

Reform Debates: What Real Reforms Look Like?

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The topic of reform has been a theme of official propaganda for the last four years. It seems that it will remain a priority of the government's information policy for a long time. The government regularly emphasizes that radical reforms are being carried out in all spheres, from health, education, and social security to taxation, customs, and agriculture. But there are some who argue that the steps taken by the government are ineffective and that they are imitations rather than real reforms.

In fact, it is possible to use the word "reform" in relation to any taken step, and to justify a limitation to the use of this word is rather complicated. However, the problem can be put differently, and in this case, official propaganda can be tested with more difficult questions. For example, to what extent are these reforms institutional? The essence of institutional reforms is that the steps taken and the proposed new mechanisms lead to more systematic and advanced relationships with more progressive institutions compared to the past ones. For instance, centralizing student admissions to institutions of higher education and introducing the test system in Azerbaijan were institutional reforms. This institutionalism demonstrated itself in two issues: 1) a new institute for student admission was established and it became a more progressive institution than the individual university admissions committees that used to directly accept their students; and 2) the parent-university relationship in the admission process changed completely. As a result, parents do not need to look for ways to give bribes to get their children admitted to institutions of higher education (as well as colleges), and non-formal mediatory groups in each university have ceased to exist.

If the introduction of a planned health insurance system succeeds, these reforms will go down in history as institutional reforms. However, for example, the adoption of a [new statute](#) on local executive authorities in 2012 as well as the establishment or abolition of some structures in that system cannot be called an institutional reform. For local executive authorities are, in essence, the same regional (city) party committees that existed in the Soviet era. If we compare these local executive authorities with their Soviet predecessors, we find significant similarities, rather than differences, in their structures and their relationship with the people. For example, both of these institutions are non-elective bodies, their leaders are appointed and dismissed by the central government, there is a lack of public participation in their activities, their officials are accountable to the central government rather than the local community, and without the participation of the central government the socio-economic needs of these regions cannot be met autonomously by these institutions. Institutional reforms in local government would mean decentralization and the establishment of local self-governance systems on the basis of the main powers of the regional executive authorities. These institutions would be elective institutions, accountable to citizens, functioning based on broad citizen participation, resolving its local socio-economic needs without waiting for an order from the central government. Clearly, according to their own characteristics as an institution, local self-governing bodies are radically different from local executive authorities.

Or, if it is possible to switch to a result-based budget system in line with the [Governmental Roadmap](#), it would be considered an institutional reform. For it would be a transition from the current system of limited accountability to a system of detailed accountability for each cent of the budget, based on specific quantitative and qualitative indicators. However, the full realization of this system would

require a parliament, independent from the executive government, which is able to demand a budget report from all high ranking officials. Otherwise, these reforms will lose their institutional nature.

Another important question regarding reforms is how inclusive the institutions are. In [*Why Nations Fail*](#), Daron Acemoglu and James A. Robinson define exploitative institutions as those that serve the interests of the ruling elite and negatively contribute to the poverty of the rest of the society. The authors define inclusive institutions as those that serve the overall well-being of society and, for the sake of social benefit, ensure public participation in public administration. The Parliament of Azerbaijan is an example of an exploitative political institution in this country. As a matter of fact, only one part of the society – those representing the interests of the dominant political elite – has the opportunity to be represented in the legislative body. Institutions resulting in monopolies in various sectors of the economy can be considered exploitative economic institutions. In Azerbaijan, for example, in the last 4-5 years, approximately [40 giant agro holdings](#) have been established using public resources.^[1] These institutions have been created within the framework of a few strong oligarchical economic groups. However, if the government had allocated similar financial and land resources to the creation of bigger agrarian cooperatives by unifying approximately 390 thousand family farms, we could have witnessed inclusive economic institutions in the examples of these cooperatives. Or if the Competitive Agency, which has been debated for 15 years, was created, and if the Agency protected the interests of small and medium-sized businesses by restricting the activities of trusts in accordance with antitrust laws, it would have been regarded an inclusive economic institution.

Generally, global experience shows that inclusive economic institutions can, in principle, emerge in the presence of inclusive political institutions. Historically, however, we

have some examples (for example, in South Korea in the 1960s-1970s, and in Chile in 1970-1980s) that it is also possible to create inclusive economic institutions in the context of exploitative political institutions. But these are experiences in which exploitative political institutions tried to avoid corruption as far as possible, and the passion of high-ranking officials for political power and authority was stronger than their passion for wealth. The experiences of each of the two countries, nevertheless, demonstrate that at such a stage, exploitative political institutions dissolve because they cannot stand in the face of inclusive economic institutions. The fates of Park Chung-hee in South Korea, and Augusto Pinochet in Chile are examples of this.

Thus, to summarize, based on a number of important points, it is important to evaluate the outcome and character of the reforms in political and economic spheres in terms of both the institutionality and the inclusiveness criteria. For example, if the political and economic institutions (mechanisms) created as a result of reforms provide economic rights for all people (and also social groups), create conditions for everyone to enjoy the country's welfare and prosperity, do not violate the fundamental rights and freedoms of society (first of all, freedoms of assembly and union), allow the participation of the society in governance, and ensure the strict accountability of officials (structures), those reforms become more inclusive.