CAPACITY BUILDING: Lessons from Countries in Transition

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ABOUT THE PRESENTATION

The findings of this report are based on a number of international surveys by the UN, the World Bank, OECD, and the EU, as well as publications by individual scholars.

They also reflect author’s own experience as a policymaker and international consultant.

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1. Capacity before Transition
2. Initial Challenges of Transition: the First Phase
3. Three Strategies of Capacity Building: the Second Phase
4. Outcomes of Transition
5. Lessons to Learn
The communist countries, by and large, maintained relatively well developed public administrations:

- State administration employed a well educated and disciplined workforce
- Remuneration was competitive
- Public administration enjoyed high social status and attracted more than a fair share of national talent
- Capacity of state institutions was strong in such areas as:
  - human development
  - leadership
  - ethics regulation
  - infrastructure management
  - planning
  - control of corruption
  - R&D management
TRANSITION – THE FIRST PHASE: Capacity Gap

With the onset of transition a dramatic capacity mismatch emerged:

- A skill mix before transition reflected the dominant role of the state in the command economy
- Many skills became irrelevant in the market system
- Skill shortages emerged in:
  - macroeconomic policy
  - budgeting
  - tax collection
  - customs management
  - business regulation
  - social policy
  - public relations
OUTCOMES OF THE FIRST PHASE

basic capacity in:
• macroeconomic policy
• economic regulation
• budget management

acquired capacity by the end of the first phase

capacity gap

• enforcement of the rule of law
• economic policy development
• policy evaluation, implementation and monitoring
• project management and change management
• inter-agency coordination and information exchange
• decentralized budget management
• business process engineering
• international trade and financial markets
• modern ethical framework
• performance management and strategic planning
• public procurement
• public services delivery
THE FIRST PHASE: Special Cases

- Some of the Central and Eastern European countries (e.g. Estonia, Latvia and Lithuania) opted for comprehensive change during the first phase.

- The reforms were focused on:
  - human resource management (selection, hiring, promoting and firing civil servants)
  - public management (new institutional design)
  - public policies (policy making through a competitive political system)

- These reforms were sometimes incoherent and could not produce immediate results.

- They often sent conflicting signals to career civil servants.
THE SECOND PHASE: Three Strategies

I. Conservation and adaptation
   - Belarus, China, Uzbekistan, Vietnam
   - Reliance on existing capacity

II. Gradual modernization
   - CIS, Eastern and South Eastern Europe
   - Emergence of transition model

III. EU membership
    - EU-10
    - Emphasis on accession framework
OUTCOMES OF THE SECOND PHASE: Group I

- Ethical control
  - Control of corruption
  - Personnel management
  - Project management
  - Strategic planning

- Performance management in market environment
- Human resource management
- Rule of law
- Transparency/accountability
- Depoliticization
- Financial decentralization
- Policy analysis
- Public services’ delivery
- E-government

Conservation/adaptation
Capacity in Group I
Capacity gap
OUTCOMES OF THE SECOND PHASE: Group II

- Basic regulatory framework
- Fiscal and monetary policy
- Social services management
- Public relations

Capacity in Group II

- Enforcement of the rule of law
- Transparency/accountability
- Control of corruption
- Performance management
- Ethical and meritocratic framework
- Human resource management
- Depoliticization
- Financial decentralization
- Policy analysis
- Public services’ delivery
- Strategic planning
- Coordination
- Leadership
- E-government
EMERGENCE OF TRANSITION MODEL

- Ethical control
- Control of corruption
- Project management

- Central planning
- Communist party dominance
- Nomenklatura

- Enforcement of the rule of law
- Transparency/accountability
- Performance management
- Human resource management
- Budget decentralization
- Horizontal coordination
- Customer oriented services
- E-government

- High educational level
- Basic regulatory framework
- Macro- and fiscal policy framework

- Low competitiveness in a labor market
- Deinstitutionalization
- High corruption
- Weak coordination
- Inadequate ethical regulation

- Administrative routines
- Lack of transparency
- Poor quality of services
- Politicization
- Centralization of decision making and budgeting
OUTCOMES OF THE SECOND PHASE: Group III

Capacity gains

- Basic regulatory framework
- Fiscal and monetary policy
- Social services management
- Public relations
- Enforcement of the rule of law
- Transparency/ accountability
- Control of corruption
- EU accession framework:
  - technical regulation
  - environment
  - agriculture
  - customs regime
  - etc

Capacity in Group III

Capacity gap

- Performance management
- Ethical and meritocratic framework
- Human resource management
- Depoliticization
- Financial decentralization
- Policy analysis
- Public services’ delivery
- Strategic planning
- Coordination
- Leadership
- E-government
SUMMARY OF THE OUTCOMES

- Progress in capacity building was uneven and limited.
- **Group I** avoided severe capacity decline by preserving elements of the old system. But it seems to represent only temporary solution.
- **Group II** suffered most from capacity destruction, which was not fully offset by capacity creation.
- For the **Group III (EU 10)** the balance between capacity creation and destruction seems to be more favorable but still is far from ideal.
- The outcomes in the EU 10 vary from high performance of the EU accession departments to near absence of modern ethical framework and HRM.
POST-TRANSITION: Policy Convergence

In almost all former transition countries the long-term strategies gradually converge towards the OECD framework.
LESSONS FROM TRANSITION

1. Capacity building was seldom a top priority

2. When capacity building was prioritized, outcomes were often spectacular:
   - During the early phase of transition with the focus on basic market institutions and skills
   - During the EU accession process with an emphasis on a narrow range of skills and institutions of direct relevance to the acquis framework.
3. Challenges to capacity building include:

- Low competitiveness of the civil service in the labor market
- Path dependency and cultural barriers
- Politicization
- Limited and inflexible local training capacity
- Premature emphasis on performance management during early transition
4. Capacity building was facilitated by:
   - Strong leadership
   - International assistance
   - Training abroad
   - Outsourcing to NGO’s, universities and consultancy firms
THANK YOU
FOR YOUR ATTENTION