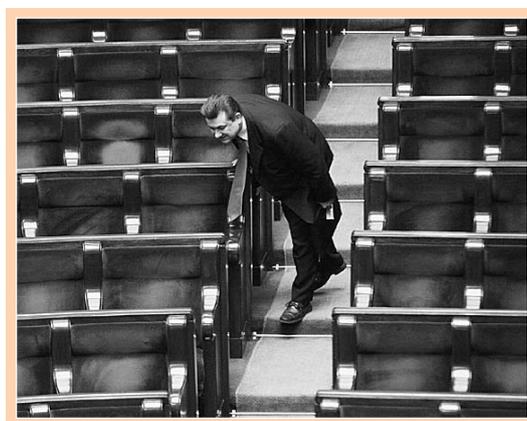


Reform of the State

Due in large measure to governance failures, the world is now facing its worst economic crisis since the 1930s. Governments are increasing their roles in national economies—often significantly, hastily, and without thorough examinations of the mistakes that made the crisis possible. Advocates of ‘minimal’ or ‘right-sized’ states are now yielding the field to the forces of politics and circumstance. However, alternative governance paradigms that would address both the failings of state reform and the needs of the bottom billion have yet to decisively emerge. These issues are particularly pressing in the middle-income countries of Europe and Central Asia, where governance reforms are recognized as the solutions to problems of development, transition, and democracy.

In this issue of *Development and Transition*, Jan Zielonka challenges the Cassandras who argue that the economic slump will place inordinate strains on Europe’s new democracies. Tony Verheijen argues that the economic crisis could open windows of opportunity for ‘long overdue’ state reforms across the region. Laurence Whitehead suggests that changes in the distribution of income, wealth, and social status (rather than in income levels) could be key to explaining differing democratization outcomes. Dafina Gercheva, Joe Hooper, and Alexandra Windisch-Graetz underscore the importance of developing state capacity for ensuring that democratization actually benefits vulnerable groups. In a *Development and Transition* interview, Thomas Carothers contextualizes the results of state reform and democratization in the region, and considers the Obama administration’s emerging approach to democracy promotion.



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Since corruption is frequently viewed as a scourge of good governance, anti-corruption efforts often figure prominently in reform agendas. Damir Ahmetović’s research indicates that 90 percent of civil servants in the Balkans believe that corruption has an impact on their personnel policies. Unfortunately, Daniel Smilov presents a worrisome indictment of the performance to date of the region’s anti-corruption institutions. Guy Dionne suggests that more transparent, results-based budgeting could reduce corruption and improve local service delivery in Bosnia and Herzegovina’s Upper Drina Valley. Research from UNDP-Kyrgyzstan highlights the potential ability of ‘citizen report cards’ to make the local authorities more accountable for service quality. Guinka Kapitanova argues that inter-municipal cooperation is becoming an important mechanism for improving local service delivery in the Former Yugoslav Republic of Macedonia—as well as building inter-ethnic confidence. Salim Muslumov and Oktay Ibrahimov describe how e-governance instruments have allowed pension reform in Azerbaijan to ‘leapfrog’ ahead and dramatically increase social security tax collection, as well as payment of pension benefits.

Some of the impetus for reform comes not from the state itself, but from citizens and civil society. Goran Buldioski describes how independent think tanks have played important roles in policy reform in the new EU member states. Christopher Louise suggests that empowered citizen groups could be key to finding a lasting solution to the Cyprus conflict. Last but not least, survey research among governance practitioners conducted by UNDP’s Regional Centre for Public Administration Reform underscores the importance of networking among specialists in the field.

James Hughes and Ben Slay

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Will democracy survive the economic slump in Central and Eastern Europe?

Jan Zielonka

A few months ago a 32-year-old academic from Ventspils University College in Latvia was arrested for allegedly spreading rumours and untruthful information.¹ His only 'crime' was to take part in a discussion organized by a local newspaper where he advised the readers not to keep money in banks, and especially in the Latvian currency *lats*. A popular musician was also questioned by police after he cracked a joke about unstable Latvian banks at a performance. At the time these incidents alarmed only a handful of democracy campaigners. However, at the beginning of this year thousands of people protested in the Latvian capital Riga about the austerity of the economic measures adopted by their government. Rioting broke out with some of the protesters throwing snowballs, and even petrol bombs, according to the interior ministry.² Some 126 people were detained as a result.

Of course, these incidents alone do not imply a demise of democracy in Latvia; after all, street demonstrations are common in such established democracies as Great Britain and France, some of which turn violent. Only last December, unpopular reforms, unprecedented youth unemployment and disaffection over the economy caused riots in Greece. However, it would be wrong to compare the new democracies of Central and Eastern Europe to the old democracies in Western Europe alone. As Marc Plattner, co-editor of the *Journal of Democracy* observed: 'Long-established democracies with deeply rooted institutions and strongly liberal cultures may be able to withstand even sharp drops in income and steep increases in unemployment, but newer and less consolidated democracies will find it much harder to avoid political breakdowns'.³

The current economic crisis in some of the new democracies is much more severe than in the old democracies. In Latvia the economy is set to contract at least 5 percent this year, and unemployment to rise above 10 percent. Allegations of corruption abound, and there are politically sensitive ethnic factors to consider. The sizable Russian-speaking minority is being accused of exploiting the slump in the property market and interfering in judicial investigations. Estonia and Lithuania are experiencing similar economic downturns, but so far without mass public protests. But demonstrations took place in Bulgaria, which was hit by the gas crisis on top of the credit crunch. Hungary needed international aid to avoid a default last year, and there are regular street protests calling for the resignation of Prime Minister Gyurcsány. The

economic situation in some other countries in the region may be less dramatic, but most experts agree that the worst is still to come.⁴

Central and Eastern Europe has already experienced a severe economic slump two decades ago, and we can try to learn from this experience. In the first two years of transition following the collapse of the Soviet system, output fell by around 20-40 percent in many countries of the region. The sharp fall in production led to an immediate surge in unemployment, which in many countries rose from virtually zero in 1990 to double-digit levels in less than three years. Economic stabilization programmes were accompanied by sharp falls in living standards. Wages fell by around 26 percent in Hungary, by around 17-22 percent in Poland, Romania, Slovenia and Slovakia, and by 45-65 percent in the Baltic states and Bulgaria.⁵ A dramatic growth of poverty and an unprecedented increase in social differentiation followed. By the mid-1990s, more than 50 percent of Romanian citizens were found to be living below the subsistence minimum and even in such relatively prosperous countries as Hungary and Poland one-third of the population was living below the poverty line. Life expectancy also fell. In Hungary, for instance, the life expectancy of males had fallen to nearly eight years below the EU average.

This spectacular economic slump led many analysts to draw comparisons with the populist Latin American scenario for Central and Eastern Europe. As Adam Przeworski of New York University put it: 'Forget geography for a moment and put Poland in the place of Argentina, Hungary in place of Uruguay... You will see states weak as organizations; political parties and other associations that are ineffectual in representing and mobilizing; economies that are monopolistic, overprotected, and overregulated; agricultures that cannot feed their own people; public bureaucracies that are overgrown; welfare services that are fragmentary and rudimentary. And will you not conclude that such conditions breed governments vulnerable to pressure from large firms, populist movements of doubtful commitment to democratic institutions, armed forces that sit menacingly on the sidelines, church hierarchies torn between authoritarianism and social justice, nationalist sentiments vulnerable to xenophobia?'⁶

Yet, despite the predictions and the undercurrents of populism, democracy prevailed in much of the region. Solutions to the economic crisis were managed by parliamentary politics and not on the streets. After a few years, public patience and trust in democratic processes paid off and the economies across Central and Eastern Europe began to grow, sometimes very rapidly. What was behind this democratic success amidst economic crisis? Can we benefit from this experience when trying to prevent a populist turn as a result of the current crisis?

The demonstration effect of the affluent, democratic West was probably one of the most important factors that made

sacrifices easier to bear in the early 1990s. The general public could then plainly see the advantages of a capitalist over a Soviet-type economy in terms of growth and welfare. This was reinforced by the progressive diffusion of Western business practices following the fall of the Iron Curtain.⁷ The role of the EU and its PHARE programme was certainly crucial in this context. Today, however, Western economies are also in crisis, and the diffusion of Western practices is partly responsible for economic problems in Central and Eastern Europe. That said, no workable alternative to capitalism has been proposed. Even China sticks to some sort of liberal economics and continues to trust euros and dollars.

International institutions such as the EU, International Monetary Fund and World Bank are also seen as contributing to the establishment of social peace in Central and Eastern Europe. Although they demanded painful stabilization programmes and market reforms, they gave the region substantial economic aid in return. Today, there is less cash on offer due to the global financial crisis. More importantly, none of these institutions has figured out yet what kind of measures really help to alleviate the effects of the present global economic slump with diverse regional variations.

In the 1990s successive governments and industrial actors worked hard to maintain social peace by skilful institutional engineering in the form of tripartism. The main political and industrial actors reached various corporatist agreements not to exploit the economic pains of transition for their short-term gains. They were of course involved in hard industrial bargaining, but they chose to conduct this bargaining via an institutional process of negotiations between the government, employers, and employees.⁸ This institutionalized bargaining aimed at a fairer distribution of the burdens and rewards of economic transition. It included multiple participants at not only national, but also local levels of governance and production. And the European Union welcomed these arrangements because they were in line with its own 'social model'. As a result of successive compromises, the costs of transition have been spread over time, and between different social groups, thus preventing uncontrolled and widespread forms of industrial protest.

This road is still available, and can be recommended. However, one should keep in mind that corporatist arrangements also have their costs. For instance, painful reforms of national health and welfare programmes have been postponed in most of the Central and Eastern European countries, and today they represent one of the most daunting economic and political challenges.

The economic slowdown in Central and Eastern European countries will be deep, but this newly democratized region has ample recent experience of reform and adjustment which might actually make it better positioned to withstand political crises. This does not mean that these democracies will be immune to economic troubles. New democracies in the region can certainly benefit from some extra aid. Above all they need to adhere to the political economy of managing protest and patience through the parliamentarism that they established in the transition from communism.⁹

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1. See Olivier Truc, 'Estonie, Lituanie et Lettonie tentent de conjurer le spectre d'une dévaluation', *Le Monde*, 10 December 2008.
2. See Quentin Peel, 'Stability of new EU states put to the test,' *Financial Times*, 16 January, 2009.
3. Marc F. Plattner, 'Democracy's Competitive Edge', *The Washington Post*, 13 January, 2009.
4. "Economic crisis will be deep in Eastern Europe says IMF", Reuters, 14 January, 2009. Source: <http://uk.reuters.com/article/worldNews/idUKTRE50D7JJ20090114?pageNumber=2&virtualBrandChannel=0>.
5. For a detailed analysis of the wage crisis in these countries see *Paying the Price. The Wage Crisis in Central and Eastern Europe*, Daniel Vaughan-Whitehead, ed. (London: Macmillan, 1998).
6. See Adam Przeworski, *Democracy and the Market. Political and Economic Reforms in Eastern Europe and Latin America* (Cambridge: Cambridge University Press, 1991), pp. 180 & 190.
7. See e.g. Jeffrey S. Kopstein and David A. Reilly, 'Explaining the Why of the Why: A Comment on Fish's 'Determinants of Economic Reform in the Post-Communist World'', *East European Politics and Societies*, Vol. 13, No. 3 (1999), pp. 613-26.
8. Elena A. Iankova, *Eastern European Capitalism in Making* (Cambridge: Cambridge University Press, 2002). For a broader analysis of the patterns of institutionalization of contentious politics in Eastern Europe see Grzegorz Ekiert and Jan Kubik, *Rebellious Civil Society. Popular Protest and Democratic Consolidation in Poland, 1989-1993* (Ann Arbor: The University of Michigan Press, 1999).
9. See Béla Greskovits, *The Political Economy of Protest and Patience. East European and Latin American Transformations Compared* (Budapest: Central European University Press, 1998). Also Leszek Balcerowicz, ed., *Socialism, Capitalism, Transformation* (Budapest: Central European University Press, 1995).

The what, when and how of governance in Europe and the CIS: a reform agenda *sui generis*

Tony Verheijen

The reform (or re-establishment) of governance systems has been a key aspect of the development dialogue in the transition states of Central and Eastern Europe and the CIS. The

questions of what the state should provide, how this should be provided, and how society should be engaged in the process has preoccupied scholars and practitioners for almost two decades. The governance-centric approach to development in the region is in many ways unique, and different from the production/innovation driven development paradigm in Southeast Asia and the basic (physical and human) development driven paradigm in Africa.

The establishment of systems based on principles of good governance, i.e. governance systems (institutions and rules through which policy decisions are defined and implemented) that are both effective (delivers essential services), efficient (uses resources in the most economical possible way)

and democratic remains one of the key development challenges in the region. While in the initial years of transition views converged around a 'one-size-fits-all' approach of economic shock therapy and radical reduction of the role and size of the state, today the answers to the 'what', 'how,' and 'in what way' questions are as diverse as the region. Earlier UNDP studies provide an interesting summary of different experiences across the region.¹

While in the new Member States of the EU and in candidate states many of the answers are at least partially pre-defined through the obligations of membership, in other states the response is defined in part by the availability or absence of natural resources (e.g. contrasting Azerbaijan, Kazakhstan and Uzbekistan with Tajikistan and Kyrgyzstan), or, still, by ideology (free market combined with limited openness and democracy) in states such as Armenia and Georgia.

However, regardless of the increasing richness of the dialogue and the progress that has been made, the transformation of governance systems remains incomplete, even in the advanced states of the region. The large majority of Central and East European and CIS states has not succeeded in creating effective and efficient governance systems, irrespective of the establishment of stable democratic regimes in the majority of states in the region.

The question 'what works best', and related (perceived) trade offs between effective and democratic governance therefore remains topical today. This is all the more true in the context of the current economic crisis, which exacerbates the need for frugal and high-quality economic and administrative governance systems.

Measuring effective and efficient governance and identifying what works

Due to the diversity of developmental contexts and situations (proximity to the EU, absence or presence of natural resources, differences in social and political culture), it is difficult to draw generic conclusions on the link between the quality of governance and economic development across the Europe and CIS region. This would, for instance, work better if one were to compare Russia with Mexico or Brazil, or Tajikistan and Kyrgyzstan with (still) resource-poor landlocked states in Africa such as Uganda.

The problems of measuring the quality of governance are in part due to the controversy around measuring instruments. There has been an ongoing debate on this issue in the academic and professional communities. The relevance of 'first generation' instruments (such as Kaufmann-Kraay), which are largely perception-based, has been increasingly questioned. The World Bank, for instance, upon the insistence of its Board, is working on designing actionable indicators in various domains of governance, including most recently public management capacity. Actionable indicators are tools that generate practical comparative data (i.e. that are based on a shared understanding concerning key elements

of 'good' public financial management or public sector management systems). Such indicators already exist in public financial management, in the form of the public expenditure and financial accountability instrument and are under design for broader public management issues.

The current economic crisis has, much like the crisis of the late 1990s, led to renewed interest in governance systems, in particular in the dimensions of effectiveness and efficiency, though not necessarily on aspects of democracy.² Recent comparative work on these issues in the new EU Member States³ focused on effective and efficient governance in defining competitiveness within the EU, including its candidate states. Effective and efficient governance in the context of European integration include states' ability to play a constructive role in decision-making processes, ability to implement EU decisions, and having the institutions, legal framework and capacity in place to formulate and apply effective economic development policies (including remaining competitive).

The World Bank study confirms that more than 15 years after the start of transition, efforts to redefine the role of the state and enhance its performance have generated only partial results, even among those states which are considered the most advanced reformers in the region. The analysis also highlights differences in performance between states with more and less effective governance records, in terms of investment climate (as measured in the World Bank's 'Doing Business' reports) and perceived corruption levels (as measured in the World Bank's 'anti-corruption in transition' studies), as well as in terms of performance on 'core' aspects of EU membership (such as transposition of the *acquis communautaire* and absorption capacity).

The study also finds a strong correlation between the extent to which countries had transformed the role of the state and enhanced the quality of administrative governance, their performance on competitiveness indicators, and their ability to function effectively in the EU. States such as Latvia, Lithuania and, to a lesser degree, the Slovak Republic rated significantly better on such performance indicators than less reform-oriented states, in terms of administrative governance, such as Poland and Hungary. While the former states made progress both on the introduction of performance-based public management systems and, to a lesser degree, on civil service reform, virtually no progress has been made on these aspects of administrative governance in the latter.

Strategic planning systems in Latvia, Lithuania, and Slovakia were first introduced in the effort to mitigate the impact of economic crises in the late 1990s. In particular, they served Latvia and Lithuania well in the preparation for EU membership. The question remains whether higher quality administrative governance systems will also help these states to better cope with the severe impact of the current economic crisis. However, in view of the magnitude of the crisis affecting these states today, strategic planning processes may not be

sufficient to bring about the large expenditure rationalization programmes that will be required. However, the discipline they have imposed on governments should still be an asset even under current conditions.

Governance effectiveness in the above study was measured through a combination of intermediate or actionable indicators, such as the Common Assessment Framework method applied in the EU (to measure strategic management and policy planning capacity, see www.eipa.nl/CAF), the SIGMA baseline indicators (to measure civil service capacity, see www.oecd.org/sigmaweb) and the Metcalfe policy coordination scale (to measure coordination capacity).⁴ Whereas these tools were defined for different purposes, their combination led to the definition of specific recommendations for possible reform trajectories. Using a combination of such intermediate indicators therefore has significant advantages over aggregate Global Governance Indicators, which are more useful for highlighting global and general trends.⁵

Work is ongoing in the World Bank to define a comprehensive set of actionable indicators on public administration and human resource management (akin to the PEFA indicators (http://www.pefa.org/assessment_reportmn.php) that are applied to public financial management), and an initial indicator set is currently being tested.

The next decade: a final push in building more effective and efficient states?

To what extent can the renewed interest in enhancing effectiveness and efficiency in governance, brought about by the economic crisis and the emergence of new instruments to conduct comparative assessment work on such issues as public administration, civil service, and public financial management, contribute to a next 'round' of reforms in the Europe and CIS region?

Previous waves of (constructive) reforms⁶ of state structures have been driven either by external conditions (e.g., require-

ments of EU membership) and/or political and economic crises. However, with few exceptions, such as Latvia, Lithuania, Kazakhstan and, to some extent, Russia and Serbia, reform processes have rarely extended beyond one government for one term in office, hence the overall disappointing results. EU conditionality on issues of effective and efficient governance, came too late in the game to have a long-term impact on reform trajectories in this area. Economic downturns, such as the Bulgarian and Romanian crises of 1996-1997, tended to be relatively short-lived, leading states to return to 'business as usual' as the impact of the crises waned.

The current economic crisis is likely to require a deeper adjustment, including in resource-rich states, and state competitiveness will carry an ever higher premium. In this context, tools that generate practical comparative data, on which policy makers can base reform programmes, can both attract interest and define reform trajectories. The latter part of this decade could therefore create the circumstances needed for a key breakthrough in reforming administrative governance systems, which is long overdue. Moving forward rapidly in creating the datasets that would both generate a debate on reform trajectories and stimulate the competitive forces that may keep politicians interested in reform is therefore urgent.

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1. See *Rebuilding State Structures* (Bratislava: UNDP, 2001) and *Rebuilding Effective Government: Local-level Initiatives in Transition* (Bratislava: UNDP, 2002).
2. When it comes to democratic governance, the region remains divided between the open systems of the new Member States and candidate states (driven by EU requirements) and a mix of 'managed' systems and democracies-in-information among CIS states.
3. Anthony Verheijen, *Administrative Capacity in the New Member States, the Limits to Innovation*. World Bank Research Paper Series No 113 (Washington, DC: World Bank, 2007).
4. Les Metcalfe. 'International Policy Coordination and Public Management Reform'. *International Review of Administration Sciences*, Vol. 60 (1994), pp. 271-290.
5. World Development Indicators 2008. http://siteresources.worldbank.org/DATASTATISTICS/Resources/WDI08_section5_intro.pdf.
6. Unlike the 'destructive' reforms of the early 1990s.

Democratization and social inequalities

Laurence Whitehead

The experience of the post-communist transitions demonstrates that not all social inequalities are equally acceptable to newly enfranchised electorates. Citizens may support some inegalitarian outcomes (if attributable to meritocracy or market freedoms, for example), contest others (class, ethnic, and gender discrimination), and consider yet others highly illegitimate (the spoils of collusion with dictatorship, for example). In the early stages of democratization, therefore, there may be considerable normative insta-

bility as these alternative sources of inequality enter the public debate.

We should not assume that new democracies will promptly and reliably curb illegitimate social inequalities, or that the citizenry will view acute inequities as an acceptable part of democratization. Although non-egalitarian structures persist in new and old democracies alike, evidence from some post-communist transitions suggests that the rise in post-communist inequalities has weakened democratization. It is unlikely that a 'managed democracy' would have been established in Russia during the past decade were it not for popular antagonism provoked by the rise of the oligarchs and a wealthy social strata of 'new Russians' in the 1990s. The rise of social inequality was correlated in the minds of citizens (rightly or wrongly) with Yeltsin's pursuit of '*democratizatsiya*'. The

political stability of regimes in Belarus and Turkmenistan can likewise be seen as evidence of a nostalgic preference among citizens for Soviet 'levelling' (*uravnilovka*) policies over the inequalities and uncertainties of democracy.

One school of thought is that the comparative study of democratic regimes should be limited to the procedural sphere, precisely on the grounds that there is no reliable connection between substantive inequality and democracy. But many people are attracted to democratization because they believe that it will ultimately curb unacceptable forms of inequality. This expectation implies that the inequalities that are not reduced under lasting democratic rule thereby pass a test that did not apply to pre-democratic structures of inequality. Such inequalities have been stabilized and shown to be socially acceptable in a way that was not possible before democratization. So even if one cannot trace a clear causal connection between inequality and democratization, there may be some 'elective affinity' between the persistence of structures of inequality and democratic legitimacy.

The multidimensionality of democracy and inequality

Democracy and inequality are two big and abstract categories, whose component parts do not always hang together as a unity, or even operate in the same direction. Is the relevant economic entity to be measured the individual, the family, the community, or the region? Are we interested in income or asset inequality? Are we interested in income received over a week, a year, or a lifetime? The Gini coefficient

is a popular summary indicator of income inequality, but identical Ginis can reflect extremely different distributions at, say, the top and bottom ends. It may be that the safety net for the most vulnerable rather than the overall distribution is what matters most for democratic legitimization. Inequality is not just about money: disparities in access to healthcare, literacy, and gender equality may differ from economic inequalities. Even good quality democracies can have serious political imbalances—for example, concerning minorities and migrants.

These varying distributions of economic, social and political advantage will often be non-congruent. Using democratic means to alter a particularly unacceptable distribution in one domain can have knock-on effects on other contentious or legitimate distributions. Moreover, some politically salient kinds of redistribution can be enacted almost instantly, whereas others (such as inter-generational transfers) change only very slowly. Similar considerations apply to democracy and democratization. Democratization is clearly multidimensional, and displays complex temporal rhythms. It includes a brief and clear-cut 'step-change' from authoritarian to democratic rule, but only as one possibility and not as the standard case. The right to a free and fair vote can be introduced virtually overnight, or gradually, and once established it may never again come into question. But even here, patchier and longer-term dynamics merit consideration. Other dimensions, such as universal rule of law, almost inevitably take decades. Some components, such as the emergence of a civil society, can have a long pre-democratic history; while others, such as coming to terms with an oppressive political past, can linger long after the transition.

Conceptualized in this way, the broad notion of democratization is quite like that of addressing social inequality. Both have multiple components, not all of which move in lockstep. A broadly more democratic direction of travel need not require us to postulate any single or final end-state. Thus, democratization can be a relatively open-ended process, subject to divergent trajectories and partial reversals. This broad framework allows for variations in 'quality' over time, and between cases. It has a normative thrust (the various progressions can be tested against the normatively desired direction of travel) without being teleological or closed-ended.

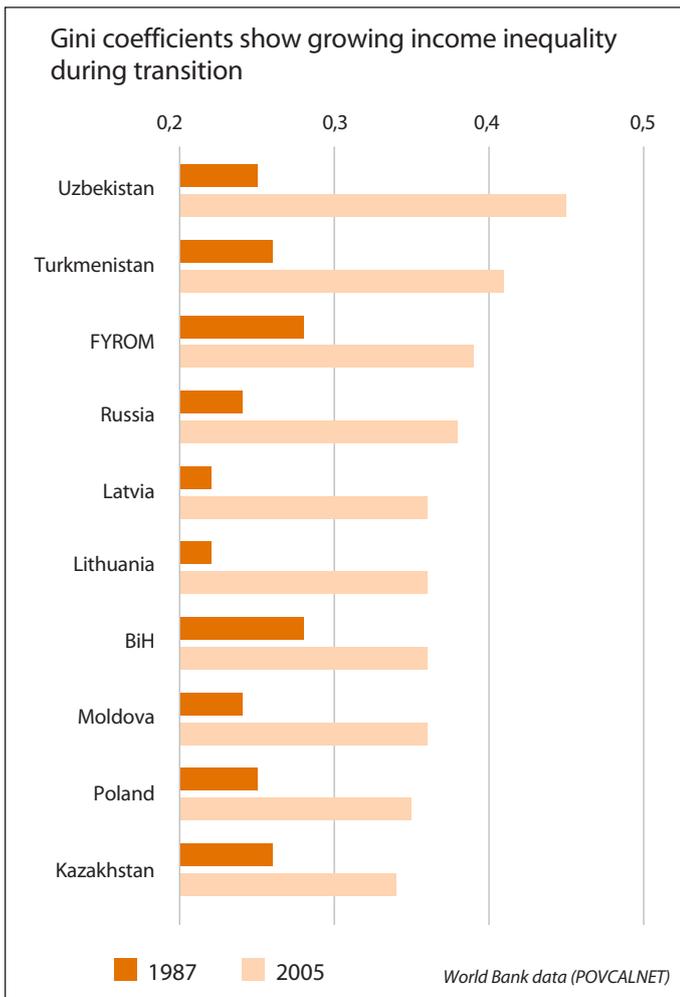
Paths towards stability

What routes bring the two complex abstractions—democratization and reducing inequality—closer together over time? The metaphor of 'elective affinities' conveys the idea that these multi-dimensional phenomena may be mutually reinforcing, without specifying how either causally affects the other. This may be normatively attractive, but it is analytically too vague. So can we identify more specific lines of connection either in the present, or in the long run?

The conception of political democracy rests on formal equality, at least in the narrowly electoral realm (one qual-



Even more developed democracies such as the Czech Republic can have serious imbalances—for example, concerning minorities and migrants.
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ified adult person = one vote). In this sense at least, then, there is an intrinsic connection between democratization and the curbing of illegitimate inequalities. Universal suffrage gives the electorate an egalitarian political instrument to counter some of inequality's otherwise unconstrained elements. A democratic citizenry can use this leverage to reduce inequities considered illegitimate; and the inequalities that the citizenry does not single out for correction are likely to become progressively less illegitimate over time, as the democratic system tolerates or endorses them. Thus, significant inequalities may persist, but their character is changed.

As democratization expands, the citizenry acquires more responsibility for the social welfare. Persisting inequalities therefore become more conditional. They are converted from inherited brute facts into politically sanctioned distributions. The stabilizing influence of a durably democratic regime either curbs or authorizes them. Reciprocally, democratization becomes more embedded, by virtue of the inequalities it has banished and those it has protected. Democratization renders the latter provisional since their survival depends on future rounds of (uncertain) democratic endorsement. This leaves the beneficiaries of inequality on permanent probation.

But 'elective affinity' dynamics, if they exist, may remain indeterminately distant and hypothetical prospects for many of today's new democracies. In the interim, multi-dimensional and unstable political and social features may mean that change is bumpy, fragmented, contradictory, and subject to the risk of reversal.

Temporality: The challenge of variable pacing

The various elements and processes outlined above can be expected to move at different speeds, with unpredictable and tension-ridden interactions. Changes in the political realm may gather momentum and speed up, notably in periods of regime transition (the dictator dies, a war is lost, foreign troops are withdrawn...), but there are also periods of apparent political stasis until, once again, underlying pressures break through.

Major changes in structures of social inequality generally proceed at a more gradual and continuous pace. There can be a sudden political intervention—a revolution, an economic policy disaster, or a war—that threatens to completely overturn the established distribution of income and wealth in a very short time. But this does not normally happen under stable democratic conditions, where the norm is incremental policy implementation, with some degree of consultation and feedback. Under such conditions, losers may seek some compensation, and time is allowed for adjustments to gain traction. So even where redistribution is politically mandated, changes in inequality may be relatively slow.

The feedback loops between democratization and distributive outcomes can be complex and multi-stage. For example, a democracy seeking to curb inequality may unintentionally generate an inflation tax that falls differentially on the most vulnerable. Or there may be a sharp asset redistribution that provokes such a backlash from vested interests that they redouble their efforts and manage to veto any further experiments in 'economic populism'. The temporal sequences involved can be quite extended and even convoluted.

As a result of these diverse sequential possibilities the 'quality' of the distributive outcomes generated by democratization can vary widely; such differences in quality can persist or even cumulate over long periods.

Conclusions

Contemporary democratizations are often complex, protracted, and even unstable processes; feedbacks between regime change and social inequality are multiple and complex. The time horizons governing these interactions vary considerably; channels of transmission from electoral pressure to distributive policy choices can be diverse and highly mediated. Not surprisingly, trajectories, and the 'quality' of democratic outcomes, can vary a lot. This applies even between regional cases where democratic transition starts from an apparently similar baseline. In the very long run, it may still be plausible to envisage some more normatively

desirable (more stable, legitimate or inclusive) direction of travel, but even then the routes that may be chosen to get there will be various and uncertain. Such reflections offer little support to mechanistic notions of linkages between democratization and inequality, and complicate attempts to evaluate the relative 'quality' of different contemporary

democratizations. However, they also enrich these comparisons, and underscore the need for more sophisticated alternatives.

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Towards more effective state institutions

**Dafina Gercheva, Joe Hooper,
and Alexandra Windisch-Graetz**

State capacity and the quality of governance

Despite the importance of effective state institutions and the considerable investments made in reinforcing their capacity to manage public affairs, many Central and East European and CIS countries continue to face daunting challenges related to inadequate internal and external control systems,¹ public service provision, protecting human rights, and providing access to justice.

State capacity is an integral part of the broader realm of national capacities, including those of civil society and the private sector. It can be defined as state institutions' abilities to manage the business of the executive, judiciary and the legislature towards human development ends. Indicators of effective state capacity can be found in how national policies are made, services are delivered, markets are developed, justice and security provided, and rights are protected. Where this is done well—where large numbers of people benefit over time from development, when an economy grows and society is engaged in democratic processes and feels secure—then state capacity can be viewed as effective.

Democratization does not automatically improve development outcomes. In developing and transitional societies where poverty and social exclusion are high, effective state institutions are particularly needed for market development, social justice, and environmental sustainability. During times of unfolding economic, food and climate change crises, the need for enhanced state capacity to manage and deliver has never been more compelling.

Capacity development challenges for state institutions differ widely across the region. Still, there can be little doubt that reinforcing state capacity is needed both in low-income countries with fragile state institutions such as Tajikistan (to transfer the benefits of economic growth to those who would not otherwise share them) and in middle-income countries and the new EU states where capacity in many state institutions is high, but gaps and regional and social disparities persist. On the basis of research² on UNDP projects related to EU accession and integration in Bulgaria, Turkey,

Serbia, Georgia, and Moldova, we present here a theoretical framework for conceptualizing institutional development of state bodies, and describe the processes through which this development occurs.³

Institutions, organizations, and capacity development

While discussions about reinforcing state capacity often focus on the structure and workings of formal organizations, broader institutional issues—particularly informal rules of social and political interactions—can likewise influence the effectiveness of capacity development interventions. Nobel Prize winner Douglas North formulated the standard definition of an institution as '... the rules of the game in a society or, more formally, the humanly devised constraints that shape human interaction'.⁴ Organizations as defined by North are '... groups of individuals bound by some common purpose to achieve objectives'.

Institutional capacity development⁵ encompasses multiple levels of actors, policies and legislation, power relations and social norms (the enabling environment), as well as organizational and human resource development. To be effective, such interventions must usually take place over a considerable period of time. Their success often hinges on such factors as political will and leadership for real change. Institutional capacity development is about the dynamics of change—organizational, institutional, personal, political, and logistical. Yet these dynamics remain among the least understood aspects of capacity development.

Social assistance and administrative justice

A review of UNDP-Bulgaria's institutional development project portfolio underscores the challenges of applying comprehensive and systemic approaches that recognize interdependencies between different actors and levels of capacity. One of the success stories is the 'Social Assistance against New Employment' project, which supported the development of new social assistance systems to address rising unemployment levels during 2002-2006. The project helped the government develop the enabling legislation needed for a national social assistance programme, strengthen the organizational capacity of municipalities and community service providers, as well as provide social assistance trainings for the unemployed—some of whom were later hired to work as social assistants at the community level. Thanks in part to work done under this project, some 650 social assistance providers are now registered with the Social Assistance Agency; 1,700 individuals were trained as social assistants.



Social assistants in training – the once unemployed provide much needed social services to the elderly and disabled in Bulgaria. © UNDP Bulgaria

Similar conclusions can be drawn from a 2003-2005 administrative justice reform project, under which UNDP supported institutional changes needed to establish a new administrative justice system. These changes included the development of an administrative procedure code, the establishment of a system of specialized administrative courts, improvements in internal review and appeals processes, and the design and implementation of training programmes on the new administrative procedure code for magistrates, court staff and civil servants. UNDP played the role of facilitator and intervened at the right time for the creation of national consensus on further steps to be taken to advance administrative justice in Bulgaria.

Public administration reform

Broader public administration reform strategies (to restructure state agencies or modernize the civil service) are often preconditions for the development of state capacity. In 2005-2006, UNDP in Moldova – along with the World Bank, the Swedish International Development Cooperation Agency (SIDA), and the UK Department for International Development (DFID) – established a public administration reform working group to coordinate support for public administration reform efforts. The functional reviews that were conducted with UNDP's support helped reduce duplication between and within individual ministries. Institutional development plans for each ministry were put in place, guiding the ministry's medium-term development in line with its environmental and resource constraints.

On the other hand, the absence of overall public administration reform strategies can reduce the effectiveness of UNDP's capacity development efforts (e.g., in Georgia and Serbia prior to 2004). In the absence of a consolidated policy framework, UNDP responses tend to be rather scattered and fragmented. Since UNDP mostly responds to demands articulated by individual institutions, such piecemeal efforts may be counterproductive if they are not part of comprehensive reforms that are consistently implemented. Pre-2004 support provided to Serbian public institutions under the Capacity

Building Fund was found to have only limited impact on wider reform efforts—reducing the effectiveness of national systems for delivering public goods and services.

Local governance

The 2005 Paris Declaration on Aid Effectiveness underscores the importance of national ownership of development programming.⁶ Project implementation directly by donors, or via the creation of project management units or other parallel structures, is often seen as inconsistent with national ownership. While desirable in theory, in practice such principles can over-burden incompletely consolidated state structures and subject capacity development efforts to unintended risks. Managing such risks places a premium on the early identification and involvement of the appropriate state partners. In Georgia, local governance legislation passed in 2005-2006 significantly increased the duties of municipalities, not all of which had the institutional capacity needed to effectively discharge their new functions. UNDP-Georgia launched a support programme⁷ focusing on capacity development for municipal servants (particularly training on project management and communications), organizational processes and procedures (focusing on functional reviews of local governance structures), and the enabling environment (helping higher government levels to formulate development strategies). It is hoped that this pilot initiative will provide a model for replication in other parts of the country.

Summary

As the above examples show, not all capacity development initiatives lead to rapid improvements in the quality of governance. Efforts to train civil servants may not mean much if they continue to work in unreformed institutional structures, without modern administrative tools or public oversight. To be effective, capacity development approaches must be adapted to local circumstances; 'one-size-fits-all' approaches are rarely successful. Moreover, even when they have been developed, state capacities can be lost to such 'shocks' as man-made or natural disasters, conflict, or economic or environmental crises. Still, the capacity development expertise that comes with UNDP's country presence can be a valuable asset on which a country can draw, especially when facing the compound challenges of transition.

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1. Such as oversight, review, and audit and evaluation.

2. See UNDP's *Study on Best Practices and Lessons Learned in Institutional Development in the Europe and CIS Region – A UNDP Perspective from Bulgaria, Moldova, Georgia, Turkey and Serbia*. Expected release date: May 2009.

3. These five countries were selected as they face similar difficulties in meeting governance standards articulated by the European Commission (EC), due to a lack of overall reform and sector reform strategies (and related policies and action plans), and insufficient convergence between domestic legislation and EC standards. Ineffective enforcement of national legislation and inefficient institutional structures and administrative procedures have also been identified as concerns in EC monitoring and other reports. Additional problems include inadequate administrative capacity in public institutions, and a lack of professionalism and service orientation among civil servants.

4. Douglas North. *Institutions, Institutional Change, and Economic Performance* (New York: Cambridge University Press, 1990).
5. There are two main schools of thought concerning institutional development. The first is the organizational approach. According to Hilderbrand and Grindle, organizational development 'refers to the improvements in the ability of public sector organizations, either singly or in cooperation with other organizations, to perform their tasks'. However, organizational development's weakness is its narrow focus ('seeing the system through the eyes of the organization') and the fact that organizations are only part of the larger development picture. The second school of thought is the institu-

tional approach, which is associated with the definition provided by North. Institutional development here is understood as building the capacity to create, change, enforce and learn from processes and rules that govern society; this is a comprehensive approach that entails looking at the enabling environment, the organization, and the individual. Capacity development is closely linked to institutional development, as much capacity development work requires knowledge of and access to 'the rules of the game'.

6. See <http://www.oecd.org/dataoecd/11/41/34428351.pdf>.

7. 'Strengthening Regional and Local Governance in the Kvemto Kartli Region' (2007-2009).

Democracy Assistance Without a Plan



Thomas Carothers is Vice President for Studies at the Carnegie Endowment for International Peace in Washington. Carothers is a leading authority on democracy promotion and democratization worldwide as well as an expert on US foreign policy. He is the founder and director of the Democracy and Rule of Law Programme which analyzes the state of democra-

cy in the world and efforts to promote democracy. In addition, he has broad experience in human rights, international law, foreign aid, rule of law, and civil society development. On 15 January 2009 he spoke with James Hughes, Professor of Comparative Politics at the London School of Economics and Editor of *Development and Transition*. An abbreviated version of their discussion follows. For the full transcript please visit www.developmentandtransition.net.

James Hughes: To what extent is economic development a precondition for democracy?

– Thomas Carothers: 'Preconditions' imply that you must have 'this' before you can do 'that'—I don't think this is necessarily the case. For every supposed precondition there is a country that has done fairly well with democracy that lacks it. Should India never have attempted democratization? India was quite a poor country in the late 1940s, lacking almost all of the traditional preconditions for democracy. Still, if one studies the patterns of democratization in the world over the last 30 years, societies that start at higher levels of economic development tend to do better in democratization. But just because a poorer society faces more disadvantages does not necessarily mean that democratization is a mistake in that society.

What does the East European experience add to our knowledge of democratization?

– I think it adds a lot and I don't think we've sufficiently digested all of it. One lesson is the importance of legacies, historical experience. A fairly sharp line can be drawn between Central and Eastern Europe on the one side, and the former Soviet Union on the other: democratization on one side of that line has been much more favourable than on the other.

You attribute that to historical legacies?

– I think that legacies are part of the explanation. Central and East European countries were independent when communism collapsed, whereas in the former Soviet Union many new states had to be formed after 1991. The Central and East Europe countries' experiences with parliamentary rule in the late 19th century and early 20th century gave them important historical reference points. When they approached the post-1989 transitions they could say 'we are recovering something we had before'. Of course, these legacies had authoritarian and other troubling features, but there were significant experiences with multi-partyism, political pluralism, parliamentary life, the rule of law, and so on. Having had that experience and that reference point helped to recover that pattern. The desire for a 'return to Europe' and the EU framework often complemented this recovery of a 'usable past'. The former Soviet republics had to reach back to their pre-Soviet experience, which was so remote that it often had little practical meaning.

On the role of the EU: is this an argument about the importance of geography? Or is geography just a shorthand for the EU's attractiveness as a political and economic organization? EU accession prospects were an enormous incentive for these countries not to back-slide on democratization.

– We have to be careful about conflating the attraction of the European Union with the broader concept of a 'return to Europe'. My experience from Romania in the early 1990s was not that Romanians were thirsting to be members of the EU, but that they wanted to be 'Europeans'—a much broader concept than EU membership. Romanians wanted to come back to Europe, but the Europe they were dreaming of was not necessarily that of the European Union. The 'return to Europe' ultimately meant EU membership because that's the structure that existed.

How important do you think US and EU democracy promotion has been for the region?

– It was an important helping hand, but was probably not determinative. I believe that if there had been no such thing as the European Union, if Western Europe had been simply living peacefully together as states without a political and economic union, the idea of rejoining Europe would still have been very powerful in Central and Eastern Europe. They would have seen these countries as models and said 'That's the sort of society we were trying to be in the late 19th and early 20th centuries before we got side-tracked by fascism and communism'. Of course, adding the support of the EU was helpful. But it was helpful more slowly than many people might think. During the 1990s these countries had to be socialized into what the EU was and what it entailed. The US parallel in a certain way was NATO member-

ship, which also helped in defining a basic democratizing trajectory. While NATO doesn't have the same political criteria as the EU, it did have the implicit condition that you have to be a democracy to be a member.

Democracy assistance is something like additional petrol in the tank which allows the car to go further and faster, but it's not the driver or the steering mechanism. These societies were headed in a democratic direction after 1989, and were aided by their historical legacies and external framework. EU and US democracy assistance programmes helped these countries move more quickly, but I don't think that they were determinative. If there had been no political party assistance, no parliamentary strengthening, no judicial reform, media, or civil society support, some of the societies—particularly Bulgaria, Romania, and maybe Slovakia—probably would have struggled harder with their transitions, or it would have been slower and more difficult. But I think they would have made it anyway.

A lot of this assistance reached dynamic people in their 20s and 30s, who wanted to break free and do something new and different. It helped forge this new generation, the one that is in power in most of these countries now. Almost all of the interesting socio-political actors in Central and Eastern Europe were touched by Western assistance in some way: educational opportunities, NGO experience, etc.

US presidents have afforded democracy promotion varying degrees of interest and emphasis. At the working level, has there been more consistency in US foreign policy?

– US democracy assistance has 'high' and 'low policy' elements. High policy is reflected in the actions senior US officials take vis-à-vis other governments: economic assistance or sanctions, diplomatic praise, invitations to visit the White House, and so forth. 'Low policy' is much quieter and less visible, and resides mostly in the democracy assistance programmes that operate day-in, day-out, in close to 100 countries. These programmes are often complemented by quiet diplomacy at the embassy level, with very little direction from the top. While there has been oscillation with respect to high policy, there's been considerable continuity in low policy. Since the mid-1980s, USAID, the National Endowment for Democracy, the political party institutes, and other organizations have worked to create fairly continuous engagement for democracy support. This work has been quite consistent over time, and has not varied much from administration to administration.

How useful do you find the various democratization indices: Freedom House, Bertelsmann, and Polity?

– All three are professionally done and valuable. I tend to look at them as photographs of reality. Photographs are useful for describing reality, but they're less useful for telling you why reality is the way it is. If I say 'Show me a photograph of this country', these indices will say: 'the media is in this condition, the level of civil liberties is in that condition'. These photographs don't answer questions like: 'How might it change? How did it become this way? Where are the fault lines?'

Are these indices taken seriously at the policy level?

– Yes. These indices are useful because they help sum up conditions in a way that a policy maker can say is objective and allows them to push on the country. So for example if somebody in the State Department is receiving a minister of the interior from another country, the US official can say, 'Freedom House says that you've gone from being partly free to not free, and we're very concerned about that'.

So it would be used as overtly as that?

– Oh definitely, unquestionably.

Does this 'low policy' continuity mean that it'll be 'business as usual' under the new US administration? Or might there be more emphasis on democracy assistance?

– The Obama administration faces major challenges in trying to re-formulate US democracy promotion after the mistakes and damage of the Bush years. It will have to find ways to re-establish US credibility, both at home and abroad. These things obviously go together: the damage done to the image and reality of US democracy, particularly in terms of the human rights abuses exacted against some people persecuted in the 'war on terror', did great harm to US democracy promotion in the world. At the same time, some US foreign policies (like the intervention in Iraq) which were held up as exemplars of US democracy promotion, besmirched the concept of democracy promotion generally. In order to re-engage more constructively, the Obama administration must back away from some of the overly assertive approaches of the Bush administration without giving up on the subject.

Don't you think there's a huge image problem? Will there not be cynicism and negative responses to Americans who come around talking about democratization?

– Yes. But you don't fix the image problem by stopping democracy promotion. You fix the image problem by changing the actions that damaged your image. The election of Obama has helped in that regard. If he is able to position the United States differently in the region at a high policy level through for example a different approach to Iraq, to the Israeli-Palestinian conflict, and to Iran, this will allow democracy promotion to operate in a more favourable environment.

How much interest will the Obama administration have in Eastern Europe and the former Soviet Union region?

– There are many problems pressing on the United States, particularly in the Middle East. But relations with Russia are very important, as is continuing the relatively productive relationship with China, the relationship with India, and improving relations with Europe. I don't think that Central and Eastern Europe will either gain or lose very much from an Obama administration. The main question I think is for countries like Poland and the Czech Republic that have enjoyed very favourable relationships with the United States: will their somewhat privileged positions weaken under an Obama administration? Although these countries are concerned about US-Russian relations, I think that establishing a more productive US relationship with Russia—which the Obama

administration will want to do—does not have to mean sacrificing good relationships with Central Europe.

But might it entail a downplaying of the rhetoric about democracy in Russia?

– The United States didn't really push very hard on democracy in Russia under Bush. There was a bit of rhetoric, but actually the Bush Administration was focused on trying to get along with Putin. The problems in the US-Russian relationship were not due to the United States pushing Russia so hard on this.

What are the implications of the global economic crisis for democracy promotion?

– First we have to ask ourselves: 'What will be the crisis's effects for democracy in the world?' And even before that we should ask: 'What will be the effect of this crisis on world politics?' Economic problems can be expected to put pressures on all political systems, democratic and non-democratic. The concern that citizens in struggling democracies will withdraw their support for democracy because they're disappointed with its socio-economic performance is compelling in some ways. However, I think we should be careful about assuming simple anti-democratic reflexes on the part of disappointed citizens. While the socio-economic performance of new and struggling democracies in the past decade has generally not been that good, support for the idea of democracy has remained largely stable, according to relatively reliable public opinion polling. In almost every region, 60-70 percent of citizens remain attached to the idea that democracy is the best form of political governance. Citizens may get disappointed, but so far they have been turning their disappointment more on particular governments or parties than towards the very idea of democracy itself.

Is democracy 'the only game in town'? In the 1950s, the Soviet Union and China were seen by many post-colonial countries as attractive alternative development models. Given the current strength of China, is there any potential for the revival of a counter-democracy model?

– China's very successful economic performance over the last 30 years has made a powerful impression on the developed

and developing worlds. Many people in developing countries undoubtedly ask themselves 'How could we have such strong economic performance? What is it that China's doing that could help us?' On the other hand, what we call the 'China model' is not new—it's a new version of what used to be called the East Asian model, which was similar to the Pinochet model, which was rather similar to the strong-hand approach in Brazil and other Latin American states of the 1960s. Since the early 1960s many western and developing country policy circles have argued that a strong-hand government is necessary for development; that really only an authoritarian government can break the eggs necessary to cook the 'development omelette'. China has refreshed this idea by showing that even in a globalized world, such an approach can work.

I think the China model is very useful to policy makers in authoritarian states as a way of justifying their repressive grip, allowing them to say 'we're following the China model'. But I can't think of a single country that had been democratic converting and saying 'We're giving up on democracy and moving to the China model'. Also, even those leaders who invoke the China model do not necessarily follow that model. If we deconstruct the China model and ask 'What are its central components?' we might find less consensus than we think. Is it a set of certain economic policies, regarding trade liberalization or foreign direct investment? Is it authoritarian control over labour unions or the internet? This is less clear than often appears. Moreover, although China's economic performance is extremely impressive and heartening, it doesn't necessarily mean that Malawi, or Bolivia, or Mongolia can replicate the China model, because they're not very much like China in many ways. It's funny that the China model is coming out of a country which is among the most exceptional in the world. China is nearly unique in its size, complexity, heterogeneity, and political trajectory. Given China's many unusual features, why should we expect its development model to be easily replicable?

(Continued at www.developmentandtransition.net)

Attracting and retaining civil servants in the Western Balkans

Damir Ahmetović

Attracting young professionals with the right combination of knowledge, skills, and abilities to work in civil service structures is an uphill task, even in EU-15 countries. This is partly due to the private sector's abilities to offer better pay; it also reflects the fact that many of the advantages traditionally associated with civil service employment (job security, social status) are disappearing.

Moreover, as difficult as attracting talented people to the civil service may be, retaining them can be even more difficult. These problems are especially evident in cases of small transition countries (such as those in the Western Balkans), where negative demographics, unreformed tertiary education, and underdeveloped training systems limit these countries' abilities to attract and retain talented civil servants.

These issues have recently been examined in UNDP research on human resource management in the Western Balkans. Surveys were conducted in Belgrade, Podgorica, Pristina, Sarajevo, Skopje, Tirana, and Zagreb in October 2008; civil servants working in managerial posts (especially those dealing with human resource management) were the main target. Some 50 senior officials and managers

took part in discussions; an additional 142 civil servants completed the survey questionnaire. Data was collected from structured interviews (with the heads of central civil service bodies) and from questionnaires (which were completed mainly by civil servants involved in human resource management).

Key findings

The survey and interview data collected point to multiple problems related to these countries' abilities to attract and retain the best civil servants. While these findings emphasize the importance of reducing corruption and modernizing public sector human resource management, they also suggest some reasons for optimism.

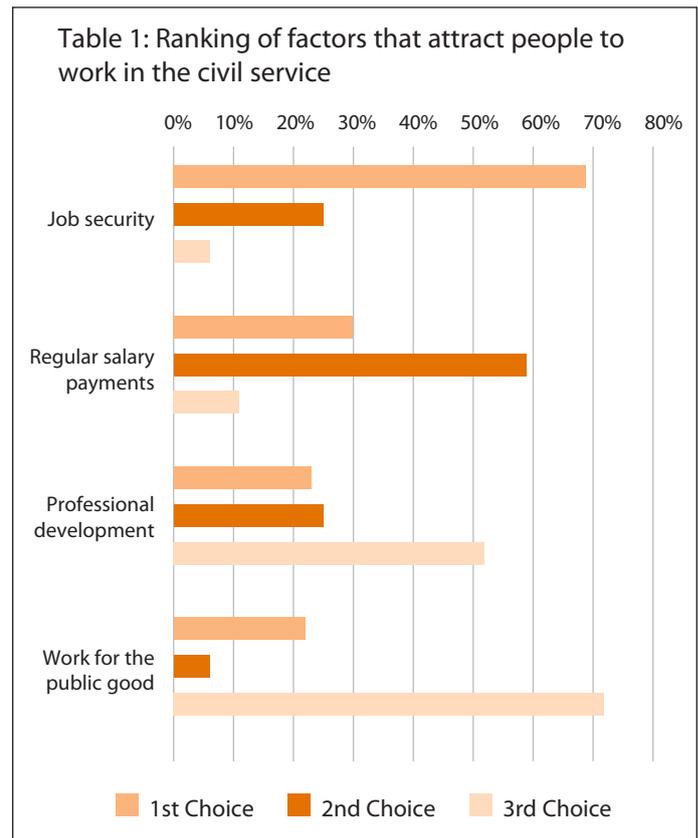
Politicization and corruption: More than 90 percent of the respondents hold that politicization and corruption affect the civil service; 43 percent stated that strong political influence in the civil service has an adverse impact on the desirability of public service as a profession. Similarly, 49 percent of those interviewed strongly agreed with the statement that corruption undermines the development of modern human resource management; more than 90 percent of respondents agreed that corruption has an impact on civil service personnel policies.

Unfavourable image and uncompetitive standing of civil servants: When asked to list the administrations' five main competitors in the quest for talent, an overwhelming majority of respondents (91 percent) viewed international organizations as more attractive employers; 60 percent viewed private firms as more attractive. The causes of the civil service's weak image among job seekers lie *inter alia* in the inability of Western Balkan governments to promote the positive aspects of employment in state administration (dynamic environment, professional development opportunities, etc.).

Weak educational institutions: Largely unreformed public educational institutions across the region are struggling to adapt to the realities of state and market transformation. While several new institutions specializing in public administration studies have appeared, they are yet to build their reputation in the field. As a result, the majority of fresh graduates have a rather unclear picture about work in public administration, while the supply of applicants coming from specialized institutions is still very limited.

Indifference towards public service: Surprisingly, less than 3 percent of survey respondents stated that public service is the main reason for their pursuit of a civil service career. However, 80.3 percent of the interview respondents think that the interests of citizens and businesses should be paramount in their work—which provides at least a glimmer of hope.

Underdeveloped human resource management: A relatively large number of respondents (40 percent) believe



that traditional personnel practices haven't changed much. Human resources managers are typically law graduates who understand human resource management in terms of satisfying legal requirements and keeping staff personal files in good order. However, 51 percent of the survey respondents believe that there is a great difference between such an approach and what is required for modern public service. Needless to say, lack of modern human resource management procedures has an adverse impact on public institutions' abilities to attract and retain the best civil servants.

Fortunately, this research also has some positive findings which provide a certain degree of optimism. These include appreciation of dynamic work environments in the civil service, relatively solid legal frameworks, and a willingness of almost all survey respondents to accept new approaches to personnel management for civil servants.

Generally, Western Balkan civil service structures need to accept that their success in the EU integration process is directly linked to their administrative capacities (i.e. the number of competent people they manage to acquire and retain). It is expected that the results of the UNDP research will draw the attention of political representatives and policy makers to the importance of competent civil servants for the success of reforms.

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Designing anticorruption institutions in Central and Eastern Europe

Daniel Smilov

Anti-corruption and constructivism

The introduction of new institutions often represents a constructivist leap of faith: policy makers create them to demonstrate their own endorsement of and commitment to certain values. The new institution is to inspire both citizens and state officials to observe these values in everyday life. The setting up of anticorruption institutions is a primary example of such constructivism, for two reasons. First, the value of anticorruption is undisputed. The belief that corruption is the main problem of governance—graver than unemployment, poverty or poor-quality public services—has become firmly established over the last 10 years in many countries in the world, including in Central and Eastern Europe. Secondly, it is virtually impossible to measure concretely the costs and benefits of the introduction of an anticorruption agency. There are no universal standards and indicators of performance regarding such agencies.¹ This problem is well illustrated by the context-sensitive style of the European Commission's accession and post-accession monitoring reports. Standards and criteria have been negotiated separately between Brussels and various accession countries, precluding rigorous *comparative* evaluations (which, however, has hardly deterred anyone from making such evaluative judgements).²

More fundamentally, the performance of anticorruption institutions is practically impossible to measure since there is no reliable measure of corruption itself.³ The concept of corruption has become an umbrella term: apart from *quid-pro-quo* illicit transactions, it captures diverse public frustrations with inefficiencies, substantive injustices, and unfairness of governmental activities. As these problems are often lumped together under the 'corruption' heading, the 'corruption discourse' has become one of the primary vehicles for contemporary social criticism. This is hardly a surprise in political contexts in which the grand ideologies of the Left and Right are passé.⁴

Thus, the introduction of anticorruption institutions has become an example of constructivist institutional engineering. These institutions are created not because of concrete cost-benefits analyses, but largely because of public pressures on governments keen on demonstrating their integrity and their commitment to anticorruption.

Some concrete East European experiences

Eastern Europe has proven a particularly useful anticorruption laboratory, as the region boasts a wide spectrum

of anticorruption bodies. At the ends of this spectrum we find two types of rather different institutions. Firstly, there are the Baltic anticorruption agencies (in Lithuania and Latvia in particular) which combine prosecutorial, investigative, preventive and educational prerogatives. These are the so-called multi-task agencies, closely resembling the famous anticorruption bodies of Hong Kong and New South Wales, particularly in terms of powers and relative independence from the government. At the other end of the spectrum we find institutions with preventive and coordinative functions, whose prerogatives are limited to creating anticorruption strategies and plans, monitoring their implementation, advising the government, etc. Such bodies became very popular in Southeast Europe during 2000-2004: in Albania, there was the so-called Anticorruption Monitoring Group; in the Former Yugoslav Republic of Macedonia, the State Commission against Corruption; etc.⁵ A variety of institutions combining in different proportions investigative, preventive, educational and coordinative functions lie between these two extremes. Countries do experiment with these models: for instance, after trying the 'preventive and coordinative' model Bulgaria in 2008 set up a special agency with some limited investigative powers to target high-level corruption and organized crime (the State Agency for National Security—SANS).

The Baltic model of independent multi-task agencies is more the exception than the rule in the region. Some countries, like Croatia, Romania, and Moldova have set up specialized anticorruption law enforcement units, possessing significant investigative and prosecutorial prerogatives. The largest group of countries, however, have opted for something closer to the 'preventive and coordinative' model, and here we can put the Former Yugoslav Republic of Macedonia, Serbia, Armenia, Slovenia, Bulgaria (until 2008), Hungary, and others. Governments have converged towards this model without any noticeable external (mainly EU) pressure to do so—suggesting that the reasons for this model's prominence must be sought in the domestic politics of each country.

As mentioned above, there are no reliable comparative evaluations of these institutions' performance. A recent paper has argued that '... in a situation where a culture of corruption is present in the public sector... a new, independent multi-task agency appears to stand a better chance of having a fresh start'.⁶ It is rather premature to grant the 'Baltic model' any form of superiority in the fight against corruption, however. The Baltic agencies have indeed stood up to senior politicians, and in at least one case have helped to oust a government (as with the resignation of Latvia's Prime Minister Aigars Kalvitis in 2007). But in many countries in the region governments, prime ministers, and ministers have lost their office due to corruption allegations even without the help of anticorruption agencies. In Bulgaria, govern-

ing parties have lost the last two parliamentary elections mostly because they lost the anticorruption pre-election debate. In 2001 the ex-tsar Simeon's party won a landslide election against the government of Ivan Kostov, which was perceived as corrupt by the public; in 2005, the 'tsarist party' was itself defeated in elections mostly because of similar corruption allegations. If anti-corruption agencies just help to oust governments faster, does this really add value? Are they a substitute for the democratic process?

No one has systematically studied the impact of anticorruption bodies on the democratic process in East European countries. There is evidence that some of those bodies—especially the 'preventive and coordinative' commissions of Southeast Europe—have been instrumentalized by governments to gain the upper hand in the anticorruption debates vis-à-vis the opposition.⁷ Even the law-enforcement anticorruption agencies of the Romanian type, however, have been entangled in complex battles between governments, presidents, and the opposition. The assessments of their performance in these battles can hardly be viewed as non-partisan.

In the name of objectivity, the most that can be said is that anticorruption bodies have sometimes helped to break up conservative, inefficient and authoritarian structures within the state machinery, and to strengthen the separation of powers in law enforcement—an area where the communist legacy of hierarchy and centralism is still felt. In Bulgaria, the introduction of SANS in 2008 helped break up the special services of the largely unreformed Ministry of Interior and diminished dramatically the powers of its head by strengthening the powers of the prime minister. Yet, this initial positive result was quickly overshadowed by a string of subsequent scandals in which SANS became entangled, including an alleged attempt to use surveillance instruments against a large section of the Bulgarian media.

Conclusion

The results of the creation of anti-corruption agencies have been mixed. Governments in Eastern Europe compete to prove their integrity and commitment to anticorruption through institutional reforms. Thus, countries like Bulgaria and Romania have instituted sophisticated institutional integrity systems, including laws on political funding and public procurement, as well as on anticorruption bodies.⁸ Nonetheless, there is a growing sense of frustration both among citizens in these countries and their European partners, who have started to demand 'concrete results'. What are these results supposed to be, however? Isn't this a euphemism for demanding the replacement of certain representatives of the current political establishment, whom the public suspects of tacit links with corrupt and criminal circles?

Ultimately, the constructivist strategy of the elites—proving commitment to integrity through institutional engineering—has failed in a number of countries in the region. Public confidence in governing elites is very low, and there are waves of populist newcomers vowing to carry out a 'new revolution', restart the transition, etc. As a result, Eastern Europe has become a stage for demagogic politicians who instrumentalize the anticorruption discourse mostly in order to gain power.⁹

The problems of governance in Eastern Europe will not be resolved by more anticorruption institutional innovation. At best, such engineering provides a window of opportunity during which political forces committed to integrity might gain the upper hand. The problem in Eastern Europe is not the lack of such windows of opportunity – it is more the lack of committed political forces. What we have now in many countries in the region are troubled party systems, disintegrated mainstream political parties, and ascending populism and opportunists. What is urgently needed in Eastern Europe is a revival of the representative structures of democracy: the strengthening of responsible parties, public media, pressure groups, trade unions, etc. If this does not happen, public frustration with the political elites will mount, and will continue to be vented through corruption allegations.

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1. Generally, performance indicators do not travel well across borders: sentences for corruption-related crimes, indictments, prosecutorial checks, proceedings against high-standing officials, corruption prevention, policy input into institutional reforms, civic education, raising public awareness—all these have been used as standards for evaluating anticorruption efforts, without generating a commonly accepted template for assessing their relative weight and importance.
2. On the context dependence of EU conditionality, see Smilov, 'EU Enlargement and the Constitutional Principle of Judicial Independence', in W. Sadurski, A. Czarnota and M. Krygier (eds.), *Spreading Democracy and the Rule of Law? Implications of EU Enlargement for the Rule of Law, Democracy and Constitutionalism in Post-Communist Legal Orders* (The Netherlands: Springer, 2006).
3. Perception-based indicators are known to reflect general public dissatisfaction with government, and are strongly affected by recent public scandals. Proxy measures, such as victimology studies, can reduce corruption to specific forms of bribery. See Endre Sik, 'The Bad, the Worse and the Worst: Guesstimating the Level of Corruption', in Stephen Kotkin and Andras Sajo, *Political Corruption in Transition: A Sceptic's Handbook* (Budapest: Central European University Press, 2002).
4. See Ivan Krastev, *Shifting Obsessions: Three Essays on the Politics of Anticorruption* (Budapest: Central European University Press, 2004).
5. See Martin Tisne and Daniel Smilov, *From the Ground Up: Assessing the Record of Anticorruption Assistance in Southeast Europe* (Budapest: Central European University Press, 2004).
6. Dan Dionisie and Francesco Checchi, 'Corruption and Anti-corruption Agencies', 2008, <http://anorage-net.org/index.jsp?page=documents>.
7. Daniel Smilov, 'Anti-Corruption Bodies as Discourse-Controlling Instruments: Experiences from South East Europe', in Luis de Sousa, Barry Hindess and Peter Larmour (eds.), *Governments, NGOs and Anti-Corruption. The New Integrity Warriors* (UK: Routledge, 2008).
8. For a review of the general sophistication of the anticorruption institutional framework of the Eastern European countries see <http://report.globalintegrity.org/>.
9. See Daniel Smilov and Ivan Krastev, 'The Rise of Populism in Eastern Europe: Policy Paper', in Grigorij Meseznikov, Olga Gyarfassova, and Daniel Smilov (eds.), *Populist Politics and Liberal Democracy in Central and Eastern Europe*, IVO (IPA) working paper series, Bratislava, 2008. <http://www.ivo.sk/5353/en/news/ivo-released-working-paper-populist-politics-and-liberal-democracy-in-central-and-eastern-europe>.

Performance-based municipal budgeting in Bosnia and Herzegovina: towards European integration

Guy Dionne

Overview

Good budgeting serves a number of governance functions. These include linking expenditures with the purposes for which they will be used (results orientation) and the revenues from which they are financed, providing a control mechanism to ensure that each government layer lives within its means, improving credit ratings to increase borrowing capacity (either via loans or the issuance of bonds), and providing citizens with the information they need to hold the state accountable.

Throughout Central and Eastern Europe (CEE), the capacity to absorb pre- and post-accession funding from the European Commission remains below expectations. Commission support for development programming increasingly emphasizes results-oriented approaches—the effectiveness of which in turn depend on the quality of the indicators and the robustness of the data used. Since this quality in many cases is still not adequate, support for better performance-based budgeting can increase the absorption of Commission funding. In that context, performance-based budgeting could be integrated into results-oriented public management which can provide evidence for the success or failure of decentralization. Pivotal to insuring greater accountability and informing citizens on development achievements, performance-based budgeting offers opportunities for each government level to review their management practices for the prudent use of human and financial resources.

With the conclusion of its Stabilization and Association Agreement with the European Union (EU) in June 2008, Bosnia and Herzegovina officially became a pre-accession country. Through its Upper Drina Regional Development Programme (UDRDP¹), UNDP in Bosnia and Herzegovina² has supported the introduction of performance-based budgeting in six municipalities: two in the Federation of Bosnia and Herzegovina (Foca-Ustikolina and Gorazde) and four in Republika Srpska (Cajnice, Foca, Novo-Gorazde and Kalinovik). These municipalities were selected following a municipal poverty mapping; all are multi-ethnic, have endured dif-

ficult post-conflict recovery processes, and suffer from chronic poverty.

If successful, these pilot projects could help raise living standards by improving local governance and service delivery in these six communities. No less importantly, they could also accelerate the introduction of results-based budgeting at higher levels of government, thereby helping to increase absorption of Commission funding. Improvements in municipal governance via performance-based budgeting could also help reduce some of the duplication associated with the constitutional framework created by the Dayton Peace Agreement that ended the war in Bosnia and Herzegovina in 1995.

Municipal budgeting: Problems and solutions

As indicators are not adequately selected and targeted, current municipal budgeting in Bosnia and Herzegovina is entrenched in a systemically weak accountability framework. In order to address this problem, policy changes and training are required to enhance the capacities of municipal public servants.

Work done under the UDRDP shows that municipal budgeting skills in Bosnia and Herzegovina remain rather weak. Problems identified include a reliance on hand-written, manually calculated budgets; inconsistencies in units of measurement, coding expenditure accounts, and reporting; and inadequate citizen access to budgetary information. As a result, municipal budgets are highly inaccurate and are rarely consulted when municipal investment decisions are taken. For purposes of ensuring that expenditures do not vastly exceed revenues available, municipal budgets are largely ineffective. Many municipal policies are therefore left unimplemented (as the necessary resources are unavailable), or they are implemented at the cost of other essential public services. Likewise, many grants to municipalities (from donors and from higher levels of government) focus on financing on-going public services, or on future investment projects—without considering how the associated municipal expenditures for maintenance and administration will be funded in the future. This lack of inter-temporal budgeting skills is a major obstacle to local government borrowing and the development of municipal bond markets. These problems found in the Upper Drina region are generally symptomatic of the country as a whole.

The UDRDP responded to these problems by providing budgeting training sessions in 2008 for local government staff and civil society organizations (CSOs) in these six municipalities. The training focused on improving participants' understanding of the five different types of budgeting (line-item, programme, performance-based, planning-programming budgeting, and zero-based), selecting appropriate measurement units to monitor and



nounced in the cantonal system of the Federation of Bosnia and Herzegovina. These complex intergovernmental relations unnecessarily increase administrative costs and inappropriately allocate public funds across different layers of government. A better understanding of the fiscal picture could lead all government levels to pursue inter-municipal cooperation and other cost-saving measures, or to delegate relevant responsibilities (as appropriate).

Proposals for further decentralization³ in Bosnia and Herzegovina, in order to improve the quality of governance by transferring more authority and resources to municipalities, have many proponents. However, in terms of strengthening public finance management, field experience shows that decentralization towards municipalities remains premature if strong national and sub-national capacities for budgeting, fiscal management, and monitoring are not in place. At present, many municipalities neither monitor nor evaluate the data needed to track local finances. In addition, assistance for municipalities provided by entity and state organs have not yet sufficiently emphasized much-needed improvements in accounting, treasury, tax administration, data processing and project evaluation skills. The expansion of performance budgeting for municipalities could therefore be a low-cost, low-risk (to macroeconomic stability) way of rationalizing fiscal federalism in Bosnia and Herzegovina—particularly if it spread to budgeting at higher governance levels as well.

assess performance, determining which investment projects bring the best returns, and implementing cost-saving measures.

Results-based budgeting in Bosnia: Policy implications

The pilot test, run in six municipalities, shows that both public servants and representatives of civil society organizations have the ability to understand and apply the principles of performance-based budgeting. In order to achieve a greater impact, the replication of this initiative in the remaining 121 municipalities would require further commitment and policy changes in local governance.

The broader adoption of performance-based budgeting in Bosnia and Herzegovina could increase public sector efficiency within the very asymmetric set of intergovernmental relations, and perhaps reduce some of the duplication in the constitutional framework created by the Dayton Peace Agreement. This framework devolves too much tax authority to the sub-national entities, which in turn delegate inadequate levels of autonomy to municipalities. Adequate equalization mechanisms have not been established either by the entities or by the overall state. These horizontal imbalances are particularly pro-

ularly if it spread to budgeting at higher governance levels as well.

EU pre-accession processes emphasize better fiscal monitoring in programmes for social inclusion (as is apparent in the Laeken indicators), as well as for macroeconomic stability, fiduciary requirements, and sectoral development. Integrating these indicators with performance-based budgeting would ensure greater accountability in, and increase the absorption of, public and donor funds in the accession process. It would also help improve living standards and reduce poverty.

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1. The UDRDP, which is part of UNDP's area-based development portfolio in Bosnia and Herzegovina, began work in December 2006. Its \$9 million budget supports local governance, economic development and public infrastructure in the Upper Drina region.
2. Beside the independent District of Brcko, Bosnia and Herzegovina is made up of two constituent entities: the Republika Srpska and the Federation of Bosnia and Herzegovina. The latter is further subdivided into ten cantons.
3. As decentralization requires a comprehensive system of intergovernmental relations, the introduction of performance-based budgeting can ensure stronger ability to monitor and evaluate performance, which can enable the implementation of politically difficult hard budget constraints.

'Citizen report cards' and local services in Kyrgyzstan

Damira Sul'pieva, Gopakumar Thampi, Erkinbek Kasybekov, and Alexander Kashkarev

Local public services in Kyrgyzstan

Kyrgyzstan faces multiple problems in public service provision. The issue is not just a lack of funds, it is also a lack of attention. Since the dissolution of the Soviet Union in 1991, the quality of public services has not been the subject of serious research and discussion among central and municipal government reformers. Concrete measures to monitor and assess the quality of public services have been conspicuously lacking, both nationally (in the Country Development Strategy for 2005-2008), and in terms of sectoral and municipal programming. Although international and civil society organizations have attempted to monitor and evaluate the quality of public services, the effectiveness of these efforts have been limited by a lack of engagement with the government service providers themselves.

Local services in Kyrgyzstan are delivered by the country's 459 *Aiyl-okmotu* (groupings of rural villages), as well as by 25 larger urban municipalities.¹ Responsibilities for assessing the quality of service delivery rest with central government agencies and municipal councils, whose monitoring activities are generally limited to preventing the misuse of public funds. Citizen-beneficiaries of the services have no formal role; citizen engagement, when it occurs, usually has an exceptional character (e.g., after the submission of a complaint). In such circumstances, state accountability to citizens for the quality of services provided is highly questionable.

To address this problem, UNDP, in close cooperation with the Kyrgyzstan government, in 2008 initiated public opinion sur-

veys on the quality of local public services, using the 'citizen report card' methodology. The initial results of these surveys suggest that there is large room for improvement in the quality of local service provision.

Citizen report cards and local service quality

'Citizen report cards' based on regular monitoring and assessments of service quality by beneficiaries can provide grassroots solutions to local service delivery problems. Working with the Presidential Administration's Agency for Local Self-Governance and on the basis of a July 2008 prime ministerial decree, a working group of central and local government agencies and civil society organizations drew on the decade-long experience in use of citizen report cards by the Public Affairs Foundation (PAF) of Bangalore, India, which has pioneered their use as a tool in the evaluation of public services provision. The PAF assisted in the design of the survey and identified the appropriate survey samples and geographical coverage.² Crucially, the government agencies present in the working group include those bodies responsible for the local delivery of the services in question.

The 'citizen report card' survey covered 120 villages in Kyrgyzstan's seven provinces; 6,000 respondents participated (50 in each village). Survey questions focused on service quality in the areas of drinking water, irrigation, education, healthcare, and road and street maintenance; these were assessed in terms of their accessibility, quality and reliability, cost, and frequency of use. Problems arising during service provision, customer satisfaction, complaint procedures, and community opportunities to influence service quality and recommend improvements were also surveyed.

Preliminary 'report card' data indicate that, while over 80 percent of respondents have access to primary health care, the shares of local residents enjoying access to emergency and specialized medical services are only 33 percent and 25 percent, respectively. A third of the survey respondents do not have access to safe drinking water, while 20 percent of those with access to safe drinking water also use it for irrigation. In education, problem areas identified include a lack of availability of textbooks and study materials, small numbers of libraries (and poor equipment in those that do exist), and small numbers of computers, particularly with internet access. The data also indicate that nearly 60 percent of respondents are unfamiliar with the local governments' responsibilities for service provision.

After completing the analysis and distribution of the survey results, these baseline 'report card' data will give feedback to service providers so that they may improve the delivery of those services whose quality is assessed as particularly weak by their users. This process is to benefit from user/community advisory groups who will work with the local authorities on service quality issues. This cycle of assessing service quality, identifying



The executive director of El Pikir, an NGO, conducts an interview in Susamy, a village in the Chui province of Kyrgyzstan. © El Pikir

problem areas, and proposing concrete responses is to be repeated every two-three years.

Conclusions

Although the ultimate impact of the 'citizen report cards' is not yet clear, activities to date suggest a number of preliminary conclusions. First, they underscore the importance of early engagement with the government agencies whose services are subject to monitoring and assessment. Representatives of these agencies have taken an active role in the design and implementation of 'report card' activities, thus, giving them a stake in the outcome and increasing the likelihood that the information produced by the surveys will be acted upon. The creation of a working group backed by a high-level policy decision (a prime ministerial decree) seems to have played a particularly important role in this respect.

Second, questions of accountability for local service delivery should be addressed delicately, particularly in situations where (as in Kyrgyzstan) legal and institutional responsibilities for service delivery are undergoing reform. Excessively 'aggressive' approaches for assigning accountability—particularly in early stages of the process—can evoke suspicion and

discourage cooperation by central and local government counterparts.

Third, cooperative processes involving central and local government agencies, international organizations (like UNDP), and local communities take time to be effective and key decisions are delayed in the majority of cases. Finally, it would be a major challenge to improve the quality of the services if interventions to address shortcomings are not incorporated into local development plans and adequately funded by authorities.

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1. While some services continue to be provided by branch offices of central government ministries and agencies, these are in principle now being abolished.
2. This methodology was introduced in Kyrgyzstan by the PAF; the surveys were conducted by Kyrgyzstan's 'El Pikir' public opinion research centre. Quality control was performed by field study coordinators and UNDP staff.

Inter-municipal cooperation and decentralization in the Former Yugoslav Republic of Macedonia

Guinka Kapitanova

Ohrid and municipalities

The implementation of the 2001 Ohrid Agreement, which calls for the equitable representation of the country's ethnic communities in the public administration and the transfer of powers from the centre to local governments, has posed challenges for many small rural municipalities in the Former Yugoslav Republic of Macedonia. Although 2005 legislation reduced the number of municipalities from 123 to 85, 38 percent of these have less than 10,000 inhabitants. While the new territorial map sought to address the concerns of disempowered minorities, in certain parts of the country it also shifted the political and ethnic balance. Further changes in municipal boundaries could risk exacerbating the delicate balance reached. At the same time, small rural municipalities received competencies for issues that, due to their small size, are difficult to deliver on.

Interest in inter-municipal cooperation has therefore increased, in order to allow small municipalities to capture economies of scale and more effectively deliver local serv-

ices—thereby making decentralization work. About 30 percent of the country's municipalities are reported to have engaged in various forms of inter-municipal cooperation. Despite this progress, the potential for this cooperation is much larger, particularly in the provision of communal and social services, responsibilities for which have been recently decentralized.

Inter-municipal cooperation can also bring political benefits by helping to consolidate the multi-ethnic society envisaged in the Ohrid agreement. By bringing together municipalities with differing ethnic characteristics (in terms of civil servants employed as well as population) inter-municipal cooperation can produce inter-ethnic dialogue as well as improve service delivery. Inter-municipal cooperation can therefore help realize the principles of 'equal treatment' and 'equal access to services' by redressing municipal fragmentation while still respecting municipal autonomy. The EU integration process is also encouraging inter-municipal cooperation, as large-scale projects enjoy better funding opportunities under the Instrument for Pre-Accession (IPA). Small municipalities therefore must cooperate in order to receive IPA funding.

Inter-municipal cooperation in action

UNDP is helping select rural municipalities¹ to pilot four different models of inter-municipal cooperation: joint administration; sharing experts and equipment; buying and selling services (service agreements); and joint planning for integrated territorial development and project preparation.

Concrete examples of inter-municipal cooperation supported by UNDP include the following: Joint departments for urban planning, tax collection and local inspections (in

“Instead of us knocking at many doors, the documents are moving around and we ultimately get service at our place of residence” – citizen of the Novo Selo municipality.

transport, construction, education, finance, catering and tourism), linked via information technology (IT), were established in three neighbouring rural municipalities of roughly

equal size. While each joint department is hosted by a different municipality, services are provided at citizens’ centres in each municipality. Agreements about cost sharing, management, and monitoring of service delivery have been signed. IT and finance experts have been hired jointly to service all three municipalities, providing cost savings for each.

Several rural municipalities have signed service agreements with more experienced urban municipalities for the collection and management of tax receipts, thus meeting the criteria to enter the second phase of fiscal decentralization (under which greater autonomy is afforded to municipalities).² These services include assessment and registration of taxpayers’ real estate holdings, and updating the property tax database, in order to increase the smaller municipalities’ revenues. Currently five ethnically diverse municipalities (one urban and four rural) have developed a joint local economic development strate-

“The citizens of our municipality, both ethnic Macedonians and ethnic Albanians, are motivated to pay the local taxes and fees. We are investing in a better future for all of us” – citizen of the Casca municipality.

Benefits, challenges, lessons learned

Efforts to promote inter-municipal cooperation have increased awareness of the importance of partnerships to meet the challenges of decentralization and EU accession. Significant costs savings have been realized³ and service delivery has improved. Cooperation for joint planning and programming for territorial development and utilization of national and IPA funds is increasingly seen as an opportunity for strengthening local economic competitiveness and raising the quality of life. In the past two years the benefits of investments in inter-municipal cooperation have been demonstrated for many municipalities.

“The benefits of inter-municipal cooperation are multiple: cost savings, better prospects for recruiting professional staff, and better services for citizens” – mayor of the Vasilevo municipality.

On the other hand, inter-municipal cooperation continues to face a number of barriers. Weak legal and financial incentives are often a constraint; limited human and financial resources can stand in the way of even the development of a feasibility study to explore possibilities for cooperation. A lack of trust among municipalities or ethnic or political tensions some-



Inter-municipal cooperation can also bring political benefits by helping to consolidate the multi-ethnic society envisaged in the Ohrid agreement. © Panos Pictures

times stand in the way of cooperative efforts. Inexperience and the fear of losing political control also threaten prospects for cooperation.

Experience to date indicates that the local leaders who successfully engage in inter-municipal cooperation tend to be proactive, flexible, and take a long-term approach to building inter-ethnic confidence and trust. They tend to think regionally, to study options thoroughly, to select realistic programmes, to pay attention to detail, to focus on cost savings, and to learn from their mistakes.

Successful inter-municipal cooperation in a highly politicized and multi-ethnic environment occurs where efforts have been made at an early stage to inclusively engage all relevant parties in decision-making processes. Expertise and incentives provided by donors and the central government to promote inter-municipal and inter-ethnic cooperation are essential. The sharing of successful experience

and peer-to-peer exchanges (for example through study tours to pilot municipalities) are likewise emerging as encouraging factors. The country's experience with inter-municipal cooperation offers important lessons for other countries in transition that are undergoing decentralization reforms, particularly where territorial fragmentation and limited local financial and human resources are constraints on the proper implementation of transferred responsibilities and services.

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1. Twelve municipalities are participating in UNDP pilots for joint service delivery and 15 (9+6) in integrated territorial development and project preparation.
2. Under the country's decentralization process, fiscal responsibilities are transferred to municipalities in line with their demonstrated capacity to take up those responsibilities. At present 19 municipalities—typically small rural municipalities or larger towns with debts—are unable to meet these requirements.
3. For example, the Bosilovo, Vasilevo, and Novo Selo municipalities created three joint departments for public service delivery. If three departments had been established at each municipality, legal requirements would have dictated the hiring of an additional 24 employees, costing an additional €230,000 (as opposed to the €75,000 - €80,000 in costs actually incurred).

Pension reform in Azerbaijan: challenges and achievements

Salim Muslumov and Oktay Ibrahimov

Status quo ex ante

Azerbaijan's pension fund as a standalone unit was established in 1991 (at the end of the Soviet period) without defined physical premises, effective national legislation, corporate policies, skilled personnel, a centralized record keeping system, and other necessary characteristics of a modern pension system. The collapse of the Soviet system along with the socio-political and economical cataclysms of the early 1990s ruined the archives in which employment records were kept. Identification of employment periods and income levels for workers who used to live in other Soviet republics, who moved from areas of conflict or worked in enterprises that went bankrupt became a real

challenge. Many people were unaware of the pension fund's existence and refused to pay social contributions. Despite the presence of a variety of different beneficiary categories, average pension benefits were of symbolic amounts (\$10-15 per month), and procedures for claiming them very bureaucratic. Despite these small amounts, payment delays could reach 3-4 months. Pension administration responsibilities were split between district offices of the State Social Protection Fund (SSPF) and the pension departments of numerous state enterprises and other public institutions. Data processing was done manually, without centralized record keeping.¹ All this made possibilities for fraud and error uncomfortably high.

Since 2001, the government (with support from UNDP and the World Bank) has significantly reformed and improved the governance of Azerbaijan's pension system. In addition to strengthening its first 'pay-as-you-go' pillar, the government has introduced a second funded pillar based on notionally defined contributions, to increase the pension system's long-term sustainability. While Azerbaijan's social security system continues to face important challenges,



Before the reforms...



...and after

© UNDP Azerbaijan

there can be no doubt that these governance reforms have significantly improved the quality of services received by Azerbaijani pensioners.

Pension reform and e-governance

In 2001 the government adopted a reform concept² that sought to ensure the pension system's financial sustainability, strengthen links between social insurance contributions and pension benefits, improve transparency and access to information for taxpayers and beneficiaries, and reduce incentives for avoiding the social security taxes that fund the pension system. In 2003-2004 agreements were concluded with UNDP on the joint 'Capacity Building for the State Social Protection Fund'³ project,⁴ and then with the World Bank for the 'Pension and Social Assistance' project.⁵ These projects worked to significantly increase the SSPF's managerial capacity by introducing e-governance instruments, in order to automate payments and data processing, improve transparency and access to information (for beneficiaries and the general public), improve the flow of information between the SSPF's head office and local branches, and create the technological and financial pre-conditions for the subsequent introduction of the pension system's funded pillar.

The results of these reforms are apparent in the pension system's performance in recent years. In January 2006 the second pillar of Azerbaijan's pension system was introduced, based on the principle of notionally defined contributions to individual accounts.⁶ More than 70 of the SSPF's branch offices have been reorganized, and all offices have been equipped with modern computer systems and local area networks. Most business processes in the head and branch offices have been fully automated,⁷ producing significant improvements in data accuracy and systemic transparency and eliminating many bureaucratic procedures. Automation has also facilitated the application of the 'one-stop shop' principle in registering company and individual social security tax payers,⁸ and has helped the SSPF and the Ministry of Taxation to catch mistakes and reduce fraud.

Since January 2006, the SSPF's data base has extended coverage to over 1.8 million employed workers,⁹ 300,000 employers, and 1.3 million pensioners. Pension fund revenues and payments for beneficiaries likewise skyrocketed during this time (see charts 1 and 2), growing at rates well above Azerbaijan's very high reported GDP growth.¹⁰ This sharp increase in pension benefits paid out played an important role in reducing poverty in Azerbaijan, particularly among the elderly. Over 80 percent of pension transactions are now made online via ATMs and VISA payment cards; some 500 additional ATMs have been installed across the country. As people frequently visit big villages and district centres for trading, shopping and other purposes, even inhabitants of remote settlements and small villages are able to withdraw their pension benefits from ATMs, without having to pay 'tips'.

Chart 1: Social security taxes collected (2003-2008)

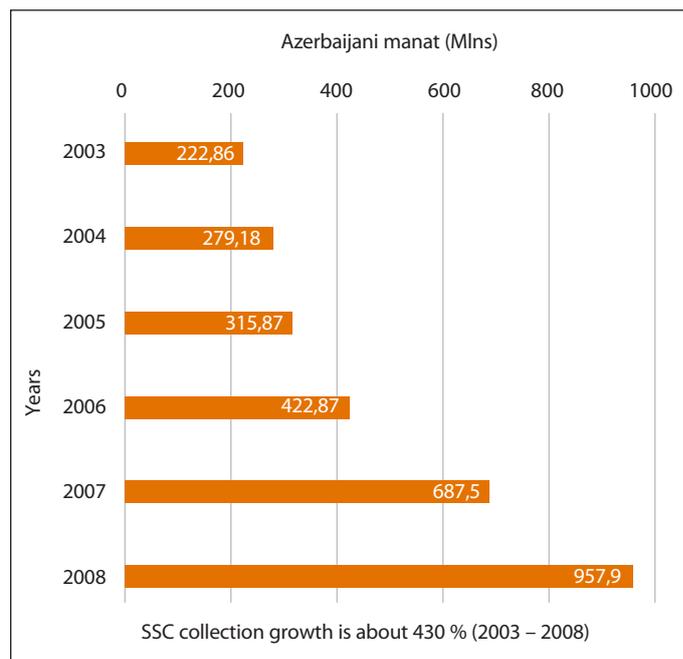
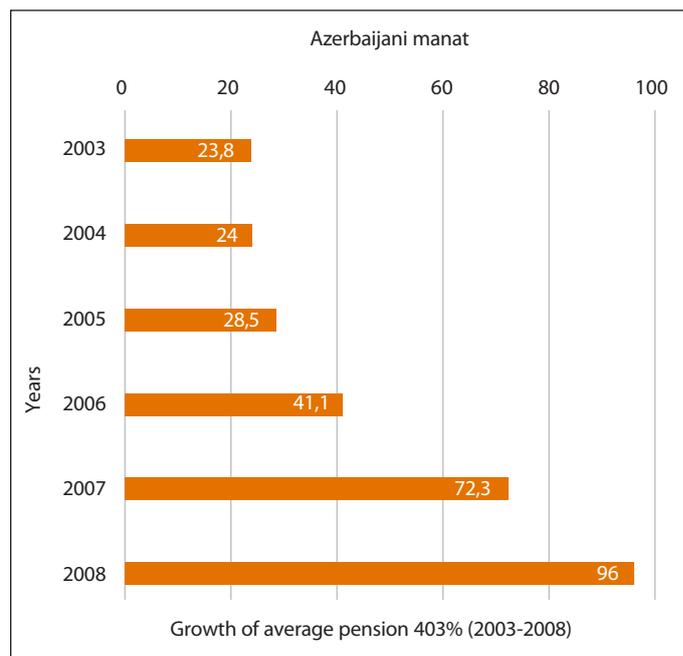


Chart 2: Growth in average monthly pensions (2003-2008)



Source: www.sspf.gov.az/statistika_2008.aspx

Conclusions

Azerbaijan's pension reform successes were made possible by three key factors: high levels of government commitment, appropriate and timely technical and financial assistance from the international community (UNDP and World Bank), and appropriate use of e-governance tools. These factors allowed Azerbaijan to 'leapfrog' over governance problems found in many other countries in the region, and adopt cutting-edge technological solutions to social policy reform challenges. This experience also underscores the importance of investments in basic IT awareness, as well as

of structural reforms in the banking and telecommunications sectors.

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1. Mel Cousins. *Case Study of the Capacity Building for the State Social Protection Fund Project*, (Azerbaijan: UNDP, 2008).
2. http://www.sspf.gov.az/prezident_fer_seren.aspx.
3. In Azerbaijan social security is split into two components: (a) social allowances, targeted social assistance, unemployment, rehabilitation of invalids, etc.; and (b) social insurance for the labour force and labour pension provision. Component (a) is managed by the Ministry of Labour and Social Protection, while (b) is the responsibility of the SSPF. As the SSPF is the only organization in Azerbaijan dealing with social insur-

- ance and pension provision, it is frequently referred to as the 'Pension Fund'.
4. <http://www.un-az.org/undp/doc/projdocssp.pdf>.
 5. <http://web.worldbank.org/external/projects/main?pagePK=64283627&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P049892>.
 6. Salim Muslumov. *Modernization of Pension Administration: From No Computers to a Sophisticated Record Keeping and MIS System in Three Years. The Case of Azerbaijan*. World Bank, Washington D.C., 13 June 2007. <http://www.sspf.gov.az/konfranslar.aspx>.
 7. *Azerbaijan Republic Modernizes its Social Security System with HP Technology*. Hewlett-Packard Development Company, July 2006, <http://h20271.www2.hp.com/SMB-AP/downloads/Pensions%20System%20Azerbaijan.pdf>.
 8. Oktay Ibrahimov, *Towards e-Governance in the Social Insurance System*. Presentation delivered at the International Social Security Association, Moscow, 2005. <http://www.issa.int/pdf/moscou05/2ibrahimov.pdf>.
 9. SSPF employment data differ from those reported by the Central Statistical Committee. The difference is explained by Azerbaijan's large informal sector, which is now the focus of special governmental measures.
 10. http://www.sspf.gov.az/statistika_2008.aspx.

Think tanks and state reform in Central Europe

Goran Buldioski

The development of think tanks in the new member states of the European Union (EU) can show how society and political actors interpret and respond to policy problems. Independent think tanks in these countries are by-products of the post-communist transition; some of them are now important policy actors. EU accession and reforms have dramatically changed the region, and this process has seen a mixture of success, failure and irrelevance on the part of emergent think tanks. Whereas think tank communities were created in Bulgaria, Romania and Slovakia, other new EU member states became home to fewer organizations of this kind. Likewise, some of these organizations significantly contributed to state-building, democratization and market reforms, while in countries like the Czech Republic and Slovenia reforms were implemented with little input from such organizations. The conditions in which the region's think tanks emerged and influenced policy processes varied widely. They were marked by resistance from new elites in some countries and disenfranchised liberals looking for a way to influence the policy process in others. There were differences in competition in policy research as well as in access to information. Scrutinizing these conditions and the involvement of think tanks into policy-making provides a valuable insight into how the reforms were moulded differently throughout the region.

Think tank communities

This article defines think tanks as independent research organizations—usually private or nongovernmental—engaged in a particular policy area or a range of policy issues, actively seeking to educate or advise policy makers as well as the public.¹ As such these organizations compete on two separate markets: for funding and for the opportunity to provide policy advice.

The idea and practice of policy research (evolving from the Anglo-Saxon political tradition) took root in Central Europe in the 1990s. In the region, independent think tanks have been credited with keeping reform agendas alive during difficult times, challenging post-communist and new elites, and helping foreign specialists transform doctrinal manifestos into reforms tailored to local conditions. A few have championed courageous whistleblower and government watchdog practices in fighting corruption. Finding a common denominator for their role(s) in transition is a demanding task: from one country to another, or across various policy areas, it is hard to separate the accomplishments of think tanks from those of assistance organizations. These challenges notwithstanding, some remarkable achievements are credited to the region's think tanks.

In Slovakia, think tanks such as the Institute for Public Affairs, the Institute for Social and Economic Reforms, the Centre for Economic Development, MESA10, the Hayek Foundation and the S.P.A.C.E Foundation kept the reformist spirit alive through the Mečiar years. Their reform ideas—which ranged from taxation to healthcare to anti-trust regulation—were enthusiastically implemented once the pro-reform government took office in 1998. Some leaders from the think tank community ended up in ministerial positions; others became state secretaries or directors of influential governmental bodies—validating the sector's expertise and importance.²

As in Slovakia, think tanks in Bulgaria became a refuge for the liberal elites through the troubled second half of the 1990s. The scene consisted of a dozen notable think tanks including the Centre for Economic Development, the Institute for Market Economies, the Centre for the Study of Democracy, the Centre for Liberal Studies, European Institute and many others. They developed policies ranging from economy to local government development to negotiation of the EU *acquis*.³

As Romania's EU accession became feasible, its think tanks became more resolute in working on governance issues. For example, the Romanian Academic Society (SAR), leading the NGO 'Coalition for Clean Parliament', forced the main political parties to scratch 98 candidates from their 2004 election

lists based on corruption scandals or links to the communist regime. Equally noteworthy, SAR demonstrated the power of the courts by defeating charges from several of the 98 implicated candidates.⁴ The Institute for Public Policy vigorously monitored party and campaign finance, and the performance of the state legislature. By 2007, European Commission progress reports regularly adopted recommendations developed by Romanian think tanks, thereby shaping the government's agenda. In sum, a community of think tanks earned respect in pushing for and keeping track of the reforms in each of these three countries.

Other examples and competition

While the rest of the region witnessed the creation of successful think tanks, other countries' reforms were informed by activities of fewer organizations. CASE - Center for Social and Economic Research and the Institute of Public Affairs influenced economic and political reforms in Poland and the region. A few think tanks were created in the Czech Republic, Estonia, Lithuania and Latvia, all of which had limited effect on particular policy areas. As a whole, independent think tanks lost out to other providers of policy analysis. In Lithuania, it was the partisan think tanks and business lobbyists that prevailed. Estonia had the most progressive civil service and respected academic community. Most of the research in the Czech Republic was associated with universities that managed to keep to a high standard. Hungary and Slovenia hosted some of the most prominent state research centres. The Hungarian Academy of Science's Institute for World Economics—the best of its kind—survived transition and continued its policy research under new circumstances (predominantly with state funding). These different paths call for careful analysis of the conditions that promoted or prevented the proliferation of think tanks.

Shaping conditions

Despite these differences, several common conditions shaped the emergence of think tanks prior to EU accession. First, many think tanks were created in the mid-1990s in reaction to reform processes that were blocked either by the winners that emerged during transition, reformed communist parties, or both. Second, these organizations were magnets for disappointed liberal elites following electoral reversals and the general intellectual crisis in Eastern Europe.⁵ Government instability or populism dissuaded many policy experts from assuming governmental roles. Third, many intellectuals—sometimes acting within think tanks—discovered the myriad benefits of partnering with international organizations. A panoply of individual experts and consultancy firms created a more lucrative assistance sector. Yet, think tanks maintained the focus on the public realm and often advocated long-term strategies instead of quick fixes.

Fourth, access to public information aided think tanks and NGOs in efforts to expose corruption. In a region with non-transparent governments, utilizing access to information allowed think tanks to raise interest in agendas on budget

monitoring, procurement and other new policy subjects. For example, think tanks in Romania, Hungary and Latvia, even when failing to instigate policy change in political party financing, kept the issue on the public agenda. Fifth, think tanks emerged in places where they faced little or no competition from other research outlets operating under the auspices of governments, universities, political parties or business.⁶ Finally, many donors provided funding, seeing think tanks as suitable independent agents of change within stalled state reform processes. Private donors such as the Open Society Institute, Ford and Mott Foundations along with UNDP, German Marshall Fund, and Freedom House were at the forefront of this supply.

Bulgaria, Romania and Slovakia witnessed a confluence of all these factors. By contrast, the rest of the countries in the region were initially more successful reformers – mainly due to better controls over power elites, and higher democratic standards, in which liberal intellectuals were part of the mainstream policy process. Surprisingly, while the EU accession provided a crucial leverage power to think tanks' policy ideas, it did not play a dominant role in the inception of these organizations. These new centres borrowed more from the experience of the United States in think tanks than they did from the practices of their European peers. Only with the advancement of pre-accession funds and instruments such as the EU Framework Programmes, did some think tanks engage in joint research projects with western European researchers.

Limitations and challenges

Even in countries where vibrant think tank communities emerged, these organizations were never going to be a panacea for the many ill-afflicting policy processes. The inability or unwillingness of state agencies to efficiently process sophisticated expert analysis reduces think tanks' impact on policy processes. Nonetheless, their analyses cut through political manoeuvring to put policy alternatives to the test—thereby producing public goods with real value. Because individual commitment was crucial, many of these think tanks are highly personalized—this is both a blessing and a curse. In relying on their founders' personal charisma and skilful networking, some of these centres never developed adequate organizational structures or sufficiently broadened their audience.

Populists and academics—on either side of the societal spectrum—belittled these organizations as 'internal Western institutes' in the past and 'EU-driven researchers' at present. These sceptics criticize think tanks for implementing donors' agendas instead of their own. Built on foreign models, think tanks were appliers and adapters from external paradigms, and are yet to become producers of concepts in their own right. In some policy areas, any claim of originality was discarded *ex-ante*.⁷ Finally, think tanks are yet to employ innovative tools in creating markets for policy advice and thus securing their sustainability beyond foreign funds.

Looking ahead

Only if these limitations are addressed will think tanks have a future in the region. Their accumulated knowledge on the turbulence that has accompanied the building of democracy, market economies and EU accession can inform new theories of structural reform. Beyond this, lessons learned by think tanks in Central Europe, along with the experiences of broader civil society, should serve as roadmaps in preventing a possible rollback of transition successes and as transferable models for galvanizing the stalled transition processes in the Balkans.

Goran Buldioski is Programme Director of the Open Society Institute Think Tank Fund.

1. Definition adapted from Diane Stone, 'The Policy Roles of Private Research Institutes in Global Politics' in *Private Organizations in Global Politics*, Karsten Ronit and Volker Schneider, eds. (New York: Routledge, 2000).
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4. Alina Mingiu Pippidi, ed. *Romanian Coalition for Clean Parliament: A Quest for Political Integrity* (Bucharest: Polirom, 2005). Also accessible at: http://www.sar.org.ro/Romanian%20Coalition_for%20a%20Clean%20Parliament.pdf.
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In from the cold: how citizens are helping to transform the frozen conflict in Cyprus

Christopher Louise

Meeting inside the UN Buffer Zone, Greek Cypriot leader Dimitris Christofias and Turkish Cypriot leader Mehmet Ali Talat know they are on the verge of a historic opportunity to finally resolve one of Europe's most enduring frozen conflicts. However, both men also realize that success will depend on their ability to carry their own constituencies into a new era of inter-communal statehood. Navigating a route to a comprehensive peace not only involves agreeing solutions to big questions of governance, territorial adjustment and economic convergence; it will also require overcoming entrenched divisions among the island's political class and the voting citizens, who will either endorse or reject whatever plan is agreed by the leaderships.¹ With citizen involvement central to the outcome of the peace process, the question of how citizens can play a role in transforming the psychology of division becomes paramount. From this vantage point, efforts to resolve the Cyprus conflict can serve as a case study of the interconnection between governance, citizenship, and conflict resolution.

Citizen roles in transforming the psychology of division

Reversing the psychology of division is key to a Cyprus settlement, and the role of the citizen is the lynchpin to its success. The previous effort to reunify Cyprus in 2004² exposed to both domestic elites and the international community the weakness of peacemaking without citizen engagement. Significant lessons learned were the need for Cypriot peacemaking efforts to be Cypriot-owned and the importance of helping citizens to be actively involved in the process.³ A vertical communication gap between leaders and citizens has

been a traditional feature of Cyprus's peace talks. As a result, citizens often feel insufficiently consulted regarding negotiations over their own future, and fear the possibility that they would be presented with a *fait accompli*.

Previous peacemaking efforts underscored the need for active citizenship, via engagement with the political process and the creation of inter-communal social networks to address common issues and challenges. Much has been done in recent years to enhance the citizens' role in inter-communal reconciliation as one means to address apparent public cynicism and lost confidence in the political process. Difficult tasks of overcoming a legacy of public apathy and demonstrating the real consequences of division are being undertaken by groups of Cypriots who are trying to forge a vision of a united and multicultural Cyprus. About 14 percent of Cypriots have participated in some form of inter-communal activity; over the past three years UNDP's peacebuilding efforts have involved around 70,000 people. Most of these activities have demonstrated the value of functional cooperation between the two communities on issues ranging from HIV/AIDS prevention to environmental protection. However, meaningful interaction between the two communities is the exception rather than the rule. In spite of the opening of crossing points along the Green Line, including the main thoroughfare linking the two communities in the heart of Nicosia, over 80 percent of Greek Cypriots and Turkish Cypriots have little or no contact with members of the other community.⁴ These realities condition the environment in which citizen-driven reconciliation efforts are taking place.

Creating an environment for change in frozen conflicts: the Cyprus model

Reinvigorating public confidence in conflict transformation begins by giving citizens the space and knowledge needed to design alternative visions of the future. Over the past three years UNDP has supported efforts by local organizations and research institutes to develop policy options and scenarios for a future Cyprus, to help better understand public attitudes through research that contributes to public discourse, and promote citizen participation in the design and implementation of projects which demonstrate the practical bene-



Experts from both communities are working to jointly resolve the common environmental problems of the island. © Nicolas Jarraud, UNDP Cyprus

fits of inter-communal cooperation. Pioneered by Cypriot NGOs and professional associations, these efforts are governed by the principle of preparing Cypriot society for a settlement and for the post-settlement phase. They are based on a theory of change which focuses on identifying and supporting 'transition stakeholders'. In this approach, engineers, planners, architects, academics, scientists, administrators, community leaders, journalists, NGO representatives, and business leaders are seen as the key to implementing any future settlement. Supporting such stakeholders helps them to form inter-communal networks which are driven by pragmatic approaches to social and economic development. For example, the Cyprus Environmental Stakeholder Forum is an inter-communal network made up of professionals in different fields who have a common understanding that successful environmental policy for Cyprus needs to transcend political divisions. Formed in 2007, the forum is influencing environmental policy islandwide; several of its members are represented in the Environmental Technical Committee established by Cyprus's political leaders to provide inter-communal technical expertise to the peace talks.

Building visions of a future Cyprus has been a cornerstone of the effort to instil public confidence in processes of reconciliation and political settlement. Ultimately the design of evidence-based visions and scenarios stems not only from the need to highlight what might be gained from a peaceful settlement of the conflict, but also as a means to reframe the public discourse between the two communities. It assumes that dialogue and practice can challenge the established rhetoric of both sides, and contribute to changing the current public atmosphere of inter-communal mistrust.⁵ For example it has often been quoted that the rejection of the previous settlement plan was due to the 'assumed' high cost of economic convergence. However, recent studies show

that an agreement would not only be affordable, but would produce a 3 percent increase in GDP growth in the first five years and create more than 33,000 jobs.⁶ Cyprus could receive a peace dividend as large as €1.8 billion annually.⁷

Public discourse

Citizen engagement is the most direct method of closing the vertical communication gap, and improving the quality of governance. Discussion groups, participatory action research, public opinion polling and documentaries are generating more inclusive and better informed public policy dialogue. The success of public discourse depends on its nature as a moderated medium for communication and information dissemination, which can depart from the traditional narratives about the conflict. Moderated dis-

courses which are being taken forward by research-based projects, such as the Cyprus 2010 Programme, focus on the common concerns of each community, and while allowing a space for constructive exchange of views and disagreement, the emphasis is on mutual empathy. The other method for better moderating the public communication space has focussed on the training of journalists, exposing them to professional techniques to ensure balanced and responsible reporting.⁸ Examples of how public opinion polls have helped create new perspectives on inter-communal relations include findings which show majority support in each community for joint efforts at fighting organized crime, stronger economic ties between the two communities, and establishing joint inter-communal academic institutions.⁹ Young people from the two communities have worked together on a research project on the aspirations of Cypriot youth. The results highlighted the profound similarities among young people across the island, and in particular the finding that significant numbers wish to take part in activities which support reconciliation. Collectively, this kind of information may create new opportunities to transcend the psychology of division.

Citizen participation in peacebuilding

Issues of common concern can form a solid basis for practical cooperation between the two communities. Designed jointly by Turkish Cypriot and Greek Cypriot transition stakeholders, these initiatives help demonstrate the practical benefits of a Cyprus settlement. Projects that combine reconciliation and citizen participation in decision-making can transform the conflict dynamic into one of mutual respect and shared values. For example, the former Greek-Cypriot village of Kontea (known to the Turkish Cypriots as Türkmenköy) is serving as an incubator for an unprecedented experiment in reconciliation and citizen participation.

Both the former Greek Cypriot and current Turkish Cypriot residents moved from their original villages in 1974. Acting on their own initiative, these communities are working together to restore cultural heritage sites in the village, some of which date back to the twelfth century. Using inclusive approaches to public consultation (e.g., town meetings, exhibitions, networks for conveying information and receiving feedback) and structured around joint decision-making by parallel Turkish Cypriot and Greek Cypriot management committees, the project has pioneered a locally owned participatory decision-making model for fostering reconciliation and instilling confidence in the prospect of a future united Cyprus. Lessons from this experience are now being consolidated to support an islandwide approach to inter-communal trust and cooperation.

These strategies represent some of the most progressive efforts to support citizen engagement in the process towards a Cyprus settlement. The challenge is to expand this space and scale up citizen contributions to peacemaking, to reverse the psychology of division that often discourages building bridges across the conflict line. The absence of citizen engagement risks missing opportunities offered by multi-track diplomacy. Therein lies one of the most pressing gover-

nance challenges in Cyprus today: bringing the citizen in from the cold to ensure that diplomacy is underpinned by a social momentum for reconciliation.

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1. Any future peace plan agreed upon by the two leaders will be put to parallel referendums in the Greek Cypriot and Turkish Cypriot communities.
2. In April 2004 the Plan for a Cyprus settlement was endorsed by the Turkish Cypriot community, but rejected by the Greek Cypriot community. As a result, Cyprus was admitted to the European Union in May 2004, but with the *acquis communautaire* suspended in the northern part of the island.
3. Erol Kaymak, Alexandros Lordos, and Natalie Tocci. *Building Confidence in Peace* (Brussels: Centre for European Policy Studies, 2008), available online in PDF format at www.ceps.eu/publications.
4. Data from RAI Consultants Ltd. Survey commissioned by UNDP, 2008.
5. Some 66 percent of Greek Cypriots and 78 percent of Turkish Cypriots admitted to distrusting the other community. Data from RAI Consultants Ltd. Survey commissioned by UNDP, 2008.
6. Praxoula Antoniadou-Kyriacou, Ozlem Oguz, and Fiona Mullen. *The Day After II: Reconstructing a United Cyprus*. PRIO, Paper 1/2009, 2009. www.prio.no/cyprus.
7. Fiona Mullen, Ozlem Oguz, Praxoula Antoniadou Kyriacou. *The Day After: Commercial opportunities following a solution to the Cyprus Problem*, PRIO, Paper 1/2008, 2007. www.prio.no/cyprus.
8. UNDP supported the European Peer Learning Programme for Young Journalists (2007-2008), which aimed to strengthen the professional skills of 25 Greek Cypriot and Turkish Cypriot journalists.
9. Erol Kaymak, Alexandros Lordos, and Natalie Tocci. *Building Confidence in Peace* (Brussels: Centre for European Policy Studies, 2008), available online in PDF format at www.ceps.eu/publications.

Governance reform in the eyes of practitioners

Governance reformers in the countries of Europe and the Commonwealth of Independent States face many challenges. Which approaches to improving the quality of governance are seen by practitioners as most likely to be effective?

A survey among practitioners in the region conducted by the Athens-based Regional Centre for Public Administration Reform in 2007 identified the most important governance challenges as:

- Weak or insufficient policy coordination;
- Weaknesses in human resource management; and
- High levels of corruption.

These challenges are often seen as overlapping. Efforts to improve policy coordination are sometimes frustrated by inadequate staff capacity for coordinated work. Likewise, the effectiveness of human resource development initiatives (e.g., identifying and meeting training needs) are uncertain when they are not accompanied by civil service reforms that reduce the scope for patronage and other non-meritocratic personnel mechanisms. While anti-corruption strategies have been put in place in much of the region, practitioners increasingly see the need to link the fight against corruption with measures ensuring integrity in the public administration system, as well as greater openness and transparency in assessing activities and performance in the public sector.

In order to respond to these threats, the survey revealed strong support for the networks of public officials and governance practitioners, as mechanisms to transfer knowledge across the region. It is against this background that UNDP and the Hellenic Government have created the Regional Centre for Public Administration Reform (see <http://www.rcpar.org/public/rw/pages/background.en.do>) to promote cooperation in public administration reform in the region. The RCPAR responds to priorities set by the region's governments and NGOs, and relies on regional sources of talent and expertise (as well as its own training and research facilities) to convey expertise and disseminate knowledge. The RCPAR can in this way help governance reformers to press on with the task of building or rebuilding home-grown, in-house capacity for reforming state structures.

- The Regional Centre for Public Administration Reform (Athens)



UNDP is organizing with the Special Secretariat for the Development of International Programmes of the Hellenic Ministry of Foreign Affairs a **Forum on Responsible Business Opportunities for Greek Businesses in Eastern Europe and the CIS** on 2 April 2009 at the Royal Olympic Hotel, Athens, Greece. The event will bring together UNDP representatives from Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Moldova, Kazakhstan, Kyrgyzstan, Ukraine, and Uzbekistan, together with the Greek business community to discuss ways to pursue responsible business opportunities in the region. For more information, please contact Pascale Bonzom, Policy Specialist, UNDP (pascale.bonzom@undp.org).

The Fifth International Congress and Exhibition for Southeast Europe on **Energy Efficiency (EE) and Renewable Energy Sources (RES)** will be held on **6-8 April 2009 in Sofia, Bulgaria**. The aim of the event is to present new technology, equipment, and services to potential users in Southeast Europe, and to raise awareness of the benefits of renewables, and of the different ways to save energy. For more information, please, visit <http://www.wbc-inco.net/object/calendar/26061.html>.

The high-level International Energy Summit, **Natural Gas for Europe: Security and Partnership**, will be a timely opportunity to continue the energy security dialogue with the EU's main partners. It will take place in Plovdiv, Bulgaria on 24-25 April 2009. Bulgaria's initiative to organize a summit on the above topic has its roots in the active energy dialogue between the President of Bulgaria, H.E. Georgi Parvanov, and the Heads of State of Caspian and Central Asian countries over the past two years. Some 28 countries are invited from Southeast Europe, the Black Sea and Caspian Sea region, Central Asia, from those EU Member States that have a stake in the development of the Southern Gas Corridor, the US as well as the EU Presidency and the European Commission. For more information, please visit http://www.mfa.gov.hu/kum/en/bal/european_union/Latest+news/Nabucco_Declaration_090127.htm.

A **Climate Change Conference**, to be held in Pristina, Kosovo, on 28- 29 April 2009, is co-organized by the Ministry of Environment and Spatial Planning and UNDP. This conference will bring together speakers and participants from Kosovo institutions, representatives from the region, donor countries and international organizations. Key speakers will provide information regarding international climate frameworks and provide ideas for how Kosovo could comply with international conventions. For more information, please, contact Lisa Mattsson, Environment Programme Specialist, at lisa.mattsson@undp.org.

The Fifth Annual meeting of the Development Partners Working Group on Local Governance and Decentralization (DPWG-LGD) will be held on 25 – 27 May 2009 in Bratislava, Slovakia. The DPWG-LGD was established in April 2006 in Frankfurt and is composed of 12 multi- and bi-lateral donors (including UNDP and UNCDF) that are committed to work jointly towards enhancing aid effectiveness and harmonizing approaches in support of the advancement of decentralization and local governance in developing countries. The need to apply the principles of the Paris Declaration and Accra Plan of Action and deliver development results is the driving force behind this initiative. For more information, please, contact dafina.gercheva@undp.org.

The conference, **Fighting Corruption through Collective Action in Today's Competitive Marketplaces**, will take place on 8-11 June 2009 at the World Bank, Washington, D.C. The programme features successful collective action examples and offers practical guidance both for corporate decision makers doing business in these high-risk situations, and for government officials responsible for policy and management of effective and corruption-free government finance. The conference is supported by the World Bank Institute as well as by an alliance of companies, NGOs and other organizations focused on fighting corruption in the marketplace. For more information, please, contact acedp@worldbank.org.

The next issue of *Development and Transition* will focus on:

The regional impact of the global economic crisis (June 2009)

The editors welcome contributions. If you wish to submit an article, please follow the guidelines at www.developmentandtransition.net.

Development & Transition is published by the United Nations Development Programme and the London School of Economics and Political Science. The ideas expressed here do not necessarily reflect the views or policies of either organization. www.developmentandtransition.net



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