

Internal Contradictions in Russian Reforms

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Abstract

A decade after the Russian authorities embarked on reforms to improve the efficiency of governance in the country, most of the declared goals have not been achieved, including improving the quality and availability of public services and raising the effectiveness of public administration. The latest political developments in Russia have renewed discussion about the internal contradictions in the proposed approach to modernizing the state.¹

Introduction

In the early 2000s, the Russian authorities, in an effort to achieve higher administrative efficiency, launched a series of reforms, including administrative, public service and budget reforms. This modernization package was very similar to the “new public management”—a modern paradigm for public administration associated with British Prime Minister Margaret Thatcher’s reforms in Great Britain, which aimed at eliminating tedious and inflexible bureaucracy in governance. Russia, though with a delay of two decades, followed this world trend to use corporate-style processes instead of formal bureaucratic procedures. This meant switching from funding public bodies to funding public services, emphasizing that public services could be provided by both public and private organizations. Hence, according to this approach, it is possible to outsource some public services, such as licensing certain types of economic activity.

During the last 10 years of reforms, the Russian public administration sphere received a massive injection of western management techniques, like management by results, performance-based budgeting, e-government, and many others. On paper, the essence of the reforms was quite progressive. In practice, the reforms appeared mostly artificial and removed from the lives of ordinary Russians. Citizens, who are now rebranded as customers in a reinvented, marketizing system of governance, are not satisfied with the quality of the public services that the state provides. The problem is that no one in Russia feels the difference between public function and public service. In Russian legislation these two terms blend together. It was (and is) extremely difficult for public administration bodies at all levels to divide their work into services and functions. Federal Law #210, adopted on July 27, 2010, only confused the situation

by defining state and municipal services as activities to be implemented by state and municipal functions at the request of applicants. At first glance, this issue may seem insignificant and just technical, but it poses a fundamental conflict of vertical functional and horizontal service approaches. These methodologies are absolutely different and their combination produces what we call the phenomenon of “perpendicular government.” The vertically-oriented functional system means managing by command and control; the horizontally-oriented service system means managing by processes. Because of this contradiction, invisible for many reformers, the proposed mechanisms of reforms do not work on the ground and cannot bring the anticipated results. “Turbulence,” the term Deputy Prime Minister Vladislav Surkov used to describe the protests that recently took place in Russian society, is also caused by the low efficiency of this “perpendicular” governing engine.

Russian administrative reforms have mostly failed, even from the official point of view. Government is looking for new reserves of effectiveness and fresh approaches to enhance the efficiency of public management. Recently President Vladimir Putin even described the Key Performance Indicator (KPI) system as a probable “magic pill” to overcome governmental inefficiency. But it is practically impossible to use any modern tool, finely-tuned models or even best practices from abroad without first solving the conflict of perpendiculars in the fundamental principles of governing.

“To-Be” Governance

Public administration reforms in Russia were aimed, at least artificially, to move from functional to process management. To modernize the Russian administrative machine, firstly, it is necessary to bring the government into the market of social goods as one of the suppliers. Governmental bodies must adopt new “corporate style” structural and legal forms. In other words, the state should envision itself as a private company that aims to have a clearly defined product for citizens and civil society—public service provided to concrete customers and stakeholders—and there should be a trans-

¹ This article is a result of the author’s visiting research fellowship sponsored by the Special Projects Office of the Special and Extension Programs of the Central European University Foundation (CEUBPF). The theses presented here are the ideas of the author, but do not necessarily reflect the opinion of CEUBPF.

parent performance measurement system based on customer satisfaction with the quality of public services to hold the government accountable.

Secondly, there is a need to rethink the borders of the market sector in which the state operates as a service provider. In market terms, this means that the authorities should clearly define their market niche, including the features and types of services they provide to consumers. This definition implies, on the one hand, that the government should reject the idea that it provides a “package” of services and split these services into various separate categories; on the other hand, it requires a clear definition of customer groups and stakeholders. For example, providing subsidies for housing directly to customers/citizens (not to service organizations as is the usual practice today) actually allows citizen to avoid the compulsory fees that he or she has become used to paying. This is an opportunity to get away from opaque subsidies to municipal infrastructure that result in corruption, while supporting a citizen’s choice of the services that he really needs. Such a reform would not only open the market of housing services for investment, but would also reduce costs to the budget.

Thirdly, according to this logic, public services without defined customers do not have to be provided (if there is no recipient of the service, there is no opportunity to assess the quality of its delivery). It is obvious that the following sectors should be subject to such restrictions: healthcare, education, culture, social welfare and housing—sectors that can be defined as still mostly non-market. Thus, the transition must be made to a customer-oriented management style. Quality of service must be established by clearly identified standards, and public service delivery processes—in administrative regulations. Moreover, the concept of “quality” should not be construed narrowly, as compliance standards or regulations. It has to be measured as the level of customer’s/citizen’s satisfaction with public services.

Finally, it should be noted that a business-like approach requires the most cost-effective way of production. This means that public services must not only meet all customers’/citizens’ requirements, but these must be implemented at a lower cost than at present. Drawing an analogy with a market economy, the effective state constantly reduces costs and improves performance. The ideal situation is if the state can assess the financial “weight” of each public service (budget expenditures for its provision) that allows comparing the actual cost of services both in the public and private sectors. In this case, budget expenditures are targeted, focused on achieving a certain result. They are “tied” to certain public services. Over time, the value of all public services is becoming more transparent,

even those services which the public authorities provide to each other.

The described framework implies four necessary steps of reform:

- First: functional reform in terms of actually changing the content of public management at the strategic level. This reform requires a new definition of the public authorities and their place in the system of public administration in Russia.
- Second: it is modernization of the operational management system (administrative reform in the narrow sense) in accordance with the new content of public management focusing on citizen/customer satisfaction and public service delivery.
- Third: reform of the budget process, primarily to help improve the efficiency of budget spending through effective methods of budgeting.
- Fourth: all reforms require an updated regulatory framework, which must be based on extensive legal reform.

“As-Is” Governance

A number of serious challenges have already arisen with implementing the model of the new public management in Russia (although it should be noted no one in Russia calls it “new public management”). These challenges will continue to arise.

The fast inflow of modern western management techniques into Russia often exceeds the ability of the government to absorb and implement them. The best example of this problem is the conflict between implementing the horizontal process model of public services delivery and the vertical hierarchical framework of public functions. A citizen, imagining himself as a citizen-customer, believes that the state provides public services to him (because the state officials constantly talk about it). In accordance with theory and common sense, service delivery means a horizontal process approach—the fastest and most effective way from customer needs to customer satisfaction. But for the state, public service is no more than a new public function. Public servants cannot (and do not want to) think in terms of processes; they operate in a framework of functions. Under this form of governance, an official’s customer is not a citizen, but his boss from the Power Vertical, the top-down hierarchy in which bureaucrats obey their superiors. Vertical functional management and horizontal process management cannot work together ... but they do in contemporary Russian public administration. The citizen is lost within the bureaucratic machine because at the current stage of modernization, the Russian state has not decided yet what it produces: functions or services. This is the main feature of perpendicular government.

Nevertheless the state, partly accepting the role of a service organization, tries to demonstrate its achievements to the public, its current citizens/customers. But it manages to focus only on the “front office,” where it demonstrates mostly artificial evidence of effectiveness, such as “one window” options for businesses to obtain the licenses that they need to operate. Government has declared that it has adopted a customer-oriented strategy, but it has not integrated a process approach into legislation or the day-to-day activities of public administration. The functional framework still rules.

Another problem is that as the state takes on the role of a “Public Service Co.” it feels comfortable playing the role of a monopoly. It seems that the only thing that a business-like status gave the state is an opportunity to “invent” and sell services. Meanwhile, people are still crowded in the queue, and those who want to receive their services more effectively must go to the backdoor to get what they need—that means only one thing—more and more corruption.

The effectiveness assessment framework, which was to become the main driver for improving public administration, was introduced by two presidential decrees in 2007 (for regional authorities) and 2008 (for municipalities). Developments in this sphere mostly focus on laying out a number of criteria for measuring performance. The performance measurement system is being constantly updated with new indicators. For instance, the evaluation model for the governors initially consisted of 63 indicators, subsequently grew to over 360, but in autumn 2011 dropped to 264. After a short discussion within the framework of the recently created “Open Government,” there are now 11 indicators..

Unfortunately all these changes do not make the effectiveness assessment model any more useful. The main reason is that the gap between the importance of measuring effectiveness and its actual place in the legislation remains very large. Evaluating effectiveness is the last of 18 items in the “Local issues” chapter of the Federal Law on Local Government. The only legal consequence of effectiveness (or ineffectiveness) for the local government could be a grant from the governor that encourages the achievement of better results. The same scheme works at the regional level. Needless to say, public officials have little incentive to work more

effectively. Even the measures that do exist do not give a clear measure of results. A focus on ranking instead learning; empty papers and reports instead real actions and continuing improvement—these are the features of the existing system.

All attempts to evaluate the quality of public service by measuring the level of citizen satisfaction cannot give a truthful picture due to the lack of a relevant methodology. That’s why in official reports we see levels of citizen/customer satisfaction with public services as high as 80, 85, or even 90 percent; but when we go into details to understand how these great results were achieved, we find out that the annual figure was obtained from a 2-hour survey of a handful of people, who themselves are in public office. While some may find this amazing, it is a typical practice.

Conclusion

Historical developments shows that countries from the Roman-Germanic legal family (of which Russia is a member) still poorly fit the model of “new public management.” Some of them spent many years on reforms, but are constantly faced with new challenges. Although it is impossible to guarantee the success of reforms, it is obvious that the businesslike model allows the government to use a range of tools previously inaccessible to the state machine to increase efficiency and collect more resources through mechanisms such as public-private partnerships and delegation of public functions to civil society. “Business-like” governance is more flexible than the “administrative” forms and therefore may exhibit greater stability. New “centers of responsibility” within this system produce a lot of project initiatives, can generate a quick response to citizens’ requests without waiting for a hierarchical signal from the top (through the “functional wells”), and solve problems at the citizen level.

Finally Russia urgently needs to get rid of perpendiculars in governing, to change the ideology of public management, to move from the idea of “serving the public” to the idea of “delivering public services”; from understanding governance as a hierarchy where your customer is higher level officials to the concept of governance as a market where your customer is a citizen.

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