

TCDPAP & FIDIC/ASPAC Conference

Making Globalization Work: Role of Consultants

11-13 March, 2009 Kathmandu, Nepal

COMPETITION AFFECT CONSULTANCY SERVICES EFFICIENCY IN THE ABSENCE OF MARKET INSTITUTIONS: CIS EVIDENCE

by

**Ibrahim Mammadzadeh, PhD Eng, DSE
(NECSA, Azerbaijan)**

Transition economy reforms implementation

Economic policy directions	1 - 2years	2 - 5years	5 years and more
Macroeconomic stabilizatoin	implementation	continuation	continuation
Market reforming	implementation	continuation	continuation
Trade liberabiration	implementation	continuation	continuation
Labor market reforming	development	implementation	continuation
Financial reform	development	implementation	continuation
SME Privatization	implementation	implementation	continuation
Private Sector development	implementation	implementation	continuation
Large industrial enterprises and public utilities privatization	development	implementation	continuation
Legal and regulatory reforms	implementation	continuation	continuation
Institutional reforms	implementation	implementation	implementation
Unemployment benefits	implementation	continuation	continuation

*Fisher S., Gelb A. Economic Perspectives Journal.Vol 5, № 4

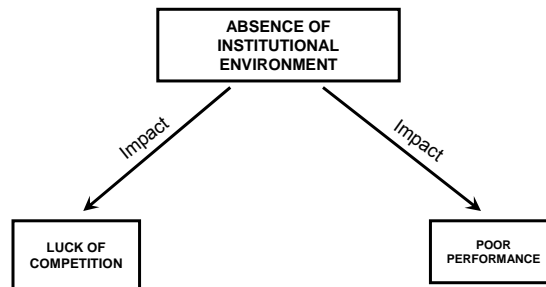
Identification of transition economies depending on reforming strategies

Consistently Shock Therapy Strategy	Stopped Shock Therapy	Cradual Reforms	Slow Reforms	Limited Reforms
Czech Republic	Albania	Romania	Azerbaijan	Belarus
Poland	Bulgaria	Kazakhstan	Armenia	Uzbekistan
Baltic States	Macedonia	Vietnam	Tajikistan	Cuba
Hungary	Russian Federation	Ukraine	Turkmenistan	
Slovenia	Kyrgyzstan	Georgia	Moldova	
Croatia	Mongolia	Bosnia		
Slovakia				

Index of economy liberalization and institutional development

C O U N T R I E S	1994	2000	2007
Central Europe	1,37	1,36	1,30
Baltic States	1,61	1,41	1,34
FYR, Bulgaria, Romania	1,77	1,82	1,64
Core CIS	1,57	1,76	1,77
Central Asia and Caucasus	1,52	1,65	1,83
Mongolia, Vietnam	1,36	1,25	1,53

Institutional impact on CE firm effectiveness



Main findings

- ❑ Competition exerts a decisive force on firm performance
- ❑ Competitive firm has a total factor productivity that is 60-90% greater than that of a monopolist.
- ❑ No private ownership effective at boosting firm performance.
- ❑ Some cases state ownership leads to significantly higher productivity than private ownership.
- ❑ Government forced to focus an economic performance can do better than private firms when the task is the relatively simple one of pressing inefficient firms and when the private owners receive no help from the institutional environment.
- ❑ Many privatized and/or new service firms have been legal status as JSC but they have not free market nominate shares because they are non tradeable
- ❑ There are the six National CE Associations in Azerbaijan, Belarus, Kazakhstan, Russian Federation, Ukraine and Uzbekistan.
- ❑ Only two national CE Associations from Azerbaijan (2004) and Belarus (2001) have FIDIC Country membership. Russian and Ukrainian CE Associations have been tried to get FIDIC membership Kazakhstan firm Consult LTD. is FIDIC sustaining member. Uzbekistan has not been completed formation of national CE institution.
- ❑ At least seven different kinds of organizations are concurred with CE services in the CIS.
- ❑ Consequences of this current fragmentation include:
 - ❑ Resources are spread much too thinly, in that:
 - ✓ It will be impossible to supply all these units with capable staff, and
 - ✓ It will be impossible to equip them adequately.
 - ❑ The plethora of organizations is an insuperable obstacle to effective planning and coordinating of the CE services, and
 - ❑ There is no CE industry regulation apart from very limited CE activity monitoring.

Principal CIS construction industry institutions

Country	Institutions/Functions		
	Regulations	Standards/Norms	Monitoring
Azerbaijan	A&UPSE; MES; MEI; MT; MC&IT; MDI	A&UPSE; MES; MEI; MT; MC&IT; MDI; SMOH; CMCT	A&UPSE;
Belarus	MA&C; MES; MH&CS; MOI; MT&C; MOT; MOE;	MA&C; MES; MH&CS; MOI; MT&C; MOT; MOE; SMC;	MA&C; MES; MH&CS;
Kazakhstan	MOE; MI&T; MOT&C; MT&S; MD;	MOE; MI&T; MOT&C; MT&S; MD; ME&MR	MOE
Russian Federation	MRD; MESI; MD; MAE; MRT; MT; ME;	MRD; MESI; MD; MAE; MRT; MT; ME; RASSA	MRD; MESI
Ukraine	MRD&B; MH&CS; ME; MF&E; MCI; MT&C;	MRD&B; MH&CS; ME; MF&E; MCI; MT&C; MD; MC&T	MRD&B; MH&CS; ME
Uzbekistan	CS.A&C; MESI; MD; MOA	CS.A&C; MESI; MD; MOA; CSG&MR	CS.A&C; MESI

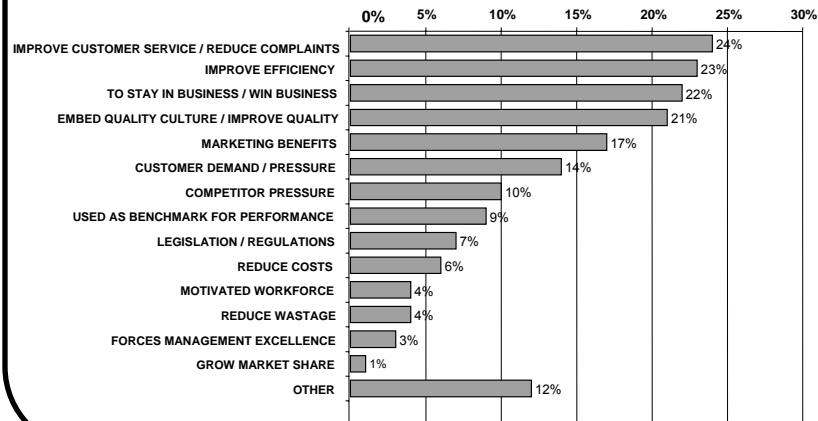
Private sector development in the consultancy engineering services

Country	Number of CE Association member firms	Total number of CE firms	including private CE firms	Percent of State-captured CE firms	Percent of non tradeable CE firms
Azerbaijan	7	22	17	62	100
Belarus	5	13	8	91	100
Kazakhstan	1	23	*	*	100
Russian Federation	12	173	142	73	100
Ukraine	5	16	10	80	100
Uzbekistan	*	8	*	*	100

* No information

Survey provided in Azerbaijan

Reason for Seeking ISO 9000 and ISO 14000 Certification



Summary

Key factors that might affect CE industry efficiency in the CIS :

- Competition
- New ownership structure
- Corporate governance
- Formal market institutions

