

Self-Reliance – Optimal Tool for Assisting Developing and Emerging Countries

Thirty years on from the collapse of the USSR, what key characteristics are shared by post-Soviet states today?

A lack of good governance and rule of law, a diminished institutional environment and the scarcity of the systems in place that would ensure economic linkages between post-Soviet and post-socialist countries are among the main challenges faced and shared by such states.

The process of transformation to properly-functioning institutions and legal systems that would lay the foundations for good governance and the rule of law, has turned out to be quite difficult, as this is much more than merely a mechanical process. It encompasses society's cultural development and changing in the general mindset. Moreover, it also encompasses the establishment of a free, competitive market economy, built upon properly-formed state institutions and accurately-implemented public investment policy.

A crucial component in this regard is putting together a well-designed and developed domestic revenue mobilization system that ensures two things: an effective business environment and the necessary conditions therefor; and guaranteed collection of necessary tax revenue integral to macroeconomic stability and long-term, sustainable economic development.

The collapse of economic relations between many of these countries has significantly damaged them, causing drastic slowdowns of their economies. At the same time, it turned out to be difficult to get rid of the so-called "socialist bacillus." Even nowadays, we can



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observe that a large number of people, especially among older generations, still see the state and government as the sole means of improving the quality of their lives. Even though, by and large, society has not really got what it wanted in the past 20-25 years, many still have high expectations of their government and do not consider that society could and should be able to take care of itself.

What role does the international community have in this transition process?

The involvement and resources of the international development community, including multi-lateral and bi-lateral organizations, will play a vital role and function in this process of transformation. This is not a matter of homogeneous evaluation of how well a community is achieving its goals. Indeed, although in some circumstances this can be quite effective, in others it's counterproductive and leads to worse outcomes. In some cases, there is a lack of good governance and a high level of corruption, international development institutions can in some ways nourish undesirable regimes

and perpetuate the existing situation. On the other hand, such assistance can play a positive role, if there are some key factors in place. In particular, the government must take ownership in the process and lead the way with respect to transformative changes. This is one of the most important conditions for reforms to be effective. In most cases, we observe insufficiencies in terms of the experience, capacity, and capital necessary for infrastructure or private sector development, as well as weak institutions. If resources are to be effectively spent, they should be focused on these directions.

Can you give a specific example of enacting transformative reform from your experience?

An approach recently presented by USAID, known as self-reliance, is one of the most appropriate tools for such countries to ensure their further development, not only for emerging Europe, but for other developing countries. Indeed, self-reliance must become the template method and approach for international development organizations. Therefore, the key task is not to satisfy the current, short-term needs of these countries, but to help them to create and ensure a sustainable institutional foundation on which to pursue further development.

Such development would rely on the following: good governance and the rule of law; and a well-developed private sector; and extensive public investment. This could be achieved by applying various models, including public private partnerships (PPPs) that should focus on risk-sharing and highly interesting projects for private capital.

Can a general approach work or do methods need to be tailored from country

to country?

There is not one standard model of reform for all to follow. Of course, you cannot copy specific steps and actions directly. Nevertheless, there are some key, conceptual factors that are appropriate for every country and they must be considered, as otherwise it would be simply impossible to achieve desired transition. Establishing a competitive and business-enabling environment, private sector development, open economy and investment attraction are the main conceptual pillars that should steer this process. But the best recipe for achieving transformation is unique for each country, as it must cater to national peculiarities with respect to culture, lifestyle, mentality and institutional environment. All countries have their own, exclusive characteristics. Taking these into account, we should pay particular attention to the following: sequence of actions in the process, meaning consistent and proper organization, planning, and implementation; public mobilization through good communication with the public; and ensuring the continuous flow and durability of the process. There is no finish line. The process is always evolving, and requires some updating as time goes on. Therefore, there can be no complacency.

To summarize, based on these three essential requirements (sequence of actions, public communication/mobilization, and continuation of the process) cooperation between a state's political leadership, international development institutions and bi-lateral organizations should be based on active mutual coordination and trust. If this can be achieved, we will see that their efforts will produce tangible results. ■