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**FROM “CLIENTELISM” TO A “CLIENT-CENTRED ORIENTATION”?  
THE CHALLENGE OF PUBLIC ADMINISTRATION REFORM IN RUSSIA**

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**From “Clientelism” to a “Client-Centred Orientation”?  
The Challenge of Public Administration Reform in Russia**

**Abstract**

The inefficiency, corruption and lack of accountability that afflict public administration in Russia impose substantial direct costs on both entrepreneurs and ordinary citizens. This paper examines the major weaknesses of Russia’s public administration and assesses the government’s recently revised programme of administrative reform. It lays particular stress on the relationship between public bureaucracies and the larger institutional environment within which they operate, as well as on the need for far greater transparency of public bodies and stronger non-judicial means of redress for citizens wishing to challenge bureaucratic decisions. Many of the problems of Russia’s public administration are aggravated by the fact that the Russian state often tries to do too much: the paper therefore explores the link between administrative reform and the scope of state ownership and regulation.

This paper relates to the *OECD Economic Survey of the Russian Federation 2006* ([www.oecd.org/eco/surveys/russia](http://www.oecd.org/eco/surveys/russia)).

*JEL classification:* H11, H79, H82, P3

*Keywords:* public administration; public management; state administration; bureaucracy; civil service; corruption; transparency; accountability; ombudsman; regulation; state ownership; nationalisation.

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**Du « clientélisme » à une culture administrative orientée vers le « client »?  
Le défi de la réforme de l’administration publique en Russie**

**Résumé**

Le manque d’efficacité, la corruption et la désresponsabilisation de l’administration publique en Russie imposent un lourd fardeau à la fois aux entreprises et aux particuliers. Cette étude examine les principales faiblesses de l’administration publique russe et évalue le programme gouvernemental de réforme administrative, récemment révisé. Un accent particulier est mis sur les liens entre l’administration publique et l’environnement institutionnel dans lequel elle opère ainsi que sur la nécessité d’une bien plus grande transparence des organes publics et de voies de recours extrajudiciaires renforcées pour les citoyens contestant une décision administrative. Beaucoup des problèmes de l’administration publique russe sont aggravés par le fait que, souvent, l’État russe est enclin à trop intervenir ; pour cette raison, l’étude analyse les interactions entre la réforme administrative d’une part et l’étendue de la propriété publique et de la réglementation d’autre part.

Ce Document de travail se rapporte à l’*Étude économique de l’OCDE de la Fédération de Russie 2006* ([www.oecd.org/eco/etudes/russie](http://www.oecd.org/eco/etudes/russie)).

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*Mots clés:* administration publique; gestion publique; administration de l’Etat; bureaucratie; fonction publique; corruption; transparence; responsabilité; médiateur; régulation; entreprises d’Etat; nationalisation.

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**FROM “CLIENTELISM” TO A “CLIENT-CENTRED ORIENTATION”?  
THE CHALLENGE OF PUBLIC ADMINISTRATION REFORM IN RUSSIA<sup>1</sup>**

**By  
William Tompson**

1. Even after 15 years of transition, the basic institutional framework of Russia’s market economy is still a work in progress. There is a great deal to be done to strengthen property rights, establish the rule of law and foster competition in product markets. In general, the major remaining challenges are concerned with *changing*, rather than merely *reducing*, the state’s role in the economy. Reforms that require the state to *refrain* from regulation, like price and trade liberalisation, have – with some exceptions – generally been relatively easy to implement, once adopted. Policies that require regulatory and administrative capacities of a high order have proved far more difficult. Yet these are the challenges that increasingly dominate Russia’s reform agenda. The poor quality of public administration thus impinges directly on the state’s ability to devise, adopt and implement needed structural reforms in a host of other policy domains.

2. It also imposes significant day-to-day costs on businesses and ordinary citizens. Business surveys show that domestic and foreign investors alike regard the corruption and inefficiency of public bureaucracies to be among the biggest obstacles to investment.<sup>2</sup> Moreover, a growing body of research finds that the poor quality of state administration creates particular problems for small and medium-sized enterprises, which are often less able to bear the costs of the “bureaucratic burden” than are larger, more established – and, in many cases, more influential – businesses. The SME lobby OPORA (2005) estimates that administrative barriers account for 8.5% of the cost of doing business in Russia. Finally, it should be noted that, quite apart from its impact on business or policy implementation, the poor quality of public bureaucracies creates real day-to-day hardships for private citizens engaged in such routine tasks as renewing passports, registering property purchases or having their cars inspected.

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1. The author works in the Country Studies Branch of the OECD Economics Department. This paper draws on material originally prepared for the *OECD Economic Survey of the Russian Federation*, which was discussed in the OECD’s Economic and Development Review Committee on 25 September 2006 and published in November 2006. The author is grateful to the many Russian and western officials, experts and businessmen, too numerous to list here by name, who discussed administrative reform with the *Survey* team. He is also indebted to colleagues in the Economics Department, in particular Val Koromzay, Andrew Dean, Andreas Woergoetter and Christian Gianella for useful discussions, comments, and drafting suggestions. Nick Malyshev of the OECD Directorate for Public Governance and Territorial Development and Bob Bonwitt of SIGMA provided valuable feedback on an early draft, as did Nick Manning of the World Bank. Special thanks go to Corinne Chanteloup for technical assistance, and to Susan Gascard, Sylvie Ricordeau and Sheila McNally for secretarial assistance.

2. A 2005 survey conducted on behalf of the government’s Consultative Council on Foreign Investment found that the biggest obstacles to inward foreign investment were corruption, administrative barriers and selective law enforcement. See *Moscow Times*, 3 March 2005. About two-thirds of the companies surveyed were already doing business in Russia, suggesting that the problem is not merely one of external perceptions. See also WEF (2005:414): Russian executives rank “corruption” and “inefficient government bureaucracy” first and third among the most problematic factors in doing business.

3. Building an honest, effective public administration is arguably, therefore, the most important structural reform priority: it will bring direct benefits to entrepreneurs and ordinary citizens and it will facilitate the successful pursuit of other reforms. The Russian authorities are well aware of the importance of improving the quality of public administration. Administrative and civil service reform has been a major priority since 2000. While the reform process has stalled more than once during that time, it has also been repeatedly renewed. In late 2005, the government approved a new *Concept* for administrative reform in 2006–08 in an effort to reinvigorate the reform process. This paper considers the challenges Russia faces in the field of public administration reform, before turning to an examination of the government’s reform strategy and the prospects for its successful realisation. The major conclusions that emerge from this analysis may be summarised as follows.

- The success or failure of public administration reform to achieve the government’s aims will depend greatly on improvements in the broader institutional environment within which the bureaucracy operates.
- It is difficult to exaggerate the importance of transparency to the success of virtually every major strand of administrative reform.
- The Russian authorities need to give greater emphasis to the creation of effective non-judicial means of redress for citizens wishing to challenge bureaucratic decisions.

4. It should be noted at the outset that “administrative reform” and “civil service reform”<sup>3</sup> are, in Russian parlance, separate, though closely related, policy domains. Administrative reform encompasses both the reorganisation of executive bodies and fundamental changes to their methods of work, particularly the way in which they interact with one another and with citizens and organisations. Civil service reform, by contrast, focuses exclusively on issues concerned with the formation and management of the civil service, including recruitment, pay, promotion, discipline and security of tenure. In recent years, different commissions and working groups have been assigned responsibility for these two strands of public sector reform, and they have not always proceeded in tandem with one another.<sup>4</sup> This paper will consider administrative and civil service reform issues together, as both are integral to any attempt to refashion the state bureaucracy.<sup>5</sup>

### **The challenge of administrative reform**

#### ***The state bureaucracy today is a product of Soviet and post-Soviet state-building strategies***

5. The starting point for the reform of public administration is the administrative system inherited from the Soviet Union. Soviet administration was in many respects the exact opposite of the “Weberian” ideal of a public bureaucracy as understood in most OECD countries (Box 1).<sup>6</sup> The Soviet system rejected both the separation of political and administrative spheres and the autonomy of the administrative bureaucracy. The state administration was intertwined with, and penetrated by, the ruling party at every

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3. We use the conventional English term “civil service” to refer to the permanent bureaucracy. The Russian term, *gosudarstvennaya sluzhba*, is more accurately translated as “state service”. As will be argued below, this is not a purely linguistic point, as the difference in emphasis is reflected in the culture of the service.

4. The bodies involved have changed over time. At present, civil service reform is overseen by an inter-departmental working group headed by Deputy Head of the Presidential Administration D.P. Ivanov, while a separate working group, headed by Deputy Prime Minister A.D. Zhukov, oversees administrative reform.

5. Other aspects of the larger project of reforming public governance include the delimitation of powers and responsibilities between federal, regional and local authorities and the introduction of performance management, which is taking place as part of the larger reform of budgeting.

6. See Goetz (2001:1033).

level. Recruitment was politicised in principle, resting on the party-administered *nomenklatura* system,<sup>7</sup> and was often personalised in practice. The rule-oriented rationality of the Weberian model was rejected in favour of an overriding emphasis on the implementation of party decisions, which took precedence over legal norms.<sup>8</sup> Far from being characterised by a clear functional division of labour, Soviet administrative hierarchies were characterised by complex and often overlapping jurisdictions and lines of authority, which were intended to facilitate monitoring and control of officials by the political leadership. These are all enduring features of Soviet administrative practice: in some respects, the Russian bureaucracy today still resembles its Soviet predecessor far more than any Weberian model.

6. The highly personalised nature of the administrative system inherited from the Soviet state merits particular attention. The Soviet administrative hierarchy, despite its complex and seemingly well defined formal institutions, relied heavily on an informal structure of personal networks within the party-state apparatus to function. Authority was often vested more in persons than in offices. Patron-client ties and the distribution of rewards often mattered more than the application and enforcement of rules and formalised codes of behaviour. Such personalistic administrative structures tend to weaken state capacities by encouraging rent-seeking and corruption, and by raising the costs of monitoring and enforcement.<sup>9</sup> Russia's early post-Soviet governments made little headway in addressing this problem. Indeed, such personalistic patterns of authority tend to be replicated by the still common practice whereby senior officials and politicians seek to bolster their authority over the institutions they run by securing the appointment of trusted personal associates to key posts.

**Box 1. The “Weberian” model of public bureaucracy**

The traditional Western model of public bureaucracy, as reflected in the writings of Max Weber, emphasises a strict functional/hierarchical division of labour; the existence of career civil servants as a distinct group, formed on the basis of competitive recruitment and merit-based promotion; a distinctive rationality based on legality, impartiality, objectivity and regularity; and a public-service ethos. A combination of relatively good salaries and security of tenure, as well as the presence of a relatively clear career path, makes returns to investment in skills and tenure good enough to retain able administrators. In recent decades, there has been a marked shift away from some features of the Weberian model in some OECD countries as a result of reforms inspired by the so-called “new public management” (Box 4), but the core elements of the Weberian ideal remain central to the understanding of public administration in the OECD area.

7. The personalisation of relationships which pervades the bureaucracy lies at the heart of one of the paradoxes of post-Soviet Russia: as OECD (2005a:53) observes, Russia has a weak state but strong officials. The patronage dispensed by individual officials – particularly those managing state property or large financial flows – can be enormous, while the weakness of the administrative machinery often makes it easy for individual officials to use this power to pursue narrow private or political ends. In some spheres, the Russian state could also be called a weak state with strong components. A number of specific institutions rate highly on criteria of cohesiveness and effectiveness,<sup>10</sup> but in the absence of a strong co-ordinating centre, strong state institutions often pursue narrow institutional interests, working at cross-

7. See Voslensky (1984). It is important to note that the party fulfilled the functions of both ethical control and human resource management (HRM) for the state bureaucracy; the personnel departments of state bodies were little more than formal record-keepers. When the party disappeared, so did its ethics and HRM functions, for little was done to strengthen the personnel offices of state institutions.

8. In the Soviet period, rule violations were often tacitly condoned in the interests of task fulfilment. If the law came into conflict with the need to fulfil plan tasks, the latter tended to take precedence.

9. This is not to say that personalist administrative practices are synonymous with corruption and rent-seeking. However, the former tend to facilitate the latter.

10. The central bank, the privatisation agencies and some regional governments all fall into this category.

purposes with each other and with the government itself. At times, such institutions end up serving the interests of those who staff and run them. In other cases, the ties between state bodies and specific private sector interests are so close as to raise questions about “state capture”.<sup>11</sup> These weaknesses undermine both rule enforcement and the Russian state’s still limited administrative capacities. The lack of cooperation among state institutions has indeed been one of the main brakes on administrative reform.

8. Not all the pathologies that afflict the Russian bureaucracy can be attributed directly to the Soviet past. Fifteen years of transition have also left their mark. The bureaucracy underwent dramatic change in the 1990s, more as a result of economic and political developments than of any reform strategy.<sup>12</sup> Although the role of the state in economic and social life contracted, the number of people employed in public administration rose steadily, from around 1m in the early 1990s to over 1.4m in 2005. Although this growth prompted a good deal of criticism and concern, there is little reason to regard the Russian public administration as unusually large: Russia actually has a relatively small administration overall, compared with most OECD countries, although there has been a great deal of growth in regional bureaucracies that is probably not warranted (Box 2).

9. More important than quantitative growth were the qualitative changes undergone by the state bureaucracy in the 1990s. First, there was a large-scale exodus of relatively well qualified mid-career officials, who could command much larger salaries in the private sector. Thus, the civil service by 2000 was substantially older and less well educated than its late Soviet counterpart, and mismatches between skills and duties were increasingly common. This has begun to change in recent years, as a growing number of well qualified young people have begun entering the service, but many of them do not remain for long, viewing a short stint in the bureaucracy as a way of developing skills and contacts that they can then take into the private sector. Secondly, while the lower echelons of the public administration are dominated by women and younger workers, the upper echelons still tend to be dominated by older men, the bulk of whom began their civil service careers by about 1985.<sup>13</sup> Turnover among the former is very high, as the structure of the service gives younger officials little incentive to stay, while higher-level officials, many of whom are already pensionable, face little competitive pressure from below or outside the service.<sup>14</sup> Thirdly, there is compelling evidence that the problem of official corruption has grown markedly worse since 1991. This reflects a combination of factors, including the breakdown not only of the political and bureaucratic controls that existed in the Soviet system, but also of the norms and beliefs that (however imperfectly) supported the old order.<sup>15</sup> Another critical factor is the level of official salaries. Opportunities for personal enrichment grew dramatically in the post-Soviet period, even as officials’ remuneration declined. Salaries have improved a great deal in recent years (Box 3) but it remains the case that many low-paid functionaries find themselves disposing of very valuable state assets or managing substantial financial flows.

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11. Hellman, Jones and Kaufmann (2000).

12. The discussion in this paragraph draws on the analysis found in Huskey and Obolonsky (2003).

13. See Rosstat (2005:33).

14. Brym and Gimpelson (2004:108–10).

15. See Huskey and Obolonsky (2003); and World Bank (2005).

### Box 2. Is the Russian civil service too big?

There is a widespread conviction in Russia and abroad that the Russian state bureaucracy is large and growing fast.<sup>1</sup> This belief was reinforced by the release in early 2006 of official data appearing to show a 10.9% increase in the number of persons employed in public administration in 2005 alone, a rise driven by a staggering 28% year-on-year increase in the number of people employed in the federal executive branch. In fact, almost all of the growth reported for 2005 was the product of the inclusion in the statistics of individuals not previously counted as working in “organs of state power and local self-management”. If the institutions affected by reclassification are excluded, then bureaucracy appears to have grown by around 2.1% in 2005, with the federal bureaucracy growing by around 1.5%, rates typical of those observed during 1994–2004.<sup>2</sup> Of course, this points up another potential concern: the question of how much further re-classification may yet take place. At issue is not merely the number of people recorded in official statistics as working in the state administration – the real question is which categories of public-sector employees will enjoy the rights and protections granted to civil servants.

Issues of definition aside, the bureaucracy has indeed grown substantially over the last decade. Altogether, the number of officials employed in public administration grew by around 33% during 1994–2005, with subnational administrations accounting for most of the increase. The growth of federal employment in public administration occurred among federal employees posted in the regions: the central federal administrative apparatus actually grew *smaller* over the period. Strikingly, the growth of the bureaucracy accelerated after 2000, so it was more than just an employment-creation exercise during the economic contraction of the 1990s. Growth has partly resulted from the creation of the new agencies needed to regulate a market economy (the bankruptcy service, the securities regulator, etc), but these bodies are, for the most part, still relatively small.<sup>3</sup> There is good reason to believe that much of the growth in regional bureaucracies was driven by patronage and employment-creation considerations: Gimpelson and Treisman (2002) find that financially *weak* regional authorities tended to expand employment in public administration in the 1990s in order to extract subsidies from the federal centre. At the other end of the spectrum of Russian regions, Tompson (2005) finds that employment in “organs of state power and municipal self-government” has grown much faster in resource-rich regions than in non-resource regions, suggesting that resource wealth has in some places been used to finance the expansion of the bureaucracy – a phenomenon well known to students of resource-dependent economies.<sup>4</sup> Nevertheless, the public administration appears to employ an unusually small portion of the labour force when compared with most OECD and transition countries. Rosstat estimates that Russia in 2004 employed 3.2 federal administrators per 1000 population, as against 3.8 in the United States and 5.1 in Canada and the United Kingdom.<sup>5</sup>

1. See, especially, the polling results reported in ISRAN (2005).
2. Unless otherwise indicated, the data in the box are from Rosstat (2006).
3. One might also note that little has been done to downsize the “traditional” bureaucracies left over from the Soviet era, such as the Ministry of Agriculture.
4. See Robinson *et al.* (2002).
5. See Rosstat (2005); and Parison and Evans (2004). These data should not be taken at face value, since comparisons across time and countries are complicated by problems of definition, including the creation of new types of officials and the reclassification of others in conjunction with the transition. As noted above, the reclassification of certain categories of official can have a very large impact on the aggregate numbers. Nevertheless, Brym and Gimpelson (2004:92–100), in what is perhaps the most detailed recent study of the problem, broadly concur with the view that Russia has a relatively small administrative bureaucracy.

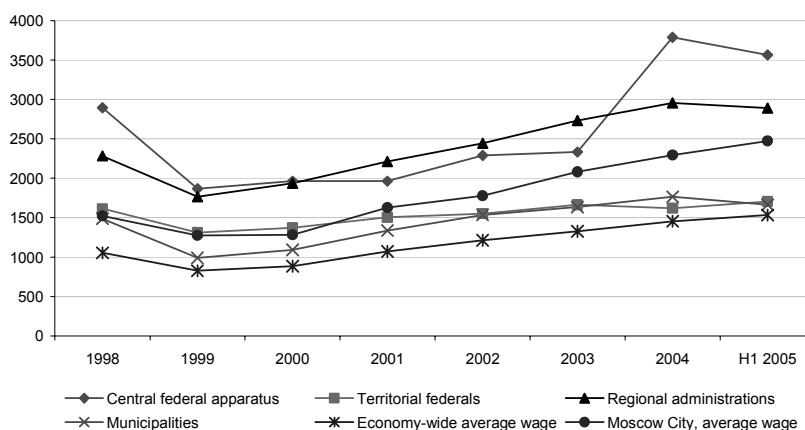
### Box 3. Civil service pay in Russia

Civil service pay remains a controversial and sensitive issue. It has long been argued that one reason for endemic corruption is that civil service pay is too low overall and that civil service pay scales are too compact. In fact, civil service pay is not bad by Russian standards. The concern with low pay stems from the fact that many civil servants could command much higher salaries in the private sector. This perception is fairly widespread: a 2005 poll found that only 17% of Russian young people would consider working in the civil service but that another 47% of respondents would consider a civil service career if the pay were substantially higher (“Rezultaty”, 2005). As is clear from Figure 1, much depends on the category of service in which an individual works: regional officials are generally better paid than their federal counterparts, although the overall average for regional officials conceals widespread differences among regions. Recent pay rises have chiefly benefited officials in central federal institutions, who are now better paid than their colleagues in regional administrations. The worst-off appear to be municipal officials and federal officials posted to the regions – the so-called “territorial federals”.<sup>1</sup>

Concern about pay compression stems from evidence that civil service pay differentials in Russia are unusually low by international standards (Parison and Evans, 2004). This makes it difficult to retain highly qualified people in the top grades, since they are the civil servants with the best earning prospects in the private sector. It may also encourage corruption, since low-paid senior officials will often find themselves taking decisions of great importance to private actors. In fact, pay scales in the federal civil service are not so compressed as they appear: while there is remarkably little difference in the level of basic salary (*denezhnoe voznağrazhdenie*) between the top and bottom of the hierarchy, actual differentials in take-home pay appear to be larger in Russia than in most OECD countries, because 80–90% of a senior official’s pay may consist of monthly “monetary encouragement” (*denezhnoe pooshchrenie*, which is not, despite its name, linked in any meaningful way to performance), as well as increments for length of service and increments for special conditions of service. These additions tend to increase pay differentials even without taking account of bonuses and other additions to pay.<sup>2</sup> Altogether, a senior civil servant’s take-home pay may be 15-20 times his or her base salary.<sup>3</sup>

There may still be a case for higher pay. Senior officials’ remuneration packages are often far below what they could command in private business, and they do not enjoy the security of tenure that their colleagues in some OECD countries still do.

**Figure 1. Evolution of real wages in public administration, 1998-2005**  
1998 roubles



Source: Federal Service for State Statistics, OECD Calculations. Data for 2005 are first-half only.

1. Survey evidence suggests that civil service families are even more prosperous relative to the general population than Figure 1 suggests. See the results presented in ISRAN (2005:39).
2. Officials may, for example, receive an increment for work with classified documents – a rule that has in some cases prompted the classification of materials that are not at all sensitive in order that their circulation can provide the basis for paying secrecy increments to staff.
3. One reason for retaining this system appears to be the link between military and civil service pay: the current formulae have enabled the government to raise civil servants’ pay substantially without incurring vastly larger military pay bills (Neimysheva and Grozovskii, 2006).

***Both official and public satisfaction with the quality of public administration is very low***

10. Policy-makers from the president on down have repeatedly expressed dissatisfaction with the performance of the state machine.<sup>16</sup> Despite growing centralisation of power in recent years, the ability of the country's leaders to secure implementation of their policies remains patchy. In 2002, the Presidential Administration reported that only 48% of executive orders issued by the president the previous year had been promptly fulfilled. The figure for presidential decrees was 77%, albeit with serious delays in 20% of cases. "Red tape" and "lack of understanding" were the most commonly cited reasons for failure to implement presidential orders.<sup>17</sup> Of course, these numbers are of limited value, since they reveal nothing about the nature of the orders and decrees (for instance, which were not implemented, and why). Nevertheless, such estimates, however crude, provide a stark reminder of just how difficult the implementation of decisions made at the highest levels can be. This reality is also reflected in Russia's scores on the World Bank's comparative governance indicators – despite recent improvement on some dimensions, Russia consistently ranks in the bottom third, if not the bottom quarter, of the 209 countries rated (Table 1). The World Economic Forum's 2005 *Global Competitiveness Report* dropped Russia from 81 to 91 out of 117 countries with respect to the quality of public institutions.<sup>18</sup>

11. Ordinary Russians, too, are increasingly dissatisfied with the performance of state institutions. The Institute of Sociology of the Russian Academy of Sciences (ISRAN) found in 2005 that 71% of Russians believed that the bureaucracy hampered Russia's development; only 27% thought that its activities were indispensable to the country. Respondents rated the contemporary Russian bureaucracy as inferior to its Soviet predecessor and its western counterparts with respect to all of the fifteen "professional and moral qualities" assessed. The outstanding characteristics that respondents associated with the post-Soviet Russian bureaucracy were "indifference to people" (63.7%) and corruption (58.5%).<sup>19</sup> A 2004 study by the Public Opinion Foundation found that 71% of respondents were dissatisfied with the quality of public services, as against just 14% who expressed overall satisfaction ("Kontseptsiya", 2005:6). Surveys show considerable variation in public satisfaction with different state institutions, but overall satisfaction with virtually all state institutions is low.<sup>20</sup>

12. There is thus broad agreement on the need for a dramatic improvement in the quality of Russia's public administration. To say this is not to deny that there are a large number of conscientious and able civil servants working in Russia, often in extremely difficult conditions, or to denigrate the importance of the work that they do. Historically, the bureaucracy has played the leading role in many of Russia's most important reforms, and the role of the civil servants in advancing reform in the post-Soviet period should not be underestimated. Many – perhaps most – Russian civil servants are acutely aware of the need for change.<sup>21</sup> A major aim of reform must be to create conditions in which such individuals can work most

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16. A year after his first election, President Vladimir Putin declared that one of the chief lessons he had learned in office was that "it's very hard to fight with the bureaucracy" (*Izvestiya*, 21 March 2001).

17. *Oxford Analytica Daily Brief*, 12 November 2002.

18. See WEF (2005). These results are based on a survey of Russian executives.

19. ISRAN (2005:35, 69).

20. See, e.g. the results presented in Golov (2006) and FOM (2006). Only the army is rated favourably by more people (22%) than view it unfavourably (20%).

21. Indeed, one of the striking features of the ISRAN (2005) survey was that bureaucrats' own assessment of public institutions was remarkably close in many respects to that of the general population. See especially ISRAN (2005:24ff). The officials' assessments were, of course, less harsh, but they tended to identify much the same problems.

effectively and be properly rewarded for good performance. The roots of Russia's administrative problems are largely structural. A confused policy process at federal level is one major problem. The division of functions and responsibilities among institutions is often unclear, making it difficult to achieve the necessary coordination among government bodies. A second problem concerns the lack of incentives - and, in many cases, resources - to ensure that agents further down the administrative hierarchy are both determined and able to perform efficiently.

**Table 1. Governance indicators, 1996-2004**

	Russian Federation					Sweden	Poland
	1996	1998	2000	2002	2004	2004	2004
<b>Voice and Accountability</b>							
Estimate (-2.5 to + 2.5)	-0.36	-0.26	-0.44	-0.44	-0.81	1.52	1.13
Percentile Rank (0-100)	39.8	41.4	35.1	36.4	25.7	99	85
<b>Political Stability</b>							
Estimate (-2.5 to + 2.5)	-0.93	-0.62	-0.6	-0.52	-0.85	1.38	0.35
Percentile Rank (0-100)	17.1	23.6	25.5	29.2	21.8	93.2	57.3
<b>Government Effectiveness</b>							
Estimate (-2.5 to + 2.5)	-0.5	-0.62	-0.62	-0.4	-0.21	1.92	0.47
Percentile Rank (0-100)	31.3	23.5	29	41.3	48.1	94.7	66.8
<b>Regulatory Quality</b>							
Estimate (-2.5 to + 2.5)	-0.41	-0.37	n.a	-0.35	-0.51	1.54	0.64
Percentile Rank (0-100)	31.5	31.5	n.a	43.4	30.5	92.1	70.9
<b>Rule of Law</b>							
Estimate (-2.5 to + 2.5)	-0.84	-0.78	-0.87	-0.84	-0.7	1.85	0.51
Percentile Rank (0-100)	19.9	22.7	18.7	21.4	29.5	96.6	64.3
<b>Control of Corruption</b>							
Estimate (-2.5 to + 2.5)	-0.74	-0.69	-1.02	-0.92	-0.72	2.2	0.16
Percentile Rank (0-100)	26.7	25.7	9.7	18.9	29.1	97.5	61.6

Source: World Bank Governance Research Indicator Country Snapshots (2005).

### ***Public bureaucracies tend to be opaque and often suffer from endemic corruption***

13. Not surprisingly, endemic corruption is the most commonly cited reason for dissatisfaction with public administration. As noted above, both foreign and domestic investors see it as one of the biggest problems when trying to do business in Russia. While measuring corruption accurately is notoriously difficult, there is a widespread consensus that it has been growing in recent years. Transparency International's 2005 "Corruption Perceptions Index" (CPI) ranks Russia 126<sup>th</sup> out of 159 countries, on a par with Niger, Albania and Sierra Leone. Russia's index has been worsening steadily since 2002, when it was ranked 71<sup>st</sup> among the 102 countries then rated. Of course, the index is based on perceptions and could reflect an image problem. However, a large body of survey data suggests that corruption is indeed on the rise. The 2005 data generated by the World Bank-EBRD Business Environment and Enterprise Performance Survey (BEEPS) point to an increase since 2002 in the incidence of "unofficial payments" for licences and state procurement contracts, as well as a rise in the frequency of informal payments to tax, construction and fire-safety inspectors.<sup>22</sup> The BEEPS data also confirm other indications that kickbacks – payments to officials in return for the award of state contracts – are increasingly common and may now be

22. Overall, the BEEPS data suggest that the *burden* of corruption has fallen, with the ratio of bribes paid to total sales falling from 1.43% to around 1.07%. However, the frequency of bribes has risen and the reduction in the "bribe tax" appears to reflect economic growth rather than a decline in corruption. See World Bank (2006) for details.

the dominant form of official corruption.<sup>23</sup> Public opinion surveys paint a similar picture. FOM (2006) finds that 64% of respondents think that most or all bureaucrats are corrupt<sup>24</sup> and 29% report having had to bribe an official in the previous year. This latter figure is roughly unchanged from 2002 but is above the levels reported in the 1990s. Some 60% of respondents believe corruption is increasing, as against only 4% who think it is falling.<sup>25</sup>

14. Closely related to the problem of corruption is that of opacity. Kurtzman *et al.* (2004) rank Russia 40<sup>th</sup> among the 48 countries in their comparative assessment of the transparency of public institutions. They find, moreover, a clear negative correlation between opacity and GDP per capita, access to capital, indicators of financial development, and attraction of FDI.<sup>26</sup> These results are echoed in recent work by Bellver and Kaufmann (2005). In a study of 194 countries, they find institutional and political transparency to be strongly correlated with competitiveness and strongly *negatively* correlated with corruption.<sup>27</sup> And Russia performs very poorly on all three variables in their study. OECD (2006) notes that the problem of opacity, with respect to both legislation and its implementation, tends to be far worse at regional and local levels than at federal.

***The institutions charged with administrative reform have little leverage over the bureaucracy***

15. In a comparative study of international public administration reform, Manning and Parison (2003) observe that Russia is in an unfortunate starting position with respect to two key factors. First, reformers have relatively little “traction” on the problem. This has nothing to do with the quality of bureaucracy *per se*; rather, it is a measure of the ease or difficulty with which policy-makers can re-shape it. The authors identify eight variables that affect the degree of leverage reformers have over the civil service and the degree of institutional malleability of the bureaucracy.<sup>28</sup> Russia ranks relatively poorly with respect to all of them. Perhaps most critical of all is the absence of a strong, independent agency capable of driving the reform. Secondly, Manning and Parison observe that, unlike some “low traction” countries, Russia still needs to implement very basic reforms in order to establish a greater degree of discipline and formality. The issue is not merely to enhance the efficiency or responsiveness of a more or less well functioning administration – it is to transform a bureaucracy that performs even its most basic functions poorly.

16. Manning and Parison conclude that reformers in “low traction” countries are unlikely to make comprehensive and rapid progress, particularly if they are still struggling to implement the basics. Where reform succeeds in such settings, it tends to depend on the reformers’ success in gaining more traction by creating new capacities at the centre and securing greater resources to support pilot programmes and other reform efforts. It also depends on the readiness of reformers to seize – or create – opportunities for administrative reform *via*, for example, functional reviews or changes in the budget process. Certainly,

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23. See World Bank (2005:10–11, 14). The executive surveys conducted for WEF (2005) paint a similar picture of pervasive corruption.

24. Another 18% think that “around half” are.

25. These results are similar to those found in Golov (2006). Given the reluctance of some respondents to acknowledge having paid bribes, the estimates in these surveys are probably low of the true figures.

26. They also find that opacity is *positively* correlated with inflation.

27. See also Kaufmann (2005a).

28. Leverage is affected by the presence or absence of traditions of a strong civil service agency, strong single-party government, integrated civil service/ministerial careers, and heterogeneity in the public sector. Malleability depends on the degree of centralisation/decentralisation, the nature of administrative traditions, trade union membership and the presence of politically neutral permanent senior administrative positions.

Russia's experience with these issues suggests that traction is indeed a problem for the reformers: despite large numbers of studies, working groups, programmes and resolutions, actual progress in most areas has been slow.<sup>29</sup>

17. The good news for Russia is that policies in a number of other spheres are indeed moving in directions that could help create opportunities for progress in administrative and civil service reform. The move to a medium-term budgeting framework, as well as the shift to a performance-oriented budget process, should support administrative reform efforts. Moreover, survey research suggests that the Russian civil service is far less resistant to change than is generally thought. Indeed, Russian bureaucrats are well aware of the need for reform. They are even relatively open to many reform proposals inspired by the so-called "New Public Management" (NPM – Box 4) and – in principle, at least – in favour of greater transparency.<sup>30</sup> Surveys of officials also suggest that the state civil service's corporate identity is relatively weak. While civil servants' outlook and motivations vary, they are not radically dissimilar to those of other budget-sector workers or even many private-sector employees.

#### **Box 4. The "New Public Management"**

The precise definition of NPM is rather elusive, for it is more of an approach than a model as such. It tends to be associated with competition, performance incentives, open recruitment into middle and upper grades of the civil service, and more movement into and out of the service. NPM generally includes an emphasis on the centrality of the citizen/consumer to the whole process of public-service provision, as well as on the accountability of public-sector bodies (and even individual officials) for the results of their work. In this respect, NPM seems particularly relevant to those wishing to change the culture of the bureaucracy from that of a "state service" towards that of a "public service". Advocates of NPM also tend to favour the separation of policy-making from service provision, with the latter taken over by semi-autonomous agencies. Such agencies often operate in markets or quasi-markets, competing for resources with other public or private service providers. The separation of policy-making from service delivery is meant to free policy-makers from the burdens of existing service provision, while creating opportunities to provide performance incentives to actual service providers by putting agencies onto a contractual footing.

18. Unsurprisingly, officials remain more conservative with respect to some issues than others. There is thus widespread scepticism about linking promotion to performance reviews and the decisions of review commissions. Around half the officials surveyed in HSE (2004) agreed with the statement that advancement should be mainly (though not exclusively) based on a combination of acceptable performance and seniority. Civil service managers also appear to view formalised assessment with some suspicion, apparently fearing that it would reduce their own freedom of manoeuvre. Nevertheless, the crucial point remains that surveys of Russian officials tend to undermine the idea that bureaucrats constitute a cohesive, conservative caste that is determined to resist change. Younger officials, in particular, are open to reform. Most striking of all, the HSE survey found regional officials in regions that had undergone significant experiments in administrative reform to be far less conservative than their federal counterparts, who had not. While this does not imply that change will not meet resistance, it does suggest that there are opportunities for reformers to win the support of significant segments of the bureaucracy for some reform measures.

29. The new administrative reform *Concept*, approved by the government in October 2005, was originally to have been approved in the autumn of 2004, in time for inclusion in the 2005 budget. There is still no law on freedom of information, although work on the draft has been under way for several years.

30. See Yakobson (2003:10–11); and HSE (2004).

## Public administration reform since 2000

### *The authorities have set out a wide-ranging administrative reform agenda*

19. Although the first significant steps in the direction of administrative reform were taken in 2001, the clearest statement of administrative reform priorities was set out in a July 2003 presidential decree. The aims set out in the decree still form the basis for the reform agenda:

- reducing bureaucratic interference in commercial activity;
- rationalising the functions of federal executive bodies so as to eliminate unnecessary functions and wasteful duplication of work;
- developing a system of self-regulating organisations capable of assuming some regulatory functions in specific economic sectors;
- restructuring federal executive bodies so as to separate policy-making, regulation and service provision; and
- completing the process of clarifying the division of powers, responsibilities and revenue sources between various levels of government.

Progress in achieving these objectives has been uneven but in some instances, it has been quite significant. It is therefore important to assess what has been done so far, before proceeding to consider the challenges ahead.

### *The government's "de-bureaucratisation" drive has yielded significant benefits*

20. Perhaps the most impressive achievements have occurred with respect to the effort to reduce bureaucratic interference in business and to create a more favourable climate for small and medium businesses. Successive federal laws adopted since 2001 have reduced the range of activities subject to licensing requirements, streamlined procedures for registering new businesses and reduced officials' power to conduct arbitrary inspections of enterprises.<sup>31</sup> The police and other officials (such as fire and sanitation inspectors) have also been deprived of their power to close down businesses on their own authority; they must now apply to the courts if they wish to close businesses for regulatory violations. Despite the well known weaknesses of the judicial system, this should significantly reduce small businesses' vulnerability to bureaucratic rent-seeking.

21. Compliance with the new legislation has been far from complete. Enterprise surveys confirm that officials continue to violate many of the guidelines set out in the "de-bureaucratisation" laws, such as restrictions on the frequency of inspections. Moreover, it is not always easy to ensure that the abolition of licensing regimes is real and not merely formal: in some instances, the abolition of "licences" has given rise to new systems of "permissions" (*razresheniya*) granted by regional or municipal authorities. Bureaucrats thus continue to regulate market entry even where it is clear that the law has sought to deprive them of this authority. Nevertheless, small business surveys present a picture of sustained improvement over 2001–05: inspections have become less frequent, registration simpler and the imposition of illegitimate licensing regimes less common (CEFIR, 2005).

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31. For details, see OECD (2002:80–104).

22. The de-bureaucratisation drive reflects to some extent the need to find a way to reduce the bureaucratic burden on business even in the *absence* of a successful reform of the civil service. Unable to change the interfering and often predatory behaviour of many “street-level” bureaucrats quickly, the government chose simply to take away some of their power. However, this strategy clearly has limits. Bureaucrats find ways to resist curbs on their authority and de-regulation, though beneficial, is no substitute for an efficient, transparent and accountable public administration in Russia. “De-bureaucratisation” can be only a partial solution to the problem.

23. The second priority outlined in the July 2003 decree concerned rationalising the functions of federal executive bodies. A government commission analysed 5,634 governmental functions performed by federal executive bodies. It found that 1,468 of these were unnecessary, 263 were duplicative and 868 in need of significant revision (“Kontseptsiya”, 2005:2). This wide-ranging functional review attracted much criticism, not least because it appeared to many observers to be simply a cataloguing exercise; rather than starting with the question of what state bodies *should* be doing, it inventoried what they *were* doing. Nevertheless, the review was an important evidence-gathering exercise. While it did result in some steps to eliminate duplicative functions or drop unnecessary ones, its principal value lay in exposing just how vague and confused the allocation of functions and powers was by the early 2000s.<sup>32</sup>

### ***The reform of federal executive bodies got off to a rocky start***

24. A much anticipated reorganisation of federal executive bodies was undertaken in March 2004, after several years of debate. In an effort to streamline the government structure, the federal executive was reorganised into three types of institution, with a specific role assigned to each:

- Federal *ministries* are policy-making institutions. They engage in policy analysis, development and evaluation in their respective domains and are responsible for drafting new legislation. They coordinate and monitor the activities of federal services and agencies within their jurisdictions.
- Federal *services* are supervisory and regulatory bodies. Funded from the state budget, they can issue individual regulations but not normative legal acts.
- Federal *agencies* are direct providers of public services to the state and/or private sectors. Their funding can therefore come in part from charges and fees paid by their “customers”.

25. The reorganisation reflects a desire to separate policy-making, service provision and regulatory functions. In principle, this should make it possible to increase the efficiency of executive bodies while reducing the conflicts of interest that arise when these functions are combined. It parallels a trend in many OECD countries towards organising the executive into a smaller number of more compact ministries focused on policy development (Parison and Evans, 2004:9). Unfortunately, there is as yet little evidence that the reorganisation has achieved any of these aims. First, it disrupted the work of the government for much of 2004–05, as officials were preoccupied with organising the new structures and sorting out their respective roles. Policy-making slowed, as it became more difficult for ministries and other executive bodies to agree draft legislation and other measures. In large measure, this is because the new *structure* was introduced without any corresponding body of new *rules* to govern it, suggesting that the reform was conceived and executed without adequate preparation. Indeed, the government adopted the basic template for the standing orders of the newly configured federal executive bodies only in July 2005.<sup>33</sup>

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32. Cf. Manning and Parison (2001) on the potential value of various kinds of more or less elaborate functional reviews.

33. The template for interactions among the newly reorganised bodies was adopted somewhat earlier, in January 2005. See “Decree № 30” (2005) and “Decree № 452” (2005).

26. Secondly, the division of labour envisaged by the reform was only very imperfectly realised. Federal services continue in some cases to be subordinate to the ministries whose activities they supervise/regulate. Ministers retain considerable power over senior appointments within services and over the determination of their functions and goals. As a result, many services have lobbied for direct subordination to the prime minister – a dozen services are now directly subordinate to the head of government. However, this is hardly the solution, particularly in the case of institutions like the Federal Anti-Monopoly Service, which is required to evaluate many of the government’s own acts. At the same time, as IET (2006:21) observes, many services and agencies continue to try to make policy, as well as to exercise regulatory and service-provision functions. Their policy-making ambitions, in turn, contribute to conflict with ministries.

27. There is still little indication that the Russian authorities are comfortable with regulatory organs that are genuinely independent and properly shielded from outside pressure. Yet there is a real need for strong, well resourced, independent regulators in a number of spheres.<sup>34</sup> It might therefore make sense to establish independent regulatory organs as a fourth element of the new structure.<sup>35</sup> Independent regulators were relatively rare in OECD countries before the mid-1980s, but their numbers have since grown dramatically, and they now play an important role in sectors where there is a need for economically efficient regulation shielded from direct political intervention.<sup>36</sup> However, it will not be easy – and might well be dangerous – to create such institutions in Russian today: they might easily fall victim to corruption and special interest “capture”. Independent regulators need to operate in an institutional framework that ensures their transparency and public accountability, supported by adequate ethical controls and other checks and balances. These considerations should be reflected in any proposals for the creation of independent regulatory organs and they imply that progress in establishing such organs will depend on the success of efforts to improve the institutional context in which they would operate.

28. The difficulties of the reform’s first years highlight the trade-off between flexibility and effectiveness that the government sometimes faces trying to press ahead with administrative reform. Flexibility and fitness-for-purpose are key elements of NPM approaches to public administration, but the initial reform was imposed in a uniform fashion across the government, with little or no allowance for the specifics of various fields of government activity. Many of the subsequent modifications of the reform have reflected an attempt to adjust it to take account of such specifics.<sup>37</sup> Given low “traction” and limited opportunities, it is not hard to understand the decision to opt for a big-bang shake-up of the government. As noted above, reformers in a “low traction” environment must seize opportunities as they arise, and a more incremental approach would probably have lost momentum very quickly. However, the apparent haste with which the reorganisation was undertaken led to unnecessary disruption. The main problem was the decision to impose the new structure before the rules needed to operate it had been prepared. That said, it would be premature to dismiss the reconfiguration of the federal executive as a failure. The underlying approach it embodies represents a step forward from what preceded it, and the government continues to work to clarify roles and streamline procedures.

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34. See, *e.g.* OECD (2004a) on such sectors as financial services and electricity generation.

35. See Parison and Evans (2004).

36. See OECD (2005b:109–14).

37. Here one might note the rule, now abandoned, limiting the number of deputy ministers in each ministry to two. This had nothing to do with the essential ideas underlying the reform and took no account of the specific activities of different ministries or of the reasons why the number of deputy ministers had grown so over the previous decade. (On the latter issue, see Nikolaev and Shul’ga, 2002). Similarly, some agencies for which there was no real need were carved out of ministries and have subsequently been liquidated.

29. The clarification of intergovernmental relations is beyond the scope of this paper, but there has been great progress since 2000 in sorting out the previously messy field of fiscal federal relations and in clarifying the division of powers and responsibilities between the federal government and the regions.<sup>38</sup> There is still a great deal to be done in respect of the municipalities, as implementation of the local government reform adopted in 2003 is still under way. This represents a significant revision of the original timetable – the new system of local government was to have been in place by 2006, but the regions now have until 2009 to set it up. However, given the enormous complexity of reform and the number of municipal structures to be created and staffed, it would seem to have been prudent to allow the regions more time for implementation. A hasty attempt to meet the 2006 deadline would have risked discrediting the entire reform, as well as undermining the capacities of the level of government that is closest to ordinary citizens.

***Civil service reform has progressed slowly and along relatively conservative lines***

30. Civil service reform made little headway in the 1990s. The first law on the state service, adopted in 1995, represented a throwback to traditional caste or corporatist views of the bureaucracy, focusing on the status of officials, and their privileges, perquisites and protections. There was little further progress until the adoption in late 2001 of the *Federal Programme for Reforming the State Service of the Russian Federation (2003–2005)*. The 2001 programme was largely based on the Commission's ideas, and it, too, has met stiff opposition. The programme aims to turn the "state service" into a "public service" – a transformation that would require a dramatic shift in the culture and outlook of Russian officials. The prevailing view of public administration still tends to see the state bureaucracy as an instrument for controlling and directing society, whereas the reform is intended to underline its primary role as a provider of services *to* society. The reform programme also aims to make the bureaucracy smaller, more transparent and less expensive. It envisages the possibility of outsourcing some activities and introducing competitive recruitment – required under the 1995 legislation but never implemented.

31. Unfortunately, progress in realising these aims has so far been limited. The first legislation adopted pursuant to the programme was the 2003 law "On the System of State Service of the Russian Federation".<sup>39</sup> It does little except to confirm the goals and principles enunciated in the concept, without stipulating concretely how these are to be achieved. The law defines three types of state servant (civil, military and police) and states what other legislation shall form the basis for their activities. It also provides for a register of state service posts, sets a mandatory retirement age and stipulates that the rank-structures of all three branches of service will be co-ordinated, so that transfers among them will be possible. In this, it resembles the pre-revolutionary "table of ranks", which also ensured clear equivalence among military, police, civil service and even ecclesiastical ranks. Since it is difficult to imagine senior civil servants moving into high military or police posts, this has raised some concern that the new law will facilitate the colonisation of the upper reaches of the civil administration by senior officers of the military, police and security services.

32. In 2004, a much longer law established a basic framework for the non-diplomatic civil service, outlining the legal status of civil servants and the procedures for appointing, evaluating and promoting them.<sup>40</sup> It also made a start in regulating such issues as conflict of interest and the nature of civil servants' contracts, which had previously not been addressed in law. The 2004 law is generally quite conservative, reflecting those elements of the 2001 civil service reform programme that view the civil service as a distinct corps of individuals spending lengthy careers in state service and enjoying highly specific social guarantees and conditions of work. Pay and promotions are regulated within a single system. Promotion is

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38. See OECD (2002, 2004).

39. "O sisteme" (2003).

40. "O gosudarstvennoi grazhdanskoi" (2004).

still based largely on seniority, and pay formulae remain extremely complex and thus opaque. Nevertheless, the law does allow for a certain amount of experimentation, and it confirms such principles as openness, competitive recruitment and the linking of remuneration to performance. The question is what, if anything, will be made of these principles in practice.

### The new administrative reform *Concept* and the future of public administration reform

#### *The government has recently renewed its commitment to administrative reform*

33. Administrative reform largely stalled for some time in 2004–05. This was no surprise, as the government was focused on resolving the problems created by the hasty reorganisation of the executive branch. In late 2005, however, the cabinet approved an ambitious *Concept* for administrative reform for 2006–08, along with a detailed timetable for the preparation and implementation of specific measures. The *Concept* outlines three major objectives, as well as the criteria against which success or failure in meeting those objectives is to be assessed (Table 2).

**Table 2. Administrative reform indicators and targets**

Goal	Indicator	2004	2008	2010
Increasing the quality and accessibility of public services	Degree of public satisfaction with service quality	14	50	70
Reducing bureaucratic interference in private commercial activities	The cost of overcoming administrative barriers as a share of total business income	8.5%	5.0%	3.0%
World Bank governance indicators (GRICS) for:				
Increasing the efficiency and effectiveness of executive bodies	Government effectiveness	48.1	55	70
	Regulatory quality	30.5	60	70

Source: Ministry of Economic Development and Trade.

34. To achieve these ends, the *Concept* envisages a wide-ranging move towards performance management, in conjunction with the move to performance-based budgeting. This is to involve the development of criteria and procedures for defining clearly the tasks of federal bodies and their constituent units, along with measures for assessing performance of those tasks. The *Concept* also envisages the development of formal standards for the quality of public services, as well as administrative standing orders (*reglamenty*) outlining in some detail how services are to be provided, including the rights and obligations of citizens and officials. In the first instance, such *reglamenty* are to be focused on common issues that bring citizens into contact with the bureaucracy, such as the issuing of passports. By the end of 2006, such standards are to be applied to 19 federal agencies and their counterparts in 26 regions. These service standards and *reglamenty* are to be supported by the development of effective mechanisms for redress of citizens' grievances in the event that their rights are not upheld. The further optimisation of the functions of executive bodies is to encompass additional steps to eliminate unnecessary or duplicative activities and to introduce new standing orders for federal and regional executive bodies, as well as to improve the efficiency and transparency of public procurement, to encourage outsourcing where appropriate and to develop special rules and methods of management for spheres of activity reckoned to be particularly prone to corruption, like tax and customs administration. Finally, the *Concept* promises steps to increase the transparency of state bodies and otherwise improve mechanisms for interaction between citizens and the bureaucracy. The *Concept* also provides for the conduct of experiments and pilot programmes in many areas, particularly when it comes to extending administrative reform to the regions.

35. There is clearly much in the new *Concept* that is to be commended. Since the discussion that follows will focus on the pitfalls and problems that lie ahead, it is important to acknowledge at the outset the strengths of the approach to reform embodied in the *Concept*. Four features in particular stand out. First, it is extremely comprehensive. Secondly, it shifts the emphasis from organisational restructuring, such as that undertaken in 2004, to a focus on the much more difficult – but no less important – problems of incentives, procedures and the creation of a much more “client-oriented” administrative culture. Thirdly, it recognises that the present stage of reform requires not any single sweeping measure but the painstaking elaboration of a wide range of new procedures, service standards and standing orders. Finally, the *Concept* recognises that there is still considerable scope for further reducing state intervention in the economy in the context of administrative reform and underscores the need for continuous monitoring of the optimal range of functions of state bodies. One option in this context might be a procedure similar to the institutionalised regulatory reviews conducted in Mexico since 2000.<sup>41</sup>

36. The *Concept* pays considerable attention to the question of ensuring that reform is supported by adequate financial, human and technical resources. It envisages reliance on experimentation and pilot projects, which makes sense given the complexity of the measures involved and the potential damage that ill-conceived measures could do. The government has already begun conducting competitions for the award of federal funds to support administrative reform projects undertaken by regional authorities and federal executive bodies.<sup>42</sup> This appears to be the most promising way to extend administrative reform to the regions – providing financial and other incentives for sub-national governments to undertake reform initiatives and experiments of their own or to participate in those undertaken by the federal government. The challenge of extending reform to regional and municipal bodies is enormous and, given that most citizen interactions with the public administration are with regional or local officials, it is absolutely vital to the success of reform. Thus, while this paper focuses on federal-level initiatives, it endorses the *Concept's* emphasis on the use of incentives, partnerships and other mechanisms to extend the process to subnational governments.<sup>43</sup> Over time, the evolution of service standards and the creation of effective mechanisms to uphold citizens' rights vis-à-vis the bureaucracy will ensure that the pressure for administrative reform at regional and local levels comes from the public as well as the federal centre. It will be important that the government's commitment to this process be sustained: previous initiatives, like the “Electronic Russia” e-government programme launched in 2002, have often suffered from chronic under-resourcing, poor coordination and the lack of any clear strategy.

37. Given the complexity of the challenges involved, the timetable set out in the *Concept* looks somewhat unrealistic – in the best of circumstances, it will take a great deal of time to design suitable schemes for merit pay, to draft ambitious yet realistic quality standards for the provision of public services and to clarify the mandates, responsibilities and structures of accountability for the newly configured executive. This is not necessarily a problem. Less ambitious reforms in other countries have sometimes taken far longer than the three years set out in the timetable, and it would be unwise for the Russian authorities to rush such complex measures as those now envisaged. The challenge for the government is not to keep to the timetable but to ensure that reform does not stall, while at the same time avoiding the kind of disruptions that followed the March 2004 reorganisation. A “big bang” approach, involving revolutionary changes, would be inadvisable, but if a more incremental approach is to succeed, and not simply to lose momentum, then it will be critical that the reform enjoy strong, visible support at the highest levels. If middle- and lower-level officials come to doubt the government's commitment to reform, then resistance to change will grow and progress will become more difficult. There may thus be a case for creating a fairly strong unit, such as a Civil Service Department, at the centre of government, with responsibility for the implementation of reform measures across the state apparatus.

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41. See World Bank (2005); also OECD (2000).

42. For details see “Decree № 336” (2006).

43. See also the discussion in Parison and Evans (2004:5).

***“Administrative reform” and “civil service reform” appear to be out of sync***

38. The appearance of the new administrative reform *Concept* notwithstanding, the strategic direction of public administration reform is still far from clear. This arises in large measure from the artificial separation between “administrative reform” and “civil service reform”. The new civil service legislation largely reflects the classic Weberian conception of a public bureaucracy. By contrast, the approach to administrative reform embodied in the *Concept* reflects the influence of NPM, which has been very influential in the West – and particularly in the main English-speaking countries – since the early 1980s (Box 4).<sup>44</sup> Formally, at least, the attempt to separate policy-making from service provision in the March 2004 reorganisation of federal executive bodies also reflected the influence of NPM thinking.

39. Of course, Russia need not – and should not – make a stark choice between “pure” Weberianism (an ideal type that does not in any case exist) and the wholesale adoption of the techniques of NPM. There will be elements of both in any reformed state administration and, indeed, both approaches find some reflection in the changes adopted in 2001–05. However, that does not mean that any possible combination of the two would be coherent: there is a danger that the different strands of public administration reform will be difficult to reconcile with one another.

40. Whichever overall orientation is ultimately chosen, the Russian authorities face a number of specific choices with respect to civil service reform, including:

- *The degree of unity or diversity to be achieved.* Historically, Russian ministries and other departments have operated according to rules, organisational cultures and career paths specific to each ministry or agency. The question of whether, and to what extent, Russia will maintain this tradition of separate arrangements for each major group of officials continues to be contested.
- *The vertical integration of state administrative bodies.* The authorities have only recently begun to standardise civil service rules and practices across federal, regional and municipal levels of government. A related issue, particularly in fields such as law enforcement, concerns the position of officials serving in federal ministries and agencies who work in the regions. Such “territorial” federal officials are often heavily influenced – if not co-opted – by regional authorities.
- *Recruitment and promotion.* The legislation adopted in 2003–04 establishes a basis for competitive recruitment while leaving numerous permissible exceptions to this principle. It points to a model based on the recruitment into the initial grades of individuals who will become career civil servants. However, there remain issues concerning the mechanisms by which individuals might be recruited into the service at higher grades and the establishment of promotion procedures that are transparent, efficient and fair.
- *Civil service pay.* Although there has long been wide agreement on the necessity of raising officials’ pay, there is no consensus about how large the pay differentials within the service should be, how and by whom pay scales should be determined, or how merit-based pay and other such incentives schemes should work in practice.

***Both approaches to public administration reform are fraught with risks***

41. An examination of the contrast between Weberian and NPM approaches to reform can help to illuminate some of the obstacles to a successful reform of Russia’s public administration. Clearly, any serious attempt to refashion the state administration into something like a classic Weberian public

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44. With respect to the organisation of the civil service itself, the distinction being made here between “Weberian” and NPM models is analogous to the contrast between “career-based” and “position-based” systems in OECD (2005b:165–6).

bureaucracy must address a long and difficult set of challenges. It will require a greater differentiation of tasks and personnel between the political executive and the administrative bureaucracy, the creation and application of a well designed system of administrative law, including effective legal controls over administrators' actions, and the creation of a professional, non-partisan civil service, whose political neutrality is protected by appropriate institutional arrangements. Despite the difficulty of meeting these challenges, it could be argued that the Weberian model represents the logical endpoint towards which Russian reformers should direct their efforts. The implicit systems and models adopted in many other post-communist states seeking to overhaul their bureaucracies have also been largely Weberian.<sup>45</sup> OECD (2005b:160) argues that, despite its defects, "the traditional centrally controlled bureaucracy is still a workable and robust system for public management where there has been disruption or discontinuity in the institutions of society and/or where the other institutions in society are not particularly well ordered." However, many in Russia fear the "conservative" potential of the Weberian model. A model of reform emphasising a relatively closed, hierarchically organised career civil service and the vertical integration of administrative structures could easily be used to create a Weberian bureaucratic façade, behind which little real change might take place. In particular, proponents of NPM-inspired reforms fear that a "pure" Weberian approach would not make the service sufficiently open or accountable to the public.

42. The implementation of NPM-style reforms would likewise be more than a little problematic in the current environment. NPM emerged in the West as a set of measures designed to reform traditional Weberian bureaucracies in order to make them more flexible and efficient. It tends to assume a more or less Weberian starting point, including clear lines of authority, a culture of rule-observance, and an understanding of officials' roles and duties in terms of the offices they hold rather than their personal connections. Successful NPM-based reforms also require predictable resourcing, credible regulation and monitoring of staff (to prevent malfeasance), and a generally sound contracting environment. NPM is unlikely to achieve the desired results in an administrative system characterised by patron-client networks, and by low levels of transparency, accountability and respect for legal norms.<sup>46</sup> To put it simply, no country has ever moved from the sort of dysfunctional, clientelistic bureaucracy that exists in Russia to the kind of flexible, NPM-style public management that has been adopted in countries like New Zealand. Considerable progress with respect to certain basic reforms that are traditionally associated with the Weberian model will be essential to the success of any attempt to adopt the techniques of NPM.

43. The challenge facing Russia is thus enormous, whether it pursues a more or less Weberian or NPM-inspired path of reform. In fact, it will need a judicious mix of both approaches. Certain elements of the traditional Weberian model will be essential to any successful reform, but the country's long history of bureaucratic opacity, corruption and weak accountability to the public suggest that elements of NPM are also needed, particularly those emphasising transparency, open recruitment and empowering "citizen-consumers". By opting for a strategy based on NPM approaches, the reformers have signalled that the end goal of reform is to create a public administration that is *not* constituted as a separate "caste" and that sees its primary role as providing services to ordinary citizens, not controlling them.<sup>47</sup> However, Russia is clearly not ready for some of the more radical innovations of NPM, such as the widespread creation of "internal markets" in public services or a heavy reliance on performance-related pay in the bureaucracy. As noted above, many of the underlying institutional requirements of both traditional and NPM approaches are in any case the same; if they are not put into place, then a Weberian reform is unlikely to succeed either. An enormous amount thus depends on the framework conditions for reform.

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45. Countries like Poland and Hungary have largely steered clear of NPM approaches. It is also noteworthy that western institutions involved in civil service reform efforts in Central Europe and Russia have also reinforced the tendency to focus on the classical model. See Nunberg (1999:264) and Goetz (2001:1034-5).

46. Not coincidentally, these are the very problems that many Weberian reforms are intended to resolve.

47. It does not follow from this that a traditional Weberian bureaucracy is necessarily concerned with controlling citizens above all; it may be oriented towards *either* task.

*The wider institutional context will be as important as the specific reform programme*

44. Administrative and civil service reform in the narrow sense – reorganising structures or redefining roles – will achieve little in isolation. The quality of public administration is unlikely to be much better than that of the network of state and societal institutions within which it is situated. Administrative reform must therefore proceed in tandem with reforms aimed at improving this wider institutional environment. Indeed, changes to that environment may well matter more than the specific model of administrative reform the authorities pursue. Whatever the ultimate shape of Russia's reformed public administration, there are a number of basic issues that will need to be addressed if reform is not merely to produce the old pathologies in new configurations. These include:

- *Strengthening the rule of law.* In particular, it is necessary to establish better protection of the independence of the courts against pressure or interference from state bodies or private parties. A truly rule-governed administration cannot function where the rule of law is not upheld. This will require, among other things, a greater willingness by state bodies to be bound by the law themselves, to make good on their legal undertakings and to apply the law consistently.<sup>48</sup> It will also require reform of the procuracy and law-enforcement agencies, which have hitherto been largely untouched by judicial or administrative reforms.
- *Increasing the transparency of state institutions.* Real bureaucratic accountability – to ordinary citizens or elected politicians – will require greater access both to officials and to information about what officials are doing. Recent surveys find that many (though by no means all) civil servants are opposed to greater transparency in principle.<sup>49</sup> Still more are likely to oppose it in practice, whatever they may tell researchers. Formal requirements for openness on the part of state agencies, necessary though they are, will probably not be enough to generate real transparency. No less critical will be positive incentives for bureaucrats to accept greater openness and more effective oversight of executive and judicial bodies by the legislature, by organs such as the Accounting Chamber, and by the press. In this respect, the *Concept's* omission of any clear plans for strengthening legislative oversight of the bureaucracy must be regarded as a significant lacuna. In many OECD countries, stronger legislative oversight has been important in ensuring accountability as public bureaucracies have grown larger and their tasks more complex.<sup>50</sup> The evidence also suggests that a lack of press freedom causes corruption.<sup>51</sup> An independent press can thus play a critical role in ensuring both transparency and accountability.
- *Strengthening civil society institutions.* The state administration does not operate in a political or sociological vacuum. The extent to which it can be made accountable to the public is partly a function of the wider relationship between state and society. Cross-country research shows that both the rule of law and the development of civil society are strongly and negatively correlated with corruption, in particular.<sup>52</sup> The strengthening of civil society institutions is also crucial for the development of more open, consultative forms of policy-making. Civil service reform would thus benefit from steps to foster the development of civil society.

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48. Some 40% of cases filed by Russian citizens with the European court of Human Rights concern unenforced Russian court decisions against state agencies; see *Moscow Times*, 1 June 2006.

49. See the results presented in Arkhangel'skaya (2003); and HSE (2004).

50. See OECD (2005b:44ff).

51. Ahrend (2002); Brunetti and Weder (2003); Egorov, Guriev and Sonin (2006).

52. Brunetti and Weder (2003); World Bank (2006:34).

- *Strengthening political accountability.* NPM-based reforms can, if successful, foster the development of a client-oriented culture in which “street-level” bureaucrats (Lipsky, 1983) are more responsive to citizens’ needs. They can also enhance the “upward” responsiveness and accountability of the bureaucracy to political leaders, which is critical to the coherence of public policies and the effectiveness of public service delivery. If that accountability is to be exercised in the public interest, politicians must have the incentive to monitor bureaucratic behaviour and intervene on behalf of their constituents. The accountability of politicians to their constituents is thus a crucial link in the chain of principal-agent relationships linking bureaucrats to the public.<sup>53</sup>

45. Recent progress with respect to these issues has been decidedly uneven. While there has been some progress in making state institutions more transparent than previously, there is still a very long way to go. The continued failure to adopt a freedom of information law, which has been in preparation for several years, suggests either that the opposition to it within the bureaucracy is firmly entrenched or that it is not regarded as a priority by the government. Neither conclusion is encouraging. At the same time, a number of indicators suggest that civil society in general, and independent media in particular, are growing weaker, as is political accountability.<sup>54</sup> These trends, if continued, will undermine attempts to implement the government’s NPM-influenced administrative reform *Concept*. The basic aim of NPM is to empower the citizen-consumer and to make public bodies more responsive and more accountable to her in her everyday dealings with them. It is most likely to succeed in contexts where political accountability and societal feedback mechanisms are strong. It makes no sense at all where the larger political trend is towards the weakening of both.

***Much depends on how service standards are devised and adopted***

46. The *Concept* attaches considerable significance to the process of adopting explicit standards for the quality of government services, supported by administrative *reglamente* that detail how services are to be provided. This parallels a trend in many OECD countries towards the adoption of “citizens’ charters” and other service declarations: these can perform a useful function in clarifying organisational and individual objectives, which is particularly important in conjunction with steps to increase managerial autonomy and responsibility. Work on the first *reglamente* is now under way, and a few have been prepared. The Ministry of Economic Development and Trade plans for the first 39 *reglamente* to cover priority areas concerned with citizens’ daily lives and their constitutional rights and freedoms. A further 352 are to be adopted by the end of 2008. If these arrangements are to result in real improvements in government services – and not merely to codify the *status quo* – it will also be critical to ensure that they are adopted in a transparent manner, on the basis of wide consultation involving not only experts and representatives of interested state bodies but also civil society. There appears to have been relatively little public participation in the process so far; this could and should change. Once service standards and *reglamente* are adopted, it will be important to publicise them widely, to ensure that they are presented in a form that is clear and accessible to the public, and to make sure that the relevant standards and *reglamente* are available to citizens dealing with public bureaucracies.

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53. In this context, it is worth noting that higher levels of electoral competition appear to be associated with lower levels of official corruption. For the general argument, see Rose-Ackerman (1978:213ff). On Russia specifically, see Dininio and Orttung (2004).

54. For indicators of press freedom, see WEF (2005:554); Reporters without Borders (2005); and Fedotov (2005). Both the expansion of state control over the mass media in recent years and new legislation on non-governmental organisations give grounds for concern on this point. On the broader question of accountability, see the World Bank governance indicators in table 3.1.

***Performance management and performance-related pay should be approached with great caution***

47. Given that labour is the principal input in most public services, personnel management must be at the heart of any administrative reform, and the *Concept's* emphasis on questions of performance management and performance-related pay reflects this fact. The challenges involved, however, are enormous. Devising effective performance targets for organisations or individuals can be extremely difficult, especially when agents are charged with performing multiple tasks, some of which may be easier to quantify or monitor than others.<sup>55</sup> Poorly specified targets can distort behaviour,<sup>56</sup> but smart targets - targets that are sufficiently specific, measurable, relevant and available in real time – can be hard to specify in many settings. OECD countries introducing performance management schemes in the public sector have tended to focus on the measurable at the expense of the important or to assign too many targets.<sup>57</sup> Nevertheless, a growing number of countries have found that such exercises help to clarify organisational functions and to enhance the transparency of performance (for example, *via* scorecards). They can also provide a basis for assessing performance and budgets – over 70% of OECD states now include non-financial performance data in budget documentation, although the great majority do not yet link most expenditure directly to output or outcome targets.<sup>58</sup>

48. Performance-related incentive schemes are increasingly used in OECD countries, but experience suggests that they should be employed in moderation. Specifying individual objectives and measuring performance can be expensive and costly, and very highly geared incentives raise the risk of distorting behaviour. Most performance-related pay schemes in OECD public sectors continue to rely on a base salary to provide 90% of compensation, with only about 10% being linked explicitly to measures of performance. The evidence suggests that the benefits of such arrangements stem not from the direct effect of financial incentives – these are quite limited – but from the secondary organisational changes that performance-related pay facilitates, such as greater focus on effective appraisal and goal-setting, clarification of tasks and increased attention to skills acquisition and employee-manager dialogue.<sup>59</sup> The personalism, opacity and lack of respect for formal rules that characterise many Russian public bureaucracies constitute a further reason for proceeding very cautiously with respect to performance-related pay: merit pay, incentives and more flexible recruitment could easily degenerate in such an environment into pork-barrel politics and patronage, except perhaps in situations where performance was really evident to external observers.

***Empowering citizens will be critical to success***

49. Perhaps the biggest single weakness of the administrative reform *Concept* is the lack of attention devoted to citizens' ability to defend their rights when in conflict with the bureaucracy. The framers of the *Concept* are clearly aware of this issue: the document itself makes repeated reference to it and rightly declares that the introduction of service standards and administrative standing orders “presupposes” the creation of more effective non-judicial mechanisms for citizens and organisations to defend their rights and legal interests. Indeed, attempts to create a more “service-oriented” administration will achieve little if

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55. For a theoretical discussion, see Holmstrom and Milgrom (1991).

56. The history of the Soviet economic system provides a truly monumental example of this problem.

57. See Joumard *et al.* (2003:30–32).

58. OECD (2005b:64–81).

59. OECD (2005b:174–5ff); Joumard *et al.* (2003:32); and Reichard (2002).

citizens cannot take such action. Yet the *Concept* provides no detail about what the government plans to do here: it is one of the few important questions to which the *Concept* does *not* devote a separate section.<sup>60</sup>

50. This is not a second-order issue by any means, or one to be left to a later stage of the reform. Indeed, it could accelerate other aspects of the reform significantly. Given an effective, independent procedure for resolving conflicts between citizens and public bureaucracies, it would probably be possible to write simpler *reglamenti* and service standards. The first *reglamenti* have been extraordinarily detailed – reportedly 40 pages on issuing internal passports, for example – because all manner of minutiae are addressed in them.<sup>61</sup> A strong mechanism for upholding service quality and handling citizen complaints – in other words, an effective system of administrative justice – could enable the authorities to rely less on specifying every last detail and more on setting clear, measurable standards against which agencies' performance could be assessed.

51. The government should therefore address as a matter of priority the arrangements for non-judicial appeal/review of decisions taken by officials in government bureaucracies. Other effective, non-judicial means of challenging official decisions should be available to both organisations and legal residents, whether they are citizens or not.<sup>62</sup> It should be possible to appeal against official *inaction* as well as official actions, and the procedures for doing so should be clear,<sup>63</sup> inexpensive and reasonably quick (officials should have to respond within specified time periods). Such non-judicial mechanisms should be multi-layered and multi-channelled, including opportunities for amicable resolution of errors, for arbitration or the employment of intermediaries, and for recourse to special commissions or tribunals. Where citizens' claims are rejected, the decision should be motivated and subject to appeal. A crucial element will be the establishment of the legal responsibility of officials to correct errors or violations of citizens' rights when they are uncovered and of their legal liability in the event that they are found to obstruct citizens' efforts to avail themselves of appeals procedures. At present, officials face no clear sanctions for refusing to consider citizens' appeals. Resort to such procedures should *not* deprive citizens of the right of eventual recourse to the courts. Indeed, non-judicial mechanisms will work only if they are backed by courts. The overall aim should be to provide individuals and organisations with effective and inexpensive mechanisms for defending their interests when in conflict with public bureaucracies.

52. Russia should also consider creating an official Ombudsman. Ombudsmen are a relatively recent institutional innovation in OECD countries – only three member states had such institutions in 1960, as against 27 today. Usually appointed by legislatures, ombudsmen are rarely empowered to make recommendations that are binding on the bureaucracy, and they are certainly no substitute for a well functioning system of administrative appeal or for effective judicial mechanisms. Nevertheless, they have proved to be a strong source of pressure on governments for remedial action, both in specific cases and, in many countries, *via* the regular publication of reports on the performance of various agencies and other public bodies.<sup>64</sup>

53. A balanced, effective freedom of information (FOI) law would be another important step in empowering citizens. In many cases, it could enable them to avoid conflict with the bureaucracy in the first place. The experience of OECD countries, over 90% of which now have some form of FOI legislation,

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60. See "Kontseptsiya" (2005). The document includes separate sections on performance management, standardisation, optimisation of functions, etc, but nothing on citizens' recourse.

61. Some drafts have included such details as the requirement that there be an adequate number of chairs in waiting rooms.

62. The mechanisms that currently exist are largely limited to private citizens. See Yuzhakov (2005).

63. They are rather vaguely described at present.

64. See OECD (2005b:44).

suggests that such laws not only make it easier to keep public bodies accountable, they can also strengthen efforts to implement performance-management strategies: wider availability of information on government performance can lead to better and more accessible services. FOI laws vary in scope and content, but the transaction costs involved in administering them are generally lower where openness and publication of information are the norm and secrecy the exception. The costs can also be reduced *via* the use of ICT for dissemination of information. Where possible, the availability of information on *forthcoming* decisions can be beneficial, facilitating wider consultation on policy and also making it easier for businesses to plan ahead. Russia has made considerable progress in this area, with some ministries making a particular effort to publish documents in draft form, but an FOI law is still needed.

***An effective anti-corruption strategy will of necessity be multifaceted***

54. Efforts to combat corruption will have to address questions of prevention, public education and participation, and strong, impartial law enforcement. It must also take account of the many different forms that corruption takes – one-size-fits-all solutions are not to be found. One important distinction is between those forms of corruption that involve collusion between officials and private citizens at the expense of the state and those that involve the abuse of power by officials to extract rents from private agents.<sup>65</sup> Different approaches are needed to combat these two forms of corruption:

- The best way to prevent the former is to make it as hard as possible to steal from the state. Otherwise, detection will be difficult, because the citizens involved will not complain. This approach is reflected in efforts to tighten control over budgetary expenditure and to increase top-down monitoring of officials and executive bodies by organs like the Accounts Chamber. Where detection is difficult, penalties should also be somewhat more severe in order to maintain some element of deterrence in anti-corruption legislation.
- Where bureaucrats try to extract rents at the expense of the public rather than the state, the citizen and the official have a conflict of interest. Here, the best approach is to give citizens effective means to defend themselves against racketeering by officials. Rooting out this latter form of corruption will depend crucially on the availability of effective institutions available to the victims of such corruption – ordinary citizens and entrepreneurs. These institutions must be both able and willing to discipline officials; they might include not only the courts but also recourse to regulatory bodies, ombudsmen or the sort of non-judicial appeal mechanisms discussed above.

55. Whatever the differences in emphasis between the strategies adopted for tackling these different forms of corruption, greater transparency, the elimination of unnecessary regulation and the simplification of administrative procedures will be critical to both. So will better legislation governing conflicts of interest in the civil service. A free press able to rely on legal norms that favour the transparency of state bodies also has a key monitoring role to play.

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65. See Shleifer and Vishny (1993). An official might, for example, be charged with allocating some sort of permit to those who meet specific criteria and/or pay a certain fee. The official could collude with private citizens and accept bribes in return for issuing permits to those who do not meet the criteria or do not pay the fee, or he might demand payment over and above that required by the law in return for issuing the permits to those otherwise entitled to them. His ability to do the latter depends to some extent on whether or not other officials can issue the same permit to the citizen if he refuses. In the former case, the citizen and the official work together to cheat the state; in the latter case, it is the citizen who is being cheated. This does not quite parallel the legal distinction between active and passive corruption; it focuses instead on the idea of corruption as theft and asks, first of all, who is stealing from whom.

56. Much, of course, can be done to reduce opportunities for corruption. The reform *Concept* rightly emphasises the need to analyse draft laws and regulations with a view to assessing – and minimising – their “corruption potential”<sup>66</sup> and to devise specific norms and procedures for governing situations where there is a particularly high risk of corruption.<sup>67</sup> Rules should be simple, transparent and standardised, with few exceptions and as little reliance as possible on bureaucratic discretion. However, too much emphasis on eliminating bureaucratic discretion can lead to inflexible, inefficient policies and procedures. Ultimately, there will always be situations in which it is necessary for officials to exercise discretionary judgement, even if this involves a risk of corruption. Where discretion is required, the criteria that determine officials’ choices should be explicit, procedures should be in place to ensure that their activities are highly transparent, and their actions in most cases should be subject to some form of outside (administrative or judicial) review if need be. The *Concept’s* commitment to further deregulation is also relevant here. One of the best reasons for avoiding unnecessary regulation is that it tends to create opportunities for corruption.<sup>68</sup>

57. There is also much merit in the *Concept’s* suggestion that the corruption potential of many situations could be reduced if citizens were able to interact with public bodies electronically, rather than dealing with officials face to face. This constitutes an important argument for revising, but pressing ahead with, the “Electronic Russia” programme. Technology certainly offers no panacea, but electronic systems in some OECD countries have helped reduce corruption in public procurements, in particular.<sup>69</sup> In Russia, ICT could contribute much to increasing the quality and transparency of public procurement, particularly at regional level.<sup>70</sup>

58. While drafting corruption-resistant legislation is important, it will not reduce corruption so long as crimes go unpunished. Both corrupt officials and private agents who try unduly to influence the decision-making of judicial or administrative institutions must be brought to account in a fair, transparent process. This will require a good deal of political will, because big offenders are often wealthy private citizens or high-ranking officials. Moreover, a consistent approach to enforcement will be needed in order to ensure that anti-corruption cases are not (and are not perceived to be) merely political or commercial weapons. Anti-corruption “campaigns” are often politically expedient but they are rarely effective (Kaufmann, 2005b), and the *Concept’s* omission of any plans for special anti-corruption commissions or other bodies should therefore be seen as a plus.

59. Finally, there is much that can be done to reduce corruption on the “supply side”. Corruption, after all, is not limited to the state. The suborning of officials by private agents is no less a problem than the abuse of power by officials for personal gain. Russia still needs to bring its rules and regulations into line with international standards with respect to criminalising the giving of bribes to domestic or foreign public officials.<sup>71</sup> “Whistleblower” protection measures could also play a role, provided that enforcement was effective enough to assure public and private sector employees that they would be protected if they reported suspected bribery. Finally, the adoption of a clear, well specified law on lobbying activities would clarify the boundaries of what is permitted and what is forbidden when it comes to private agents’ efforts to shape public policy. The effectiveness of a lobbying law would be enhanced by steps to strengthen the

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66. For an excellent overview of the kind of issues that should be at the centre of such analysis, see “Pamyatka” (2004).

67. These include situations in which officials dispose of substantial sums of money, enjoy a high degree of discretion and are in close, regular contact with non-state organisations and private citizens.

68. OECD (2005a:62–3).

69. See OECD (2005c:12) on the experiences of South Korea and Mexico, in particular.

70. On the opacity and poor quality of procurement tenders in Russia, see Nikolaev and Kalinin (2004).

71. See OECD (2004b:62).

legislature's role in policy-making and parliamentary oversight of the executive: lobbying is likely to remain a legally difficult area as long as private agents regard the bureaucracy as a better point of entry for influencing public policy than the legislature.

***The growth of the state's role as a property owner needs to be reversed***

60. The *Concept's* stress on reducing bureaucratic interference in business is difficult to reconcile with the recent expansion of the state's role in the ownership, management and regulation of "strategic" sectors (see OECD, 2006), a trend that assigns to the state bureaucracy a role for which it is extremely ill equipped and which risks fuelling high-level corruption as well as undermining the performance of the companies involved. The Russian state has shown itself to be an ineffective owner, and, in many cases, continued state ownership of productive assets creates conflicts of interest for the authorities (particularly where the state's role as regulator is in tension with its role as owner). In many cases, it serves to distort competition. There is a strong presumption in favour of a shift to the private sector of activities that are commercial and (actually or potentially) competitive, and that do not involve sensitive regulatory or public-service functions. Further de-regulation and a reversal of the trend to expanded state ownership would reduce opportunities for corruption, enhance economic performance and also leave the public administration free to concentrate on its core functions.

**Conclusion**

61. Parison and Evans (2004:4) argue that Russia should aim to create nothing less than a G7-standard public administration. There is no obvious reason why Russia, with its endowments of human capital, should have to settle for anything less. Russian public administration should be organised and resourced so as to deliver a high standard of service to the general public and to implement government policies efficiently and effectively, and it should be transparent and accountable to both elected politicians and the public. The government's administrative reform programme is directed at just such a goal as this. However, Russia will find it extremely difficult to reach that goal, even over the very long term, if the reform of public administration is approached in a narrow, technocratic fashion rather than proceeding in tandem with improvements in the institutional environment within which the state bureaucracy operates. In this respect, the greatest dangers may arise from the apparent disjuncture between, on the one hand, a reform approach that aims to empower citizens vis-à-vis the bureaucracy and to make public bodies more transparent, responsive and accountable to them, and, on the other hand, a political system that appears to be moving in the direction of *less* transparency and accountability.

### **Box 5. Recommendations on the reform of public administration**

The 2005 *Concept* for administrative reform provides a comprehensive and ambitious strategy for pressing forward with the reform of public administration in 2006–08. The government's main priority should be to ensure its consistent, systematic implementation. Rigid adherence to the timetables set out in the strategy is not needed and may, in some cases, be undesirable, but neither should the implementation process be allowed to stall. A high level of political commitment to the reform is therefore required. In addition, the authorities may want to consider a number of measures that are either outside the scope of the concept or receive relatively little attention in it:

#### **Improving the institutional context within which the bureaucracy operates**

- Press ahead with reforms aimed at strengthening the rule of law, particularly those that serve to insulate courts from outside pressure, make law-enforcement agencies more transparent and accountable, and ensure that state institutions submit to court decisions.
- Adopt freedom of information legislation, along with other measures to establish a norm of transparency in public bodies.
- Strengthen mechanisms for ensuring parliamentary oversight of executive institutions, whether *via* the work of parliamentary committees or institutions like the Accounts Chamber.

#### **Empowering citizens *vis-à-vis* the bureaucracy**

- Ensure that arrangements for adopting public service standards and the related standing rules are open, consultative and result in documents that are clear and accessible to ordinary citizens.
- Create effective non-judicial mechanisms, including an effective system of administrative redress and an ombudsman or similar institution, for citizens and organisations seeking to defend their interests in conflict with public bureaucracies.

#### **Fighting corruption**

- Expand the range of opportunities for using ICT in interactions between officials and ordinary citizens or businesses, especially in fields such as licensing or procurement.
- Strengthen Russia's anti-corruption legislation, bringing it into line with international standards.
- Adopt "whistleblower protection" legislation and a law on lobbying.

#### **Reducing the role of the bureaucracy in commercial affairs**

- Continue with on-going efforts to reduce the scope of unnecessary regulation and bureaucratic interference in the activities of private businesses.
- Consider institutionalising regulatory reviews in order to combat tendencies towards creeping re-regulation.
- Reduce the role of the state as an owner of businesses engaged in activities that are commercial, contestable and not concerned with sensitive regulatory or public-service functions.
- Clearly separate the state's ownership role from its other functions, such as regulation and industrial policy.

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