reorganizing the public sector and determining its optimal size, certain features of the transition period should be considered. At the time the Ukrainian independent state was created, it actually did not have its own economic system – it was a subsystem of the unified national economic complex of the USSR, which was formed to serve it and did not include many elements necessary for an independent system. The main content of the reforms in the country is the transition to an integrated economic system that operates on a market basis.

According to Petryshyna (2014), it is customary to substantiate the importance of theoretical research on the transformational economy by the processes of the country's integration into the global economic space, but it is not advisable to reject the need for research as an important stage in the formation of the national economy. The process of market transformations makes us look for new ways to increase the level of well-being and income of the population; economic growth; increasing the productivity and quality of labor, its forms and methods; rational use, distribution and redistribution of resources. Each new round in national or global processes (crises, the emergence of innovative technologies, scientific breakthroughs, economic challenges, etc.) provokes the emergence of chaos and destruction of established economic and social processes, well-functioning activities of large and small companies, corporations and even countries.

The beginning of the transformation in Ukraine can be considered by the adoption of "Concepts Of The Transition of Ukraine to a Market Economy" (1990), on November 16, 1990 in Kiev. This process was accompanied by a deep economic crisis and provided for the weakening of some types and forms of ownership and the strengthening of others, a change in the economic structure, and consequently, weakening of some economic laws and strengthening of others Transformation processes in Ukraine have their own specifics associated with transformations of property relations and the role of the state in the economy.

Ukraine, as a post-Soviet country, began its stage of transformation from the position of reducing the role of the state in the economy, it was erroneous, since the experience, for example, of the post-war revival, shows that an increase in the role of the state in the economy contributes to its development. However, government intervention should be limited, since significant growth of the public sector can narrow the market environment, have a negative impact on the competitive environment and the development of the country's economy as a whole.

At the same time, exceeding the role of the state also has a number of disadvantages. Therefore, the reform of the Ukrainian economy was carried out in the direction of narrowing the public sector, expanding the competitive market environment, increasing the role of the market, as opposed to the Soviet concept of concentration of state property. As a consequence of the radical comparison, there was a decrease in the role of the state, a decline in production and a deterioration in the standard of living of the population, which made the government pay more attention to the development of the country in the context of transformation.

According to Fukuyama (2004), world experience proves the growth of the economic role of the state as a principle of managing a modern globalized economy in which national interests become decisive.

After all, starting in 2010, Ukraine enters a new stage of transformation in the economy from the position of strengthening the role of the state in the economy, manifested through the development and implementation of the functioning of state programs for modernization, development and planning, based on the successful examples of other developed countries.

Today, the state acts as a strategist for the modernization and development of the economy and society, through planning, as an important element in regulating the economy and balancing the influence of the state and the market in regulating the country's economy. At the same time, it should be remembered that there is no ideal model for the relationship between the public and private sectors, but each government is able to develop the best model for its countries.

According to Heyets (1999), transformational economy involves changing the structure of the economy and creating new forms of development.

According to Stanko and Shavaliuk (2014), such a transformation should not be reduced only to market reforms, it is complex, including transformations in the political, institutional and cultural spheres that are synchronized with each other in space and time.

At the same time, the restructuring of state-owned enterprises in Ukraine as a special stage of transformation processes in the economy has its own features that should be considered in the process of changing the form of ownership. Today, the process of restructuring state-owned enterprises is a simple change of ownership, which is aimed mainly at the redistribution of ownership without the introduction of innovative management technologies.

Moreover, increasing the economic independence of enterprises, the introduction of effective motivational tools aimed at improving management can help increase the efficiency

of state-owned enterprises without changing the ownership form. When formulating a strategy for the functioning and development of the public sector, it should be borne in mind that in a transformational economy, market mechanisms are not yet established and, as a rule, their action differs from the developed economies of the world.

The course of our state on the privatization of public sector enterprises should take place gradually, considering the goals and objectives of each industry and the country as a whole.

Kindzersky (2013) emphasizes that the complete renunciation of state property through its final privatization cannot and should not be seen as a panacea in solving the problem of improving economic efficiency. The process of privatization and the formation of the economy solely on the basis of the private sector should not be seen as an irreversible movement in one direction.

In the long term, the phenomena of privatization and nationalization should be considered as adjacent cyclical processes that are closely related to STP cycles and lead to the formation of a new quality of production and a higher level of the entire economic system. Moreover, the expansion of the public sector should take place at the depressive (development of new technologies), at the beginning of the upward (formation of new sectors and industries) or at the end of the downward (prevention of the rapid destruction of old industries) stage of the scientific and technological wave, while in other periods the private sector should prevail (Kindzersky, 2013).

The conclusions of scientists who have studied the economic reforms of developed countries and those that are just developing, cross out the market fundamentalism theory and boil down to the hypothesis that the rapid and effective economic development is directly related to the presence of a significant share of the public sector in the country, while economic “failures” – on the contrary – with its absence or insignificant size (Popov, 2020).

For the group of developed countries that can be considered successful, despite their temporary difficulties due to the global crisis, the share of the public sector in GDP creation in the 2000s ranged from significant (over 25% – in France and Italy) to dominant (80% – in Finland). In the countries with emerging markets which are considered successful, this figure was also quite high (in 2010 in Brazil – 30%, China – 29.7%, Poland – 28%, Thailand – 26%, Turkey – 14%, Vietnam – 33.7%) (Musacchio & Lazzarini, 2012).

In contrast, countries that did not achieve much economic success had a small share of the public sector. For example, as shown by a World Bank study, in Argentina before the mass

privatization of the 1990s, the share of the public sector in GDP was less than half the average for the 40 developing countries analysed and was only 4.7% compared to 10.7% (Bureaucrats in Business, 1995).

In the Philippines, which is also an example of poor development, the public sector was even smaller at 1.9% of GDP. Meanwhile, the failures of these two countries are traditionally, but, as noted by researchers, unreasonably associated with too large public sector (Popov, 2020).

The global financial crisis of 2008-2009 caused a new wave of public interventionism, an increase in the public share in the economy, and private companies in many developed and developing countries. According to well-known international organizations, new state-owned enterprises (SOEs), state-supported enterprises (SSEs) or “national champions”, which have become serious global competitors, have appeared in many developed countries, as well as in developing ones to overcome the consequences of the 2008-2009 global financial crisis. The transition from the free market model to state capitalism, the advantages of which are the use of open global markets, while limiting the sectors of national industry from foreign competitors’ influence, is happening again (Fabulous, 2012).

Since world experience shows the importance of implementing competent and effective management using such an instrument as state-owned enterprises, it is important to note that a high level of denationalization carries several threats to the domestic economy that are equivalent to threats of a high level of state concentration. At the same time, state-owned enterprises are aimed at making a profit, which can be an additional source of budget replenishment for the state, but at the same time, they almost or completely do not provide the functions of state regulation and are not instruments of direct influence on economic processes.

According to experts of the audit company PwC, if the leaders do not want to use modern management methods and ownership of state property, there is a risk of its ineffective use contrary to national interests, which are accompanied by such negative phenomena as corruption, bribery, and inefficiency of the economy as a whole (Derzhavni Pidpriemstva, 2015).

Despite the various advantages of state ownership as an economically attractive option, the activities of state-owned enterprises in Ukraine are accompanied by some negative events that lead to ineffective use of state property and, as a result, a decrease in the country's economic potential.

Petryshyna (2015) to the negative factors that lead to inefficient activities of state-owned enterprises includes the following:

- implementation of schemes for the shadow privatization of state property under the cover of state (national) joint-stock and holding companies;
- transfer of state shares of some enterprises included in the list of objects of state property rights that are not subject to privatization to state joint-stock and holding companies;
- insufficient qualification of board members of state-owned enterprises who are civil servants;
- internal control weakness;
- lack of a typical corporate structure and goals;
- cumbersome bureaucratic procedure for approving financial plans of state enterprises;
- deliberate reduction of the state's share in state blocks of shares transferred to the management of joint-stock and holding companies;
- violation of financial and tax discipline;
- limited information on the activities of state-owned enterprises for both society and shareholders;
- lack of objective audit of state-owned enterprises by external auditors;
- improperly adjusted work of enterprises to collect receivables, etc.

The list of factors that negatively affect the financial performance of state-owned enterprises can also include the fact that state-owned enterprises, as a rule, are created in specific industries that are at the stage of formation, development, or need additional funding. Such industries are disadvantageous for private capital, and therefore the economic performance of such enterprises is low (however, as the experience of the American system of state-owned enterprise shows, the economic benefit can be delayed in the future for more than 10 years).

When determining the key tasks set for state enterprises, it is necessary to take into account their types, the systematization of which can be carried out by developing a classification, which we propose to conduct with the allocation of such classification signs: by types of state property; on an institutional basis; by the goals of education; by structure and number of owners; by the size of the state property share; by organizational and legal form; by type of financing (Figure 3) (Parasiy-Vergunenکو, Samborska-Muzychko and Gnylytska, 2020).



Taking into account the types of state ownership, according to the Economic Code of Ukraine (Economic Code of Ukraine, 2020), state enterprises are divided into: state enterprises, which operate on the basis of state ownership (Article 63); state-owned, which are created by the decision of the Cabinet of Ministers of Ukraine and in sectors of the economy in which the law allows the implementation of economic activities only by state-owned enterprises and the main consumer is the state (Art. 76); communal, which operate on the basis of communal property of the territorial community (Art. 63).

However, according to the Classification of Institutional Sectors of The Economy (KISE, 2017), state-owned enterprises are divided into: non-financial and financial corporations. In turn, non-financial corporations are represented by profit-oriented organizations and non-profit non-profit organizations. Financial corporations are represented by banking institutions (including the NBU), investment and insurance companies, pension funds, etc.

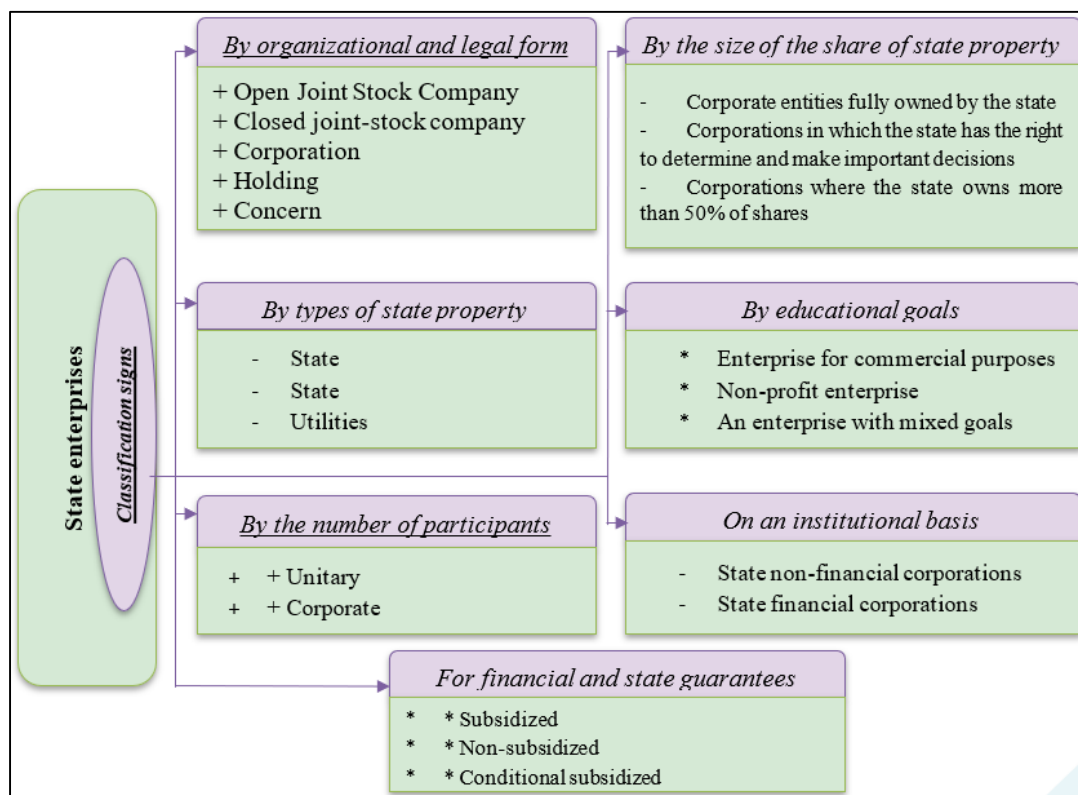


Figure 3: Classification of state enterprises in Ukraine

Source: Inspired by the authors based on Parasiy-Vergunenko, Samborska-Muzychko, Gnylytska (2020)

In each classification group, the division of state-owned enterprises can be carried out depending on the ownership structure. If an enterprise has one owner (represented by the state), then such an enterprise is called unitary; if more - corporate. Therefore, according to the goals of education, enterprises are divided into: enterprises with commercial goals (aimed at making

a profit); enterprises with non-commercial goals (non-profit organizations); enterprises with mixed objectives.

By the size of the share of state ownership, enterprises are divided into the following types: corporate formations fully owned by the state (state share is 100%); corporate formations, or other types of partnership formations, in which the state owns more than 50% of the shares; enterprises where the state has a decisive influence when making important decisions.

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According to the organizational and legal form, state-owned enterprises can be divided into: open joint stock companies; closed joint stock companies; business associations (corporations; holdings; concerns, etc.).

Depending on the availability of state support, it is proposed to distinguish the following types of state-owned enterprises: subsidized state-owned enterprises (those that can be attributed to priority socio-economic areas for the implementation of state policy and always need and are guaranteed to be financed by the state from the budget or local budgets); not subsidized (those that do not require state financial support); conditionally subsidized (which can receive government support under certain conditions and opportunities, or for individual budget programs).

This classification makes it possible to differentiate methodological approaches and principles for assessing the effectiveness of state enterprises, depending on the characteristics and directions of their activities, ownership structure, goals of education. Energetic societies; closed joint stock companies; business associations (corporations; holdings; concerns, etc.).

It is widely known that the importance of the role of state-owned enterprises in the national economy is due to the special functions and tasks assigned to them by society. Peculiarities of the state-owned enterprise activity, which identify the spheres (Fig. 4) of its functioning and determine the main tasks, are:

- state-owned enterprises are created by the state to achieve certain goals;
- types of economic activity of the state-owned enterprise are determined under the legally defined order according to the certain purposes of creation;
- the state, as the founder, has the opportunity to influence and control the state-owned enterprise activities;
- the state share in the enterprise capital depends on the purpose of the enterprise and its objectives (the minimum state share in the enterprise capital is enshrined in law to enable the state the right to influence decisions in its activities);
- state-owned enterprises are created to ensure two main goals: the creation of socially necessary goods (the fulfilment of the set goals of creating a state-owned enterprise and making a profit).

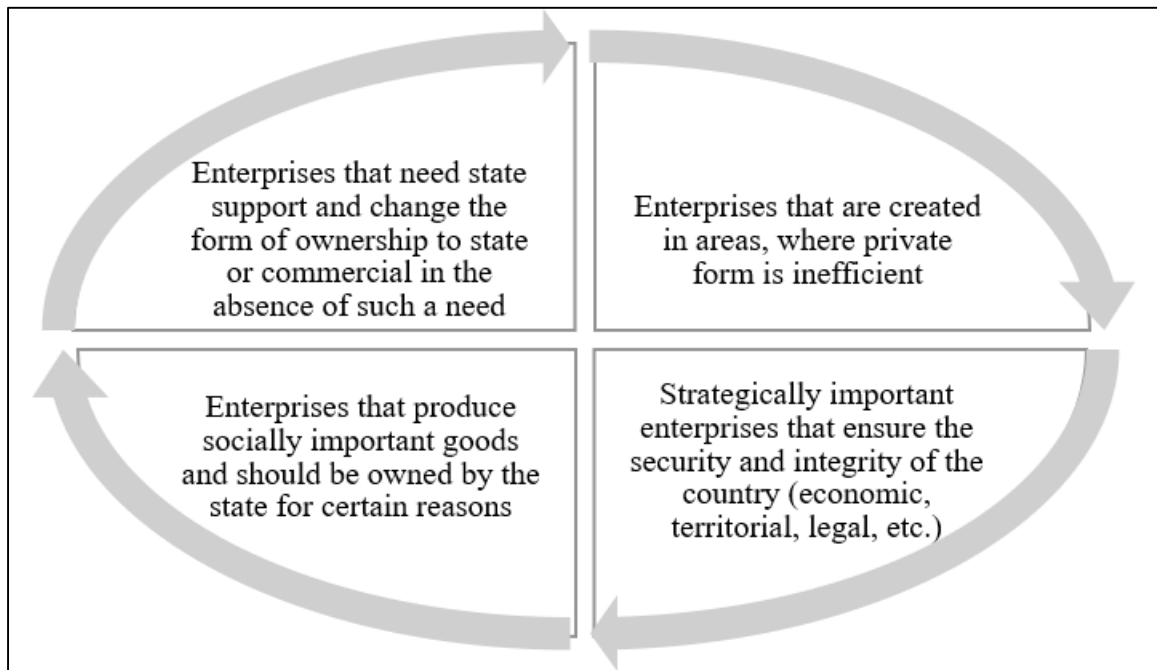


Figure 4: Key areas of creation and operation of state-owned enterprises
 Source: developed by the authors

The main functions of state-owned enterprises traditionally include the following:

- support of strategically important types of economic activity in order to ensure the economic development of the country and increase the efficiency of the economy as a whole;

- acceleration of scientific and technological progress and strengthening the position of the national economy in the foreign market;
- rehabilitation of segments of activity that are sensitive to the impact of crises;
- economic socialization.

Considering the experience of the developed European countries, Kindzersky (2013) proposes to expand the functions of state-owned enterprises and to take as a basis the Norwegian model of state property management, which according to the national economy is the most acceptable for use in Ukrainian realities. This model identifies four key goals of the state property, which can serve as functions of state-owned enterprises:

- monitoring the usage of national resources and revenues, which belong to society as a whole;
- implementation of regional development policy, transport, culture and health care;
- guaranteeing the creation of new value and jobs within the country;
- implementation of other macroeconomic and policy objectives, in particular, development of transport infrastructure and electricity networks, culture and health sectors.

Thus, considering the political and economic situation in Ukraine, the goals of the creation and operation of state-owned enterprises are a necessity to fulfil important tasks on the state level, such as:

- support of those important sectors of the economy that provide the necessary level of economic development, scientific and technological progress (strategic directions of the economy);
- supporting and ensuring the enterprise activities, industries, sectors of the economy that are unprofitable and unattractive to private business or are on the brink of elimination;
- recovery of those industries, sectors of the economy that are in crisis because of the use of government instruments (subsidies, renewal, specialization);
- assistance to those enterprises that control the environment and its improvement, environmental protection, combating global climate processes, to implement state strategies related to participation in international agreements, through the

construction of treatment plants, raw material processing plants, the introduction waste-free production, development of alternative energy sources, etc.;

- provision and development of those activities that perform specific functions, including strengthening the military and civil security of the population, the country's defence capabilities, the fight against natural disasters and pandemics, or aimed at supporting them.

It is widely believed in scientific circles that the trend towards a decrease in the share of state participation in property due to a decrease in the number and share of state-owned enterprises in the country's economy will lead to a decrease in the government's ability to influence these enterprises and perform the necessary functions for the effective functioning of the economy. On the other hand, according to the experience of the developed countries, the problem of state property management, which requires the development of scientific approaches to understanding the tasks of public entities as tools of economic development in globalization, is a key factor in reducing the effect.

Inefficient work of state-owned enterprises in terms of reforming this sector of the economy has led to the stage of the need to implement reforms in this area. The key goal of the reform is to ensure “transparency of activity and reporting of state-owned enterprises, improve operational and financial results through the organization of corporate governance of state-owned enterprises, reduce the state share in the economy and eliminate non-operating enterprises” (High-Performance State Enterprises, 2020).

The note of the Cabinet of Ministers Of Ukraine (High-Performance State Enterprises, 2020) demonstrates that reducing the share of state-owned enterprises is a necessary and important procedure for optimization of the structure by focusing on the number of enterprises that are “strategically important, transparent and efficient in their functions” and will ensure the process of effective public administration.

The implementation of the reform is envisaged to be implemented in key blocks (Table 2). At the stage of reforming all spheres of the country, in Ukraine, there are relevant processes for state-owned enterprises, which are implemented through instruments of liquidation, restructuring, reorganization, privatization, mergers, changes in corporate governance, etc.

Table 2: Directions and Implementation Tools of the State-Owned Enterprise Reform

Section	Content	Implementation tools
Transparency and reporting	State-owned enterprises must provide financial statements in electronic form through a single electronic system, conduct independent external audits, publish complete and accurate information about their activities on a publicly accessible portal, including financial statements prepared in accordance with IFRS and audit opinions. Business leaders must take responsibility for non-disclosure of information or disclosure of inaccurate information.	Creating a risk management system (introduction of red flags if some indicators of enterprises are suddenly knocked out)
		Establishment of a public portal with aggregate results of state-owned enterprises
		Development and launch of a public module of business intelligence on the portal
Corporative management	The current model of state-owned enterprise management involves the introduction of corporate governance tools, including strategic planning, development and approval by the state as a shareholder of separate ownership policies for each enterprise, appointment of independent supervisory boards and development of incentives for supervisory boards and management. This is a key factor in ensuring the effective operation of the enterprise, as evidenced by the experience of many state-owned enterprises in other countries. This approach will not only create financial benefits for the state budget, but also improve the quality of services provided to citizens, have a positive impact on the national economy and business environment, increase Ukraine's attractiveness to investors, eliminate corruption risks.	Development and approval of ownership policies for state-owned enterprises that are especially important for the economy
		Distinguishing the function of the state as the owner and the state as the regulator of the enterprise
		Introduction of modern corporate governance tools
		Election of competent managers and members of supervisory boards of state enterprises
Privatization	According to the strategic vision, the state should sort state-owned enterprises into categories – those that remain in state ownership, those that will be privatized, liquidated or transferred to concession. For those enterprises that need to be privatized, it is necessary to provide conditions for fair and transparent privatization – large enterprises should be privatized with the involvement of an investment adviser, and small objects should be sold at transparent electronic auctions through ProZorro, as well as reduce the list of state-owned objects that are not subject to privatization.	Sorting of state-owned enterprises depending on their functions and status into those that will remain in state ownership, will be transferred to concession, privatized, or liquidated
		Reduction of the list of state-owned enterprises prohibited from privatization
		Introduction of an effective procedure for restructuring and liquidation of unprofitable, unpromising, and non-operating enterprises
		Sale of state assets through small and large privatization mechanisms
		Providing conditions for the transfer of state property for rent under a transparent procedure
		Continuation of the process of corporatization of state-owned enterprises
Liquidation	Half of state-owned enterprises are non-functioning or have been in liquidation for years. Even if the company does not operate, its maintenance requires labour and financial costs. Most of these enterprises bear, in addition to fiscal, a number of corruption risks, due to lack of information about their actual activities, as well as inefficient use (non-use) of state property. Completion of the liquidation of such state-owned enterprises will bring order to the state portfolio	Commencement of active liquidation of non-operating state-owned enterprises by simplifying the procedure of their liquidation at the legislative level and by involving professional independent liquidators.

	and have a positive impact on the entire system of state property management.	
Leasing	Leasing is a way to increase the efficiency of the use of state property. Leasing income from state property can provide regular revenue to the state budget. However, the lease sphere was unregulated for many years and left ample room for abuse.	Development and adoption of a new law on the lease of state and municipal property, preparation of bylaws aimed at implementing its provisions
		Conducting the first transparent auctions for the right to lease state property
		Development and adoption of a draft law on concessions and launch of concession pilot projects

Source: developed by the authors on the basis of the resource of the Cabinet of Ministers of Ukraine (High-Performance State Enterprises, 2020)

Thus, despite attempts to reform the management system as a whole, Ukraine does not have an effective system of state-owned enterprise management yet, and, therefore, there are problems with the functioning of such enterprises that need the development of a state-level strategy to support state entrepreneurship.

Optimization of the public sector in Ukraine through privatization has not yet yielded positive results. The issues of developing effective mechanisms for improving the efficiency of state-owned enterprise management remain out of the focus of state institutions. State-owned entrepreneurship has proved its importance in times of crisis for the country's economy, and thus in the context of globalization, measures aimed at improving the organization of effective management of state-owned enterprises, the proper use of their resource potential are becoming especially important. The entry of state-owned enterprises into the international market indicates the evolution of state-owned entrepreneurship and its role in managing the country's economy. As a result, state-owned enterprises acquire special significance as a tool for influencing the socio-economic processes of the country.

Areas of further research are the development of methodological approaches to the analysis of the efficiency of state-owned enterprises depending on their types, strategic goals of their activities and functional direction. To do this, it is necessary to develop a system of key performance indicators, including financial and non-financial indicators, which should be reflected in the management report. Issues related to the development of a normative document regulating the principles of corporate governance in the public sector also remain relevant. This will contribute to the formation of conditions for the effective functioning of state-owned enterprises through structural and technological modernization of production organization and optimization of the management process.



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