Mechanisms of Interaction between Government and Business Structures in the Implementation of Regional Development Strategies

Abstract:
Object: The objective of this article is to analyze how authorities and business entities interact at the regional level. The focus is on understanding the various forms and mechanisms of this interaction. Furthermore, the goal is to create guidelines and actionable suggestions for enhancing this interaction within the context of modernizing local economies.

Methods: The evaluation of the institutional environment for conducting business in different regions involves enhancing the methodology used to assess the collaboration between governmental bodies and business entities.

Findings: The study also identifies and organizes the relationship between contemporary government and business interactions in terms of their forms and mechanisms. This involves a categorization process that takes into account factors including the efficiency and immediacy of their cooperation, their societal implications, the encompassed organizational frameworks, and the approaches employed to implement collaborative initiatives within the region. The research suggests that conflicts of interest arise between regional authorities and business entities within modernized regional economies. While government bodies endeavor to assign societal responsibilities to businesses and increase budget revenues, proactive business entities, on the other hand, advocate for limitations on their involvement with governmental services. Moreover, ensuring effective partnership requires pivotal measures such as substantial reduction of tax burdens and the removal of administrative hurdles that contravene the fundamental principles of mutual cooperation between the government and businesses.

Conclusions: The scientific investigation has uncovered various factors that drive the emergence of social responsibility trends within business, often arising as an unintended form of behavior. Moreover, distinct criteria have been established to assess the execution of socially responsible initiatives undertaken by business entities. These criteria are categorized into two groups: one pertains to the evaluation of social responsibility actions through non-financial reporting, and the other encompasses criteria for assessing the effectiveness of the reporting itself.

Keywords: Regional government-business interaction, government-business relationship optimization, collaborative project effectiveness, business social responsibility, government-business interaction challenges.

Introduction
In the current landscape, enhancing the relationship between government and business stands as a pivotal challenge for contemporary society. This challenge is particularly relevant within the scope of economic modernization and the drive to boost national and regional competitiveness. Nurturing various forms of engagement between government entities and business establishments has emerged as an essential requirement for formulating successful regional economic strategies and enhancing the appeal of investment and innovation at both the national and local levels.
Multiple research endeavors suggest that although effective frameworks for aligning favorable government-business associations have been adopted from international experiences, their adoption within Kazakhstan has been constrained. It is crucial to identify the distinct factors and causes that obstruct their execution in specific regions of the nation.

Simultaneously, there's a need to refine existing approaches for gauging the success of collaborative ventures. This entails considering both qualitative and quantitative evaluations from business representatives and regional authorities. These assessments should encompass the challenges encountered during their collaborative endeavors (Ye, Zhang, 2016).

Literature Review

Prominent figures such as F. Bastiat, R. Barrow, J. Galbraith, J. Keynes, A. Marshall, J.S. Mill, V. Oiken, V. Petty, A. Smith, J. Say, F. Hayek, J. Schumpeter, and L. Erhard have made substantial contributions to advancing the theory and methodology surrounding the interaction between government and business.


Both nationally and internationally conducted research initiatives play a crucial role in establishing robust ties between the Government and business entities in Kazakhstan, necessitating careful consideration of challenges and opportunities to foster substantial collaboration and procedural refinement. This necessity forms the fundamental rationale behind selecting the subject of this study.

A widely accepted notion has been that the Turkestan region holds a prominent position within the Republic of Kazakhstan, particularly in terms of its abundance of business entities. The large-scale work is being conducted in the region since Turkestan became a regional center. The pace of construction has not retarded even during the pandemic (National report on the state of entrepreneurial activity in the Republic of Kazakhstan during the pandemic, 2020-2021). An administrative and business center is being constructed in the city, a cultural and spiritual center is being formed, and landscaping work around the mausoleum of Ahamet Yassawi are underway. Majority of completed objects with their architectural appearance have already granted a uniqueness to the city.

Every year, the team of analysts from “The World Bank” undertakes a study to assess the conducive business environments across 190 countries globally. In accordance with their findings, Kazakhstan secures the 25th position out of these 190 nations. Moreover, a sub-ranking for entrepreneurial activity is conducted among the various regions and major cities within the country. Remarkably, the Turkestan region garners recognition as the most favorable region for business operations.

As of the conclusion of 2022, the data indicates the presence of over 140,000 operational small and medium-sized enterprises. This reflects a notable surge of 100.7% when contrasted with the statistics from 2020. The projection for 2025 entails a target of elevating this number to 150,000 entities, representing a growth rate of 7.1%.

According to National Chamber of Entrepreneurs of the Republic of Kazakhstan “Atameken” (2020), the number of employees in SMEs amounted to 218000 people or the number of working people increased by 34000 people or by 102%. It is expected that by 2025 the number of within the realm of small and medium-sized enterprises will be more than 240000 people.

As per the 2018 Government Decree of the Republic of Kazakhstan titled “Comprehensive Plan for Socio-Economic Development of the Turkestan Region until 2024” (No. 938), the production volume attributed to small and medium-sized enterprises reached 554.5 billion tenge by the year 2022. This signifies a substantial increase of 115% in comparison to the figures from 2020. Looking forward, the projection for 2025 anticipates a remarkable surge, that the anticipated growth of small and medium-sized businesses is set to skyrocket by 83.7 times, ultimately reaching a projected value of 634.9 billion tenge in terms of production volume. In the pursuit of cultivating the expansion of small and medium-sized enterprises, an industrial zone on 40 hectares of land was commenced in the city and infrastructure systems were implemented for 847.0 million tenge. There are 13 projects in this zone with a total cost of 8.9 billion tenge, 720 jobs have been revealed.

A trade and logistics center, spanning 20.0 hectares of land, is currently under development within the city. The establishment of the center has been supported with an allocation of 237.0 million tenge.
Mechanisms of Interaction between ...
Examine the essential character of the dynamics of interaction between business establishments and regional government authorities.

Categorize and arrange the distinct forms and interaction mechanisms among governmental bodies and business establishments' diverse connections.

Examine the institutional conditions in regions that influence labor attractiveness, utilizing the adopted methodology for assessing the interaction between governmental and business structures, and find out the mutual cooperation between governmental and business entities.

Undoubtedly, the establishment and evolution of market relations entail the coexistence and advancement of diverse ownership forms and sectors within each form of ownership (Zhang, 2016). In the context of the private sector of the economy, there exist three distinct enterprise groups often categorized as large, medium, and small businesses, differentiated by their scale. Additionally, the categories encompass individual entrepreneurs and agricultural entities, such as peasant (farmer) farms. Each of these five groups possesses unique internal concerns that shape their economic strategies, their stance towards the state's policies, as well as their approach to socio-economic, political, and national issues (Pongsiri et al., 2019).

Results
In the current circumstances, the research results underscore the key difficulties concerning the interaction between the government and business:

Resource redistribution mechanisms resembling those from the Soviet-era administrative market persist, complicating the establishment of transparent and cohesive government-business relationships.

The lack of trust among key collaborators is a notable factor.

A deficiency of a well-defined governmental strategy for engaging with businesses is evident.

The absence of legal supervision over lobbying contributes to the rise of unofficial entities. Limitations exist within the legislative framework that oversees collaborations between the government and businesses, including regulations for tenders and concessions (Lascoumes & Le Gales, 2007).

A lack of cohesion within the business sector arises from business entities' inclination to interact individually with authorities.

In accordance with the 2007 Presidential Decree of the Republic of Kazakhstan outlining measures for establishing and facilitating the activities of social and entrepreneurial corporations, there exists a low level of cohesion within the business community. Favorable business conditions, the individual drive of proactive economic actors for profitability, and the enduring societal notion of limited liability in collaborative partnerships collectively contribute to shaping this trend.

By delving into the goals and interests of both regional authorities and business entities, the findings reveal the fundamental contradictions between them. Regional authorities are driven to delegate social responsibility to businesses, bolster budgetary inflows, and strengthen their oversight over the business domain.

This distortion acts as an explanatory element for the current lack of effectiveness in the operational interaction mechanism between administrative and economic entities at the present stage of Kazakhstan's progress (as detailed in Table 1).

Table 1. Interaction between administrative and economic entities: regulated standards and practical embodiment of principles

<table>
<thead>
<tr>
<th>Regulated standards</th>
<th>Practical embodiment of principles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structuring the interaction process solely based on legal foundations.</td>
<td>Involvement surpassing legal limits, marked by individualized connections.</td>
</tr>
<tr>
<td>Prioritize collaboration and partnerships, guaranteeing the fulfillment of obligations.</td>
<td>Including the presence of an “Additional Strategy” and bilateral consultations for tailored solutions, compliance with obligations entails substantial benefits</td>
</tr>
<tr>
<td>Reciprocal support in forming contractual relationships.</td>
<td>Engaging in confidential actions with the aim of forging mutually beneficial agreements.</td>
</tr>
<tr>
<td>Declaration of collaborative consensus for devising a business development strategy.</td>
<td>The absence of transparency in business structure prevents ambiguity in decision-making within business leadership during solution adoption.</td>
</tr>
<tr>
<td>Supporting potential business sectors.</td>
<td>Fundamentally centered around a designated cohort of entrepreneurs, the support program is geared towards fostering their growth and success.</td>
</tr>
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</table>

Note – assembled by the authors referencing the source (Bokishev, 2022).
Resolving the issues stemming from ineffective collaboration between government and business structures predominantly hinges on addressing the lack of trust, adhering to proclaimed partnership principles and methods, reshaping relational stereotypes, and heightening the social and individual responsibility of each involved party (Nicevich et al., 2013).

Expanding upon the foregoing discussion, it is apparent that the domain encompassing collaborative engagement between the government and business sector should be oriented towards addressing income inequalities. To achieve this goal, it is crucial to enhance the efficiency of social protection, establish a framework for monitoring public and private sectors that undermine integrity, introduce new technological advancements (Skousen et al., 2015).

Furthermore, the priority of interaction shouldn't solely pertain to the state-business relationship but should encompass a broad spectrum of businesses varying in industry and scale. Incorporating outsourcing can be beneficial, where specific functions of certain companies are delegated to others. This exchange helps optimize costs for all parties involved in this process (Shohin, Korolev, 2008).

Although outsourcing is not yet deeply entrenched in our country, it's worth acknowledging that it is not completely absent. Kazakhstan has witnessed the most significant prevalence of outsourcing in areas such as information technology, human resource management, and personnel and accounting record maintenance (Shuvalov, 2015).

The study's findings have generated a suggested process for harmonizing the concerns of the engaged stakeholders in their respective operational domains. This is projected to yield a favorable outcome by alleviating and diminishing the recognized conflicts (Table 2).

Employing these procedures facilitates the optimization of the interaction mechanism between regional authorities and business entities within the context of territorial economic modernization. This is achieved through open dialogues and the exploration of innovative, mutually advantageous resolutions (Kubeyev, 2011).

Countries like the United Kingdom and Finland, by paying attention to each other's educational practices, fostering collaboration between public and military institutions, emphasize the crucial significance of establishing a regulatory framework to oversee the execution of governmental administrative tasks (Lewandowski, 2016). Such a structure should encompass continuous surveillance and assessment of program outcomes, alongside regular internal and external reporting mechanisms to monitor advancements.

Table 2. The procedure of harmonizing the objectives of local administrations and commercial establishments in a synchronized method.

<table>
<thead>
<tr>
<th>Preoccupations</th>
<th>Ratification Models</th>
<th>Favorable outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public affairs</td>
<td>Performing the procedure of public examination for statutory measures</td>
<td>Securing fair participation of businesses in governmental legislative procedures, concurrently safeguarding the rights and lawful interests of entrepreneurs during the decision-making process.</td>
</tr>
<tr>
<td>Financial domain</td>
<td>Unified synergy for facilitating mutual cooperation between governmental and private institutions.</td>
<td>Orchestrating actions aimed at the progress of every facet in both the economy and the local area.</td>
</tr>
<tr>
<td>Public welfare</td>
<td>Implementing training initiatives oriented towards enhancing the management skills of small businesses. These programs cover a range of topics including taxation, lending, accounting, government support, land utilization issues, and other relevant areas.</td>
<td>Resources allocation for enhancing vocational training and competence of the workforce contributes to the expansion of employment prospects and ensures compliance with labor standards, minimizing risks in the workplace, and also prompts vigilance towards additional considerations.</td>
</tr>
</tbody>
</table>

Note – compiled by the authors based on the source (Kubeyev, 2011)

As an example, a methodology for assessing the performance of government agencies was introduced in the Netherlands. Initially, the efficiency rate was a mere 20%. However, the adoption of an evaluation system for governmental activities required certain investments but resulted in an increased efficiency rate of 80% (Mende, 2020). The key factor was the principle of performance assessment, which was focused on achieving superior outcomes with reduced costs. This approach facilitated a realistic appraisal of individual officials' effectiveness, assigning clear responsibilities to each of them (Mende, 2021). The outcomes of the
evaluation of public services are published annually in Dutch media, and the results are presented to Parliament, enabling informed decisions concerning specific ministries or departments.

Dealing with the challenge of evaluating the performance of governmental bodies, taking into account the interaction between state and economic entities, authors employ a range of terminologies, such as:

a) Performance evaluation.

b) Quality assessment.

c) Efficiency appraisal (Zurn, 2018).

Performance evaluation indicates the extent to which anticipated outcomes are achieved, whereas quality assessment involves appraising how well the attributes of an object or phenomenon align with their inherent nature (Table 3).

Consequently, an effective model for evaluating the efficiency of public entities in Kazakhstan, with a focus on enhancing the qualitative aspects of government-business interaction, guarantees the efficacy of governmental institutions and organizations in their decision-making processes. This approach enables a comprehensive evaluation of their accomplishments. Implementing an effective evaluation model contributes to elevating the social orientation of local authorities' activities.

Since gaining independence, Kazakhstan has managed to establish legislative support for decent labor practices. The nation is embracing a fresh framework for governing social and labor relationships, aimed at achieving an optimal balance between methods of social and labor protection and economic viability. A legal and organizational foundation has been laid for the advancement and enhancement of social partnerships (Stavbunik, 2016).

Table 3. The System of Assessing Governmental Management by Emphasizing Increased Collaboration Between Local Self-Governing Bodies and Business Entities.

<table>
<thead>
<tr>
<th>Model benchmarks, performance</th>
<th>Model</th>
<th>Optimal paradigm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject under evaluation.</td>
<td>The efficiency of utilizing the allocated budgetary funds is examined based on the modified boundaries of budgetary commitments.</td>
<td>Exploration is conducted into the realization of aims and objectives established for governmental entities within the scope of their implemented program.</td>
</tr>
<tr>
<td>Budgetary funds calculation required for the execution of time-sensitive tasks.</td>
<td>Budget-related operations' initial projections for revenues and expenditures; Previous period's expenditures volume; Inflation level.</td>
<td>The cost-effectiveness of the result achieved by the recipient budget organization.</td>
</tr>
<tr>
<td>The efficiency of task execution by gauging the degree of their successful accomplishment.</td>
<td>Through the examination of the congruence between actual expenditures and revenue-expenditure forecasts, alongside the preliminary budget estimation, assessing the alignment between expenditures and allocated budget funds.</td>
<td>The outcomes based on predetermined evaluation criteria that have been achieved as a result of the undertaken actions.</td>
</tr>
<tr>
<td>The primary method of obtaining measurements.</td>
<td>Evaluating the precision of the approved budget for income and expenses of the state organization in line with its actual execution.</td>
<td>Qualitative and quantitative objectives designated for the allocation of budgetary funds.</td>
</tr>
<tr>
<td>Evaluating the performance of state administrative bodies while considering the interplay between governmental and business entities.</td>
<td>Business representatives engaged in various events, support young people and children's creativity. Many large and small firms actively sponsor events and participate in charity and public-private entrepreneurship. Increasing social responsibility-news of business structures of the region.</td>
<td>Business will become more actively involved in the social life of the region. Initiatives of representatives of business communities do not often face misunderstanding, ignoring and resistance from the authorities, which leads to increased motivation and activity of their activities.</td>
</tr>
</tbody>
</table>

Note—content was compiled by the authors using information from the source (Stavbunik, 2016).

The subsequent techniques can be recognized as fundamental avenues for improving the mechanism of social partnership:

• Engaging in discussions regarding minimum state standards and considering the approach for determining the subsistence minimum.
• Tackling challenges associated with setting the minimum remuneration for employees engaged in hazardous industries characterized by risky working conditions, such as mining, metallurgical, chemical production, and more.
• Formulating and presenting suggestions concentrated on fortifying legislation concerning the establishment of frameworks to oversee workplace safety, along with regulations concerning occupational risks. This may extend to legislative initiatives aimed at bolstering civil society institutions.

Conclusions
This article discusses the constructed models that are equally applicable in the context of the Turkestan region. These models clarify the relationship between local contextual elements such as infrastructure improvement, government support, availability of services, available resources and business challenges, and the dynamics and interactions between different SMEs. It should be noted that these models are successful in forming proposals for improving the conditions for the implementation of regional development strategies and strengthening mutual cooperation between competent and entrepreneurial structures, including medium-sized enterprises. Furthermore, the research delves into the progression of corporate social responsibility within the confines of the Turkestan region's business environment. The study pinpoints hindrances that impede business entities from adhering to socially responsible conduct. The research outcomes evaluate how effective an algorithm, intended to appraise the feasibility of harmonizing the objectives of government and private sector contributors, and to gauge the workability of global initiatives. This algorithm utilizes qualitative and quantitative analyses to ensure the informed selection of projects for management decisions at the regional level. The introduced parameters for evaluating project effectiveness — comprising project information, funding strategies, project attributes, feasibility justifications, benefits for both governmental and business entities, and socio-economic and financial appraisals — work collectively to promote the region's development.

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С.К. Ержанова, А.Е. Есенали, Н.Т. Батырова, Б.С. Изатуллаева, А.О. Балканлы

Механизмы взаимодействия государственных и бизнес-структур при реализации стратегий регионального развития

Аннотация:
Цель: Исследование форм и механизмов взаимодействия органов власти и бизнеса в региональном контексте с формулировкой методических указаний и практических предложений по их совершенствованию в условиях модернизации территориальных экономик. Методы: Осуществлен анализ институциональных условий, регулирующих предпринимательскую деятельность в регионах. Этот анализ базируется на улучшенной методике изучения взаимодействия государственных органов и бизнес-структур.

Результаты: В настоящей работе было идентифицировано и систематизировано взаимодействие между региональными органами власти и бизнесом в разных формах и механизмах, существующих в современной практике. Эти формы и механизмы были классифицированы с учетом качественных и временных аспектов их совместной деятельности, общественной значимости, организационных форм применения и механизмов реализации, включая участие акторов в выполнении совместных региональных проектов. Были выявлены конфликты интересов между региональными органами власти и бизнес-структурами при реализации различных форм взаимодействия. В современных модернизированных региональных экономических системах наблюдается дилемма: с одной стороны, государственные структуры стремятся передать социальные обязательства бизнесу, увеличивать бюджетные доходы, а с другой — бизнес-структуры стремятся минимизировать вмешательство государства в свою деятельность. Процесс оптимизации взаимодействия между органами власти и бизнес-структурами может быть достигнут через снижение налоговой нагрузки, устранение административных барьеров и восстановление основных принципов взаимодействия между управленческими и хозяйствующими субъектами.

Выводы: Выводы научного исследования выявили факторы, влияющие на социальную ответственность бизнеса, а также признали тенденции развития бизнеса как врожденную модель поведения. Более того, были установлены стандарты для оценки реализации социально ответственных действий субъектами предпринимательства, разработаны на две основные группы: критерии, основанные на оценке интеграции социально ответственных действий через нефинансовую отчетность, и критерии, оценивающие качество отчетности.

Ключевые слова: взаимодействие региональной власти и бизнеса, оптимизация взаимодействия власти с бизнесом, эффективность совместных проектов, социальная ответственность бизнеса, проблемы взаимодействия власти и бизнеса.

References


