

Engaged Governance and Public Policy Processes During Transition to a Market Economy

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Abstract

Globalisation and transition to a market economy in the Commonwealth of Independent States (CIS) have led to a significant change of the role of government. The evolving role of newly established private and civil society sectors in decision-making and development process shapes a new role of the government that relies less on state intervention and more on market forces brought about by deregulation, decentralisation, liberalisation and privatisation. Resulting from this is engaged governance that is increasingly encouraging the interorganisational networks of state and non-state sectors jointly involving in public policy processes in the above-mentioned countries.

The purpose of the engaged governance arrangements is to mainstream non-state actors' inputs into the formulation, implementation and monitoring of public programs and policies. In this paper the major framework for engaged governance is analysed from the viewpoint of two aspects: institutional and technological. While the former reflect generally interaction of three major sectors/actors: state, market and civil society, the latter seek to decompose public policy-making and decision-making process into three broad stages: (i) exposure of the problem; (ii) working out of the program; and (iii) implementation of the program, that the non-state sector is supposed to engage in.

The paper concluded that the mechanism of engaged governance (EG) in these countries is still in the process of formation. The level of development of EG is predicated by varying quality of many factors including market oriented reforms and exposure to global economy. It is noted that efforts to enhance political, economic and social governance may be strengthened through incorporation and operationalisation of the concept of EG. A number of actions are deemed important to that effect. Among them are reconceptualising EG, improvement of the legal and regulatory framework, and strengthening and capacity building of CSOs/NGOs.

Introduction

Globalisation and transition to a market economy in East Europe, including the Commonwealth of Independent States (CIS), have led to a significant change of the role of the governments as well as the private sector and non-government organisations. Three trends appear to be gathering momentum in this respect. Firstly, a new role of the government that relies less on state

intervention, and more on market forces brought about by deregulation, decentralisation, liberalisation and privatisation. Secondly, there is growing importance of the private sector, not only in the economic sectors of growth, but also, to a large extent, in developmental activities in the social sector. Thirdly, the civil society organisations (CSOs), including non-governmental organisations (NGOs), are emerging as watchdogs of stakeholders' interest in corporate governance and active participants in public policy processes during the transition period. So states have lost a monopoly on wisdom or the resources for policy and decision-making for socio-economic development in transition countries.

One of the major cross-cutting themes that underpins the abovementioned three trends relates to implications of the evolving role of the newly established private sector and non-governmental organisations in decision-making and development process in transition economies. Given the contextual realities of transition economies, the emerging private sector — comprising the formally privatised state-owned enterprises and the newly established private companies — is expected in addition to earning profits, to contribute to the supply of public goods. This implies a greater involvement of the private sector in delivering some of the public goods such as health, education, community welfare, conservation of environment and participating in different socio-economic programs. The private sector in a number of CIS countries is voluntarily fulfilling some of these socio-economic problems while the government, as well as civil society, often demands greater transparency, accountability and acceptance of social responsibility by the private sector. NGOs thus have to work closely not only with the formal public sector but increasingly with corporate entities so that their involvement in policy formulation and delivery ensures the sustainability of the benefits of development.

In the context of globalisation and market-driven development, the paper will address the emerging role of the government, private sector and CSOs/NGOs with a view to enhancing public policy/decision-making processes. Specifically, the objectives of the paper are to: a) promote understanding of the concept of engaged governance in transition economies and its role in good governance; b) define the framework for building partnership among the government, private sector and CSOs/NGOs in the process of decision-making described as a process of solving a socio-economic problem; c) examine relationships between governments, private sector and NGOs at different stages of decision-making: analysis of a socio-economic problem, working out a socio-economic program, implementation of a program; d) discuss and develop the approaches and organisational forms of collaboration/ partnership for preparation and implementation of socio-economic programs; and e) review engaged governance and public policy processes within the context of transition economies of the CIS.

Framework for relationships between government, private sector and civil society sector at different stages of decision-making process

Although the notion of engaged governance (EG) is widely used by researchers studying such fields as public sector management and governance it is in the context of multisectoral partnerships and networks for development that this usage has spread a lot. Further to the public sector concept, engaged governance refers to the inter-organisational networks of state (government) and non-state (non-government: business, civil society) sectors jointly engaging in decision-making/public policy processes.

The diagram below is an illustration of decision-making process for program development and implementation with involvement/engagement of traditional institutions of governance (public administration, parliament, etc.) and non-traditional ones for transition economies, newly established actors — the business sector and the civil society sector including NGOs, community groups, labor unions and individual citizens. The purpose of the engaged governance arrangements is to mainstream non-state actors' inputs into the formulation, implementation and monitoring of public programs and policies. The EG framework is composed of two aspects: institutional/organisational and technological/procedural.

Institutional/organisational aspects

The organisational aspects reflect generally interaction of three major sectors/actors: state, market and civil society. The relevance of the engaged governance in transition economies needs to be understood in the context of the traditional role of the state in the CIS. The 'old' state used to rely on centrally controlled state intervention in all sectors of economic and social development including 'comprehensive' social protection (employment, education, health care, housing, pension, etc.). It also provided subsidised transport, recreational and cultural facilities. However, all these facilities were largely ineffective because of their low quality and often due to unpredictable supply. It is in this context that the role of the state in transition economies is being redefined. A new role of the government relies less on state intervention and more on market forces. The 'new role' of the state involves, first of all, rearticulating its functional objectives, particularly its social orientation. The major manifestation of such reorientation relates to the following:

- Establishing policy predictability, stability and continuity
- Continuing de-bureaucratisation of the state
- Improving quality of public expenditures first of all in social sector
- Introduction of social insurance, e.g. for health care services
- Fiscal incentives for promotion of investment and employment
- Reforms for well functioning financial regime
- New legal framework for private enterprises, etc.

One of the major changes in transition economies relates to implications of the evolving role of the private sector in the CIS. Given the contextual realities of transition economies, the emerging private sector — comprising the formally privatised state-owned enterprises (SOEs) and the newly established private companies — is expected, in addition to earning profits, to contribute to the supply of public goods. This implies a greater involvement of the private sector in delivering some of the public goods, such as health, education, community welfare and conservation of environment.

Private sector in a number of the CIS countries is voluntarily fulfilling some of these social objectives, while the government as well as the civil society often demand greater transparency, accountability and acceptance of social responsibility by the private sector. Partly induced by these demands, there is also a corresponding growth in explicit interest on the part of the private sector to proactively contribute to social development and environmental sustainability. Many top-level executives of the private companies also recognise that the financial returns to their company exceed the associated costs once they assume these social responsibilities. This desired broader and enlightened role of the private sector is usually captured by the concept of Corporate Social Responsibility (CSR).

The issue of social responsibility of the private sector in transition economies may take different forms. But, in any case, the formation of various modes of business conduct reflects various types of actual market structure, national traditions, and historical experiences with different interacting market actors to be involved and with corresponding social problems to be met:

- Private business — the specific sectors of population, which acutely needs social support
- Private business — local authorities with corresponding social effect out of such interaction
- Private business — trade unions–state authorities; this tripartite approach has been emerging only gradually but has already been resorted to in some of the countries concerned.

Although CSR is considered to be a business led initiative government still must be involved. Governments need to create legislative mechanisms at the national and local levels whereby business and labor can bargain collectively to improve conditions in a company.

Civil society in transition economies is a freshly reborn social movement. Notwithstanding its limited life span, a wide variety of civil society organisations have already acquired prominence in the CIS countries. A number of these organisations, working as social watchdogs, are increasingly focussing themselves towards decision-making and monitoring the state implementation of the CSR in the evolving private sector.

Most important challenge confronting these civil society organisations, including the CSOs and NGOs, is delineation of a legal space for their operation. The other challenges relate to weak organisational capacity and scarcity of financial resources in this sector. State support to this end is extremely limited and often dictated by political expediency. At the same time, the NGO–NGO relationship is usually fraught with competitive behavior which is induced by lack of incentives to cooperate.

One of the issues which is currently being debated regarding civil society operation in transition economies is that to what extent the NGOs can involve in commercial activities and still maintain their ethical standards. Admittedly, the compulsion of the NGOs to involve in income-generating activities is usually underwritten by their imperative to attain financial sustainability.

It is reckoned that effectiveness of the role of civil society and business in engagement in decision-making process in the CIS countries will be, to a large extent, prompted if some of the most important principles are put into practice. These principles guiding government actions towards strengthening government–business–civil society relations include commitment and accountability. Leadership and strong commitment to consultation with and active participation of non-state actors is needed at all levels, from politicians, senior managers and public officials. In addition, governments have an obligation to account for the use they make of non-state actors' inputs received. To increase this accountability, governments need to ensure an open and transparent policy-making and decision-making process.

To sum up, CSOs and NGOs take a broader view regarding engaged governance, situating the concept in the framework of evolving democratic governance in transition economies.

Technological aspects

Technological aspects reflect a decomposition of decision-making process into three broad stages: (i) exposure of the problem; (ii) working out the program; and (iii) implementation of the program. Each stage is then further subcategorised into few consecutive steps, which are numbered from 1 to 10 in the diagram. Detailed description of each consecutive step is explained below. Circles in the diagram indicate engagement of a particular party in implementation of a particular action.

Step 1: The initial stage of decision-making process starts with identification and exposure of the problem, where major problems, issues and the rationale for proposal are expressed. Depending on the type and scope of the problem, this may involve participation of various agencies, e.g. private sector, CSOs/NGOs, and different levels of governing bodies, e.g. local, provincial or

higher governing organs. For example there is a tendency for role of the private and third sector to increase at sub-national, local levels of decision-making.

Step 2: Once the problem has been identified, a special commission for problem analysis is being formed. Depending on the type, scope and origin of the problem, the committee may include participants with a narrow focus as well as those with more general knowledge.

Step 3: Once formed, aims of the commission are:

- analysis of the problem and possible connections with other issues
- analysis of the validity of the program development in response to the problem
- development of proposal for the program plan, including general aims of the program and ways of achieving them
- projecting volumes of resources needed for program implementation
- timing of the program development and implementation.

During the process of program development commission engages and consults all interested parties including businesses and CSOs. Again, diversity of the involvement varies, depending on the scale and type of the problem discussed. The results of commission proposals are then presented to higher governing bodies, responsible for implementation of further action.

Step 4: The initial step of the decision-making process and program development ends by acceptance of corresponding document by decision-making organs that set out a program as well as identifying agency responsible for its coordination and implementation.

It should be emphasised that long-term problems that have a larger, multisectoral, state-wide purpose are usually coordinated by higher governing bodies, whereas those with a smaller scope may have coordination from lower levels of governing body or join-coordination with other sector representatives.

Step 5: The second stage of decision-making process starts with working out of the program. This includes:

- setting out overall objectives of the program
- strategies of achieving those
- overall implementation arrangements
- total volume of inputs/resources needed
- timescale for program development
- indicators of the program results.

Again, scale of the program, specifics of its type and realisation determine involvement of different agencies, sectors and actors.

Step 6: The agency, ministry, or any division responsible for this program, develops a project and coordinates work of co-developers and other participants/contributors to the program development.

Step 7: In the process of working out of the program, a few program proposals are being reviewed. The program is being assessed from a variety of points. In particular, feasibility of the program, its effectiveness and efficiency are being assessed.

Step 8: After the program proposal has been checked and finalised it is being sent to higher decision-making organs (governing organs) where if the program is accepted, official document supporting its realisation is being issued.

Step 9: The third stage of decision-making process is implementation of the program. The responsible agency monitors the progress of implementation and prepares progress reports. It should be mentioned, that at this stage other interested parties (e.g. businesses, CSOs) may become increasingly involved in the monitoring process.

Step 10: The results of the program are being reviewed and analysed. The program can be revised, continued or discontinued, depending on whether it has reached its initial objectives.

It is obvious that technological aspects of governance-related decision-making process can successfully unfold with active public–private partnership (PPP) practice throughout all steps of exposing a problem, working out and realising the program. Private organisations may take part in identification of the problem by raising the issues and bringing them to the government. When working out the program it can be decided that PPP is the optimal way of implementation and partnership can be formed via formal selection like tender or via informal processes based on relationships and trust. If PPP form of implementation has been actually secured and partner chosen, then operational phase of PPP is much the same as realisation of the program. Depending on the type of partnership, government may have full responsibility and subcontract some activities to private companies, or private companies may be fully responsible for implementation and realisation of the project.

Case study: Russia

One of the examples of EG worth noting is the Public Chamber that is now being formed in the Russian Federation. As an independent civil institute, the Public Chamber will conduct public expertise of law-creating activities of the Russian Parliament, and control/monitor executive government activities. In addition, it will accumulate public proposals which are then forwarded in a summarised form for consideration by the president (i.e. 'the so-called civil initiative'). Even though the Public Chamber's decisions are not required to be followed by legislature and executive powers, they have to be examined in governmental and legislative sessions as prescribed by the recently enacted law. The Public Chamber's authorities are envisaged to be extended by including in its purview the civilian control over respect for freedom of speech by the television channels.

To avoid having the Public Chamber involved in any kind of the partisan fray and reinforce its independence, political parties, the president, parliament deputies, cabinet ministers, judges and local elected officials are not allowed to be Public Chamber members. All in all, through the intermediation of the Public Chamber, Russian citizens will obtain the real chance to control the state apparatus.

Russia provides an example of tripartite social partnership (TSP) acting indeed as one of the strategies for national development. The partners involved in the TSP taking the legal form of the General Agreement are All-Russia organisations of trade unions, All-Russia organisations of employers and the Government of Russia. The benefits to be derived from the partnership include anticipated economic growth, protection of jobs and less inflation, and major beneficiaries are supposed to be workers/employees. The latest General Agreement was signed by all partners involved on 20 December 2001. The Russian TSP has been practice-led, and grew out of a perceived need to maintain social capital. However, lack of harmony of interests of federal and regional levels of the government often observed in the past undermined collaborative efforts undertaken by the partnership. Regional authorities made frequent use of the issue of social responsibility as an excuse for violating federal (state) laws and regulations.

Concluding remarks

The mechanism of EG in transition economies is in the process of formation. The level of development of EG in these economies is predicated by their varying quality of many factors including market oriented reforms and exposure to global economy. It was noted that the efforts to improve in political, economic and social governance may be strengthened through incorporation and operationalisation of the concept of EG. The civil society organisation may play an important role in adapting EG in the current context of private sector development in transition

economies. However, building the information and knowledge based on EG in transition economies remains one of the most challenging tasks in this regard.

Conceptualising engaged governance

There is the need to undertake an analytical study to conceptualise the principles, norms, standards and mechanisms of the EG in transition economies. The proposed study should use a 'historico-dynamic' framework for prioritising the EG practices in transition economies. Furthermore, the study should also take note of the growing diversity among the transition economies in terms of capacity of their governmental, private, NGO sectors and their growth potential.

Review of the legal and regulatory framework

The concept of EG has transferred to legal enactments in transition economies. However, as a part of the evolving politico-economic governance structure, a number of elements of the core concepts of EG are finding place in the new constitutional provisions, legislative initiatives, and regulatory procedures. There is the need to undertake an inventory of such provisions containing the elements of EG. It was further pointed out that the proposed inventory should look for such state-mandated measures at both federal and regional level. It will be of particular interest if such official guidances may be identified at local or community level administration.

It is a well-known fact that the legal framework regulating the third sector in many of CIS countries is still underdeveloped. Civil codes contain provisions about societal organisations but the way it is written is blurry and not explicit. All this suggests that the new legislative initiatives have to be taken in respect of the third sector. With this in mind, a number of remarks should be made:

Individuals establishing an NGO, or non-commercial organisation, may have diverse objectives and interests. The list of available forms of NGOs provided for by a law has to be broad enough to accommodate those objectives and interests. In addition, the law should be permissive in relation to the following:

- Founders may be either individuals or legal entities, or both of them jointly
- Membership procedure may be allowed
- Founders may seek whatever objectives are of interest to them.

The most important feature of the legal form is property rights exercised by an organisation's participants. As a rule, founders of a non-commercial organisation must not retain rights for property that they have handed over to the organisation. However, there may be cases where these rights are retained.

The non-commercial organisation's law must stipulate the following:

- The definition of a 'non-commercial organisation'
- The legal status of non-commercial organisations
- The list of possible organisational forms
- Creation, reorganisation and liquidation of non-commercial organisations
- Formation and use of assets/property by non-commercial organisations
- Requirements for management and control systems in non-commercial organisations
- Principles of interaction between non-commercial organisations and state bodies
- Other provisions.

Market-based incentives for EG

The process of EG needs to be promoted through market-based methods, rather than through command and control methods. In this connection, it was maintained that there is a need to identify the fiscal incentives deployed in other countries in this regard. It is suggested that a study may be initiated to explore the feasibility of using incentives such as tax breaks, government subsidy, access to special funds, etc. for the participants promoting EG.

Recording public-private partnership

It is necessary to implement a review of the experience of public-private partnership in the area of EG in transition economies. The review, it was further added, may look at not only government-business alliance regarding EG, but also assess the involvement of the civil society organisations in the process.

Strengthening the role of NGOs

To play an effective role in the process of EG by CSOs/NGOs, it is important as stated above that an enabling legal and regulatory framework exists for them in transition economies. Admittedly, such frameworks are gradually taking shape, albeit in varying pace, in different transition economies. However, a review of these legal provisions and administrative procedures may generate improved awareness among the relevant actors in this regard and may also provide ideas for strengthening CSO's/NGO's involvement in the EG process in the respective countries.

Provisioning social services

The governments in transition economies are not adequately resourced to meet the demand particularly for social services. It will be interesting to explore whether the CSOs/NGOs may be involved in supply of these social services to the employees in partnership with the private entrepreneurs (in the case of private entrepreneurs) and the government (in the case of SOEs). It was pointed out that CSOs/NGOs may very well play the dual role of service provider ('market-

linking agent') and oversight monitor ('market developing agent'). In order to play such roles, CSOs/NGOs would need to enhance their capacity as well as infuse more transparency in their operation.

Capacity building through knowledge management

There is the need to actively exchange data and information in the area of concepts and practices of EG. These information and knowledge have to be drawn from enterprise experiences, civil society operations and the government's mandate. The major forms of such capacity building efforts may include:

- structural lectures for the policymakers, business leaders and development activists
- incorporation of EG in the curriculum of universities offering business studies
- case studies of successful experiences on EG in transition economies
- training in EG methodologies and evaluation techniques
- review of cross-country experiences and international best practices.

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Organisations		Stages of decision-making at the National Level									
		Exposure of the problem		Working out of program			Realisation of program				
		1	2	3	4	5	6	7	8	9	10
GV	Higher governing bodies (President's administration, parliament, cabinet of ministers)	•	•	•	•	•	•	•	•	•	•
		•	•	•	•	•	•	•	•	•	•
		•	•	•	•	•	•	•	•	•	•
Business	Ministries and agencies	•	•	•	•	•	•	•	•	•	•
		•	•	•	•	•	•	•	•	•	•
		•	•	•	•	•	•	•	•	•	•
Third sector	Provincial governing organs	•	•	•	•	•	•	•	•	•	•
		•	•	•	•	•	•	•	•	•	•
		•	•	•	•	•	•	•	•	•	•
Third sector	District/local governing organs	•	•	•	•	•	•	•	•	•	•
		•	•	•	•	•	•	•	•	•	•
		•	•	•	•	•	•	•	•	•	•
Third sector	Large business, small and medium business	•	•	•	•	•	•	•	•	•	•
		•	•	•	•	•	•	•	•	•	•
		•	•	•	•	•	•	•	•	•	•
Third sector	CSOs, NGOs, unions, public chambers	•	•	•	•	•	•	•	•	•	•
		•	•	•	•	•	•	•	•	•	•
		•	•	•	•	•	•	•	•	•	•