Public Administration Reforms in Georgia: Establishing Administrative Model for State Organizations

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Abstract

The article compares the results of two waves of PA reforms in Georgian public sector in the period of 2004-2012 and overviews advantages and disadvantages of competitive and professional models of civil service in developing countries on the example of Georgia.

The paper discusses results of the study conducted by the GIPA School of Government in 2014 on problems and challenges in Georgian public organizations and links them with the process of reform. We consider four instruments of internal organizational development - performance measurement, motivation, strategic planning and participatory approach to the decision making, which were introduced to the public organizations during the PA reforms in Georgia, and estimate how effectively they have been implemented.

Introduction

The article aims at analyzing those reforms of public administration that have been conducted in Georgian civil sector starting from 2004. Georgia has faced a challenging choice between two basic models of public administration – New Public Management and Neo-Weberian State. Before 2004 Georgian civil sector could be characterized by distinctive patronage features. The reforms in the period of 2004-2009 were directed towards establishing NPM model, while in 2012 the shift was made to the Neo-Weberian, of professional, career civil service.
In the presented paper we discuss positive and negative sequences of the NPM reforms, outline major problems existing in the Georgian public organizations and link them with the process of reform, identify the successful mechanisms that can be drawn to the new concept of civil service for promoting effectiveness of the government. We consider four instruments of internal organizational development - performance measurement, motivation, strategic planning and participatory approach to the decision making, which were introduced to the public organizations during the NPM reforms in Georgia, and estimate how effectively they have been implemented.

**Comparison of the Public Administration Models**

Comparison of NPM and Weberian models is of utmost importance in order to reveal advantages and disadvantages of the both systems; especially in the context of developing countries where the goal is to establish effective and well-functioning public institutions from scratch, be able to deliver quality services to citizens and be flexible enough to respond to the challenges of the modern democratic world.

“Government that works better and spends less” – this slogan of David Kettle fully expresses the essence of the NPM reform, which, since the 70s of the last century has embraced the most part of the developed world.

The NPM reform has several main characteristics:

- Separation of political and administrative functions on the organizational level
- Decentralization (political and fiscal) – increasing independence of the executive agencies and local administration
- Introduction of the modern business management methods in public organization environment
- Introduction of PPP projects and outsourcing, which directly depends on the development of the local market.¹

Considering the above factors, the following main administrative aspects of the NPM reform can be outlined:

- Downsizing the government, which will result in reducing economic deficit and public costs.

• Delegating some of the governmental function to the private sector through the PPP projects and outsourcing, introduction of the free market logic in the public sector.  

• Introduction of the mechanisms and instruments of organizational development that are well assessed in private organizations as leading factors of organizational effectiveness.

Development of the NPM reform has been historically predominated by the flaws of the bureaucratic system. Although the ideal bureaucratic model was used as a basis for the merit system and the doctrine of Neutral Competence and separation of political and administrative powers can be considered as one of the most significant achievements of the merit civil service after the first reform in the USA. It implied employment in the public service on merit based approach, rather than political affiliations. Professional qualification and experience were the major criteria for selecting a candidate to a particular office. This approach promotes the establishment of strong, career-based civil service, which is stable and secure for public employees, as well as for the citizens.

The process of globalization, development of modern civil society, political processes have greatly influenced state of the governmental institutions in almost every country. Global world creates new challenges, especially for the developing countries, whose future greatly depends on the ability of their governments to adapt to the turbulent political and economic environment. New and complex tasks cannot be fulfilled only by the capacities of the bureaucracy. It is necessary to create a new type of governmental institutions, which are more flexible, effective and able to promptly respond to the growing needs of the population and the overall environment – the type of organization, which is more business-like, rather than bureaucratic.

Creating effective business environment within the public organization implies, inter alia, substitution of the hierarchical organizational structure by the horizontal one, with proper delegation of power, well-developed communication channels, and new organizational culture, including performance measurement, motivation techniques, development of long- and mid-term strategies and ensuring effective decision-making process.

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All these lead to the considerable changes in the overall philosophy of public sector – substitution of career civil service with the open system, or contract-based, competitive system.

But on the other hand introduction of the competitive system, as a rule, implies decrease of administrative capacity, de-politization and sometimes even de-democratization of public sector. The government, in the context of political tension, is not competent and capable enough to act as an ideological leader in the reforms process and establish a common political vision, which will consolidate and coordinate processes in all governmental agencies and that, at the same time, will be acceptable for the private sector. In contrast, strong and traditional state apparatus, as a rule, is a guarantee for success, as it can easily adopt to the constantly changing requirements of the environment and reach the goals through growth of the organizational effectiveness, decentralization (structural, political and fiscal) of executive agencies, as well as delegation of power to the local self-governance level and passing concrete services to the private sector.

Characteristics of NPM reforms in CEE countries

In overall, after examining the scientific literature on the PA reforms in the Central and Eastern European countries, a strong tendency can be traced to consider NPM as ineffective in the context of developing democracy. Many authors evaluate general results of the reforms as unsuccessful and underline its negative outcomes. After the collapse of the Soviet world most of the CEE countries started reforming civil service system. In many cases accession to the EU membership served as a drive for reforming and restructuring public institutions. The reforms were conducted in the similar path in several consecutive waves, although in difference with several years: the first phase – harmonization of the civil service legislation with the EU standards and creation of a new administration system was followed by the next wave of implementing the laws by establishing effective public institutions.4 One of the key issues in the process was the selection of the public administration system, which would define the overall philosophy of the country’s further development; career system, which is based on the Weberian values, professional civil service and strong bureaucracy versus position-based (contract-based) system, which considers civil service as an ordinary part of the labor market and introduces values of competitiveness and free market relations. Most of the CEE

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4 Bouckaert et al, Public Administration and Management Reforms in CEE: Main Trajectories and Results, NISPAcee Journal of Public Administration and Policy, Volume #IV, Issue #1 (July 2011), pp. 9-29
countries, following the examples of the developed states, started with establishing Western standards through NPM system, by market liberalization, PPP projects, and introduction of business management methods in public organizations, but as this development path ended up as not very successful, many of them turned back to the Weberian model. At the beginning of 90s, due to the soviet heritage, the state institutions in CEE countries were week and underdeveloped. Thus, in fact, the NPM was used not to reform, but to create these institutions from scratch. Young countries had no proper understanding of democratic values, effective civil service, responsiveness before the citizens etc. Without fully realizing the concept of NPM reform and relevant human and material resources, these attempts were doomed to failure.\textsuperscript{5}

Experience of the developing countries shows that the reforms that started in late 90s in Central and Eastern Europe, did not find a solid ground, and quite often have driven to the unsuccessful results.

At the same time, restitution of the pure Weberian bureaucracy might bring back all the problems that the countries have tried to overcome from the Communist heritage – low and ineffective civil service, lack of responsibility before the constituents, low quality of public services, low professional level and competences of the servants. High sensibility of public servants to political influence, inability of public administration to participate in decision-making processes and centralized public sector with minimal discretion on lower organizational levels might be as harmful for the young states as an uncontrolled process of NPM reforms\textsuperscript{6}.

Currently, it can be argued, that the most of the post-Soviet states do not apply the pure Weberian system, but create a mix, or a hybrid model, which in every particular case considers cultural, historical and national peculiarities of the country and integrates some aspects of NPM, especially on the organizational management level, such as performance measurement, strategic planning, employees’ motivation, participative management etc. “…The position-based system may sit “on top” of a career-based system, for


positions at the very highest levels of the public administration hierarchy.” The scholars refer to this model as the one that consolidates elements of bureaucratic, as well as NPM approaches.

The most recent studies of the New Public Management literature regarding Central and Eastern Europe show interesting results. In the article “NPM can work: an optimistic review of the impact of New Public Management reforms in Central and Eastern Europe” Dan and Pollitt argue that “there is enough evidence [in the scientific literature] to show that some of the central ideas in NPM have led to improvements in public service organization or provision across different organizational settings.” They outline the necessary conditions for successful implementation of even particular mechanisms of the NPM, such as well-developed competitive markets, strong democratic institutions, territorial integrity, sufficient administrative capacity, political and administrative stability, the quality of the state of law. In addition, they admit that success mainly depends on how well the reformers consider local conditions, social and cultural background of the country; however, at the same time they outline several instruments of the NPM, which have proved to be effective in most CEE countries and have brought tangible achievements in the areas such as public finances, HR management, IT systems, etc. The authors specifically focus on the following aspects: performance management and measurement systems; quality improvement techniques; contracting out and public-private partnerships; decentralization; agencification; benchmarking and other initiatives.

**Research purpose:**

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Deriving from the international experience, we assume that establishment of the NPM system in developing countries often lead to the similar and not very successful results. Professional civil service, well-developed free market, high level of social responsibility are the necessary preconditions for the effectiveness of the NPM reforms, otherwise they might even threaten democratic values and political freedom. But as the recent studies show, some of the mechanisms of NPM proved to be very successful even in the context of developing states, especially regarding internal organizational changes, such as establishing motivation systems, performance measurement, strategic planning and participative approach to the decision making process. The purpose of the present paper is to trace several factors introduced during the NPM reforms in Georgia and examine whether they can be considered as a success, even non-systematic and a scattered one. We have selected mainly the instruments brought to affect internal organizational effectiveness in public sector, such as performance measurement, strategic planning, motivation and decision-making processes.

Problem Statement:

For the last two decades the Public Administration reform has been included in the top political agenda of the Georgian governments. Adoption of the General Administrative Code in 2001 has redefined the relationship between a citizen and a public servant by depriving the latter of any privileges and placing them in the service of people and the country. These changes in legislation deeply affected social mentality as well as citizens’ approach towards public sector and its role and duties. After the Rose Revolution in 2003, the discourse on selecting an appropriate model of public administration has become of utmost importance. Two different versions of the Civil Service Code had been elaborated. The first one, drafted by the group of the Parliamentary experts, was mainly based on the Weberian values. The other one, drafted by the Civil Service Bureau and supported by the Minister of Economics and later on the State Minister on Reforms’ Coordination, Mr. Bendukidze, shared more neolibertarian approach. Consequently, the newly elected government started to introduce vision and values of the New Public Management, which, since 2005, became a main vector of the development for the Georgian civil service.

The reformers in the government strongly supported large-scaled structural changes within the executive agencies, through downsizing the government, developing new organizational structures, abolishing unnecessary departments and divisions. Establishing orientation towards the free market, customer satisfaction and increase of the quality of service delivery through simplified procedures, e-governance and attraction of private sector, establishment of merit system through entry and qualification exams, new rules of hiring and promotion, introduction of the contract-based system of employment – all these greatly contributed to attract more professional cadres to the civil sector. Particular executive agencies were given a significant discretion, in fact, a power and authority to independently plan and conduct the reforms within the agency. The Civil Service Bureau introduced a concept of separating administrative and political powers by bringing in a new position of politically neutral administrative manager within the ministries. The reforms resulted in successful defeat of administrative corruption in public sector and establishing new organizational culture within the state institutions.

But during 2007-9 the short-term effects of the reforms drained out and the processes took a new shift; the number of executive agencies increased again, along with the number of employees in public sector in general. Partisan principle and patronage once again became main factors for employment; considering the poorly developed free market and private sector, the neoliberatarian approach did not bring sufficient outcomes and after the short-term economic growth, the PPP project turned into new sources of corruption. In general, the reform ended up in spatial success and non-systematic changes. The efforts of proper institutionalization and establishment of a strong public sector failed. Citizens’ engagement in political processes remains extremely low, no unified political vision had been elaborated; the problem of transparency and accessibility of public information was still unsolved. But the most significant and dangerous upshot was a disturbance of the checks-and-balances system and accumulation of power within the executive branch.12

The Parliamentary elections in October 2012 marked a transition to a new stage of political development for Georgia. First time in Georgian contemporary history the transmission of power took place in a constitutional

and peaceful way. Public administration reform once again became a top political priority. In 2013 a consortium of non-governmental organizations started to work on a new concept of public administration reform. The concept is basically replicating Weberian model and aims at establishing professional civil service, at the same time, almost totally refuting components of NPM.

**Research methodology**

**Qualitative Study on Problems and Challenges in Georgian Public Sector**

In the frames of the GIPA School of Government research project, we conducted qualitative study of the Georgian public sector. The project aimed at revealing those organizational and administrative factors, which help to analyze problems existing in the public organizations. Namely, which main problems and challenges are identified by the following groups: high-level officials, mid and low rank public employees of executive agencies and LEPLs\(^{13}\) and representatives of local and international donor organizations. The project was implemented in the period of May-October 2014.

Methods of in-depth interview and focus group were used for the study. The interview guides were composed in the way that the respondents were able to identify and discuss problematic issues. All subjects were guaranteed that their identity as well as the names of the executive agencies and organizations would remain anonymous. The in-depth interviews were conducted with ten deputy ministers, one head of the Legal Entity of Public Law and three representatives of leading donor organizations (one respondent was from the local NGO, two – from the international organization). These organizations were selected based on their expertise and experience of cooperating with the Georgian government in the frames of public sector reforms. Two focus groups were conducted with the mid- and low rank employees of the executive agencies. Eight employees from four executive agencies and two LEPLs participated in the first focus group, six employees from two executive agencies and two LEPLs participated in the second one. In case of mid- and low ranking servants a snow-ball method was used for the selection, which would better presuppose the

\(^{13}\)LEPL – Legal Entity of Public Law, an organization created by the administrative act, normally functioning under an executive agency, entitled to conduct political, governmental, social, educational, cultural and other activities
openness of the focus group members in discussing problems existing in their relevant agencies. The interviews and the focus groups were audio-recorded, decoded and analyzed. The interviews were conducted in the respondents’ working places in the period of May-July 2014, the focus groups – in the office of the Georgian Institute of Public Affairs\(^\text{14}\) in July 2014. The major findings and results were presented in October 2014 at the round table meeting conducted at the Georgian Institute of Public Affairs. Representatives of the executive government, LEPLs, non-governmental sector, and experts were invited to the presentation.

**Discussion of organizational factors**

**Performance measurement**

Despite the fact that a formal establishment of the performance measurement systems has started in Georgian public organizations, all groups of respondents, (high-ranking officials, mid- and low level servants and donor organizations) admit that these systems do not work and in fact, do not exist in most agencies. Some refer to “a kind of system”, to “recently created units within the agency, responsible for the quality of the policy implementation”, but do not have any specific information on it. There are no distinct criteria for evaluating professional qualification, job-related skills or behavior of a servant, which in most cases results in subjective assessment by the leadership. Despite the Pay-for-Performance formal procedures established during the reforms, salaries and bonuses are not related to the qualification or position. Most of respondents believe that these factors hamper development of professional civil service. Concrete appraisal criteria, job descriptions and remuneration are critical for establishing fair procedures of promotion, firing, bonuses and pensions. According to the focus group results, performance measurement for the ordinary servants is mainly associated with the negative evaluation and punishment. Naturally, such an attitude undermines employees’ motivation and creates sense of instability and insecurity. Although one respondent mentioned, that the head of their department initiated performance appraisal process using weekly questionnaires, which are submitted to a special monitoring unit, consequently proceeded and included in a monthly report.

As the representatives of the donor organizations mention, there is no unified system of the performance measurement for the public sector organizations. Every agency is trying to deal with the problem in its own way. The system cannot be established or implemented successfully without other components, such as payment scales, promotion or training and development systems. Many of the respondents in all three groups mention, that the Ministry of Justice is the only agency, where performance measurement has been properly established and effectively working.

**Strategic planning**

*Planning process and setting long term goals*

In the result of the close cooperation with the international donors, the State Chancellery has recently issued a regulation, according to which every ministry must have a four-year strategic plan starting from 2014.

The views of the respondents differ according to their position and rank in respect to strategic planning procedures in public organizations. Normally, high-ranking officials would describe the process as continuous, oriented toward future development. They say that almost every ministry has developed a strategic plan, which currently are being revised.

But according to the focus groups results, strategic planning is one of the key problematic issues. Strategy development, identification of mission, priorities and goals, as well as monitoring and evaluation of the processes are practiced only in several agencies and greatly depend on the will of the top management. Other agencies either have formal strategic plans, that are never communicated to the employees and consequently never realized, or simply follow the daily routine and work by the “ad hoc” principle, or solve the problems as they fall. Mid- and low-rank employees refer to the existing prejudice, that proper planning is impossible in the public sector, due to the “highly spontaneous environment” and that the main difference between public and private organizations is an inability of the first to effectively manage time and human resources. Many executive agencies use organizational charters as substitutes to a strategic plan, where even general functions of employees are very broadly defined, such as: “fulfillment of the tasks ordered by a superior.”

**Defining priorities**
Results of the interviews and focus groups differ in this regards as well. High officials note, that not only the employees of the relevant agencies, but also all the stakeholders take part in defining priorities for the strategy. While the ordinary servants respond that priorities are mainly set by the political appointees and very often change along with the changes in leadership. Some note that even when the employees’ participation is ensured and huge human and time resources spent to elaborate a strategy, define priorities, implementation and evaluation indicators etc., the ministry might declare that the priorities have been changed and the whole work was done in vain. It should be mentioned, that the representatives of the donor organizations pay special attention to the importance of employees’ participation in strategic planning and defining priorities, as it raises their responsiveness and motivation.

All the respondents talk about strong influence of the external political factors on the process of defining priorities, especially during the elections period.

**Motivation**

One of the necessary factors for the stability of public sector is a high motivation of servants. Ordinary employees think that the problem with the low motivation comes “from top down”. Insufficient discretion in fulfilling specific tasks and unclearly defined functions and goals lead to the inaction and decrease of a sense of responsibility even among the qualified cadres, and eventually, results in high turnover of employees.

Representatives of donor organizations see establishment of the professional civil service as the most effective solution to the problem. According to them, the motivation is increased when the servant is focused on the career development, promotion and decent service, rather then high income. This in turn, ensures high prestige of the civil service.

As the mid- and low-ranking employees note, the main problem related to motivation is an introduction of the contest-based entry procedures to civil service; especially considering that the hiring process is far from fair and transparent and there are no unified HR systems for the public organizations. It should be mentioned, that the Civil Service Bureau has developed a guidline for the public personnel management, but the document has been published only recently and implementation process has not started yet. All the respondents admit that effective motivation strategy cannot be established without it.
Unlike the mid-and low-ranking servants, the high officials do not relate motivation to the remuneration. They believe, that low salary can be compensated by an interesting job and sense of responsibility: “When a person knows, that she/he is serving the country, it is enough to be motivated”.

Other factors negatively affecting the motivation were also revealed during the focus groups, such as: insufficient possibilities for promotion and professional development, untruthful and indecent attitude of the leadership, unfriendly working environment, sense of insecurity, caused by the flows in legislation, especially regarding firing and retirement policies, as well as the fear to express their own opinion or protect their position before the leadership.

**Decision making process**

Participation of the low rank employees gains special importance in decision-making process and is not always ensured in public organizations. According to the mid-and low-ranking employees political nature of public administration in Georgia often hampers participation of servants in decision making and their independence from the political leadership. Delegation of decision-making and responsibility over the result, involvement of relevant civil servants at all levels of management, identification of necessary qualification and professional competences for specific decisions – all these factors affect the process of decision-making. Traditional formal hierarchical structure, which also reveals itself in informal attitudes, creates barriers to the delegation of decision-making capacity and relevant responsibility to lower levels. Quite often political influence is so strong that the employees are urged to make decisions in favor of political officials. The partisan nature of the civil service and political influence over administrative decisions have been marked as major problems in this context, contributing to the high turnover of employees and increasing sense of instability and insecurity among them. The same factors were outlined by the donor organizations’ representatives.

As for the high officials, they believe, that the main obstacle for the participatory approach is a lack of sufficient expertise, competence and practical experience among ordinary servants, inability to initiate processes and fear of punishment. High-level respondents note, that both the mid- and the low-ranking
employees often try to avoid responsibility over the decisions, as they are used to receive direct orders from the leadership and do not try to find any better solutions rather then suggested from above.

Very interesting remark was made by one of the deputy ministers, who clearly stated that the ministry is not a collegial, but an executive organ, consequently, all the decisions should be made centrally by the minister and deputies. Otherwise, participation might unnecessarily prolong the process due to the bureaucratic procedures and big number of stakeholders.

As the respondents admit, participative approach works effectively in LEPLs, due to their complex organizational structure and more business like environment.

Informal organizational processes were named as ways of overcoming existing situation, including: creation of informal and temporal interdepartmental working groups, division of duties strictly according to qualification and capacity of the employees etc. Particularly important role was given to the effective leadership and participatory management.

**Summary and conclusion**

The study shows that the assessment of particular instruments differ depending on the managerial level of the employees. Top managers and appointed officials more frequently talk about success and effectiveness of the formally established procedures, while the problems still remain unsolved by the evaluation of the ordinary employees.

Special attention should be paid to the fact that all respondents, including donor organizations, refer to the Ministry of Justice, as a success story for the NPM reforms. It was the only ministry which followed the path of the NPM in the most consequent and systematic way, while other agencies suffered from the lack of unified vision and overall policy for development. Another problem, which is revealed in the study, is prevalent influence of political power and particular political figures. Quite often during the interviews high officials criticized everything created and implemented by the former government, when the low and mid ranking employees tend to criticize their superiors for every problem within the organization.
We examined four instruments of organizational reform under the New Public Management: performance measurement, strategic planning, motivation and decision-making – an attempt to establish them in the Georgian public sector was made during 2004-2009. But despite the evidence of their effective implementation in other CEE countries, none of the selected factors can be considered as successful in the context of the Georgian public organizations. Moreover, the abovementioned problems are mainly seen as results of the attempts to improperly establish NPM module. But instead of flexibility and increased effectiveness of public organizations, they have led to one important outcome – instability of public sector, which, in turn, influences overall attitude of people towards the government, as well as sense of safety among civil employees and impedes development of professional civil service. Although in the frames of the present study it is difficult to clearly define the causes of ineffectiveness of the named instruments, we assume that these flows derive from improper introduction of the NPM reform, which in the end resulted in uneven development of separate executive agencies. However, at the same time, drawing back to the pure Weberian system might be regarded as a neglection of the success, which though in a scattered form, but still can be traced in the period of 2004-2009. NPM process in Georgia, on the institutional level, was oriented towards several major organizational factors that have affected the overall reform: a lack of unified vision and common policy approach to the development of the public sector; a lack of strategic planning within the separate agencies, a lack of common criteria for the HR management, including hiring and promotion procedures; and the most important, a lack of stability and sustainability of the public sector, which have resulted in the low motivation and high turn-over of the servants.

It can be assumed that, as in other CEE countries, in Georgia as well an introduction of the NPM was a way to demonstrate the country’s western orientation, rather than rational and consequent choice of the PA model. Despite fragmental success, the conducted changes did not establish on the institutional level. Effectiveness of political reforms depends on the stability of state institutions, while increase of

decentralization and discretion in unstable institutions will only result in weaker civil sector. Deregulation might only be effective only in case the society in general and public sector in particular, share common ethical values and norms. Otherwise this process might lead to unethical and often unlawful activities. Instead of effective and decentralized public sector we have fragmented organizations, without proper communication on vertical as well as horizontal levels.16

As a conclusion it can be said, that introduction of the NPM in Georgia in the state of a developing country without strong state institutions, well-established professional civil service, well-developed free market, have lead to the overall failure of the Public Administration reform due to the unsystematic approach to the process and lack of the common vision within the public sector.

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