

## COMPARATIVE ANALYSIS OF INSTITUTIONAL REFORMS AND HUMAN RESOURCE CAPACITIES OF PUBLIC ADMINISTRATIONS IN POST-SOVIET COUNTRIES<sup>1</sup>

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### Introduction

In order to understand the sustainability of the development of a country one needs to define what sustainable development is. The term 'sustainable development' has been controversial in the global development dialogue between developed and developing countries. The World Bank cites the definition of it as "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs." from the World Commission on Environment and Development's (the Brundtland Commission) report *Our Common Future* dated 1987 (World Bank official website, 2014) <sup>3</sup>It is a rather vague definition that gives rise to questions of whose and what needs, short term as opposed to long term issues.

The recent Report of the UN Secretary-General<sup>4</sup> highlights the importance of the economic, social and environmental dimensions of sustainable development. The Rio Summit and subsequent Sustainable Development Goals stand for marrying these seemingly incompatible dimensions of development.

Arguably, too often the debate over sustainable development boils down to environmental issues linked to economic issues. The institutional and human resources capacities of public administration systems are often given limited attention although these appear to

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<sup>3</sup> World Bank official website online at <http://www.worldbank.org/depweb/english/sd.html>

<sup>4</sup> [A/68/79-E/2013/69](http://www.un.org/News/Press/docs/2015/01/150106.unsgsmr.doc.html)

be decisive in setting the development agenda and implementing development objectives. There needs to be political acceptance by politicians and civil servants of sustainable development which depends on its capacity to find effective solutions to pressing societal issues.

It is therefore the quality of governance and institutions that needs a closer look when one attempts to understand the trajectory of a country's efforts towards sustainability. Thus, this paper takes the personnel management in civil service and its underpinning institutional (public administration) reforms as subjects of investigation when taking certain post-Soviet countries as case studies. The transition to market economy, social reforms, public administration and civil service reform and the fight against corruption will be the points of comparison for each country studied below with the time period starting from the early nineties to present.

### *The Washington Consensus<sup>1</sup> and the state role*

Interestingly, Fukuyama (2004: 19) argues that the alluring life in industrialised nations based on liberal democracy with individual political liberty and on market economy with meritocracy and material prosperity is the very desire of many people in the world. Therefore, as he argues, there is one-way migration from less industrialised to more industrialised nations. However, it can be argued that such a sophisticated recipe of institutional and societal structures is neither affordable nor appropriate for developing countries to follow, at least in the early stages of their development. A good example of this asymmetry would be the notorious Washington consensus which argued that state intervention into markets resulted in deadweight losses and market distortions, and government's role had to be minimised to avoid these inefficiencies (Stiglitz, 2004; Einhorn, 2001). The state was increasingly depicted as the rival of the free market, and therefore had to be significantly downsized, if developing countries were to enjoy economic

<sup>1</sup> It was a Western economies' prescribed set of policies with heavy reliance on market mechanisms as an efficient means of fostering economic development. The term refers to such restructurings as privatization, liberalisation of capital markets, and minimising the size and role of government (Rodrik, 2006: 973; Stiglitz, 2004; Einhorn, 2001: 26).

development (Bofinger et al 2009). Thus, the belief in the magic of markets dominated the wave of reform in many developing countries worldwide. Developing nations of Latin America, Eastern Europe and the former Soviet Union nations wholeheartedly embraced aggressive privatisation, deregulation and trade liberalisation (Rodrik, 2006: 974). These resulted in rapid increase in inequality as public assets were privatised through widespread corruption; moreover, as new private owners were likely to be incompetent in developing the assets they had privatised, they failed to advance their businesses and participate meaningfully in new markets (Stiglitz, 2004). Subsequently, instead of growing, national economies were slowed down. Thus, particularly in developing countries with weak market economic records, the reliance on market mechanisms did not result in efficiency and equity (Stiglitz, 2004). This paradigmatic change resulted in the reduction of not only the scope of the state but also its strength and capacity (Fukuyama, 2004). Market forces with '*the invisible hand*' were expected to bring about social equity and progress. However, the global financial turmoil has undermined this belief. Some now therefore argue for a highly interventionist and controlling state. Bofinger argues for 'a shaping state' which is to be seen as a partner of the markets, and not a rival. Its functions would be to supervise the markets so that the latter would result in long-term economic development (ibid). Indeed, markets by nature are necessarily short-term oriented, and it is therefore the state's role to keep the markets at arm's-length and ensure long-lasting equal opportunities within society. From this viewpoint, '*the visible hand*' of government has a principal importance. In this sense, the state should be sufficiently autonomous from market and societal pressures. It can be argued that the truth is somewhere in the middle: that the centralisation and high autonomy of the state will likely lead to economic and political development in a developing country *if*: the ruling elite is developmentally-oriented and the economic bureaucracy is efficient and insulated. All these developments impacted the former Soviet Union countries differently with some doing relatively better than others. Below certain countries are given a closer look.

## Kazakhstan

### 1.1. Transition to market economy

Kazakhstan, an upper middle income economy, with a land area of 2.7 million sq kilometres, GDP per capita just over 13 000 USD, and a population of over 17 million, is the 9<sup>th</sup> largest country by territory in the world and one of the least dense populated countries (World Bank, 2014). Over the years of its independence, Kazakhstan underwent a great path of political, socio-economic and administrative transformations.

#### *Negative Initial Conditions*

Before independence, the economic output and trade of Kazakhstan used to be decided in Moscow. Remote economic planning led to little concern for efficiency and strategic focus on competitive advantages of Kazakhstan. As one of the 15 constituent republics, Kazakhstan was closely tied to the rest of the republics and was a major provider of some goods (eg. military components, crude oil, metals) and a major receiver of other goods and considerable subsidies. Such a high interdependence led the economy into severe financial and socio-economic depression upon breakup of the union. No access to sea and climate and ecological disadvantages exacerbated the initial challenges the country faced. Systemic corruption was a major barrier to meaningful transition.

#### *Positive Initial Conditions*

*Abundant natural resources.* Even though this factor is sometimes classified as neutral conditions, in the case of Kazakhstan it must be considered as a positive factor for the following reasons, among others:

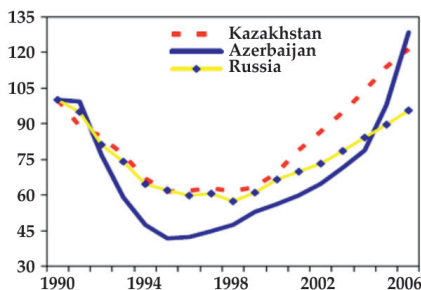
- there is plenty of evidence that revenues from oil, gas, coal, and other minerals allowed the government to reach adequate macroeconomic climate, to increase government spending on social safety, education, agriculture, and to escape total collapse of the economy;
- transition to market-based economy requires spectacular restructuring of the economy that was often financially prohibitive to developing countries. Revenues from mineral resources facilitated faster transition process compared to the neighbouring countries in Central Asia. One should bear in mind, though, that heavy reliance on mineral resources' revenues retarded progress in non-commodity sectors that the government of Kazakhstan is now attempting to tackle by forced

economic diversification schemes like cotton, wine and fish clusters (Abdygaliyeva et al 2007). *Human capital* in Kazakhstan was relatively high as a result of comprehensive Soviet system of education and healthcare that ensured traditionally very high literacy; average years of schooling and female labour participation rates (see WDI, 2010).

#### *Economic Development since Independence*

During the early years of independence (first half of the 1990s), the economy contracted significantly as a result of the sharp increase in unemployment and inflation. The output decline in CIS countries was so severe due to a number of factors including the regional political conflicts and the absence of necessary institutions to propel the shift to market economy. The chaotic privatisation of SOEs meant to generate growth and investment was accompanied with rampant corruption and contributed to decline (Stiglitz, 2006). Thus, it took until second half of 2004 for Kazakhstan (as it did for Azerbaijan) to regain the previous 1990 real GDP level, whereas 2006 enjoyed almost 130 percent of the 1990 level as a result of favourable global economic environment and commodity prices in contrast with Russia that did not reach its 1990 output level (see Figure 1). Unemployment during the first half of the 1990s was due to the closure of unproductive firms and privatisation of state enterprises as the shift from a centrally planned to market economy started (See Figure 2).

**Figure 1** Output Profile, 1991–2006  
(Real GDP index 1990 = 100)



Source: Iradian 2007

**Figure 2** Employment, 1991–2006  
(1990=100)



Source: Iradian 2007

Importantly, the main source of economic growth of Kazakhstan has been revenues from crude oil export. As can be seen from Table 1 below, oil revenue to GDP ratio increased from above 7 percent

in 1998 to above 30 percent in 2004 (Agrawal, 2008). Given the fast rising GDP in the 2000s, oil industry was indeed a crucial part of the propelled economic activity and job creation in the country.

*Table 1* Oil export revenue of Kazakhstan

Year	Oil Exports (million barrels)	Oil Price (\$/barrel)	Oil Export Revenue (billion \$)	GDP current (billion \$)	Oil Export Revenue as Percent of GDP
1998	125.95	13.1	1.65	22.14	7.45
1999	120.00	18	2.16	16.87	12.80
2000	156.03	28.2	4.4	18.29	24.05
2001	183.54	24.3	4.46	22.15	20.13
2002	246.41	20.9	5.15	24.64	20.90
2003	254.35	27.6	7.02	30.83	22.77
2004	331.56	37.7	12.5	40.74	30.68

GDP = gross domestic product.

Sources: World Development Indicators (World Bank, various years); IMF Country Reports (IMF, various years)

Source: Agrawal (2008: 104)

#### *Quality of Economic Growth*

Since 1991, Kazakhstan has had both negative and positive annual growth rates of between -12.6% and 13.5% (See Figure 3). The 1991 – 95 negative growth rates can be attributed to a series of events, mainly the end of centrally planned economy and closure of inefficient state owned enterprises, chaotic macroeconomic situation in the country, and heightened unemployment. The devastating effects of the Asian financial crisis did not leave Kazakhstan untouched leading the country to experience a negative growth rate of 1.9 in 1998. Yet, the economy recovered quickly by bouncing back to a positive 2.7% in 1999.

**Figure 3**



Source: WDI, 2009

Kazakhstan struggled with the annual average inflation rate which topped 168 percent in the period of 1993 - 2006. This was due to hyperinflation during 1994 – 1996 when the annual rate averaged almost 700 percent. In subsequent years from 1997 to 2006 the inflation rate averaged 9 percent which was still high for enhanced economic growth (WDI, 2009).

As mentioned above, the closure of unproductive firms and the production becoming more resource-efficient resulted in considerable job losses. Most CIS nations saw a significant shift in labour from public to private sector. However, the reduction in employment in the public sector was not proportionate to the increase in employment in the private sector. Such asymmetry resulted in the unemployment rate during 1994 – 2006 averaging at 10.7 percent per annum (WDI, 2009). Here it is important to note that the engagement in the informal economy has always been a norm in the Commonwealth of Independence States, including Kazakhstan. The ILO estimates that the employment in shadow economy in CIS could account for as big as 50% of total employment. Therefore, these estimates might contain a degree of exaggeration.

During the period of 1993 – 2007, Kazakhstan had an average Gini coefficient of 0.339. While this figure is higher than that in Kyrgyzstan (0.329), it is lower than Russia's Gini coefficient of 0.375 (WDI, 2009). UNDP's Human Development Index of CIS captures the extent of difficulty of the transition and its associated social costs. HDI of Kazakhstan in 1993 was valued as 0.614 which was well below the pre-independence level of 0.848 in 1990. The number reached 0.702 in 2006 ranking the country the 71<sup>st</sup> out of 179 countries (whereas in 2010 it reached 0.714 placing the country into the high human development category). Despite this improvement, the life expectancy was stagnant not reaching the Soviet level, and standing at 67.1 years in 2008. The government expenditure on healthcare in 2003-2006 stood at 2.27% of GDP (WDI, 2009), half the minimum recommended level of state healthcare expenditure for middle income economies. As a result, some 10% of the population suffers from healthcare deprivation (Crisis Group Asia Report, 2011).



### 1.3 Public administration and civil service reforms

#### *Pro-growth economic policies*

During the early years of independence, the Kazakh government had to tackle a number of issues at once: creating a new constitution, creating a private banking system, developing a national currency, restructuring many industries and agriculture to fit the market economy, tackling inflation, reducing poverty, maintaining political stability, and so on.

Fast *privatisation* was advised by the World Bank and IMF to all transition economies, including Kazakhstan, within the framework of the 'shock therapy' of the Washington Consensus. Over a short period of time there was thus created a new class of oligarchs, rich businessmen who managed to privatise hundreds of billions of dollars worth public assets (Stiglitz, 2006). This transfer was expected to allow private hands to run the enterprises more cost-efficiently; however, under the fear of unprotected property rights, investors invested minimum amounts and channelled as much profits as possible out of the country. Subsequently, lack of sound regulations and strong tax laws allowed the outflow of those assets to be irreversible. Fortunately, Kazakhstan managed to survive this policy mistake largely as a result of skyrocketing oil revenues (ibid).

Reforms of *financial sector* in accordance with prudential and capital requirements stemming from Basel Agreement of 1995 led to the spread of private, foreign and public banks in the economy. Public financial assets to GDP increased as did the credit to GDP ratio from 10 percent in 1994-95 to high 30 percent in 2005 (Agrawal, 2008). Adequate credit combined with influx of foreign direct investment revived the industrial sector substantially, generating much needed employment not only in oil sector, but also in transportation and construction. Foreign direct investment, which increased from annual US\$100 million in 1992 to more than US\$6 billion in 2006 (Azam, 2009), were primarily attracted to the oil sector and totalled US\$35 billion during 1993-2006 (UNCTAD, 2007: 102).

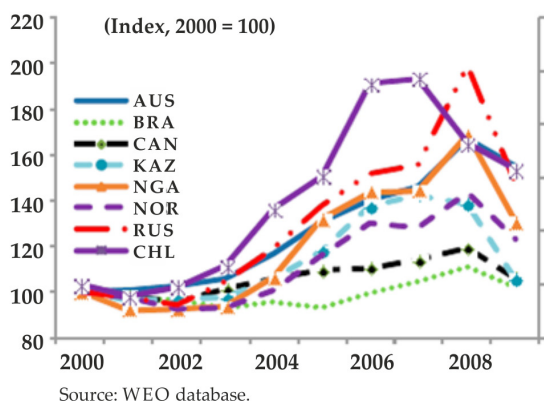
1992-1993 saw government spending controlled and taxes being raised. This was achieved by curbing salaries to civil servants, subsidies to industries, public investment outlays, and reducing government consumption by 20 percent.

As a commodity trading economy Kazakhstan enjoyed a considerable boom in trade terms during the 2000s as a result of



rising commodity prices. As can be seen from the Figure 4 below, Kazakhstan saw an almost 40 percent increase in its terms of trade during 2003 – 2006, which explains the double digit growth rates of GDP discussed earlier and increased government revenues (IMF, 2010), whereas countries like Chile, Russia, and Nigeria enjoyed even higher trade surpluses.

**Figure 4**

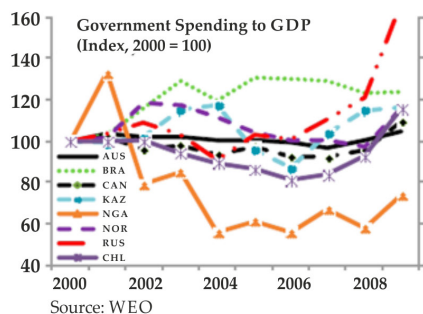


The country's fiscal revenues from oil increased from 4.5 percent of GDP in 2001 to 12.5 percent in 2008 (from USD1 billion in 2001 to 17 billion in 2008). Despite these revenues, government spending remained relatively stable (Figure 5). Importantly, the Kazakh government prudently managed

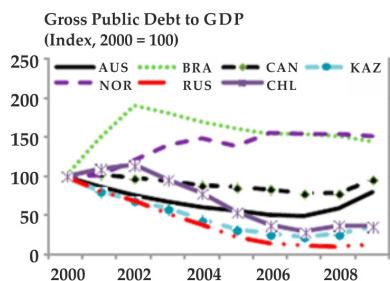
Source: IMF, 2010

to use parts of oil revenue to decrease its public debt (see Figure 6) and save some 60 percent of the revenues in the National Oil Fund (which topped \$27.5 billion in 2008). This displayed the government's ability to keep government expenditure under discipline (ibid).

**Figure 5      Figure 6**



Source: IMF, 2010



Source: IMF, 2010

*The National Fund of the Republic of Kazakhstan* is an important instrument established in 2000 to buffer the effects of unstable world commodity prices on the national economy and save oil revenues for next generations (ibid). The fund's reserves are not included in the budget and are used for overseas investment. The institution keeps more than half of its reserves in US dollars, whereas the rest are kept in euros, UK pounds, Japanese yen, and Australian dollar (ibid). Notably, part of the reserves was also used to fund social security net and reduce poverty during the 1990s (Agrawal, 2008).

Economic output is inextricably linked with *inflation*. Price level increase was an inescapable result of ceased subsidies from other former Soviet Union republics to Kazakhstan and of prices catching up with the world prices. The hyperinflation skyrocketing to almost 3,000 percent in 1992-94 was gradually overcome by launching the national currency, the tenge, and by subsequent use of instruments of monetary regulation by the central bank (e.g. high interest rates & low available credit) and of fiscal austerity. By 1996 the central bank managed to decrease inflation to 26-28 percent (ADB, 1996) and the exchange rate of the tenge against US dollar was stabilised.

Another long-term growth strategy of the government is President's international scholarship "*Bolashak*" (from Kazakh means 'future'), which was established in 1993 despite economic stagnation and social problems. Many talented young Kazakhstanis are annually selected on merit basis: through rigorous academic examinations, interviews and psychometric tests. The selected scholars are then sent to study at world renowned universities such as Harvard, Oxford, Columbia, Sorbonne, LSE, and others. The main purpose was to groom a new generation of leaders who upon return would help sustain the achieved results and further propel smooth transition to market economy and fully functioning democracy (Center for International Programs, 2010). Since inception, more than 10,000 students became Bolashak scholars. Thus, the scholarship furthers government's equal opportunities policy and levels the playing field across different income groups of population.

### *The Evolution of Civil Service*

An integral part of the political, socio-economic and administrative transformations was the civil service reform. It is worth noting that Kazakhstan inherited a patronage-based system from the soviet

past, where officers were all political appointees, and a society with distorted values. Intensive study of international experience and analysis of own problems allowed the country to determine the main directions of the first stage of reforms of late-nineties (ACSA, 2014).

As a result in 1999 Kazakhstan passed the Civil Service Law and 11 Presidential Decrees which led Kazakhstan to be the first among the post-soviet countries to introduce the following innovations in legislation:

- Division of civil servants into political and career officers;
- Open and mandatory competitive selection into civil service;
- Protection of career civil servants when a political leadership changes;
- Creation of a specialized Civil Service Agency (Baimenov, 2000).

Taking into account the features of the transition period a position based civil service model was chosen in Kazakhstan. The adopted law ensured the stability of personnel. Whereas in the mid-1990-s the staff turnover in government agencies amounted for 60%, in 2013 it has decreased to about 11-13% (ibid, ACSA, 2014).

Since the adoption of the law over 550 thousands citizens have participated in the competition procedures to enter civil service, among them 130 thousands were appointed for the posts. Here it is important to note that the legislation test as part of selection procedure was a very important step in a country, where the traditions of the rule of law was downsized. So, in short, the first stage of reform was directed towards elimination of patronage-based system (ACSA, 2014).

As the country implemented the adopted legal framework the government faced certain issues to tackle. Among them are:

- lack of an unbiased approach of competition commissions (sometimes the results of a competition were predetermined);
- using loopholes in the legislation for so-called "team movements" by newly appointed minister/governor;
- low efficiency of using personnel reserve;
- high corruption;
- low role of personnel management services.

Taking these and the best international practices as well as the increasing expectations of society into account, President Nazarbayev approved in 2011 the *Concept of a new model of civil service* by defining its basic principles as meritocracy, efficiency, transparency and accountability to the society (ibid). Following this, principal changes in the legislation and 18 Decrees of the President were adopted in Kazakhstan in March 2013. Thus, in short, the new stage of reform was focused on introducing new instruments and mechanisms in human resources management. The main ones of them are as follows.

*1. Measures have been taken to improve the transparency and objectivity of competitions*

For the first time, the government introduced the practice of observers and experts. Observers can attend the interviews with the candidates, review the work of competition commissions and provide their opinion on their work to public body's management. The media and non-governmental organizations can perform as observers as well.

*2. Restriction of out-of-competition movements.*

Changes in the legislation that limit out-of-competition movements allowed solving this issue fundamentally. As a result, the number of rotations between government agencies has decreased by 30 times. At the same time transfers within departments have been enabled.

*3. Professionalization of HR units.*

In order to professionalize the state apparatus there is a need to professionalize HR units in state agencies and implement and properly enforce the new staffing technologies in civil service. An automatization of HR units' activities is expected to become possible with the introduction of "e-Kyzmet" information system in 2015. Importantly, specialized training courses for the staff members of those HR units have been developed at the Academy of public administration under the President of Kazakhstan.

*4. Professionalization of the civil service*

In 2013 President decided to decrease the number of political appointees by 8 times which has been considered by international

experts as an unprecedented manifestation of the political will and as a clear sign of a move towards professionalization of the civil service (G-global, 2014).

With the President's order the senior executive core "A" (similar to Senior Executive Service of the USA) was established. There are a special competitive selection procedure into the personnel reserve that serves as the only source of appointment, retention and termination of civil service as well as special qualification requirements. So, out of total 97,000 civil servants in Kazakhstan **550 positions** currently belong to senior executive core "A" (ACSA, 2014).

There is a significant attention devoted to civil service competency tests. Given the lack of experience in this field and the lack of scientific developments in Kazakhstan and companies specializing in these tests, one of the leading global companies *HILL International* has been involved in development and improvement of competency tests.

Now on the results of testing the National Selection Commission tasked to select candidates into core "A" reserve will have information about the eligibility of each candidate to 4 distinct groups - *strategic, organizational, economic, expert-analytical, financial and auditing*, as well as its relative ranking among all applicants.

Such open and competitive selection into core "A" helped the decision-makers explore ways of maintain the adequate human resources capacity of the national public administration and find new potential managers who previously under the patronage system went unnoticed. Other innovations included training, job rotation, and performance appraisal of the core "A" civil servants.

Kazakhstan also pays considerable attention to training of civil servants as a factor of professionalization of the civil service. In the soviet past there were very few HR experts; research on human resources management was not encouraged as it was the 'business of the Communist party' (Baimenov, 2000). The country is now putting considerable efforts into modernizing the training of civil servants and fostering Kazakhstani research on public

administration and civil service. Training programs of the Academy of public administration are being developed taking into account the real practical needs of civil servants (APA, 2014).

*5. Strengthening the system of ethical and disciplinary control.*

The law “On civil service” has been added with a new chapter on: Code of ethics and anti-corruption behavior of civil servants. An increased role of disciplinary committees of state agencies. Coordination of their activities with the Civil Service Agency. Importantly, political civil servants, who are heads of state bodies, governors **are now to resign** in case of corruption offenses made by their subordinates. Along with this, the new edition of the Law on civil service provides personal responsibility of the top officials for illegal HR management decisions.

*6. Improving the quality of public services delivery*

Law on public services delivery was adopted in 2013. The Agency has been given an authority to audit and externally monitor quality of public services. Importantly, a Public Council on public services delivery under the Agency was established that now includes representatives of academia, NGOs and the mass media. To assess the public services delivery since 2012 the Agency started satisfaction surveys among the recipients of public services (APA, 2014).

Notably, Kazakhstan has identified priority areas as next steps:

- increasing the protection of meritocracy (for instance, by creating a special Commission);
- increasing the effectiveness of ethics and disciplinary control (for instance, introduction of the Ethics Commissioner for the state authorities)
- Implementing talent management system and improve the quality of civil servants education;

Overall, it is important to mention that **the key performance indicators** of the new model of civil service are defined as the following:

- 1) The level of public trust in the system of competitive selection of civil service personnel;
- 2) The level of civil servants’ trust in the principle of meritocracy;
- 3) The level of citizens’ satisfaction with the availability and quality of public services.

Along with international cooperation, Kazakhstan is making significant efforts to promote *regional* cooperation. For this purpose, by the initiative of Kazakhstan and UNDP the Regional Hub of Civil Service in Astana was established, bringing together 33 countries and partners, including 13 countries of the CIS, the advanced economies, and international organizations such as the OECD, the EU, the World Bank, USAID and others. Regional hub is seen as an institutional platform for a continuous exchange of knowledge and experience in the civil service field. The hub is now expanding as other countries are noticing its value and joining as new participants (ACSH, 2014).

President Nazarbayev within the efforts of implementing the Strategy Kazakhstan-2050 and reaching the development of top 30 developed countries guides Kazakhstan to comply with *the OECD international standards*. Recently, a special Council on OECD under the President was established, and this underlines the priority of this field of international cooperation. Within the framework of fostering international cooperation Kazakhstan annually organizes the Astana Economic Forum attracting global thinkers for discussion of solutions to the problems of the world economy, civil service etc (G-global, 2014).

## Armenia

### 1.1. Transition to market economy

The transformation to a market economy was started in the early 1990s, with Armenia rapidly developing as one of the strongest reformers of the former Soviet states. The change from a centrally planned welfare state to a market economy was very costly in terms of providing insurance and security for citizens. Russia could not supply these countries with budgets. The republics of Armenia, Moldova, Georgia, Ukraine, and Belarus were measured as middle-to-low-income states (Grais, Wafik 1992). Hyperinflation of the ruble, the absence of the tax collection base, diminish in income from output and the rise in the unemployment all contribute to the lack of financing the administrations needed to actualize these changes in the early 1990s (Grais, Wafik 1992). Structural



changes were presented, starting with a wide privatization program and the establishment of a transparent legitimate system for the improvement of a developing private sector, with an early concentrate on opening the banking and energy sectors. Amid this early period of transition, the generally instructed Armenian workforce, numerous with specific specialized abilities, assumed an important part and gave a paramount stimulus to quickening the reform program. The arrangement of 10 activities spreading a dozen years —backed Armenia's economic reform program to restore and keep up macroeconomic strength, make conditions for financial development, and enhance living conditions. These expansive ranges would structure the establishment for the change of the economy from an unified model to a business based one. The project incorporated a recovery credit for 1995-1996, five structural change credits somewhere around 1996 and 2004, two structural adjustments technical assistance credits around 1996 and 2002, and two neediness diminishment help credits starting in 2004 and ongoing. The technical assistance tasks backed the usage of the eight modification operations by giving the important expertise to reinforcing organizations (IDA, 2007).

Armenia had different barriers, which confounded its transition to a market economy. Reliance on oil imports and energy resources made Armenia vulnerable. It expends a lot of oil every year and is greatly vulnerable to oil costs. Political circumstances and geographic clashes have aggravated Armenia's situation. The land argument about the enclave of Nagorno-Karabakh with Azerbaijan resulted in an economic blockade forced by Azerbaijan in 1988 on Armenia. This blockade made Armenia even more vulnerable to its oil needs and foreign imports. In 1988 Armenia also experienced a setback because of devastating earthquake. The blockade kept support from Russia and the West from entering Armenia.. The principal IMF credit to Armenia was made in 1994 and aggregate giving reached at about \$210m. The vast majority of this loan was under Poverty Reduction and Growth Facility (PRGF), which used to be known as the Enhanced Structural Adjustment Facility (ESAF) (Odling-Smee, 2001).

The economic growth in Armenia had peculiarities that can be considered as sources of vulnerability of economic performance

during shocks. The Armenian economy could be described as: (i) narrowly based; (ii) lowly diversified by sectors; (iii) microeconomic biases with low share of small and medium-size enterprises, which would facilitate the entry of new firms and the growth of small enterprises and consequently contribute to faster job creation, employment growth and unemployment reduction; (iv) one in which remittances play an important role in the economy and mitigate the impact of the transition on the welfare of households; and (v) an economy in which the share of informal sector is large (CRRC-Armenia, 2011).

## **1.2. Public administration and civil service reforms**

- Armenia's public administration system development, in conjunction with political and socio-economic reforms, necessitated the re-conceptualisation of the role of the state. Gradually, the state shifted from directly influencing the public administration to a partner that regulates, stimulates, assists and sets "the rules of the game." As a result, the following contemporary principles and approaches have been given more attention:
- the decentralisation of vertical structures of administration and the strengthening of horizontal connections;
- the delegation of more authority, functions and responsibilities to lower levels of government;
- the improvement of communication and information flow in all directions;
- emergency and crisis management;
- programme-oriented management, prioritised to cope with contemporary problems (e.g., reconstruction of the earthquake zone, strengthening of border areas, protection of Lake Sevan, creation of market infrastructures and the development of small businesses);
- the streamlining and merging of public administration bodies to achieve maximum efficiency and effectiveness.

The reorganisation of the public administration led to the elimination of several tasks that were no longer necessary, while expanding and adding other duties. The following issues formed the basis of public administration reform efforts:

- the identification of the volume and types of activities of the public administration in relation to the current state of political and economic development;
- the election of adequate bodies of public administration;
- the distribution of administrative functions between various public administration bodies in order to avoid both duplication and “vacuums” whereas certain tasks are not covered by any administrative division.

The new role and responsibilities of the public administration required new mechanisms of effective functioning, as well as new legal and organisational approaches. In particular, the public administration was at least partially responsible for the creation of favourable conditions for market competition, the implementation of anti-trust policies and for the management of the civil service.

The extent of the participation of any given body in the complex system of public administration is also very important. Public administration organisations in Armenia, according to the nature of their functions, are divided into the following groups:

- central authorities (the government of Armenia);
- functional administrative bodies;
- sectoral administrative bodies;
- territorial administrative bodies.

The mergers of ministries were designed to improve the ministerial structure, eliminate duplication of functions, downsize the management and enhance the effectiveness and efficiency of the administration. In general, these mergers involved decentralising administrative functions, delegating tasks to lower levels of the administration and achieving a new balance between centralisation and decentralisation (Annual reports of the Ministry of Statistics). The results of these mergers and subsequent procedural reforms led to the following results:

1) Administrative reforms in the manufacturing sectors (agriculture, industry, construction) were tightly connected with the privatisation process. More than ninety-five percent of agricultural land and production means, more than half of industry, and a significant part of the construction sector was privatised. As a result, many economic entities emerged – approximately thirty-

eight thousand organisations and forty thousand individuals have registered with the appropriate authorities.

2) In the agricultural sector, three hundred and twenty-one thousand personal farms and two hundred and seventy-three collective farms replaced eight hundred collectives. In addition, economic organisations were granted the right to independent economic activity.

3) The means and methods of exercising power in the sectoral administration also changed – sectoral ministries ceased directly influencing the manufacturing and agricultural sectors and assumed a new role appropriate to contemporary needs, including:

- developing and implementing sectoral development strategies;
- ensuring legal regulation of economic activities;
- implementing foreign economic policy;
- encouraging investment;
- creating a competitive environment in the given sector.

## Tajikistan

### 1.1. Transition to market economy

During the last years of the Soviet Union, Tajikistan decided to follow others and started a move from the traditional Soviet model to a market economy. In 1991, Tajikistan authorized the renting and privatization of governmental enterprises (except the ones that were critical to national security). However, not everyone liked this move; especially individuals who had influential positions or possessed technological secrets in the industry and some politicians who were against any kind of market reforms. These people assured that the old system was still efficient and that everyone just needed to work a little bit harder. This opinion was popular after the rapid increase of inflation rates caused by the initial reform stage. The transition itself was slow because of distrust, fear, and anger people expressed to state government after the economic shock. As a result, during the first year of independence, less than five private farms were created.

In 1992, Tajikistan established the Tajikbankbusiness, its first commercial bank created with the goal to invest in the country's

economy. The bank tried to set up international links with many countries including the United States, China, Saudi Arabia, and United Kingdom. The Soviet ruble was used in Tajikistan until it was replaced with the new Russian ruble in 1994. When the country joined the Russian ruble zone, Russia wasn't able to send enough currency to keep Tajikistan's economy in good shape. In 1995, Tajikistan finally quit the ruble zone and introduced the Tajikistani ruble. The initial exchange rate was about 50 Tajikistani rubles to \$1 USD, but by January 1996 the rate was already 280 per \$1 USD (Curtis, 1996).

## **1.2. Public administration and civil service reforms**

Considering the Tajik model of civil service, it represents a positional model. It is characterized by such features as selection on civil service on a competitive basis and rapid promotion is not possible as it is necessary to maintain competition to any position despite the length of service and experience. One of the signs of the Tajik model is competitive selection on civil service. For understanding of features of the Tajik civil service, a place and a role in policy of the state it is necessary to track the main stages of its development which can conditionally be divided into four stages (Djamshedov D. N. 2004):

**1 stage (1991 - 1995).** Declaration of independence of Tajikistan set the task for the young state - to improve qualitative structure of cadres of civil service, to adapt it for new realities. However, in the period from 1991 to 1995, there was no legislation on the principles of the civil service in Tajikistan. In practice, only Soviet-era nomenclature principles of gradual advancement and adoption of the civil service to meet professional requirements co-existed (ibid).

With acceptance in 1994 Constitutions of the Republic of Tajikistan the institute of civil service got a strong constitutional and legal basis (p.2, p. 7) the citizen can carry out the right for participation in government directly or through representatives (p.1, p. 27 of the Constitution) (Constitution of the Republic of Tajikistan, 2003). The right for civil service is connected with direct participation of citizens in government. The constitution of the Republic of Tajikistan, establishing the equal right for access of citizens to civil service, any requirements for arriving on civil service were not

fixed, for example: abilities, suitability to service, an education level, progress in office activity of candidates, etc. Realization of the specified constitutional law is in details regulated in acts.

**2 stage (1995 - 1999).** The further development of constitutional norms about equal access of citizens to civil service in legislative practice of the republic was implemented with adoption of the law of the Republic of Tajikistan on November 13, 1998 No. 677 "On civil service" (The law of the Republic of Tajikistan No. 677, 1998) which played a noticeable role in stabilization of government activity, definition of the status of civil servants, initiated the process of formation of civil service in the Republic of Tajikistan. In this law which worked within nine years, the modern understanding of essence of civil service for the first time was standardly issued. During its existence it was much made for formation of civil service. It is important to note that civil service became object of attention of arising institutes of civil society. Formation of organizational, scientific and methodical, educational and information infrastructure of civil service began. Civil service as social and legal institute became object of scientific researches and among scientists and experts (Karimov K. M., 2007).

**3 stage (1999 – 2007).** During this period the law "About Civil Service" of the Republic of Tajikistan on November 13, 1998 No. 677 became invalid and the new law "About Civil Service" enters in force from March 5, 2007 No. 233 which conforms to new requirements and standards to civil service, and also in 2001 the Constitutional Law of the Republic of Tajikistan on May 12, 2001 No. 28 "About the Government of the Republic of Tajikistan" was adopted in a new edition, which became the basis for structural changes in executive power. According to it for short term were developed and accepted next changes: The decree of the President of the Republic of Tajikistan on June 4, 2002 No. 853 "About system of central executive authorities of the Republic of Tajikistan"; Decree of the President of the Republic of Tajikistan on October 9, 2002. No. 926 "About creation of Institute of professional development of civil servants of the Republic of Tajikistan"; Register of the state positions of the Republic of Tajikistan and annex to it "Qualification requirements for the state positions of civil service" 2002 and 2008; The Provision on the HR department, approved by the Decree of

the President of the Republic of Tajikistan on March 10, 2003 No. 1031, and a set of other normative legal acts of local character. All above-mentioned regulations made a certain contribution to improvement of office climate of government and improved the legal status of civil servants, order revenues to civil service and its performance, the role of HR department etc.. However, despite all this the regulatory base on civil service there remained some room for improvement. Adoption of regulations in various directions the most important of which were acts of social guarantees, preparation and retraining of civil servants and the concept of civil service was necessary for this purpose.

**4 stage (2007 - to present).** Continuation of reforming of system of civil service in the Republic of Tajikistan is carried out, new changes and additions are entered into the Law "On Civil Service", in particular obligatory competitive selection to administrative positions is established, qualification requirements to civil servants are established, the certain head of ethical control and performance appraisal of civil servants has been recently introduced (Official website of the Department for civil service affairs under the President of Tajikistan, 2014).

## Azerbaijan

### 1.1. Transition to market economy

The years after the independence, economically can be divided into two main periods. The period of 1991-1995 was characterized by economic chaos and regression. The period after 1996 was an increase in macroeconomic stability and dynamic economic development. The first period was strongly aggravated by political (unstable political situation during 1991-1993), military (20% of the territory of Azerbaijan was and still is under the occupation of Armenian military forces as a result of Armenia's military aggression against Azerbaijan. The majority of the one million refugees from Armenia and internally displaced persons from the occupied regions of Azerbaijan are still forced to live in unbearable conditions in refugee camps. Even though most of the refugees and IDPs are capable of working, they do not have permanent jobs and have to make their



living on random incomes and meager governmental allowances) and economic (the break up of mutual cooperation ties and economic relations that were formed over decades between the former Soviet states, have led to a rapid decline in production rates, limitation or suspension of production activities by most of the enterprises, widespread unemployment and reduction of salaries, as well as the rise of inflation. The actual economic capacity of Azerbaijan was disregarded in governmental efforts to increase salaries and improve the social security climate together with the introduction of numerous benefits for various groups of the population, in which this further encouraged inflation which ultimately led to hyperinflation) problems faced by the Republic of Azerbaijan.

The process of liberalization of price policy and foreign economic activities was started in the Republic of Azerbaijan over that period. The liberalization processes led to abrupt raise of prices in Azerbaijan until 1995. The price of consumer goods increased in 1991 by 2.07 times against figures of 1990, and was growing in several times every year (10.12% times in 1992, 12.3 times in 1993, 17.63 times in 1994).

The legalization of economic reforms was also reflected in adoption of the State Programme "On Business Development in Azerbaijan (1993-1995)" in 1993. Considering that only sporadic unmethodical activities were taken in place of serious reforms in business sector until 1993, the adoption and implementation of the programme played an important role in the achievement of positive results in that area (increase in the number of small and medium enterprises, expansion of foreign trade relations, etc.). Within a short historical period after the independence and even in spite of the unfavorable starting conditions, significant results were achieved in the fields of socio-economic development and integration into the world economic system as the result of far-sighted policy and intensive activities of the late President of Azerbaijan, the national leader Heydar Aliyev. The greatest achievement was that the Azerbaijani model of the state system establishment and development was established over the past period.

The second stage of economic reforms in the Republic of Azerbaijan was based on a number of large-size political documents (concepts,

strategies and programmes) which were either adopted and successfully realized (the State Assistance Programme to Small and Medium Businesses in Azerbaijan (1997-2000), the State Programme of Small and Medium Business Development in the Republic of Azerbaijan (2002-2005), the State Programme of Mechanical Engineering Industry Development in the Republic of Azerbaijan (2002-2005), the State Programme of Agricultural Development in the Republic of Azerbaijan (2002-2006), the Concept of Demographic Development in the Republic of Azerbaijan, the State Programme of Tourism Development in the Republic of Azerbaijan during 2002-2005, the State Programme of Poverty Reduction and Economic Development in the Republic of Azerbaijan (2003-2005), the State Programme of Socio-Economic Development of the Regions of Azerbaijan (2004-2008), etc.) or at the stage of adoption (the Employment Strategy of the Republic of Azerbaijan, Integrated Strategy of Trade and Investments in Non-oil Sector, etc.). Among the principle directions of consecutive and systematic economic reforms in Azerbaijan was the privatization of state properties and establishment of favorable conditions for free businessmen. Land and agrarian reforms are institutionally completed already. Over 1695.1 thousand hectares of land were passed free of charge to villagers, while kolkhozes and sovkhoses were transformed into farms. 99.8% agricultural products are currently produced by the private sector. This process encouraged significant socio-political changes and increased economic efficiency of various agricultural sectors. This has also led to significant reduction in importation of food products (e.g. meat and dairy products, potatoes and onion, etc.) over the last few years (Portal, 2010).

## **1.2. Public administration and civil service reforms**

Azerbaijan has been doing a lot in political reforming and institution-building, particularly with respect to establishing a functioning market economy, a healthy financial and banking system as well as ensuring high and sustained levels of GDP growth. These steps forward in the economic realm have allowed the Azerbaijani government to decrease poverty levels fivefold; implement privatization as well as ensure social stability, all being key conditions for successful political change. Beyond the market, however, the need to tackle directly political reform has become increasingly apparent.

Another important part of institutional reform is the rationalisation and improvement of public administration structures. In this regard, some measures have been taken to rationalise through the merging of government agencies. So far nearly 30 central government structures have been either liquidated or merged and new ones established. The government aims to provide key social and economic services for the citizens and help to remove impediments to growth and employment in the non-oil sectors through efficient management of the country's natural resource wealth. In order to achieve this it is important to improve the existing governance, policies and institutions for public expenditure management. The overall aims of public administration reform are:

- To improve governance, financial discipline and transparency
- To improve resource allocation and use
- To improve the efficiency of programmes and services

Although 30 central government structures have been reformed, it is still considered necessary to continue with these reforms in order to rationalise the existing government structures. Public administration reform envisages a close review of the mandates and expertise of separate government agencies since there is still significant duplication of functions in most of the government agencies dealing with economic issues. Therefore, it is intended to continue structural reforms with a view to ensuring the efficient functioning of different government agencies particularly in the agricultural sector. (World Bank, 2003).

## **Ukraine**

### **1.1. Transition to market economy**

After the Soviet Union collapse Ukraine was one of the poorest countries among former Soviet Union states. Statistics for the time are notoriously uncertain, but the best ones available show Ukraine's GDP at just \$1,307 per capita. Only Azerbaijan, Georgia, Kyrgyzstan, Tajikistan, and Uzbekistan lagged behind Ukraine; even Moldova and Turkmenistan, generally regarded as very poor Soviet republics, were ahead of Ukraine. Ukraine inherited relatively good infrastructure and capital stock, in many respects what was built then was not maintained.

Ukraine's economy contracted annually between 9.7 and 22.7 percent in 1991–1996. The country faced with hyperinflation and an exceptionally huge production cut for a country not ravaged by a major war. Official GDP collapsed by almost half from 1990 to 1994, and slow decline continued throughout the decade. Economic growth would not resume again until 2000. The budget deficit was, at 14.4 percent of GDP, exceptionally large. Barter and the use of surrogate moneys and foreign currencies prevailed. Ukraine had introduced a sovereign currency, the hryvnia, but it was little used. A shadow economy swelled and compensated for an unknown share of the economic collapse. Political instability hindered the building of functional administrative institutions like tax authorities, and escaping into the untaxed shadow economy was easy. Corruption also helped ease that transition. As the tax base grew narrower, attempts to increase tax revenue often meant that what could be taxed was taxed too heavily. It forced many people and enterprises into the shadow economy. In the process, any respect for law tended to evaporate. This was not a good environment for competition, investment, and growth of new industries (Sutela, 2012).

## **1.2. Public administration and civil service reforms**

Independent Ukraine inherited Soviet state machinery with public authorities formed by representatives of Soviet communist party nomenclature as well as model and culture of public administration. Therefore, bad governance and its inalienable concomitant corruption became a kind of system disease which emerged as a result of new democratic and market conditions faced by the state machinery unable to cope with them due to its identity with soviet model closed from the society. In these circumstances, transparent and accountable policy could not be provided without change of the model, the structure of state machine, mechanism of decision making and reform of public sector. Reluctance to reform state bureaucracy fostered absence of legitimate procedures of lobbying interests of different groups of society, of consultations with citizens concerning policy development and realization, not to mention direct participation of society representatives in policy making. This resulted in several sequels, namely, coalescence of power and big business; regulatory policy oriented at interests of separate influential groups; negligence and prejudice of judges. The

privatization scheme was non-transparent and beyond the rule of law; this gave birth to lawless clannish monopolistic formations which by using connections with public authorities ensured own sky-high profits and great damage for the state and the people. Thus, independent Ukraine's elites from one side did not know how to react to new realities, and from another one – there was absence of political will to bring about adequate response to those challenges.

The contemporary Ukrainian politics produces an effect of muddle. During 2005-2008 Ukraine went through four changes of the Cabinet of Ministers, two parliamentary elections – regular in 2006 and pre-term parliamentary elections in 2007; numerous leadership reshuffles in local public authorities. Generally, the political situation in post-revolutionary Ukraine resembles circle: parliamentary elections – creation of coalition with appointment of new government – political crisis and loss of legitimacy by leading political parties – reelections when partly legitimacy somewhat restores – and again the beginning of the circle. At the same time, nobody tries to tear this circle (Popovych, 2012).

## **Russia**

### **1.1. Transition to market economy**

After dissolution of USSR three basic issues emerged fairly quickly: liberalization, stabilization and privatization. Liberalization was seen as the first element of transition, consisting of both internal and external liberalization, meaning eg price liberalization, as well as the liberalization of foreign trade and entrepreneurship in the formerly closed and state-controlled economies. Stabilization was and still is an essential part of any macroeconomic reform package. Bringing down high inflation and balancing government budgets were rightly seen as crucial preconditions for future growth (Gros and Steinherr 1995). The importance of privatization was partly based on the need to harden the Russia, privatization was initially based on voucher give-aways, which generally led to insider ownership and continued political control. In numerous instances, local politicians and managers in fact seized control of privatized former state enterprises, giving rise to 'grabbing hand

privatization'<sup>1</sup>. The second round of Russian privatization, the large auctions in the mid-1990s, on the other hand, contributed to the rise of oligarchs and raised considerable criticism, both inside and outside of the country (Boyko et al, 1995).

These three issues later formed the backbone of the so-called Washington consensus, a broad agreement – especially among the Washington institutions, the IMF, World Bank and US Treasury – on guidelines for successful transition.<sup>2</sup> Somewhat later much emphasis, both in economic theory and in policy analysis, has shifted towards reform implementation and the institutional arrangements. A wide range of institutions has been named as essential in successful transition, including property rights, law enforcement, and social norms and trust.<sup>3</sup> A major challenge of economic transition still today concerns the role of the government and public institutions. In most variants the socialist economies were overly centralised, overly regulated and overly bureaucratic but none of the bureaucracies had any means of efficiently operating in a market environment. Therefore shifting the incentives of politicians and bureaucrats towards goals compatible with functioning market economy has become all more important (Shleifer, 1997). Decentralization of economic decision-making has been proposed as one potentially fruitful means of tackling the issue. Due to the vast geographical area and formally federalist structure, decentralization and evolving fiscal federalism has indeed been a salient feature of Russia's economic transition during the 1990s.

## **1.2. Public administration and civil service reforms**

As other former soviet union countries embarked on administrative reform, Russia started its own reform that could be divided into 5 time periods (Administrative reform portal, 2014).

### ***1 stage (1992-1993)***

At the first stage measures for reorganization of government and formation of concrete federal executive authorities were taken which on the typology and competences differed little from the Soviet ministries and departments.

### *2 stage of administrative reform (1996-1998)*

In September 1996 a policy memo "On the problem of weak management of state processes" was presented to the Russian President. In that paper the need for drafting a concept of new system of executive power was stressed as the main problem. Key ideas of this paper found reflection in the State of the Nation address of the Russian President in 1997 titled "Order in power - order in the country".

In May 1997 five working groups of experts were established to draft the Concept of administrative reform. Notably, from September 1996 to May 1997 twelve versions of the Concept of administrative reform were drafted.

In the final version of the Concept the following were noted as the main problems:

- citizen and power;
- executive power: new functions;
- problems of civil service;
- corruption in top management.

Discussion of the draft of the Concept of administrative reform took place on March 13, 1998. Participants of the meeting insisted that there were no grounds to start its implementation until 2000. In May 1998 the Concept was handed to the new Russian Prime Minister S. V. Kiriyenko for the purpose of publication, but it was left unpublished.

### *3 stage of administrative reform (1999-2000)*

Since fall of 1999 the center of development of problems of administrative reform moved from the Administration of the Russian President to the Center of strategic developments - the election campaign headquarters of V. V. Putin as the acting Russian Prime Minister.

In the beginning of 2000 the Center prepared the Concept of state construction which absorbed the main ideas of the Concept of administrative reform of 1998.

In the section "Power and Society" high degree of disharmony of the relations between the government and society was emphasised. It was claimed that the executive power was reproducing the soviet



management system. In the section “Policy of Changes in civil service” it was argued that civil service had to be established based on the principles of meritocracy, openness and free access. These ideas were short-lived, however. Due to the presidential elections and the policy shift towards strengthening of the power vertical, federal relations, change of the upper house of the Federal Assembly of the Russian Federation, etc. Thus, the administrative reform was once again postponed.

#### *4 stage of administrative reform (2003-2005)*

In 2003-2005 administrative reform was practically carried out in the following directions:

- optimization of functions and structure of executive authorities;
- reforming of civil service;
- improvement of administrative procedures;
- creation of administrative justice.

#### *5 stage of reform (Program of administrative reform for the period until 2008)*

In the second half of 2004 the Concept of administrative reform in the Russian Federation for 2006-2008 was approved.

The concept of administrative reform provided among others:

- measures on introduction into the work of executive authorities of the principles of management by results;
- introduction of standards of the state and municipal public services;
- increase of system effectiveness of public procurement;
- creation and implementation of special regulative measures in corruption prone fields;
- completion of revision of excess and duplicating functions of executive authorities and elimination of inefficient state intervention in the economy;
- ensuring transparency and efficiency of interaction of executive authorities with civil society.

The concept was aimed, first of all, *at enhancing the institutional capacity of the national public administration* to achieve concrete results and also increase the quality and availability of public services and minimize the costs of inefficiencies in public procurements.

Immediate results of the Concept implementation were envisioned to be in the form of:

- 1) creation of public administration capable to achieve socially significant measurable objectives;
- 2) decrease in costs of doing business due to reduction of administrative barriers (by three times);
- 3) creation of the new markets for services by private businesses as a result of withdrawal of the state from certain spheres where its presence was not desirable ;
- 4) improvement of quality and availability of public services to citizens;
- 5) increase of trust of citizens and business in public institutions (Migin S., 2008)

## Georgia

### 1.1. Transition to market economy

The evolutionary and the so-called “shock” methods were in the initial stages of Georgia’s social-economic reforms transformation of the economy. Which one would be adopted would depend on the country’s capacity to undertake evolutionary and revolutionary transformations respectively. Both options came with supporting arguments, and researchers into transitional economies had different opinions. Most socio-political forces supported the idea of a gradual transition to a market economy, but at the beginning of 1990<sup>th</sup> the economies of many transition countries suffered a severe shock and more radical changes had to be made. It should be noted that at this period the new economic mindset contradicted the old stereotypical mindset, and this significantly delayed the implementation of reforms. The downfall of the Georgian economy began in 1990 and continued for another five years; this was partly the result of political conflict and ethno-political wars. During 1990-1993 Gross Domestic Product (GDP) decreased by 28% a year on average, and in terms of purchasing capacity fell from USD 4,433 to USD 1,437 per capita. By 1995 production had decreased by 78% compared to 1990, a fall three times greater than that during the “Great Depression” in the US. In addition, although the other post-socialist countries of Eastern Europe suffered the same decline, it lasted for an average of 4 years in these countries, but 7 years in specifically post-Soviet countries. Although Georgia’s decline lasted for a relatively shorter time it was the deepest. Furthermore,

economic activity largely moved into the shadows, the black market overtaking the official economy.

Georgia was the last post-Soviet country to begin to peacefully construct its state and transform its economy. Not until 1995 did the Georgian economy begin to recover from crisis, supported by institutional transformation. The peak of economic growth was seen in 1997, when GDP grew by 10.7%, the highest rate prior to the “Rose Revolution”. But the growth rate then deteriorated dramatically, and the Russian financial crisis of 1998 significantly handicapped economic development, leading to inflation. This first catastrophic inflation caused an increase in the value of foreign currency in Georgia, in particular the US dollar, and in the size of the shadow economy, which as a coefficient of dollarisation reached its height by the end of 2003 – at 86% of the whole economy. In fact a two-currency zone existed in Georgia: local currency was used to cover immediate expenses, small business transactions and consumer costs, and the US dollar was used for large business transactions, larger consumer expenditures and making investments.

The biggest problems in the Georgian economy were the hyperinflation from the beginning of the nineties, low revenues accruing to the state budget and the financial crisis of 1998. And also, Georgia had the fundamental problems characteristic of an underdeveloped economy: a budget deficit, increasing state debt, low monetisation, a weak banking system and insufficient progress on institutional and structural reforms. Transformation progressed slowly; market mechanisms operated in a poor and weak manner. Strong administrative interference in the activities of market institutions prevented the development of a private sector and stimulated corruption and the formation of a new state oligarchy. To this can be added the immovability and stagnation in the attitude of the state; the level of monetisation was very low, and this indicated the limited role banks were playing. Due to the low levels of savings, the preponderance of cash transactions and the high dollarisation coefficient, the development of banks took place within a limited, closed environment. The low level of investment also contributed to the instability of the economy, and the high dollarisation increased Georgia's dependence on external factors, which, in case of the devaluation of the dollar, had a negative impact on the growth of the national economy and the value of goods

produced in Georgia. These and other indicators demonstrated the generally weak financial condition of Georgia, but the dynamics were slowly improving (USAID, 2012).

## **1.2. Public administration and civil service reforms**

In Georgia like in the most post-soviet states, new forces came to power and their 'new order' moved in different directions in the late 1980s and early 1990s. Due to different conditions in these states, different social structures and state-society relations evolved. After national protests against the Soviet regime in 1989, and breakup of the USSR in 1991 – the first national elections were held, in which the "Round table, free Georgia" party won and Zviad Gamsakhurdia became president. This was followed by two ethnic wars in Osetia and Abkhazia, and a civil war during 1991-95. In 1992 Eduard Shevardnadze became leader of "Citizen's union of Georgia" party and was president from 1995 until the Rose Revolution. In November 2003 on the wings of this revolution, the "Nationalists" party came to power, and young Mikheil Saakashvili, leader of the party, won the presidential elections in February of 2004 with great support from the population (almost 90%). Later, following political tensions of late 2007, the country has faced out of turn Presidential elections in January and parliamentary elections in spring 2008, where Saakashvili and 'his party' won again. Later on, state development was deranged with Russian-Georgian war in August 2008 for Georgia's break-away region of South Ossetia.

One of the major issues related to corruption and Georgian political society, often mentioned was the problem of family clans and involvement of relatives in power structures (Tsitsishvili, 2010).

## **THE PUBLIC ADMINISTRATION REFORM TRAJECTORIES: COMMONALITIES, DIFFERENCES AND CONCLUSIONS**

The development of the post-soviet countries since 1991 can be divided into 3 stages. In the first stage (1991 – 1995) the nations were gaining political independence, international recognition, accessing to international organizations etc. Clearly, during this period the GDP of the countries dropped significantly. The second stage (1996 – 2000) was characterized by strengthening of national sovereignty, creating of the private sector, currency, taxing and customs systems leading to decrease in inflation and some macroeconomic stabilization. The third stage (2001 – present) has been witnessing the

revenue maximization of natural resources, public administration and social reforms.

By 2010 Azerbaijan, Belarus, Kazakhstan, Turkmenistan and the Baltic States exceeded the GDP level of 1991. Ukraine, the second largest economy after Russia failed to ensure continued sustainable economic development. The recent political crisis exacerbated the situation. In Armenia, predominantly industrial country with significant scientific potential, the problems of transition were exacerbated by the earthquake of 1988 and the armed conflict with Azerbaijan. Since the early 1990s Armenia found itself in a blockade as automobile and railway networks between Azerbaijan and Armenia were terminated, and the railway connection to Russia via Georgia was also stopped due to the Georgian – Abkhaz conflict. Tajikistan is suffering from much more serious challenges. The civil war (1992 – 1996) led to significant human losses of more than 100 thousand (that is more than the country lost during the Second World War). These all point to the significant decrease of human resources capacities that complicated the transition.

What is clear is that the undertaken public administration reforms do not demonstrate a concerted attempt of transition but rather policy choices affected primarily by domestic political discourses and initial socio-economic conditions. The available information about the reform efforts and statistical data that was not collected regularly inevitably limits the depth of inferences to be drawn. Having said that certain development trends among the countries studied appear noteworthy.

**Table 2**

Country	TI CPI rating		GDP per capita USD current prices		WGI government effectiveness	
	1996-99	2013*	1991	2013	1996	2012
<b>Kazakhstan</b>	84 (out of 99)	140	1512	13172	-1.07	-0.44
<b>Armenia</b>	80 (out of 99)	94	589	3505	-0.41	-0.04
<b>Tajikistan</b>	124 (out of 133)	154	468	1037	-1.46	-0.93
<b>Azerbaijan</b>	96 (out of 99)	127	1209	7812	-0.94	-0.78
<b>Ukraine</b>	69 (out of 85)	144	1490	3900	-0.71	-0.58
<b>Russia</b>	47 (out of 54)	127	3427	14612	-0.52	-0.43
<b>Georgia</b>	84 (out of 99)	55	1310	3602	-0.67	0.57

Sources: TI (2014), WGI (2014). \* out of 174 countries

We can see from the *Table 2* that Kazakhstan, Armenia and Tajikistan from the mid 1990s to present progressed on government effectiveness by about 50 percentile points towards improvement, although all of them stagnated on their Corruption Perception Index during the same period. It is worth noting that the GDP per capita of Kazakhstan and Armenia increased 7 times, perhaps due to natural resources revenues. Azerbaijan, Ukraine, and Russia remained relatively slow in increasing the government effectiveness, whereas among all the above countries Georgia made a meaningful progress in government effectiveness from -0.67 in 1996 to 0.57 in 2012 which is backed by its significant improvement on CPI from 84<sup>th</sup> place out of 99 countries in the mid 1990s to 55<sup>th</sup> place out of 174 countries in 2013. The general trend though among the studied countries, except for Georgia, is the persistently low government effectiveness and high level of corruption.

The purpose of reforms in these countries was somewhat similar – fast transition to market economy and solving the accumulated socio-economic problems (short and medium term). The prescribed measures of the Washington consensus penetrated the national agendas of these countries leading to waves of privatization of public assets and deregulation unfortunately often accompanied with rampant corruption.

All the countries studied managed to establish some form of civil service system with Kazakhstan being the first to adopt a law on Civil service and establish a specialized civil service agency whereas Russia even until today failed to establish such a specialized state agency. Overall it can be argued that civil service reforms in these countries need further development.

Besides Kazakhstan none of the studied countries established performance appraisal of civil servants in its full form found in the Netherlands, the UK, Canada, for instance. Kazakhstan is currently advancing in appraising the performance of its senior executive core “A” and other mid career professionals. It is also actively using performance management of state agencies based on certain criteria such as the quality and timeliness of public services delivery etc.

Overall, the post-Soviet countries since independence have been witnessing political and socio-economic consequences

of disintegration of the USSR. Politically countries regained sovereignty after 70 years, the national elites started enjoying international recognition. Arguably, the people who were close to former top management of the countries enjoyed preferential access to prestigious positions in civil service and public assets. The new political and business elites of the countries were faced with the challenges of nation building, mental shift in society and new geopolitics. The initial years of independence demonstrated different maturity and human resources levels when it came to political issues. Internal and international conflicts (Georgia, Armenia, Azerbaijan, Tajikistan etc) emerged pointing to the lack of leadership, negotiation skills and credibility of certain leaders.

Coming back to the discussion of sustainable development it is worth noting that the above analysis of countries' development trajectories and chosen policies points to the paramount importance of adequate institutional and human resource capacities. Building such capacities requires conscious and continuous investments such as Kazakhstan's Bolashak scholarship to finance most talented youth to study at best universities and come back with a different, progressive, mindset to instill change. Another example of efforts is anti-corruption measures of Georgia.

To sum up, it is useful to note that the civil service reform in the studied countries is ongoing and currently needs further professionalization, depoliticization and capacity building. Political interference is a common deficiency that exacerbates the weak institutional capacity to implement long-term reforms. The lack of a tradition of robust research in the field of HR management as a consequence of the soviet period results in the significant lack of institutional and HR capacities. Furthermore, following the prescriptions of the Washington consensus by the post-Soviet countries led to the loss of public assets, institutional capacity and socio-economic distress.

From a broader perspective, one can argue that the trajectories of the studied countries differ besides other factors partly due to chosen priorities of national development agenda which subsequently determined overall socio-economic performance and human resources capacities of national public administrations.



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