

**Meritocracy for Efficiently Using Talent and Developing Knowledge Economy
The Case of Georgia**

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Abstract

In recent years, more countries have embarked on transformation into knowledge economy, which has been arisen from its perceived positive influence on political, economic and socio-cultural transformations in varied national and local contexts. Current dynamics of globalization, however, has accentuated the asymmetry between technologically advanced and backward countries which to a greater extent is reflected in brain drain affecting policymaking either in terms of increasing national competitiveness or solving global problems. Over past two decades brain drain has become a significant challenge for post-Soviet countries, and particularly for Georgia due to the mass emigration of skilled people, but no policies were formulated so far to address the problem. Furthermore, neither policy-oriented nor pure academic literature has paid any attention to the interconnectedness of meritocracy, brain drain and knowledge economy, and the impact of globalization on national capacity for evolutionary transition in post-Soviet countries, which presents complex challenges to scholars and policymakers.

This study aims at introducing clear evidence to justify that the absence of meritocracy leads to decline in proactive leadership, productivity, and to deterioration of governance, which undermines national competitiveness and a country's potential to efficiently use talent and develop innovation and knowledge-based economy. Since meritocracy is awaiting theoretical and methodological justification to create an index composed of a range of indicators for measuring merit, the study also aims at contributing to the development of epistemological and ontological grounding to fill this gap.

The study, by using an example of Georgia, provides diagnostics, benchmarking analysis and policy recommendations on attracting and retaining talent and developing knowledge based economy by focusing on economic competitiveness and stimulating merit-based recruitment system.

Keywords

Globalization, Georgia, meritocracy, knowledge economy, brain drain, competitiveness, innovation, transnational knowledge networks, European Neighbourhood Policy, Eastern Partnership

Meritocracy for Efficiently Using Talent and Developing Knowledge Economy: the Case of Georgia

1. Introduction

In recent years, more countries have embarked on developing knowledge economy, which has been arisen from its perceived positive influence on political, economic and socio-cultural transformations in varied national and local contexts. The system of knowledge economy is a powerful conceptual framework, which requires increasing financial support for R&D, improving cooperation between universities and the private sector as well as developing the economic and legal framework to better facilitate the creation of new knowledge and technological development. The European Union, Organization for Economic Cooperation and Development (OECD) and the World Bank have stressed the significance of education, research and development (R&D) as crucial factors for development. Attention has been concentrated on promoting sustainable development of human resources and human capital, in order to increase innovative potential and economic competitiveness.

Current dynamics of the globalization, however, has accentuated the asymmetry between technologically advanced and backward countries which to a greater extent is reflected in brain drain affecting policymaking either in terms of increasing national competitiveness or solving global problems.

Historically, the emigration of skilled intellectuals has been viewed as a loss for the sending countries and a net gain for the receiving countries. As the emergence of transnational knowledge networks has become consistent with globalization theories, increasingly, the role of diasporas has begun to circulate among scholars and policy makers emphasizing how expatriate talent can make a contribution to the development of their countries of origin. Respectively, the focus has shifted from viewing migration as loss of intellectuals to conceptualizing it as a dynamic process of knowledge transfer contributing to brain gain.

In an era of global competition, reverse brain drain termed as the brain gain, where human capital moves in reverse from a more developed country to a less developed country, plays important role for sending country's development. There has been growing interest in the extent to which expatriate scientists develop professional linkages with their home countries (Meyer and Brown 1999). Some scholars, who pay particular attention to 'diaspora option', argue that the potential of this policy option cannot be fully realized unless professional diaspora networks are underpinned by a range of support mechanisms in which education plays an important role in preparing people to develop the capacity for working in transnational spaces in ways that are both systematic and productive (F. Rizvi 2007). Scientists, engineers, or other intellectual elites migrated to a more developed country to study, perform research, or gain working experience, accumulate resources both tangible and intangible that can be used in their home country (Stark & Bloom 1985).

Knowledge and technology transfers are a primary way for developing countries to benefit from highly skilled emigrants (Damtew 2000, cited in Lowell 2001), but this process is undermined by variety of factors depending on the individual characteristics of a country. Moreover, brain drain can become destructive for national competitiveness, unless the countries of origin do not have the capacity to create incentives for retaining and attracting talent.

The occurrence of reverse brain drain mostly depends on the capacity of the country's development to elaborate strategies over a long period of time to reverse the migration. This would also require these countries to develop an environment which will provide rewarding opportunities for those who have attained the knowledge and skills from overseas (OECD Observer 2002). In the past, many of the immigrants from developing countries chose to work and live permanently in developed countries; however, the recent economic growth that has been occurring back in their home countries - and the difficulty of attaining long-term work visas - has caused many of the immigrants to return home (Lee & Kim 2010).

In the context of post-Soviet transition the widening knowledge gap threatens to undermine potential gains of the Eastern Partnership of the European Neighborhood Policy (ENP), which envisions the convergence with shared European values focused on gradual integration in the EU economy, good governance, democracy, economic and social development. ENP itself includes the priorities of Lisbon Strategy - a variety of policy measures to enhance research, innovation and development of knowledge-based economy. These factors are important not only for those countries that have moved very close to the technology frontier, but also for those that are implementing the principles of free market economy. The aspirations of Georgia for EU membership, should be instrumental in encouraging the country to adopt such knowledge policies. However,

“it is apparent that national scientific systems, formed for the most part back in Soviet times, have been degraded since the fall of communism and struggle to be relevant in the new environment. Insufficient resource allocated to research, technological development and innovation (RTDI) has resulted in obsolete equipment, a gradual reduction in the number of researchers, and the collapse of many branch (industrial) research institutes. Less than half the S&T jobs that existed in 1990 remain in 2005, whilst much of the best talent has left the region to find employment in the West. Reversing this brain drain will require not only an increase in spending, but also extensive reform of the RTDI system. Necessary reforms include institutional consolidation, expansion of competitive streams of funding, restructuring of career pathways that reward on the basis of merit, and greater prioritisation within RTDI spending... Whether the EU and US will vigorously implement cooperation policies to support the development of knowledge economies in the region is open to question”. (European Commission 2006).

As in many post-communist countries, the flow of the highly skilled persons has likewise been identified as one of the major obstacles for Georgia's socio-economic development. Georgian government, however, has not yet managed to design and implement relevant and evidence based policies that could mitigate the side effects of the brain drain by stimulating

merit-based recruitment system or diaspora knowledge networks to efficiently use talent and contribute to developing knowledge economy. Moreover, since the Rose Revolution, there has been much rhetoric and speculation about a mass return of highly-skilled professional returnees (CRRC 2007), and the official data provided by the National Statistics office of Georgia has become unreliable because of political influence from the authorities to conceal higher rates of emigration.

According to elite theorists such as J. Highley and M. Burton, elite settlements' are crucial to ensure effective leadership of the transformation process (Highley & Burton 1989). In the process of transformation elites pursue their interests through the formation of political and social identities. Ruling elites in the process of transformation allocate ownership of property, define the membership and rights, influence how social and political change should take place (Lane 2012).

Studies of post-communist transition in central and eastern Europe focused on 'triple transition' – democratization, marketization and stateness, has not reached a shared interpretation about the distinctive characteristics of Soviet legacies reflected in national psychology, political culture and elite formation/reproduction in the former Soviet Union countries. The question is whether the model of liberal democracy successfully realized in western industrialized societies can be applicable in the post-Soviet periphery countries, as concepts such as the 'clash of civilizations' suggest that Russian/post-Soviet societies are unlikely to adopt viable democracy for a priori reasons, due to the legacy of the past (Gelman et al. 2003). Indeed, Soviet legacies are significant impediment to evolutionary transition of Georgia and with the advent of knowledge-based economic development, the search for highly skilled professionals in all spheres of activities is imperative.

Over the past two decades brain drain has become a significant challenge for post-Soviet countries, and particularly for Georgia due to the mass emigration of skilled people, but no policies were formulated so far to address the problem. Furthermore, neither policy-oriented nor pure academic literature has paid any attention to the interconnectedness of meritocracy, brain drain and knowledge economy, and the impact of globalization on national capacity for evolutionary transition in post-Soviet countries, which presents complex challenges to scholars and policymakers.

This study aims at introducing clear evidence to justify that the absence of meritocracy leads to decline in proactive leadership, productivity, and to deterioration of governance, which undermines national competitiveness and a country's potential to efficiently use talent¹ and develop innovation and knowledge economy. Since meritocracy is awaiting theoretical and methodological justification to create an index composed of a range of indicators for measuring merit, the study also aims at contributing to the development of epistemological and ontological grounding to fill this gap.

The study, by using an example of Georgia, provides diagnostics, benchmarking analysis and policy recommendations on attracting and retaining talent and developing knowledge based economy by focusing on economic competitiveness and stimulating merit-based recruitment system.

2. Prospects for Knowledge-based Economic Development in Georgia

Since the independence in 1991 Georgia has become one of the biggest recipient of western aid per capita in post Soviet space. The growing western influence, notably through the United States-Georgia Charter on Strategic Partnership, European Neighborhood Policy/Eastern Partnership, and proposed EU and NATO membership, has increased the importance of converging with shared democratic values, effective governance and knowledge based economy.

The EU has played a pivotal part in achieving many of the positive changes that have taken place in Georgia. Namely, it has exerted considerable efforts to assist Georgian government to formulate and implement science and innovation policies which was reflected in EU-Georgia Neighborhood Policy Action Plan, but for a variety of reasons these recommendations have not been yet translated into concrete policy changes. Among the priorities included in this Action Plan, is development of sound education, research and innovation policies in Georgia, which should help the country achieve and maintain sustainable economic growth. In Particular:

- Develop a Research and Innovation policy directly relevant to the sustainable and equitable economic development policy objectives of Georgia;
- Further reform efforts in the field of education to promote human resources development;
- Foster co-operation with the aim of reforming higher education sector in the context of the Bologna Process;
- Reinforce participation of Georgian scientists/students/academics in international and exchange programmes;
- Encourage life-long and life-wide learning opportunities as well as further the reform efforts in the field of education, science and training to promote sustainable development of human resources and human capital;

¹ country's potential to efficiently use talent is a pillar labour market efficiency in Global Competitiveness Index (GCI), and includes both country's capacity to retain talent and country's capacity to attract talent indicators.

- Reform science management system through appropriate regulatory framework financing model and governance based on scientific excellence, capacity-building and joint initiatives
(Retrieved from: ec.europa.eu/world/enp/pdf/action_plans/georgia_enp_ap_final_en.pdf).

Georgia urgently needs to move to a knowledge-based economy, where the distribution of research locations provides a focus of strategic opportunities for both university research and governmental policy-making (Ivaniashvili 2007). But how does the country measure up to these requirements? What potential does it have in realizing such a model?

The successful transition to the Knowledge Economy typically involves elements such as long-term investments in education, developing innovation capability, modernizing the information infrastructure, and having an economic environment that is conducive to market transactions (Chen and Dahlman, 2005). The World Bank defined these elements as the pillars of the Knowledge Economy, which constitute the following framework:

- An economic incentive and institutional regime that provides good economic policies and institutions that permit efficient mobilization and allocation of resources and stimulate creativity and incentives for the efficient creation, dissemination, and use of existing knowledge.
- Educated and skilled human resources who can continuously upgrade and adapt their skills to efficiently create and use knowledge.
- An effective innovation system of firms, research centers, universities, consultants, and other organizations that can keep up with the knowledge revolution and tap into the growing stock of global knowledge and assimilate and adapt it to local needs.
- A modern and adequate information infrastructure that can facilitate the effective communication, dissemination, and processing of information and knowledge (Chen and Dahlman, 2005).

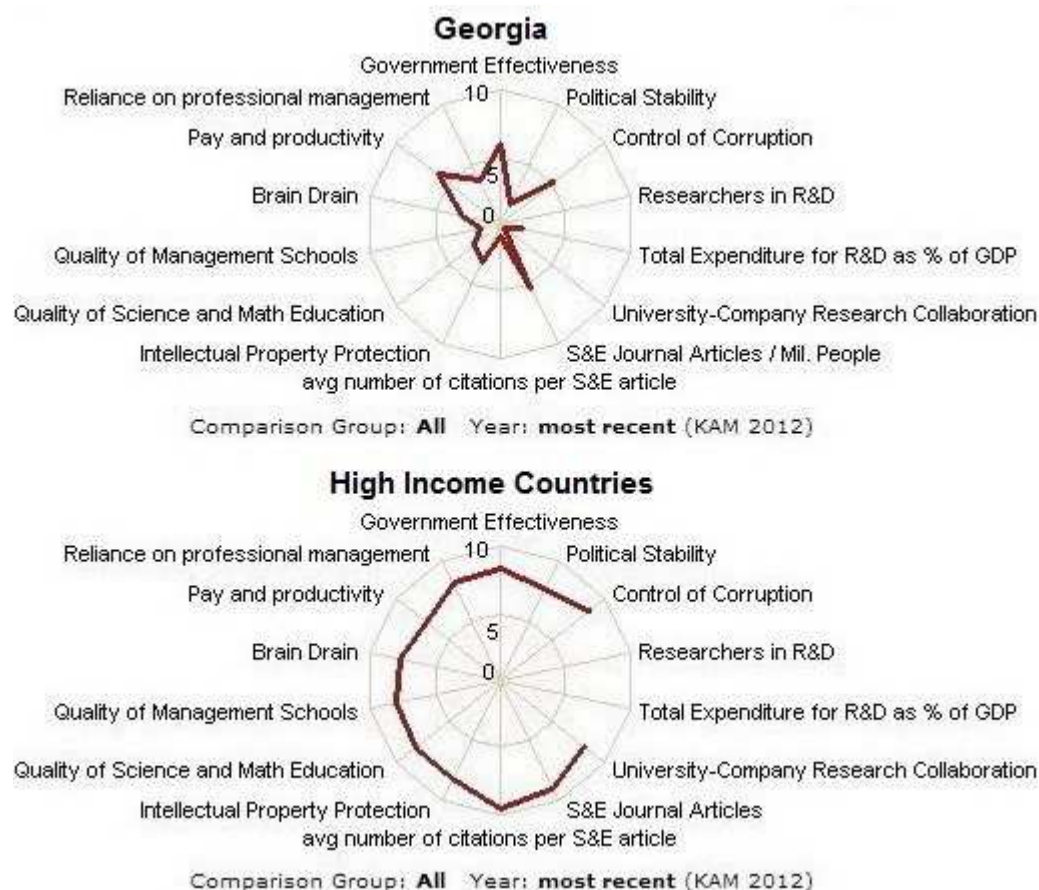
The Knowledge Assessment Methodology (KAM) developed by the World Bank Institute's Knowledge for Development (K4D) Program, is a facilitative tool for transition process, which assists us in providing diagnostic and benchmarking analysis based on customized scorecard and the most recent available data for Georgia. Figure 1 summarizes cross-sectoral results of a diagnostics of Georgia's position relative to high income countries.

For more comprehensive view of Georgia's capability to develop knowledge based economy, we have selected 14 most relevant indicators, among which brain drain is a significant impediment, emphasizing the weak capacity of the country to retain and attract talent. Factors such as Government Effectiveness, Reliance of Professional Management and Control of Corruption not only seriously affect the transition process, but also directly

indicate the lack of meritocracy. Government effectiveness combines perceptions of the low quality of public service provision and bureaucracy, the lack of competence of civil servants, the low degree of their independence from political influence, and reduced Government's credibility to provide sound policies. Unreliable professional management can be explained by holding senior management positions without regard to merit. Weak control of corruption corresponds to "graft" measures of corruption as well as to favoritism, nepotism and clientelism. Political stability includes factors which measure perceptions of the likelihood of government's destabilization, which has direct harmful effect on the continuity of policies.

Indicator Pay and Productivity represents the ratio of an employee's inputs reflected in productivity to an employee's outputs such as salary. This index represents the inadequacy of the ratio in that the quality of productivity in Georgia is compromised by the lack of knowledge, skills, competences and merit based selection criteria.

Figure 1. Custom Scorecard for Georgia and High Income Countries



Source: The Knowledge Assessment Methodology (KAM 2012)

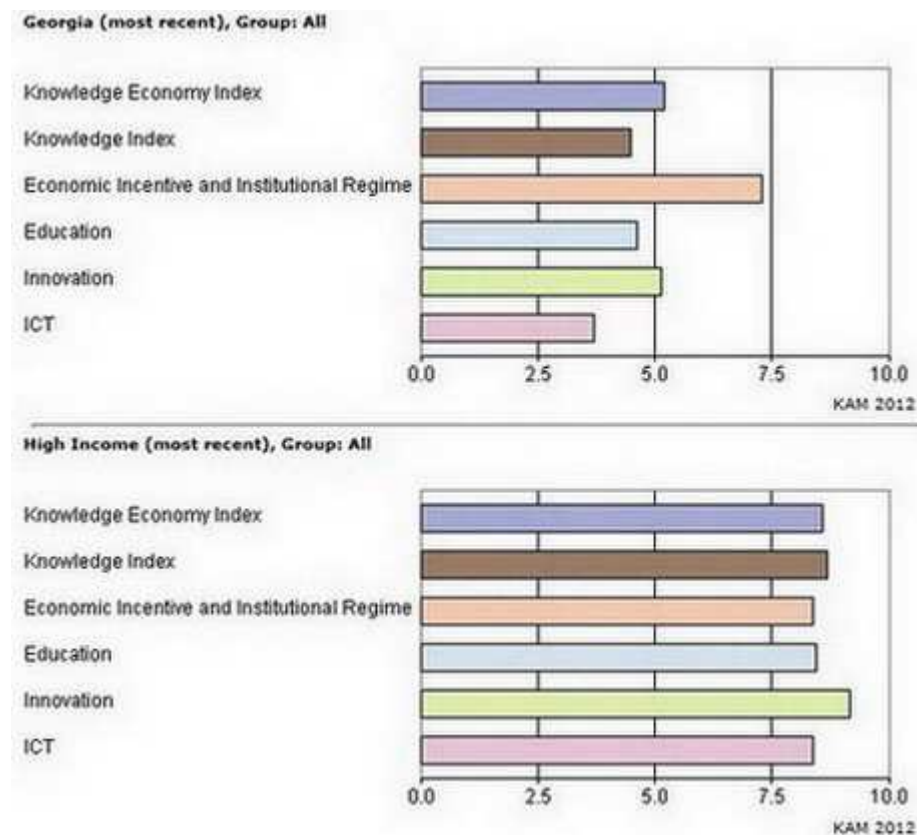
R&D expenditure as a percentage of GDP is considered as an important indicator to evaluate a country's investment in developing innovations and knowledge based economy. It covers basic research, applied research, and experimental development. According to the latest

available data of 2008, R&D spending as a percentage of GDP in Georgia is only 0.18 %, which is significantly reduced in comparison with that of in 1998 (0.35 % respectively) (World Bank 2008). The cutbacks in R&D spending appear to be directly related to the inefficiency of government policies, weaknesses of higher education and science, incapability of business companies to spend on R&D, and lack of university-Company Research Collaboration opportunities.

Other factors such as Quality of Management Schools and Quality of Science and Math Education emphasize the devastating impact of brain drain on education and science system which has resulted in intellectual erosion and crisis of universities and scientific-research institutes, which is reflected in very limited number of citations per published S&E article.

Figure 2 represents cross-sectoral holistic view of the wide spectrum of factors for Georgia relevant to the knowledge economy. Each bar chart shows the aggregate Knowledge Economy Index (KEI) score and the contribution (relative weight) of different Knowledge Economy pillars to the overall country's knowledge readiness.

Figure 2. Indexes and Pillars for Georgia and High Income Countries



Source: The Knowledge Assessment Methodology (KAM 2012)

At Georgia's level of development, which implies lower level of science and technology and higher level of brain drain, knowledge strategies typically involve the tapping of existing global knowledge and adoption of foreign technologies to local conditions in order to enhance domestic productivity.

3. Globalization, National Competitiveness and Innovation Potential of Georgia

From ontological point of view, Globalization is a contradictory historical phenomenon. To some extent it implies asymmetric competition among nation-states which results polarization of the world economic system, but on the other hand it creates opportunities for global partnership and integration, which stimulates knowledge transfer and creation of transnational knowledge networks. Given the trends in education, science, culture, business, capital, ideas, communication and information technologies, regions globally form an integrated, inter-linked and inter-dependent system which leads to the emergence of global knowledge economy.

The rapid progress of globalization has emphasized the need for nation states to follow sound policies for developing innovation systems and enhancing their competitiveness, which are significantly influenced by government effectiveness, institutional arrangements, technological capabilities, innovative potential, migration policies etc. National competitiveness grounded on Porter's Diamond Model (Porter 1990), requires government efficiency, business sophistication, demand conditions, and factor conditions such as skilled human resources capable to acquire, assimilate, utilize, adapt, and create new technology. More nations strive to acquire innovation capabilities with investment in research and development (R&D) and human capital, which is the baseline requirement for global competitiveness. The others standing for delayed modernization and incomplete state building processes, are lagging behind.

The competitiveness of a nation or region is determined by the productivity (value per unit of input) with which it utilizes its human capital, and other intangible or tangible resources and which sets a nation's standard of living. More specifically, competitiveness can be defined as a collection of factors, policies, and institutions which determine the level of productivity of a country (Claros, WEF, 2005). Productivity consequentially influences a country's ability to grow over time and sustain economic growth. The task of assessing a country's level of competitiveness is challenging since it requires the measurement and assessment of a multitude of factors, so called pillars of competitiveness (Ivaniashvili 2009).

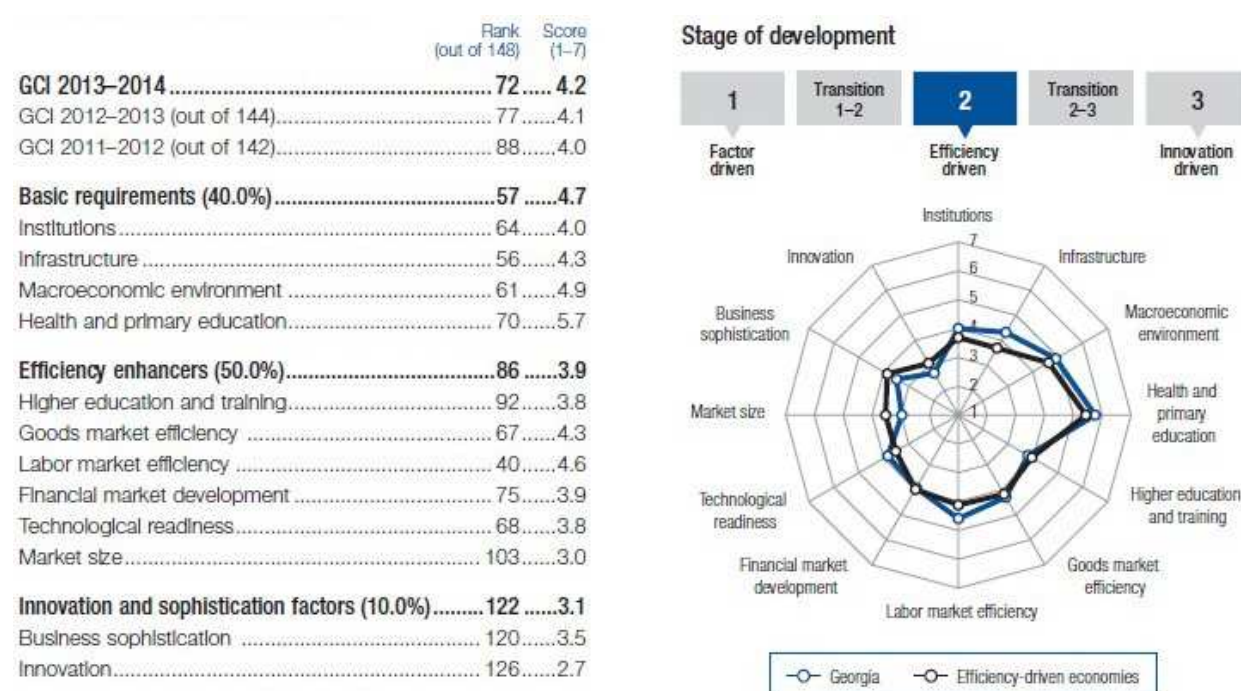
The Global Competitiveness Index (GCI) with its 12 indicators developed by the World Economic Forum (WEF) is used as a proxy to measure a country's competitiveness. In GCI Report 2013-2014 Georgia ranks 72nd among 148 countries, that is higher on most indicators than many of its regional peers, including EU member states in Eastern Europe such as Romania, Croatia, Slovakia and Greece. However, it still performs worse than other post-Soviet neighbouring countries – Azerbaijan, Russia and Kazakhstan. This can be explained

by the deterioration of many factors including political and regulatory environment especially after the 2013 presidential and 2012 parliamentary elections.

The assessment points up serious shortfalls in the country's competitive position (Figure 3), that includes higher education and training (quality of education system – 105, quality of math and science education – 106, quality of management schools - 107, availability of research and training services 130); labour market efficiency (reliance of professional management – 82, country capacity to retain talent – 93 and country capacity to attract talent – 105); technological readiness (availability of latest technologies – 100, firm level technology absorption – 117, FDI and technology transfer – 101); business sophistication (local supplier quality – 129, state of cluster development – 116, nature of competitive advantage – 91, value chain breadth – 96, production process sophistication – 119); and innovation (capacity for innovation – 118, quality of scientific-research institutes – 124, company spending on R&D – 128, university-industry collaboration in R&D - 132, availability of scientists and engineers – 126).

These are critical vulnerabilities that undermine Georgia's competitiveness and innovation potential - main pillars of knowledge-based economy.

Figure 3. Georgia's ranking in Global Competitiveness Index 2013-2014



Source: Global Competitiveness Index 2013-2014

As we can see, knowledge economy and competitiveness are substantially linked to innovation on both national or company levels. Georgia is in an efficiency-driven stage of development based on six pillars – Higher Education and Training, Goods Market Efficiency, Labour Market Efficiency, Financial Market Development, Technological Readiness and Market Size. Successful transition from efficiency driven to innovation driven economy grounded on pillars such as Business Sophistication and Innovation, will critically depend on a country's capability to attract creative talents for strengthening human capital in all fields of activities.

According to innovation system theory, innovation and knowledge creation are results of sustainable synergistic linkages among interconnected actors such as enterprises, universities and scientific-research institutes. Both internal and external linkages based on strong institutional capacity of each partner, should give rise to economic or other outcomes. The connection between the weakness of internal linkages and brain-drain phenomenon suggested some decades ago by J. Sabato, was later translated into Triple Helix model of university-industry-government relationships initiated in the 1990s by Etzkowitz (1993) and Etzkowitz and Leydesdorff (1995).

Within this system, the primary role of the university in relation to industry is through its educational activities that prepare graduates for industrial employment. The second academic focus of relations with industry builds upon the development of scientific research capabilities and the transfer to industry of economically relevant knowledge. Thirdly, the production of commercially relevant knowledge, either as an extension of basic research or by solving problems presented by industry, has been institutionalized through the creation of a series of boundary-spanning mechanisms (Etzkowitz, Webster, & Healy, 1997).

Government plays significant role in setting broad policy directions for promoting networking among these interconnected institutions and enhancing the innovative capacity of private companies to absorb technologies and create new knowledge. Parallel with a political will and administrative capacity, this also requires innovation policy and action plans to increase R&D and encourage university-industry partnerships.

The low level of university-company research collaboration and government effectiveness in Georgia is clearly shown in both Knowledge Economy Index of Knowledge Assessment Methodology (KAM 2012) and Global Competitiveness Index 2013-2014. This can be explained by the absence of proactive political leadership, weak performance of public servants and lack of innovative potential and R&D capacity of universities and private companies. Apart from brain drain, another disappointing aspect of existing situation is that because of unavailability of merit-based recruitment system, both professors and public officials are selected based on personal preferences and relationships rather than on qualifications and needs. Their limited knowledge and incompetence was reflected in qualitative interviews², where the vast majority of government officials and university professors could not demonstrate basic knowledge

² Qualitative interviews were carried out by the International Centre for Social Research and Policy Analysis in 2009 within the framework of GIZ financed project – *Creating National Innovation System Framework for Georgia*

about knowledge economy, national competitiveness, innovation system, ENP priorities, meritocracy (Ivaniashvili 2010).

The differences between national innovation systems are at least partly the result of differences between the economic and political circumstances and priorities of these nations (Nelson 2000). In Georgia, brain drain and the absence of merit-based promotion have resulted in intellectual erosion in all spheres of activities. Elites, to a greater extent influenced by the Soviet legacies such as favoritism, cronyism, nepotism, clientelism, rent-seeking behavior, are seeking personal benefits and trying to survive instead of developing sound policies and institutional reforms compatible with national priorities.

Based on the latest knowledge, experience and best practices from innovation driven economies, we are convinced, that the long-term competitiveness of Georgia cannot be achieved without proactive leadership and meritocracy capable of implementing structural reforms creating conditions for developing innovation systems and knowledge based economy.

4. Georgia's Capability to Efficiently Use Talent

Since the emigration of highly skilled professionals became an increasingly important policy issue for developing countries, more governments have shown concerns about the adverse effects of brain drain on economic growth and welfare. Over past two decades brain drain has become a significant challenge for post-Soviet countries, and particularly for Georgia due to the mass emigration of skilled people, but no policies were formulated so far to address the problem.

Since 1990 Georgia has experienced one of the highest rates of emigration in the world that resulted in sharp population decline by at least 20 % which, following the latest data of the most reliable sources such as United Nations, World Bank, IOM, exceeds 1 million (The World Bank. 2011). According to other sources, since 1990, 1.5 million Georgian nationals have emigrated abroad (Celac, Emerson, Tocci, 2000). These migration statistics significantly contradicts with the official data provided by the National Statistics office of Georgia in 2008, where the total number of Georgian emigrants is 173 500³. The high volume of migrants is worrisome by itself, but the high rate of skilled migration is particularly concerning, especially when that migration affects universities and industrial sectors. Compared to economic dimensions of migration (namely remittances), relatively little attention has been paid to assessing the trends in migration of skilled people from Georgia,

³ The official data provided by the National Statistics office of Georgia seems unreliable because of political influence from the authorities to conceal higher rates of emigration.

despite this population segment's role as the main resource for economic competitiveness. Over the past two decades, Georgia has suffered greatly from the emigration of scientists, experts, and engineers, which has devastated the capacity of universities and industrial sectors.

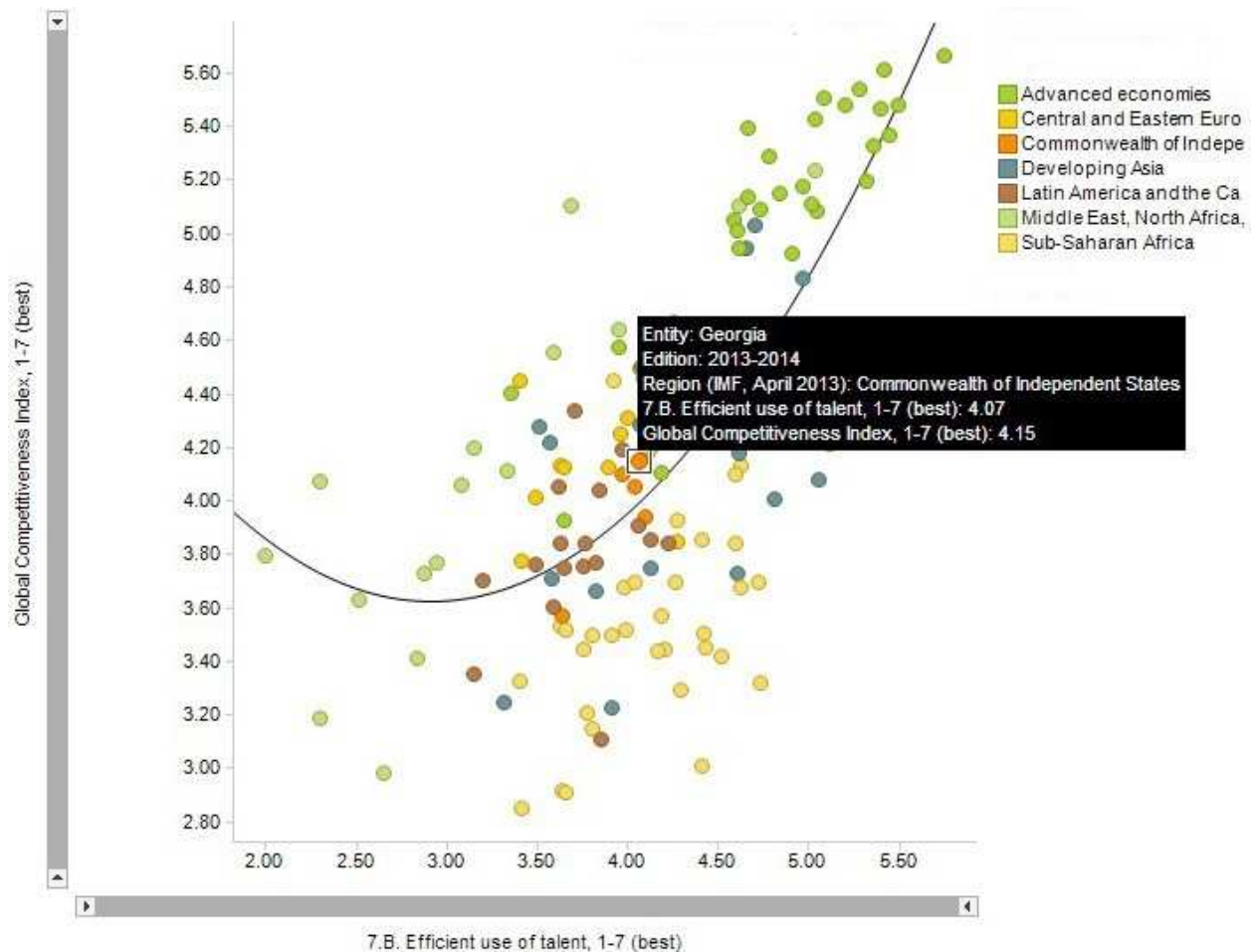
Following the collapse of the Soviet Union, Georgia, as well as other post-Soviet states, inherited a substantial number of researchers and R&D institutions. The Soviet school was famous for its reliance on extensive formal education with strong emphasis on Math and Science and abstract and theoretical matters. However, their productivity was relatively low. “In 1985, the Soviet Union had 35.6% of the world’s researchers, while having only 0.2% of the world’s patents” (Egorov 2002). It is not that members of the science/research community didn’t have sufficient knowledge to make discoveries. They surely had more capacities than the 0.2% number indicates, but were deprived of opportunities to realize their potential in command economy. After the collapse of the Soviet Union in 1990 talented scientists began to emigrate to the western industrialized countries for self-actualization.

Since 1991 Georgian expenditures on R&D went down. Research institutions deteriorated, industrial research institutes declined. This process was a spontaneous one, not regulated by the government. The rise of skilled migration has significantly increased risks in balancing the demand-supply on labor markets, and high rates of unemployment, as well as favouritism, cronyism, nepotism, clientelism, rent-seeking behavior, are strong push factors behind brain drain. According to the IOM, most labor migrants are highly educated: 44% of migrants possess university-level education and 15% are highly-skilled professionals, who find Georgia as less attractive place for self-realization (CRRC 2007).

The migration of skilled people enables developed countries to hire highly-skilled specialists, saving money and maintaining a comparative advantage in the progress of science and technology (Straubhaar and Wolburg, 1999), whereas the outflow of professionals creates uncertainties for developing countries to increase competitiveness and be attractive for investments. In addition, if highly educated workers continue to immigrate to richer countries, public funds spent on higher education in order to promote growth may be to a large extent inefficiently applied (Global Statistics 2005).

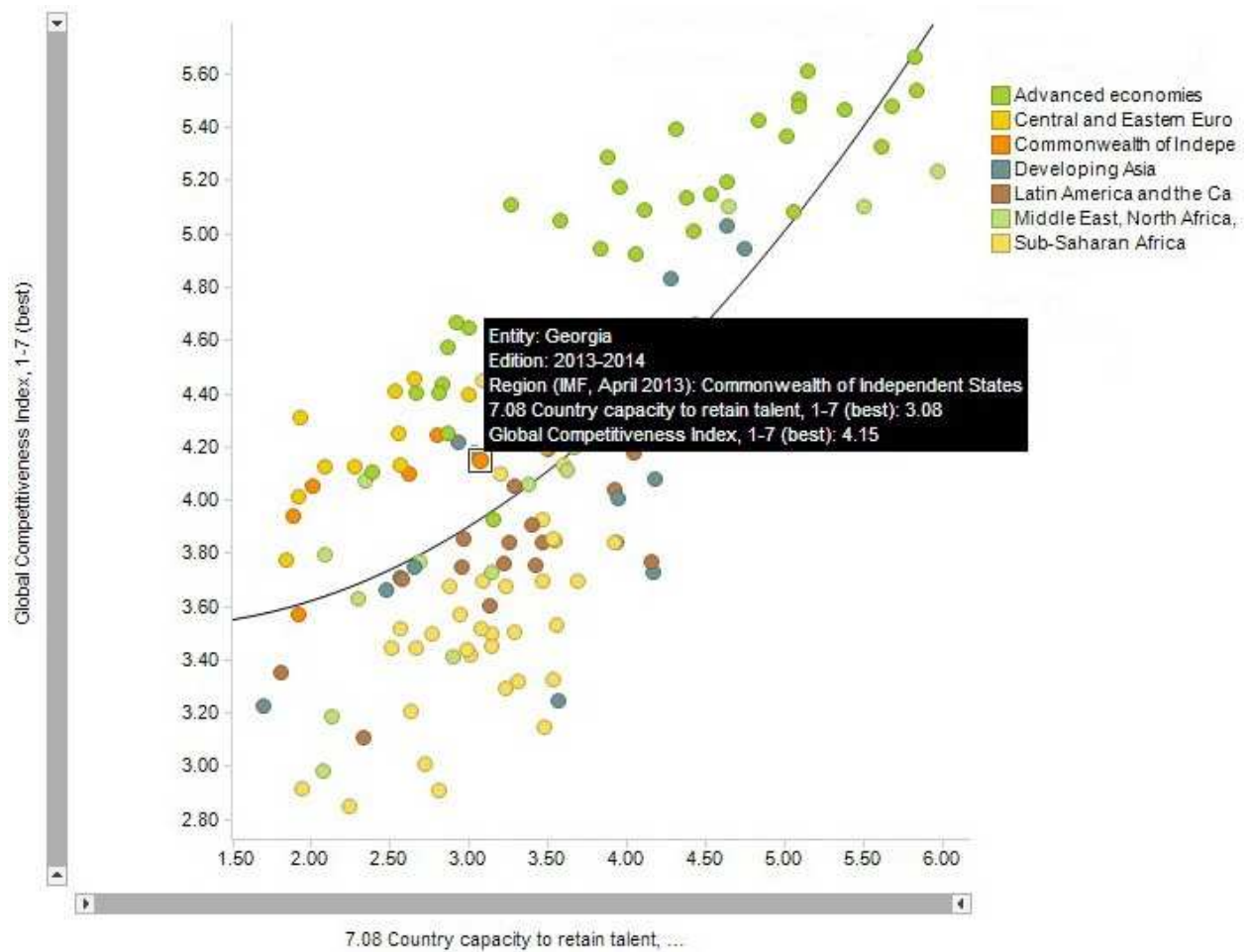
Based on empirical data there is clear evidence that evolutionary transition is significantly resisted by brain drain and lack of meritocracy, which negatively affects economic competitiveness and undermines positive outcomes. The correlation between brain drain and economic competitiveness is reflected on scatter plot of Global Competitiveness Index 2013-2014. Figures 4, 5 and 6 represent the ratio of national competitiveness to the country’s capacity to efficiently use talent, retain talent and attract talent.

Figure 4. Scatter Plot of the ratio of national competitiveness to the country's capacity to efficiently use talent



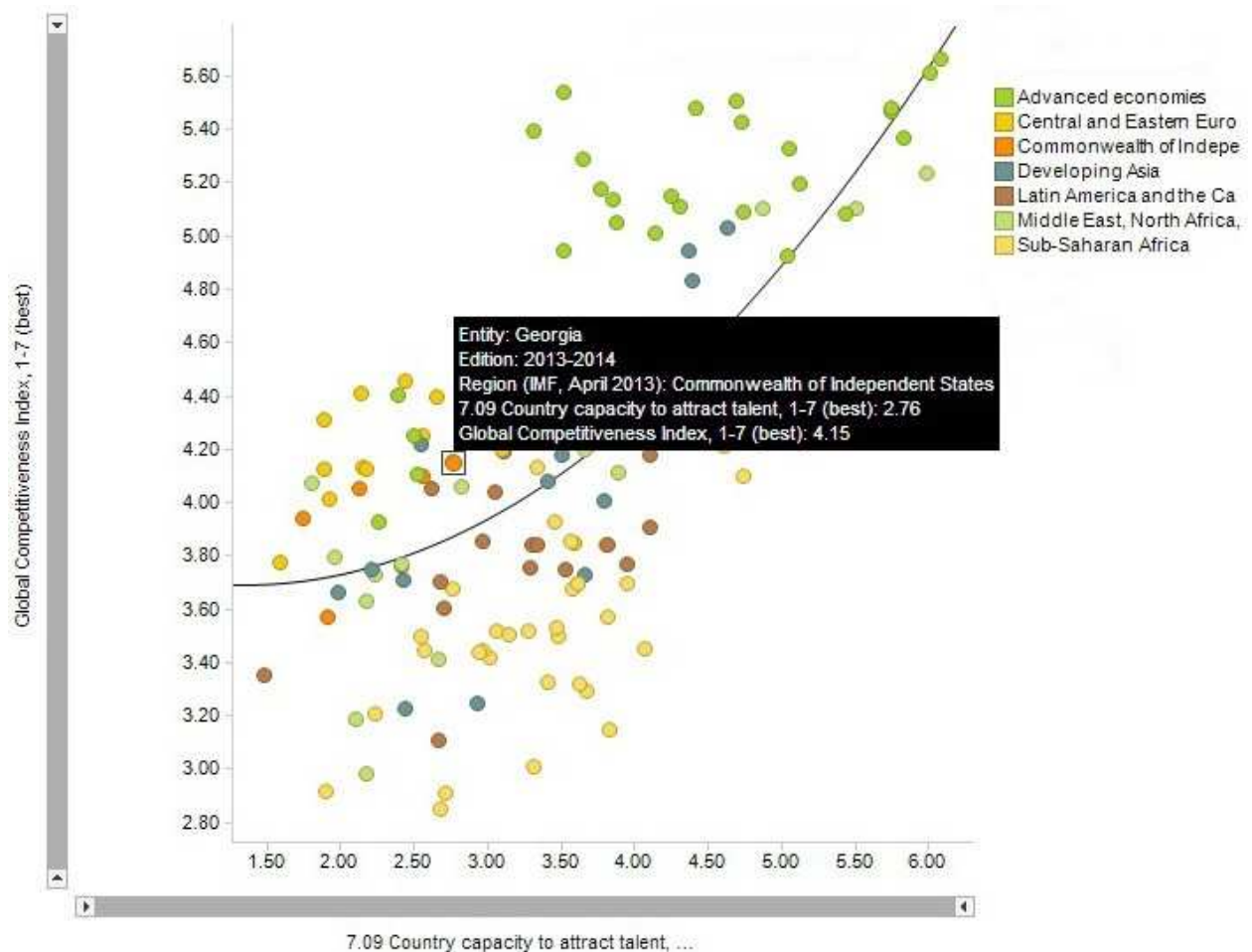
Source: Global Competitiveness Index 2013-2014

Figure 5. Scatter Plot of the ratio of national competitiveness to the country's capacity to retain talent



Source: Global Competitiveness Index 2013-2014

Figure 6. Scatter Plot of the ratio of national competitiveness to the country's capacity to attract talent



Source: Global Competitiveness Index 2013-2014

Georgia's weak capacity to efficiently use (both retain and attract) talent is motivated by the pull and push factors. Among the pull factors are attractive career opportunities for self-realization, higher salary scales, living conditions, educational opportunities, security, etc., in destination countries. Push factors include lack of opportunities for intellectual advancement and self-actualization, unstable employment, low salary scales, adverse political situation,

discrimination, and deeply rooted vicious practices in elite and society such as favouritism, nepotism, cronyism, clientelism, rent-seeking behaviour.

Some scholars (Mahroum, Eldridge and Daar, 2006) argue that politically, it is perhaps safer for governments to pursue policies that encourage repatriation rather than discouraging emigration. The country's capacity for both retaining and attracting talent plays key role in developing national competitiveness, innovation systems and knowledge based economy. Since a big portion of the intellectual elite has left Georgia, there is an urgent need of elaborating two long term strategies: 1) to reverse intellectual capital in the country through creating attractive incentive opportunities; 2) to bring up a new generation of scholars, managers and policymakers in all spheres of activities. As the country faces serious intellectual impoverishment, both attracting and retaining talent should become top national priorities.

For the future prospects, it is important to find the answers of the following questions: what conditions are needed to be created to encourage skilled people to remain in Georgia? and what forms of partnership might be established with Georgian skilled expatriates to reverse brain drain?

4.1 Prospects for Reversing Brain Drain through Transnational Knowledge Networks

The reverse of brain drain is the phenomenon termed as the brain gain, where human capital moves in reverse from a more developed country to a less developed country. These migrants may accumulate savings, also known as remittances, and develop skills overseas that can be used in their home country (Stark & Bloom, 1985). Expatriates emigrated to industrialized high income countries can play an important role in the development process of their home countries through return migration and/or transnational networks. As the Global Commission on International Migration underlined, "Countries of origin can gain considerable advantage by harnessing the talents and resources of diaspora populations, which have grown significantly in size and scope as a result of the recent expansion of international migration" (GCIM 2005). However, the return of long-term emigrants back home is often not without its challenges (Faini 2003).

The modern approach is concentrated on the idea of creating transnational partnerships with highly skilled emigrants through building transnational knowledge networks and promoting collaborative research projects. The primary motivation of such networks is to create and advance knowledge as well as to share, spread and, in some cases, use that knowledge to inform policy and apply to practice (Stone 2003). Successful transnational partnership is based on mutually beneficial common strategic interests, incentives and opportunities, which in Georgian case are negatively influenced by the vicious practices of the Soviet legacies, state of economic development of the country and the policies of the government.

The resistance of practitioners to adopt new knowledge (Kirst 2000) and their often limited competencies and skills (Hemsley-Brown and Oplatka 2005), as well the lack of human capital in all spheres of activities are some of the main handicaps for efficient creation,

acquisition, dissemination and utilization of relevant knowledge. In terms of transnational scientific cooperation, the quality of Georgian universities is far from international standards. They lack of innovative potential and scientific/research capacity is also reflected in the poor quantity and quality of the publications in the international journals.

Reverse brain drain has vital importance for the economic growth of Georgia, as intellectual expatriates may disseminate competitive knowledge, innovative potential, foreign work experience, networks of partnership and new ideas. But the question is whether Georgia can reach out to its widely spread diaspora around the globe in ways other than simply promoting remittances, as there is no relevant database and no attention has been paid to the importance of diaspora's role in country's evolutionary transition. Unfortunately, the government of Georgia is not paying serious attention to its intellectual expatriates who can be mobilized and organized to the benefit of their home country.

The Office of State Minister of Georgia on Diaspora Issues, created in 2008 with the object of deepening relations with compatriots residing abroad, is responsible body to initiate strategy for developing sustainable networks with Georgian diaspora. However, neither the ministry itself nor a few projects supported by the international organizations could contribute to the creation of database of skilled and qualified Georgians expatriates. Much attention has been paid only to cultural entertainment activities which does not contribute to the economic competitiveness and to the development of innovation and knowledge based economy. In addition, remittances sent by Georgian emigrants (who are mostly illegal emigrants) are mistakenly regarded as the source of investments from Georgian Diaspora.

Apart from a political will and capability to develop sound policies for promoting transnational knowledge networks, it is also important to carry out structural reforms in Georgian higher education and science system, in order to create a more efficient academic and scientific community capable of implementing joint transnational projects or research exchanges. Particular attention should be concentrated on developing innovation policy and action plans to increase R&D and encourage university-industry partnerships.

Georgian government, universities, business sector and think tanks are facing many challenges ahead in the domain of brain drain. Both the country and diaspora should make an effort to upgrade their information capabilities to address the information gap in the diaspora with respect to Georgia's actual development challenges. Promoting a sustainable partnership with Georgians abroad will require a long-term multi-dimensional strategy of social, economic and political inclusion.

5. Meritocracy

5.1 Democratic Inefficiency in Post-Soviet Transition of Georgia

Throughout the history of existence, mankind is in quest for an ideal model of governance capable of functioning reliably, efficiently and justly. Despite the representative democracy is widely considered as the most preferable and accepted form of government in western societies, this conviction becomes contested for post-Soviet transition in terms of political stability, economic competitiveness, good governance and public policy-making.

Studies of post-communist transition in central and eastern Europe focused on ‘triple transition’ – democratization, marketization and stateness, has not reached a shared interpretation about the distinctive characteristics of Soviet legacies reflected in national psychology, political culture and elite formation/reproduction in the former Soviet Union countries. The question is whether the model of liberal democracy successfully realized in western industrialized societies can be applicable in the post-Soviet periphery countries, as concepts such as the ‘clash of civilizations’ suggest that Russian/post-Soviet societies are unlikely to adopt viable democracy for a priori reasons, due to the legacy of the past (Gelman et al. 2003).

Since the independence of Georgia, each newly elected government has been expected by the population to bring political stability and economic revival, but they are always disappointing society as being incapable of securing a better future for the country. Recently, in social sciences literature, more attention has been paid to a performance-based legitimacy of governments with an emphasis on changing the traditional role of legitimacy from democratic representation towards policy delivery and output. Today we observe that the model of representative democracy is challenged by changes in the organizational structure, management models and *modus operandi* of the public sector and all the Scandinavian governments (Denmark, Sweden and Norway) initiated such studies in the late 1990s, and they all raised concerns about the present state of democracy (Pierre et al. 2011).

The contradictions of representation mechanisms with democracy have driven criticism in wider social sciences literature (Köchler 1987); Fenichel Pitkin, H. (2004); Urbinati, N. (2008). Among the critics of democracy’s inefficiency, the most notable arguments have been expressed by Nobel Prize winner Milton Friedman, who emphasized the irrationality and incompetence of voters about political and economic issues which prevent population making correct decisions. Friedman argues that not adequately educated masses, unable to foresee the future of the community they belong to, would certainly vote on the basis of rent-seeking reasons or some other petty promises (Friedman 1962).

In underdeveloped countries, where brain drain and vicious practices (corruption, favouritism, cronyism, nepotism, clientelism, rent seeking behaviour) have resulted in serious intellectual impoverishment, population often makes irrational decisions in favour of deadbeat politicians, as it happened in Georgia in 2012 parliamentary and 2013 presidential elections. Furthermore, because of the absence of meritocracy in Georgia, government policies and decision-making are strongly influenced by incompetent members of neo-

*nomenklatura*⁴ elite - public officials, oligarchs, “pocket” NGO experts, university professors, which compromises national interests and often results in political and socio-economic crises.

Before the 2012 Parliamentary Elections the picture of Georgia’s development indicated an alarming inefficiency of political institutes and civil society organizations to productively participate in democratic governance. The lack of transparency in the government’s policy-making process was also a significant problem. High level governmental posts were under strict control of autocracy as in the Soviet period and even western aid and diplomatic policies failed to recognize that emerging young leaders of United National Movement would become major impediments to the democratization process in Georgia.

According to Democracy Index 2012 published by the Economist Intelligence Unit, Georgia placed 93rd out of 167 countries, in “hybrid regime”, incapable of consolidating democracy. Serious weaknesses were more prevalent in political culture, functioning of government, judicial independence, free media and political participation. The situation worsened further after October 2012, when political coalition led by pro-Russian oligarch B. Ivanishvili came to the power. Political clientelism, corruption, rent-seeking behavior, favouritism, cronyism, nepotism became more deeply rooted in all segments of the political landscape, media and civil society institutes. This political change has contributed to the restoration of Russian influence in Georgia, which comes in conflict with western values and its geostrategic interests in Eurasian region.

Figure 7. Georgia in Transit Ratings and Averaged Scores

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Electoral Process	5.25	4.75	4.75	4.50	4.75	5.25	5.25	5.00	5.00	4.75
Civil Society	3.50	3.50	3.50	3.50	3.50	3.75	3.75	3.75	3.75	3.75
Independent Media	4.00	4.25	4.25	4.00	4.25	4.25	4.25	4.25	4.25	4.25
Governance*	5.75	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
National Democratic Governance	n/a	5.50	5.50	5.50	5.75	6.00	6.00	5.75	5.75	5.50
Local Democratic Governance	n/a	6.00	5.75	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Judicial Framework and Independence	4.50	5.00	4.75	4.75	4.75	4.75	4.75	5.00	5.00	5.00
Corruption	6.00	5.75	5.50	5.00	5.00	5.00	5.00	4.75	4.50	4.50
Democracy Score	4.83	4.96	4.86	4.68	4.79	4.93	4.93	4.86	4.82	4.82

Source: The data above are drawn from The World Bank, World Development Indicators 2013

⁴ The *nomenklatura* were a category of people within the Soviet Union and other Eastern Bloc countries who held various key administrative positions in all spheres of activity: government, industry, agriculture, education, media etc., whose positions were granted only with approval by the communist party of each country or region.

Similar results are in the Freedom of the Press 2013 index published by Freedom House, where Georgia ranks 99 of 196 countries in terms of legal, political, and economic environments (Figure 7). The weak democracy score of Georgia is caused by low ratings on electoral process, civil society, independent media, national and local governance, judicial framework and independence, and corruption.

The quality of policy formulation and implementation, and the credibility of the government's commitment to such policies critically depends on knowledge, skills and competences of all actors of public policy including elected or appointed public officials, university professors and researchers, NGO experts etc. Post-independent elite in Georgia, like an elaborate system of executive appointment established by communists, tends to recruit and place reliable and easily controlled individuals in decision-making positions in all sectors including government authorities, political parties, civil society organizations, private sector, media and even universities. The method of personnel selection and work with the personnel is founded on personal preferences and relationships rather than on qualifications and needs. As a result, many skilled and qualified intellectuals who do not belong to the neo-*nomenklatura* system, become marginalized, which significantly undermines government performance and results in brain drain as well in political and socio-economic crises.

As it is described above, *nomenklatura* system locks up not only all the State apparatuses, but it also directly influences all political and civil society institutions which only at the first glance are independent. Hence, neo-*nomenklatura* principle completely shapes the profile of elite under communism and expresses tendency to defend their privileged social position and to assure privileged positions for their protégés, whose political upbringing occurred in Soviet and/or post-Soviet security organs.

The Georgian experience shows that Soviet legacies have strongly influenced the moral understanding of political elite and civil society institutes which results in apathy and nihilism among intellectuals. We find ourselves unable to accept the contention of replacing democracy by any other form of governance, instead we need to rethink current paradigms and find effective solutions to make democracy more beneficial for bringing sustainable positive outcomes.

5.2 Theoretical Discourse

The question, who should govern? has a crucial role for analyzing the mission of political leadership and decision-making in country's democratic transition and modernization. The right of all people to vote in elections without any discrimination, is not enough for efficient democracy. In democratic systems, where appointments and recruitments are made and responsibilities are given based on demonstrated ability, skills and competences, are classified as innovation driven economies and characterized by higher economic growth.

With the advent of global governance and knowledge-based economic development, where the search for highly skilled professionals is imperative and merit-based leadership plays vital role in solving global problems, meritocracy is quickly gaining popular and intellectual

support. The advantage of meritocracy over other forms of governance is that it does not contradict to democracy. Moreover, meritocracy is empowerment mechanism for sustaining democracy. It is open and constantly renewable system based on fair competition and social justice excluding discrimination. Modern culture advances an idea of meritocracy which celebrates potential ability rather than past achievement. In its origin, meritocracy sought to offer equal opportunity to individuals with exceptional ability—Jefferson's "natural aristocracy" (Sennett, R. (2006).

Meritocracy is a form of governance system in which advantage is given to those with superior talent and abilities. Proponents of this system argue that a meritocratic society is a more just and productive society, where distinctions based on criteria such as class, race and gender will diminish in time (McNamee & Miller, 2004). National elites in countries that have maintained meritocratic rules in an attempt to equalise educational opportunities will increasingly be viewed as holding back their children in the global competition (Brown & Lauder, 2003).

The concept of meritocracy refers to a social system on a large scale, presenting a positive relationship between "merit" and certain desired values, such as: income, power, prestige (Krauze, Slomczynski, 1985: 623). Meritocracy is a fair play game based on justice and the rule of law, where abilities and talent determine the success of individuals and where highly skilled persons who have invested in their education are given the opportunities for self-actualization. Meritocracy sets principles, norms, requirements, merit-based selection, recruitment and evaluation criteria, and culture of fair competition for everybody, which leads to increased productivity and plays vital role in knowledge economy.

The productivity of the human resources in an organization is affected significantly by merit-based selection and recruitment and performance evaluation. The "Weberian bureaucracy" with its institutional characteristics, includes both meritocratic selection and performance evaluation. Among the principles of the classic conception of bureaucracy given by Max Weber (1947), the merit principle (merit-based hiring and promotion) and impersonality (job performance that is judged by productivity) as guiding priorities for public administration system, have gained more importance with the emergence of knowledge economy. Performance measurement in the public sector, and especially in the public administration, represents an important dimension of reform strategies (Matei 2007). Pollit and Bouckaert (2000) underline the fact that this issue is inscribing within the trajectories for modernisation and public management reform.

The strategies of public management reform both in EU Member States and other organizations, such as OECD reveal as basic objectives the following: professionalisation of civil service, and consequently recruitment and promotion of civil servants exclusively on criteria of merits (Matei 2007). The meritocratic trends are inherent in the powerful

industrialized societies” (Krauze, T., Slomczynski, M.K., 1985: 625) or Bell (1972), who is asserting: “the post industrial society represents a meritocracy in its logic”.

In spite of its powerful influence there has been criticism of meritocracy as well. The critique stretches as far back as John Rawls Theory of Justice (1971), whose criticism may best be captured from Amartya Sen's Merit and Justice. Sen himself argues about elementary tension between the inclination to see merit in fixed and absolute terms, the ultimately instrumental character of merit -- its dependence on the concept of "the good" in the relevant society, unclear definition of the practice of rewarding merit, and claims regarding its justice, until some further specifications are made (Arrow et al. (2000)). As the concept of "the good" is concerned, each society can have its own understanding of the notion of good, which depends on variety of factors related to historical development, national culture, psychology, mentality and priorities, which can be either converging or diverging with universally accepted moral, ethics, values, norms, principles, rules of competition. Therefore nations and societies are characterized by different levels of economic and socio-cultural development.

Criticism of meritocracy also comes from the reproduction of traditional hierarchies and inequality, when merit is not awarded in a meritocratic manner but instead on the basis of opportunity (Kidder 2000). This framework is thought of as a map in two dimensions. The first is the horizontal relationship the meritocracy produces among the elite, and the second is the vertical distance the meritocracy puts between them and the rest of the population (Hayes 2012).

The issue is not how many criticism have been made, but whether they are scholarly and scientifically grounded. Meritocratic system based on fair competition, social justice, rule of law, performance evaluation, transparency and accountability is less likely to produce favouristic-cronyistic influence in decision-making. V. Pareto in his Circulation of Elites admitted the likelihood of divergences between ascribed elite position and actual achievement and capacity, therefore he emphasized maximum social mobility and open career opportunities to all society members without discrimination (Pareto 1935).

Many scholars argue that meritocratic values based on fair competition and social justice are exposed to serious discrimination caused by affirmative action policy. Affirmative action or reverse discrimination, based on arbitrary criteria such as race, color, religion, sex, or national origin, supports preferential selection procedures that frequently favor unqualified candidates over qualified candidates. Opponents of affirmative action such as George Sher believe that affirmative action devalues the accomplishments of people who are chosen based on the social group to which they belong rather than their qualifications, thus rendering affirmative action counterproductive (Sher 1983). American economist, Dr. Thomas Sowell (2005) identified some negative results of race-based affirmative action. He argues that affirmative action policies lowers the incentives of individuals to perform at their best, which results in net losses for society. Peter H. Schuck, a professor at Yale Law School and a prominent critic of affirmative action, says that the stigma associated with preferences has long been an argument of those opposed to the programs. (De Vogue 2007).

Democracy based on justice, rule of law, fair competition and equal opportunities for everybody, should exclude discrimination and discontent among population. Appointment and recruitment policies, which ignore the merit-based selection principles, to a greater extent encourage discrimination, violation of human rights, frustration among highly skilled people, intellectual impoverishment resulting in brain drain and undermining national innovative potential.

5.3 Historical Context

The origin of meritocracy dates back to a much longer time ago before Michael Young (1956) intended this word to have satirical connotation. Confucius was one of the first among the ancient philosophers, whose complex system of values deeply influenced the development of East and Southeast Asian nations. His principle that "those who excel in office should learn; those who excel in learning should take office" has guided Chinese education and provided justifications for the imperial examinations, which selected officials according to their merits (Shen 2001). Meritocratic values are also rooted deeply in ancient Greek philosophical thoughts. In quest of the best form of political regime, great Greek philosopher Aristotle favoured a form of government of constitutional democracy he called *polity* where the state is ruled by the best and wisest who are in a sense representative of all the people.

Meritocracy as a concept spread from China to British India during the 17th century, and then into continental Europe and the United States (Kazin, Edwards, and Rothman, 2010). In the era of Enlightenment, ancient meritocratic values greatly inspired Western philosophers, who saw meritocracy as an alternative to the traditional ancient regime of Europe (Schwarz 1996). In practical context, the British Empire was the first European power to successfully implement a meritocratic civil service, in its administration of India: "company managers hired and promoted employees based on competitive examinations in order to prevent corruption and favoritism." (Kazin, Edwards, and Rothman, 2010).

In Great Britain, during her tenure as Prime Minister, Margaret Thatcher established a new style of politics based on meritocracy, free-market economy, high-technology, education, and democratic culture. *"In domestic politics, she put meritocracy on the political agenda, which had made Great Britain into one of the world's most powerful economies, along with Japan, West Germany and the United States. From the beginning, she used her power to create a strong meritocracy in the UK, recruiting experts and giving opportunities for Britain's talented people to move out of poverty"* (Retrieved from: <http://voices.yahoo.com/tribute-margaret-thatcher-uks-former-premier-12089025.html?cat=37>)

Two hundred years ago, Thomas Jefferson, the father of American democracy, in his letter to John Adams (1813) called for the replacement of the '*artificial aristocracy*' of birth and wealth with a '*natural aristocracy*' grounded on virtue and talents, who would be given the responsibility of governing and making America a more democratic country. "... *Education would have raised the mass of the people to the high ground of moral respectability necessary to their own safety, and to orderly government; and would have completed the great object of qualifying them to select the veritable aristoi, for the trusts of government, to the exclusion of the Pseudalists*". (Retrieved from: <http://www.bigeye.com/aristocracy.htm>)

John Adams himself was also strong supporter of meritocracy. His arguments for political titles and for the executive dispensation of offices were aimed at recruiting meritorious individuals and distributing fame to them in accordance with their "talents, virtues, services. (Miroff 1986).

In 1978 Civil Service Reform Act abolished United States Civil Service Commission and created the U.S. Office of Personnel Management (OPM), the Federal Labor Relations Authority (FLRA) and the U.S. Merit Systems Protection Board (MSPB), which was one more step forward toward strengthening meritocracy. OPM based on its primary mission - "*recruiting, retaining and honoring a world-class force to serve the American people*" provides management guidance to the various agencies of the executive branch and issues regulations that control federal human resources. The No.1 priority among the nine Merit System Principles of MSPB is that "*recruitment should be from qualified individuals from appropriate sources in an endeavor to achieve a work force from all segments of society, and selection and advancement should be determined solely on the basis of relative ability, knowledge and skills, after fair and open competition which assures that all receive equal opportunity*" (Retrieved from: <http://www.mspb.gov/meritsystemsprinciples.htm>).

Among the countries with strong meritocratic orientation is Australia, which began establishing public universities in the 1850s with the goal of promoting meritocracy by providing advanced training and credentials. Singapore, Finland, Japan, Canada, Germany and other high income countries⁵ with higher level of human capital and lower rates of brain drain are also following the meritocratic policies.

5. Conclusion and Recommendations

The study has provided clear evidence that the absence of meritocracy, to a considerable extent, results in deterioration of governance effectiveness, which undermines the country's potential to efficiently use talent and promote transition to knowledge based economy. Due to intellectual crisis in Georgia, the importance of meritocracy and knowledge economy is not properly and comprehensively understood by political elite and society, which is one of the main constraints to promote sustainable change. In post-Soviet transition, characterized by

⁵ A high-income economy is defined by the World Bank as a country with a gross national income per capita above US\$12,615 in 2012, calculated using the Atlas method (method used by the World Bank to estimate the size of economies in terms of gross national income (GNI) in U.S. dollars)

intellectual impoverishment, democratic inefficiency and vicious practices such as favouritism, cronyism, nepotism, elite corruption, clientelism, rent-seeking behavior, meritocracy, based on strong legal and regulatory framework, will be effective and sustainable solution to attract talent, retain talent, develop innovations and increase competitiveness. This is directly dependent on national modernization, proactive political leadership and sound policies dedicated to providing drastic reforms, as well as on educated, skilled and competent human resources capable embracing change. Therefore, key to socio-economic development of Georgia lies on creative capabilities, potential of highly skilled human resources and their progressive utilization.

Current picture of Georgia's development not only compromises the process of modernization, but it also threatens the idea of Euro-Atlantic integration, which critically depends on the degree of the country's commitment to common values as well as its capacity to implement jointly agreed priorities, in compliance with international and European norms and principles. The European Union's aspiration to become *the most competitive and dynamic knowledge-based economy* in the world⁶ also needs to be reflected in exerting pressure toward Eastern partner countries including Georgia to develop sound education, research and innovation policies and restructure career pathways that reward on the basis of merit. Particular attention should be paid to a performance-based legitimacy and productivity of government with an emphasis on increasing the capacity of merit-based democratic representation.

Since knowledge economy and competitiveness are substantially linked to innovation on both national or company levels, successful transition from efficiency driven to innovation driven economy grounded on the pillars of Global Competitiveness Index, such as business sophistication and innovation, will critically depend on a country's capability to attract creative talents for strengthening human capital in all domains of activities. As a big portion of the intellectual elite has left Georgia, which has increased the scarcity of highly needed skilled labour in the country, there is an urgent need of elaborating long term strategies focused on reversing intellectual capital in the country through creating attractive incentive opportunities and on bringing up a new generation of scholars, managers and policymakers. Both attracting and retaining talent, closely linked to the pillars of knowledge economy and global competitiveness index, should become top national priorities, which require radical reform of higher education and science in compliance with the requirements of the Bologna Process, sufficient investment in research and development, research collaboration between universities and industry, protection of intellectual property and innovation stimulation.

Georgian government, universities and business sector are facing many challenges ahead in the domain of brain drain. Therefore they need a clear strategy to strengthen their capacity,

⁶ European Union Parliament Website Lisbon European Council 23 and 24 March Presidency Conclusion

vitalize performance and create incentive opportunities for Georgian intellectual expatriates who can disseminate competitive knowledge, innovative potential, foreign work experience, networks of partnership and new ideas. Since there is no organized source of information on Georgian expatriates living abroad, it is very important to implement projects for creating relevant database. Apart from a political will and capability to develop sound policies for promoting diaspora knowledge networks, it is also important to carry out structural reforms to create a more efficient academic and scientific community capable of implementing joint transnational projects or research exchanges. Both the country and diaspora should make an effort to increase their capabilities with respect to Georgia's actual development challenges. Promoting a sustainable partnership with Georgians abroad will require a long-term multi-dimensional strategy of social, economic and political inclusion.

Based on diagnostics and benchmarking analysis of this study, we are convinced, that the transition to knowledge-based economy and long-term competitiveness of Georgia cannot be achieved without merit based selection, recruitment and evaluation in all spheres of activities. Since skilled and qualified intellectuals are marginalized and government policies are strongly influenced by incompetent members of neo-*nomenklatura* elite - public officials, oligarchs, "pocket" NGOs experts, university professors, which often results in political and socio-economic crises, merit-based rewards should be directed to improving the quality of public policy analysis and decision-making, competence of all actors of public policy making, degree of independence of the civil service from political pressures, credibility of the government's commitment to policies, professional management and government effectiveness.

There is no reason to expect strengthening of governance effectiveness to efficiently use talent and develop knowledge-based economy in Georgia, unless meritocracy becomes governance reform priority.

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