

Russia : Public Administration Reform : Issues and Options

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I : Introduction

1.1 This note sets out in outline form a summary of some of the issues and problems at present facing Russia's public administration. These are presented as a set of working hypotheses. The note then suggests a number of options for developing a framework for public administration reform; and develops this framework into a set of possible components for a medium-term program for public administration reform. These suggestions are intended to be indicative, and to provide a framework for discussion of options and approaches for accelerating the development and implementation of a program for public administration reform in Russia.

1.2 Russia needs a world-class public administration if the country is to be able to compete internationally in the global economy; create an investment climate attractive to Russian capital and Russian investors; attract significant amounts of foreign direct investment; and create the conditions for the small and medium enterprise sector to provide the engine for growth that has been evident in a number of other economies in the region.

1.3 Equally importantly, each of the different sets of clients of Russia's public administration deserves – and is increasingly demanding – a world-class public administration. This is as true for individual citizens as service users (in the areas of direct service delivery and delivery of public goods); as it is for the private sector (in the areas of delivery of an attractive investment climate and level playing field together with appropriate regulation of economic activity); and as indeed it is for politicians (in the areas of policy analysis and evaluation and the timely and effective implementation of government policies, priorities and programs).

II : Issues and problems

2.1 This section presents a number of **working hypotheses** on the condition of the public administration in Russia. These are presented under the following headings:

- (i) Structure and size;
- (ii) Culture;
- (iii) Systems & procedures.

(i) Structure and size

2.2 Central government appears to have grown significantly over the periods 1985 to 1991; and 1991 to the mid 1990s. This growth appears to have occurred despite the break up of

FSU civil service structures; and the rapid decentralization of services in 1991/2 from the center to local authorities (particularly in education and health). The growth arose partly out of the creation of new structures (at the center with supporting regional territorial arms) required for the emerging market economy (e.g., Ministry for State Property, Federal Property Fund, Antimonopoly Ministry, Bankruptcy Agency, Securities and Exchanges Commission, Currency Control Commission, and natural monopoly regulatory agencies); but mainly out of a massive expansion in the number and size of revenue and financial control agencies (e.g., Ministry for Taxes and Revenues, Federal Treasury, Tax Inspectorate)¹. This growth was offset to some extent by reductions in a number of “command economy” structures.

2.3 In many cases, new management was grafted onto existing Ministries and agencies without much change in the structure or staffing of the Ministry or agency concerned; and indeed in some cases this new management proved unable to secure real control of the Ministry or agency. In contrast to what happened in a number of Central & Eastern Europe countries, middle management levels inherited from the former Soviet Union system have, at least until recently, been left relatively undisturbed.

2.4 Similarly, the new “market economy” Ministries and agencies were grafted onto the structure of government without in some cases gaining much real influence on the government machine or on the center of government (particularly in terms of being able to be effective in securing resources from the center, or in securing the levels of co-operation from other Ministries or agencies required for the new Ministries and agencies to be able to operate effectively).

2.5 There have been since 1991 a large number of changes in the structure of the Government (the number of Ministries and other agencies, and, to a much lesser extent, the functions attached to these Ministries and agencies). However, it could be argued that the new role of the state has so far failed to drive radical alterations in the overall structure of government; or in the structure of individual Ministries or agencies.

2.6 The government continues to consist of a number of sometimes competing and overlapping/duplicating structures - the Government itself (Ministries and other agencies); the Apparatus of the Government; and also to some extent the Administration of the President. The presence of a strong Apparatus of the Government is a noteworthy feature. This factor in effect serves to weaken the policy-making role of line Ministries and to lessen their status when compared to that of Ministries in other systems; and contributes to the fragmentation visible in the present system, which also undermines the ability of Ministries to exercise effective horizontal co-ordination with other Ministries and agencies.

¹ It should perhaps also be noted that the ability of such new and expanded agencies to develop capability and discharge the functions allocated to them effectively and efficiently has in practice varied considerably.

2.7 The government itself continues to consist of a large number of Ministries, State Committees, Committees, Services, Agencies and other bodies; and also, despite some attempts at reduction in this area, a large number of different types of these agencies.

2.8 Within government, the Cabinet structure is complex, consisting of a number of First Deputy Prime Ministers, Deputy Prime Ministers, and Ministers; with considerable role ambiguity, overlap and cross-cutting responsibilities; and formal (and informal) spheres of influence. The First President in the past made frequent changes at the top levels of government, creating, abolishing, allocating and reallocating a varying number of First Deputy Prime Minister and Deputy Prime Minister posts. In practice a Minister has often had more influence than the Deputy Prime Minister to whom he was in theory accountable. In addition there have in the past been instances of one Deputy Prime Minister making policy or issuing a specific ruling in an area which was properly within the remit of another Deputy Prime Minister. There appears to have sometimes also been a fairly strong institutionalized system whereby informal reporting lines cut across formal reporting lines, further adding to role ambiguity and institutional blockages.

2.9 While there have been a number of significant reductions exercises since 1995/6, these have tended to be based on across the board cuts; and appear to have been absorbed comparatively painlessly by a number of long-existing structures, while resulting in severe pain in some of the new structures (e.g., the Antimonopoly Ministry and the Bankruptcy Agency).

2.10 The combined effect of recent reductions exercises together with the frequent high-level government restructurings appears to have been increased recruitment and retention problems, as disproportionately larger numbers of younger and skilled civil servants have left the civil service. Generally the vacancy rates and skills shortages in many of the new micro-economic agencies are claimed to be higher than in the old structures. In some of the old structures, these pressures have been felt in a changing age structure (e.g., the average age of civil servants in Ministry of Economy is now reckoned to be around 50).

2.11 The net result appears to be that there remain within the central government administration areas of massive overstaffing (thought to involve large numbers of staff); together with smaller areas of significant understaffing (involving comparatively small numbers of positions).

(ii) Culture

2.12 Under the communist regime (and indeed earlier tsarist regimes) the public administration formed part of the exercise of centralized power by the state's ruler over the population. As a result, a strong control culture developed. This persists today. There has never really been any tradition of a service culture in the Russian civil service; nor any tradition of "public service", or of what is usually understood by a public or civil service

ethos. Indeed, the Russian "civil service" should more properly and accurately be referred to as the "state service"; and the main orientation of this service has always been to the state, and, indeed, primarily to the ruler of the state.

2.13 This factor is reflected also in the strength of the petitioning culture within the system (80,000 individual appeals are received by the Apparatus of the Government each year). This is also revealing as a symptom of a system where too many decisions rise to too high a level in the system for resolution, thereby contributing to the crowding out of more strategic management within the civil service.

2.14 This position is exacerbated by authority (and particularly discretion and discretionary powers in an unclear, contradictory, and very complex legal and regulatory environment) being allocated to too many civil and public servants in too many places within the system. The concept of conflict of interest also appears still to be underdeveloped.²

2.15 Generally, the system seems still to be a long way from a merit-based, transparent, service-oriented and accountable public administration. In addition there continues to be little tradition of innovation or of risk taking or displaying initiative on the part of individual public servants. Low public service morale— and particularly low central civil service morale— appears now to be deeply entrenched.

(iii) Systems & procedures

2.16 There is at present a weak institutional framework for pursuing public administration reform/civil service reform. For example there has been less progress than had been hoped for in building on the Civil Service Law of 1995 and in securing the implementation of its provisions. There have been a number of significant attempts over the last few years to address public administration reform. These were designed to address weaknesses and malfunctioning elements in the present system; and to seek to deliver improved performance and enhanced service-delivery. However, none in practice has so far proceeded. There appears as yet to be only a very limited constituency for reform in these areas within the system itself.

2.17 In the area of center of government decision-making, capacity for policy analysis, including impact analysis, remains weak. Contestability of policy making remains underdeveloped. Control over implementation of Government decisions appears weak, as does accountability for poor performance in this area.

2.18 Civil service management as a distinct set of activities and functions remains very underdeveloped, particularly civil service personnel management. Under the Soviet system the personnel management function was subsumed in the framework of the nomenklatura

² In earlier centuries many civil servants received no remuneration from the state, but were expected to extract rent from the exercise of their duties; and may have had to pay a fee to win the right to exercise these duties.

system in the function of cadre management. (It should be noted though that this system did display the significant strength of providing reasonably efficient and tightly controlled centralized arrangements for service-wide management of an elite cadre.)

2.19 The association of personnel management with the nomenklatura system has also had the effect of inhibiting development of normal personnel management practices through (possibly inextricably) linking the personnel management function with internal control and discipline and security functions; and transferring into the personnel management function many of the characteristics associated with these latter functions (secrecy, lack of transparency and accountability).

2.20 There is as yet within the public administration comparatively little exposure to developing theories and practices of management (either from other public sectors; or from international “best practice” from the private sector); management theory appears to continue to be derived strongly from scientific management models (Taylor and others).

2.21 Performance orientation and overall accountability to the various groups of stakeholders and clients appears very under-developed. There is very limited disclosure on service delivery standards; and limited interest in, and arrangements for, user feedback. There is at present no effective system for performance management in place.

2.22 Efficiency and effectiveness in the public service has for a number of years now been severely compromised by major shortages in financial provision for inputs/equipment and other recurrent expenditure items.

2.23 Present central management information systems on public service and civil service establishment/headcount and numbers in post; and on budget allocations and actual expenditures are not yet integrated and indeed appear fragmented.

2.24 The public administration is at present massively under-computerized compared to other public administrations of similar complexity and scope. In particular, comparatively little use is being made of Internet-based approaches to managing the public administration; and to delivering public services.

2.25 In the old system, status derived largely from position in the hierarchy and associated access to a complex pyramid of perks (housing, foreign travel, special allowances, access to educational, health and leisure facilities, car, dacha, special shops); pay had a comparatively minor role to play. Since 1992, official pay levels have declined rapidly and fallen behind the quickly developing private sector. This has of course been one of the driving factors behind the growth in explicit rent-seeking, particularly in revenue collection and expenditure allocation agencies.

2.26 Also, and significantly, the range and value of official perks available appears to have declined substantially. Remaining distortions in the overall remuneration package in favor of in-kind benefits combined with non-transparency in allocation of such benefits complicates the assessment of the present position in this area. A further recent development has been that significant pay differentials are opening up between Federal civil servants and regional/city public servants, with, for example, a multiplier of 2:1 in favor of local authority employees now found in Moscow City and Moscow Region.

2.27 While allegations concerning instances of grand corruption remain frequent and disturbing (e.g., allegations that Government/Ministerial positions and Government decisions, privileges, and exemptions may be purchased), there is clear evidence that reforms in this area (liberalization, removing discretion, and regulatory reform) can have a strong effect and a quick impact – e.g., the liberalization of trade and the removal of export quotas is claimed to have led to a much cleaner system and to reduced corruption in this area (reduction of opportunity).

2.28 In the former Soviet system, there was a strong and firmly-established system of barter transactions between individuals. Many benefits and services (access to good maternity hospitals; to degree courses which led to “good” career options; to prestigious secondary or higher education institutions) were distributed through a complex web of private barter arrangements, involving even medium-term exchanges of favors, or complex multilateral exchanges. Increasingly it appears that this system is being replaced by straight cash fees.

2.29 In interchanges between the public service and business and individual citizens, levels of petty corruption remain relatively high, as is indeed the case in many other countries in the region. Contributory factors to this situation include lack of accountability mechanisms and of appropriate checks and balances in the system; and lack of effective sanctions. Over-regulation and abuse of discretionary powers together with a weak legal and judicial system have combined to raise high administrative barriers to both foreign and domestic investors.

III : Reform options and strategy

3.1 In his Annual Address to the Federation Assembly in 1995, First President Yeltsin identified upgrading the efficiency of the Russian Government as his fundamental priority during 1995. By the time of his Annual Address of 1998, he was able to identify in some detail the measures which he considered now needed to be implemented to secure administrative reform:

- “-management on the basis of competence;
- assimilation of modern management technologies;
- formation of a government apparatus based on merit;
- turning the civil service from “service to the sovereign” to a bona fide civil service;

- (establishment of a) flexible and non-hierarchical system for the formation and renewal of the civil service;
- selection primarily on a competitive basis, promotion and retention of the most highly skilled and hardworking people in the civil service;
- a more clear cut differentiation in the status of career civil servants and of political appointees;
- creation of a regime that makes civil servants accountable, while offering them legal protection against arbitrary and incompetent officials and the mass media;
- streamlining of the cost of maintaining the civil service; increasing direct financial incentives and decreasing the use of indirect incentives and liquidating “secret” perks.”

3.2 More recently, in December 1999 in his keynote article “Russia at the Turn of the Millennium”, Prime Minister Vladimir Putin set out his views in this area:

“Russia needs a strong state power and must have it...A strong state power in Russia is a democratic, law-based, workable federative state. I see the following directions of its formation:

- a streamlined structure of the bodies of state authority and management, higher professionalism, more discipline and responsibility of civil servants, keener struggle against corruption;
- a restructuring of the state personnel policy on the basis of a selection of the best staff;
- creating conditions beneficial for the rise in the country of a full-blooded civil society to balance out and monitor the judiciary;
- a larger role and higher authority of the judiciary...”

3.3 Given the above, it would seem uncontroversial to suggest that the overall aim of a public administration reform program should be the creation of a public administration which is **merit-based; professional; independent; accountable;** which has a **strong public service ethos;** and which is **well-regarded** by citizens, service users, and by business.

3.4 To get to this end point, what could be required is a public administration reform program which has the following aims:

- improving service delivery** (to all clients of the public service : **politicians** (for policy analysis and advice); **citizens** (for law and order, security and basic and social services); the **private sector** (for delivering a stable and investor-friendly business and investment climate and regulatory regime, and a level playing field);
- strengthening the accountability** of the civil service to its various client groups;
- developing a **performance-driven culture** within the public service;
- instilling a focus on **cost-effectiveness** within the public service.

3.5 In addition the reform program should give priority to and should focus on **removing obstacles to growth** through targeting blockages to private sector development which are attributable to the public service; and should focus on **remedying those service delivery failures** which hit the poorest hardest.

IV : A Medium-Term Public Administration Reform Program

4.1 This section sets out some options for a framework for a medium-term public administration reform program; then develops a set of indicative components for such a program.

(i) Framework

4.2 What is required is a public service which does only those things where it has a real comparative advantage (and, given affordability and capacity constraints, all “borderline” cases should perhaps be excluded from its remit); which does these things supremely well; and which has appropriate respect for the views of all stakeholders concerned.

4.3 Developing this, perhaps what is required is a public service which has the right role and functions; the right objectives; the right people, in the right numbers, with the right skills with the right reward and the right incentives; and which receives the right feedback and management information. Components for a medium-term civil service reform strategy could be developed around such an overall framework as follows.

(ii) Components

Right role and functions...

4.4 **Structure and size** : Undertake a high-level functional review to : test functions to be provided against a clear model of role of state (including affordability and capacity criteria); eliminate unnecessary functions; remove duplication and ambiguity and overlap (both between the Administration of the President, the Apparatus of the Government, and Government Ministries and agencies; and also between individual Ministries and agencies); and allocate remaining functions to a reduced number of Ministries and agencies.

.....right objectives...

4.5 Set clear **mandate and objectives** for each Ministry and agency.

.....right people in right numbers...

4.6 Undertake series of **management and functional reviews** at individual Ministry and agency level to identify skills mix and staff numbers required to exercise revised mandate; undertake gap analysis to map required skills and numbers against those present; develop transition plan to address areas of overstaffing and of understaffing, including proposals to address any skills constraints arising out of recruitment and retention difficulties. Consider Ministry/agency level structural options such as introduction of “Administrative Secretary” or “State Secretary” as highest civil servant in Ministry/agency reporting to political Minister.

.....right skills

4.7 Consolidate findings of individual Ministry and agency reviews into a service-wide **training needs analysis** and **training and career development strategy** designed to address key skills shortages (e.g., strengthening policy analysis and evaluation skills; use of Internet for electronic government; approaches to performance management and monitoring; and approaches to securing effectiveness and cost-effectiveness).

.....right reward...

4.8 **Pay strategy** : Establish clear salary position for the public administration overall compared to the private sector; and for distinct groups within the public administration and civil service; undertake detailed pay and benefits review to assess present position in public administration compared to private sector and to form a baseline for future year on year comparisons.

.....right incentives...

4.9 **Performance appraisal** : Develop approaches to setting objectives for employees possibly using hierarchy of objectives (Ministry or agency; then Department; then organisational unit; and then for individual employees); and for then assessing performance against objectives, and for possible use of team-based performance bonuses.

.....right feedback...

4.10 Develop arrangements to **strengthen accountability** of public service to its different users/clients for its different functions.

.....right management information...

4.11 Management Information Systems : Integrating and developing systems, including Internet based systems, in areas such as personnel information, personnel expenditures, accounts, wagebill, and budgeted positions and staff in post.

V : Immediate next steps

5.1 Clearly while it is important to have an agreed medium-term framework and strategy, it is also important to start to deliver some results from immediate reform measures. A number of immediate next steps to start the process and to begin the analytical work required to support the formulation of an effective strategy for the medium-term are suggested below.

5.2 The first phase of the public administration reform program, the **inception phase**, could be implemented over a **six month period**. During this period, the aim could be to complete a set of activities as set out below.

5.3 Set up **arrangements for developing and managing the reform program** : Identify sponsors for reform at both senior political and also technocrat levels and across a number of Ministries and agencies; set up high-level InterMinisterial Management or Co-ordinating Committee; and a number of specific issue Working Groups. Identify resources required for managing and implementing the program.

5.4 Set up required **accountability arrangements** : Establish a number of consultative and feedback mechanisms (user groups, focus groups with service users; NGOs; SMEs; and business).

5.5 Undertake **overall Government strategic review** using criteria such as role of state and affordability/fiscal constraint).

5.6 Establish **target size for public administration** (general civilian government) and of core civil service within this.

5.7 Undertake a series of baseline **institutional and governance reviews** at a number of different levels: the executive overall; a small number of pilot individual Ministries and agencies (e.g., Ministry of Finance, Ministry of Fuel & Energy, Ministry of Education); plus the Apparatus of the Government and perhaps the Administration of the President; and two or three Regional Administrations. These reviews would be designed to assist clear problem identification and to support the process of building consensus around priorities for change and behind the emerging reform program.

5.8 Begin to identify functions/services for commercialization, corporatization, contracting out, introduction of competitive tendering, privatization or elimination. Aim to **keep in public sector only those functions where public sector has comparative advantage**; and which are fiscally sustainable. Identify at strategic level functions and services for possible decentralization and devolution.

5.9 Undertake a baseline **survey of public officials**.

5.10 Undertake **pay and benefits survey**.

5.11 Plan and hold series of **workshops** to review findings of the analyses above; to draw conclusions for the reform program; and to begin to develop options and approaches for the reform program.

5.12 Develop and start implementing **public education and internal communications strategy**.

5.13 Following the end of the inception phase, a twin track approach could then be adopted, based on continuing to address the system-wide reform issues and agenda, while in parallel piloting new initiatives and approaches at individual Ministry/agency/Regional level, particularly in service delivery areas. Following such an approach should help maximize the processes of building consensus; achieving real results quickly; and building lessons learned from the pilots into overall program design and implementation.

VI : Conclusion

6.1 The above principles and objectives, framework, components and possible next steps are offered not as any form of blueprint for the eventual public administration reform program adopted by the Russian authorities; but rather as a framework for discussion of some of the key issues that are likely to need to be addressed in developing such a public administration reform program. The problems are severe, the constraints significant, and the challenge extremely complex. All of this though serves to reinforce the urgency of beginning such a formal reform process; and thereby seeking to make a real difference to all the stakeholders of the public administration in Russia.