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Gaining Efficiency of Public Administration – Key Objective for Modern Russia



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Abstract. The article proves that addressing the issues of socio-economic development of Russia, ensuring the population's high quality of life and national security is of particular importance. Analysis of domestic and foreign historical experience concludes that there are many factors which determine both the development of statehood and the decreasing public administration efficiency. Their consideration is extremely important for the reformation of public administration in modern Russia. We consider a series of technical approaches to assessing management effectiveness, which have established in the academic literature and practice, point to the drawbacks limiting their wider use. The present paper uses target and functional approaches which prove the inefficiency of public administration in the post-Soviet period, which led to the crisis in key sectors of the Russian economy, which is impossible to overcome without changing the government policy. Moreover, at the present stage, management is characterized by specific features reducing its efficiency; these include lack of coordination between the actions of authorities, contradictory management decisions made at different levels, lack of sound objective strategic planning and forecasting. In this regard, improving public administration based on the use of modern methods in order to improve its efficiency is becoming acute. In our view, an important

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role in this process belongs to the new industrial policy whose fundamental area includes stimulating the development of high value-added chains. The results of analysis demonstrate that the current level of integration of Russian economic entities lags behind the foreign levels, which is a factor limiting their competitiveness on world markets and their contribution to the socio-economic development of territories. We prove that the formation and development of integrated enterprises suggests the need to develop government policy which, with the help of stimulus measures should encourage enterprises to practice such integration. On the example of the Belgorod Oblast we demonstrate the efficiency of implementing project management in government activity; we prove that the activation of these processes requires a well-developed institutional and organizational environment.

Key words: public administration, public administration efficiency, development institutions, value added, vertical integration, project management, performance evaluation techniques.

Amid a series of acute socio-economic issues, the need to insure higher standard of living, quality of life, sustainable territories' development and national security, it is extremely important for modern Russia to address the issues of enhancing public administration efficiency. However, the current system of public administration, despite numerous attempts to reform it, still falls short of the set objectives and does not ensure full resolution of the growing number of issues. The scholars believe the causes of these issues are: conflicting philosophy of reforms and their instrumental organization, inefficient actions of the ruling elite in meeting the population's critical needs to improve their quality of life and ensure social justice; as well as officials' pursuit of own interests [6].

The destructive influence of these factors on public administration efficiency is evidenced by the world practice. In particular,

the internal contradictions in the USA in the first half of the 19th century (between the agrarian bourgeois North and the slave-owning South), slave-owners' violent activities to impose their interests, inconsistent federal policy (the 1850 Kansas–Nebraska Act which ruined the previously established balance between the slave-owning and slave-free states), which, in fact, became the causes of the crisis of statehood and the coming of the Civil war in the country. Similar processes were observed in Japan in the 15th century: amid the weakening Central government, governors of Japan provinces (shugo) began to take advantage of their power. These contradictions led to the beginning of a new epoch of feudal fragmentation – “the Sengoku period”.

The officials' failure to address systemic economic issues resulting in the declining standard of living, lack of unity within political elites ultimately lead to a crisis

of statehood and aggravation of “social diseases” in the society (for example, the Nazis assumption of power in Germany in the 1930–s).

In light of this, the issues related to enhancing public administration efficiency in Russia are constantly raised by the country leaders. Thus, in 1999, Russian President Vladimir Putin in his election article, “Russia at the turn of millennium” pointed to the need to strengthen the role of the state, its institutions, civil society in economic modernization and the country’s life in general [19]. In July 2016, during the meeting of the Presidential Council for Strategic Development and Priority Projects he reiterated that at the present stage “the most important thing is to improve the efficiency of managing both industries and the economy as a whole...with full responsibility personification for achievements or absence of results” [20]. In September 2016, Prime Minister Dmitry Medvedev at the Investment forum in Sochi said that “low efficiency of public administration system is one of the key factors hindering the country’s development” [3].

These circumstances determine the relevance of the present study. The purpose for the study is to rationalize the need to develop priority directions for enhancing public administration efficiency using analysis of key trends in Russia’s socio-economic development.

Despite countless research devoted to public administration efficiency, a unified approach to understanding the nature of public administration as a social institution has not yet been developed (*Tab. 1*).

In the narrow sense, public administration is equated with the activity of exclusively executive authorities. In the broader sense it is the activity of all government branches, government authorities and officials on regulation of social relations.

We maintain the broad approach, considering *public administration as practical, management and regulating influence of the state on public life in order to streamline, save or convert it based on the state’s imperative power* [1].

Supporting the view of S.S. Sulakshin and A.V. Klimenkov that public administration should be considered as activity on the

Table 1. Approaches to interpretation of the nature of public administration

Approach	Outline
1. A broad approach	<i>Public administration is direct activity of all government branches, government authorities and officials on regulation of social relations.</i>
2. A narrow (administrative) approach	<i>Public administration – activity of executive authorities on practical use of the public policy developed on the basis of appropriate procedures. It includes primarily administrative, executive and management activity.</i>
Source: compiled by the author from [1, 4, 9].	

implementation of all management functions (goal-setting, planning, organization, motivation, control, etc.), it is possible to distinguish two basic stages of public administration: public policy development and its implementation (*Fig. 1*). In this regard, it is important to assess its efficiency at all stages of the management process.

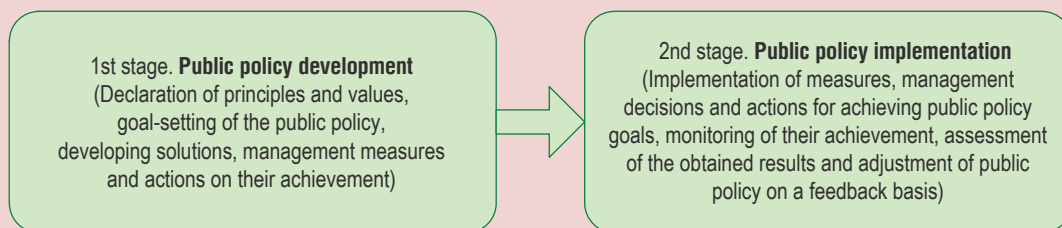
In turn, critical analysis of economic literature on the subject suggests that the concept of “efficiency” is very polysemantic and there is no well-established definition. One can only refer to a certain uniform

conceptual approach to its interpretation. Thus, in the work of D.S. Sin it is referred to as a complex phenomenon which includes the following components (*Fig. 2*).

Thus, efficiency is a complex, systematic and multi-component category which includes elements such as effectiveness, efficiency, innovation and quality transformations in the system as a result of management action.

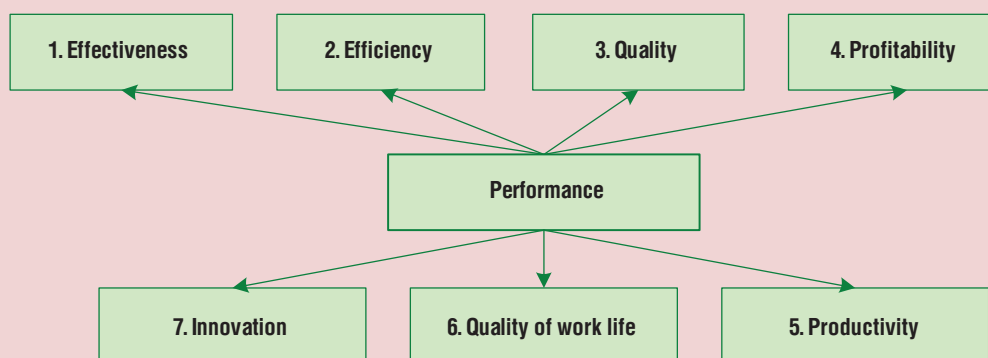
In this regard, *public administration efficiency is a system category reflecting the achievement of both economic and socio-political results of activities of government*

Figure 1. Stages of public administration



Source: compiled by the author from [8].

Figure 2. Main components of “efficiency”



Source: compiled by the author from [22].

authorities, which lie in resolving socially important objectives, ensuring the country's national security, raising the population's standard of living and the quality of life.

Critical analysis of domestic and foreign historical experience suggests that there is a number of factors which can lead both to

growth, development and efficiency of public administration and to the fall of the statehood (Tab. 2).

Consideration of this historical experience is extremely important in reforming the system of public administration prevailing in contemporary Russia.

Table 2. Factors affecting public administration efficiency, statehood establishment, rise or fall at different stages of historical development

Development factors	Decline factors
<p>1. <i>Political consolidation of forces under a single integrating leadership</i> (Ancient Egypt, end of 4th millennium BC; Ancient India, 2500–2000 BC; Kievan Rus, 14–15th centuries); <i>single religion</i> (Ancient China, second half of I Millennium BC).</p> <p>2. <i>People's common identity</i> (Ancient Greece, 5–4th centuries BC); <i>inner harmony</i> (Ancient Rome, 2nd century AD; England under Henry I, 1100–1135);</p> <p>3. <i>Elimination of external threats</i> (Ancient Egypt, end of 4th millennium BC); <i>strong army, expansion of country's territory</i> (Kievan Rus, 9–10th centuries.; Muscovy Russia under Ivan IV the Terrible, 1533–1584);</p> <p>4. <i>Focus on internal unity, internal development, population's welfare</i> (Ancient Rome, 2nd century AD; Kievan Rus under Vladimir I, 980–1015 and Yaroslav the Wise, 1036–1054).</p> <p>5. <i>Increasing role of the state in country's economy and governance</i> (reforms of Peter the Great, first half of the 18th century; Shuvalov's reforms, 1753; the USSR, 1930–1940).</p> <p>6. <i>Adoption of various achievements and inventions</i> (Ancient Egypt, end of the 4th millennium BC; Ancient Sumer and the Akkadian Empire, around 7,000 years ago; Japan, around 500 BC); <i>change in the technological mode</i> (China in the 20th century).</p> <p>7. <i>Development of legislation</i> (Ancient Babylon, around 1894–1595 BC); the USA in the second half of the 18th century – election of the first President and adoption of the Constitution).</p> <p>8. <i>Active diplomacy</i> (Ancient Babylon, around 1894–1595 BC; Muscovy Russia in the 14–15th centuries).</p> <p>9. <i>Development of economy, use of advantages of foreign trade</i> (Kievan Rus in the 10–1st half of the 11 century).</p> <p>10. <i>Reforms, changes in the socio-economic and political life adequate to the demands of the time, use of best practices</i> (Ancient China, second half of the 1st millennium BC, Zhanguo (Warring States); reforms of Alexander II of Russia 1855–1881).</p>	<p>1. Disunity, struggle between political forces (Ancient Egypt 11–6 centuries BC; Ancient Babylon, around 1894–1595 BC; the Russian Empire under Nicholas II, 1894–1917); <i>class and social contradictions</i> (Ancient China, last quarter of the 1st century BC; Ancient Greece, 5th century BC; the USA, the second half of the 19th century; Russia, 1990–s – beginning of the 20th century).</p> <p>2. <i>Weakening of the Central government</i> (Ancient Egypt of the 11–6 centuries BC; the Russian Empire in the Time of Troubles (Smutnoye Vremya), 17th century; Japan, 15th century).</p> <p>3. <i>Excessive social injustice, population's rebellion against the government</i> (Ancient Egypt of the 11–6th centuries BC; the Russian Empire under Michael Fyodorovich Romanov, 1613–1645; and Catherine the Great (1762–1796).</p> <p>4. <i>Corruption</i> (Ancient Greece, 5th century BC), <i>lack of population's control over government's activity</i>.</p> <p>5. Inconsistency and unclearly defined areas of reformation, failure to address key systemic issues of the country (reforms of Alexander I of Russia, 1801–1825, the USSR, 1970–s; modern Russia).</p>
<p>Source: compiled by the author.</p>	

A whole set of international indices is currently used for assessing public administration efficiency at the national level (public administration integrated index, corruption perceptions index, index of economic freedom, global competitiveness index, reform quality and progress index, etc.) [5].

However, these techniques differ in some “narrow” aspects limiting their scope of practical use for assessing public administration efficiency, such as:

a) non-transparent subjective indices (data of various sources are used for their computation; most of these sources are in the public domain, which leads to non-reproducible calculations);

b) assessment of political processes taking pace in the country, rather than public administration efficiency itself;

c) compression of a large amount of information into a single index, which prevents from identifying the specific causes of the country’s particular assessment [23].

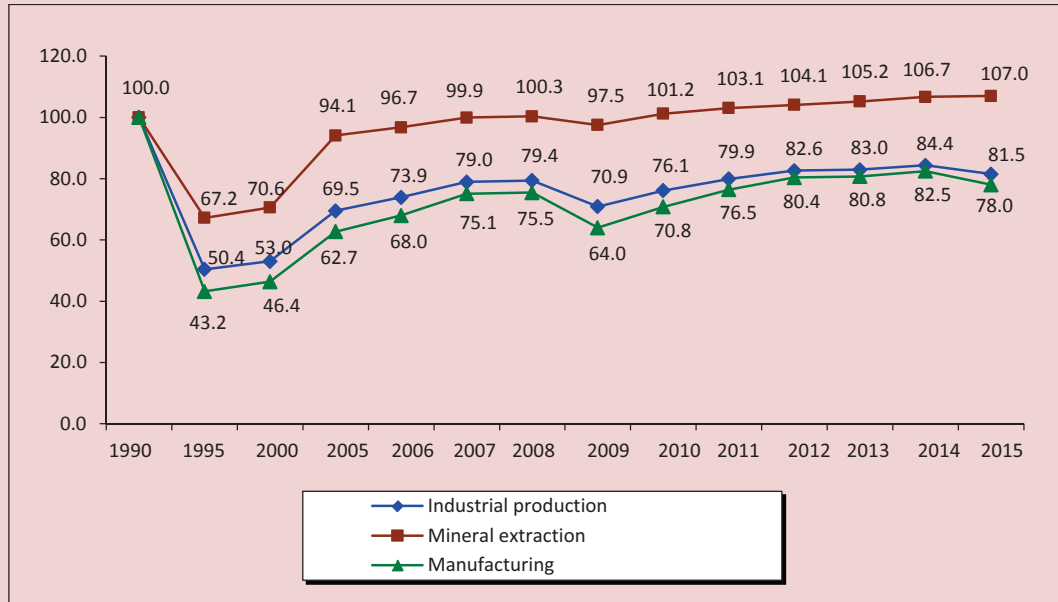
The Russian experience uses its own assessment techniques which were stated in President’s Executive orders, RF Government resolutions¹ and other normative legal acts.

¹ See, for example: Decree of the President of the Russian Federation no. 1199 “On assessment of executive authorities activity efficiency of constituent entities of the Russian Federation”, dated August 21, 2012; Government Decree no. 1142 “On measures on the implementation of the Decree of the President of the Russian Federation no. 1199 “On assessment of executive authorities activity efficiency of constituent entities of the Russian Federation”, dated August 21, 2012”, dated November 3, 2012.

The drawbacks of these techniques include a large number of indices and their incomplete coverage of the entire organizational management structure; use of indicators that cannot be directly attributed to the activities of a specific division of a government body and only reflect the development of a region as a whole (GRP, unemployment rate, etc.); absence of index hierarchy; non-balanced non-correlated indices; the problem of defining the threshold index values for establishing quality summary conclusions (good, satisfactory, unsatisfactory); uniform assessment of all regions according to the developed criteria [18].

Review of literature on the subject of our interest and current practice has helped distinguish two basic approaches to evaluating public administration efficiency: *target* (assessment of efficiency is carried out based on dynamics of progress towards target index values of socio-economic development; compliance with environmental and social development constraints; population’s quality of life; effectiveness of projects and programs involving government authorities); and *functional* (assessment of efficiency is based on indices of performing basic management functions: system of target strategic planning and management; legislative, regulatory and methodological support; availability of informal institutions of market infrastructure; systems of training and qualification of government bodies employees) [4].

Figure 3. Industrial production index in Russia, % to 1990



Source: data of the Federal State Statistics Service. Available at: www.gks.ru.

The present study of public administration efficiency is based on the target approach; however, it focuses both on quality implementation of main management functions and conditions for their implementation (i.e., functional approach).

Poor public administration in Russia in the post-Soviet period led to the situation where key economic sectors were affected by crisis phenomena, overcoming of which, in our view, was impossible without changing the public policy priorities. Thus, Russia has not yet been able to catch up with the early 1990–s index values in terms of volume of industrial production: in 2015, the index amounted to 82% of the 1990 level, in manufacturing – only 78% (Fig. 3).

Destructive phenomena in domestic industry, de-industrialization of economy is evidenced by a steady downward trend in the share of manufacturing in GRP, which amounts to 17% in Russian regions, 33% – in regions of China, 28% – in South Korea, 25% – in Indonesia [12].

A significant share of products refers to the lowest technological modes and are uncompetitive on world markets. Thus, the share of products from high-tech knowledge-intensive sectors in GRP² in the subjects

² Rosstat includes types of economic activity assigned to them according to international classifications in the list of high-tech industries (for example, pharmaceuticals, manufacturing of radio, TV and communication equipment, medical equipment, measuring equipment, optical devices and equipment, clocks, aircrafts including space crafts).

Table 3. Share of products from high-tech knowledge-intensive industries in GRP in Russian regions

Territory	2005	2010	2012	2013	2015	2015 to 2005, percentage points
Russian Federation	20.1	19.1	19.4	19.4	19.3	-0.8
<i>Central Federal district</i>	<i>22.1</i>	<i>21.8</i>	<i>20.8</i>	<i>21.2</i>	<i>20.5</i>	<i>-1.6</i>
<i>Northwestern Federal district</i>	<i>23.1</i>	<i>22.7</i>	<i>23.1</i>	<i>23.3</i>	<i>24.4</i>	<i>1.3</i>
Republic of Karelia	18.4	17.4	18	18.1	18.3	-0.1
Komi Republic	13.2	10.3	10.7	12.2	13.1	-0.1
Arkhangelsk Oblast	18.8	16.9	16.9	18.4	18.9	0.1
Vologda Oblast	22.8	22.6	21.1	20.6	20.3	-2.5
Kaliningrad Oblast	22.6	22.4	23	25.6	26.4	3.8
Leningrad Oblast	14.3	13.7	12.2	12.2	13.5	-0.8
Murmansk Oblast	18.3	17.1	18.6	17.9	19.1	0.8
Novgorod Oblast	27.7	27.9	30.1	29.5	29.3	1.6
Pskov Oblast	24.1	23.1	23.2	23.4	21	-3.1
Saint Petersburg	28.8	29.6	30.9	30.2	31.7	2.9
<i>Southern Federal district</i>	<i>16.8</i>	<i>16.7</i>	<i>16.3</i>	<i>16.4</i>	<i>16.3</i>	<i>-0.5</i>
<i>North Caucasian Federal district</i>	<i>18.1</i>	<i>18.4</i>	<i>18.1</i>	<i>18.0</i>	<i>19.1</i>	<i>+1.0</i>
<i>Volga Federal district</i>	<i>23.1</i>	<i>23.3</i>	<i>22.8</i>	<i>23.2</i>	<i>23.2</i>	<i>+0.1</i>
<i>Ural Federal district</i>	<i>13.4</i>	<i>12.8</i>	<i>12.4</i>	<i>12.3</i>	<i>12.7</i>	<i>-0.7</i>
<i>Siberia Federal district</i>	<i>18.8</i>	<i>18.0</i>	<i>18.2</i>	<i>18.7</i>	<i>19.6</i>	<i>+0.8</i>
<i>Far Eastern Federal district</i>	<i>15.4</i>	<i>15.0</i>	<i>13.7</i>	<i>13.7</i>	<i>15.2</i>	<i>-0.2</i>

Source: data from Rosstat Unified Interdepartmental Statistical Information System. Available at: <https://www.fedstat.ru/indicator/43525>.

of the Russian Federation does not exceed 20–30%, whereas in the US, Japan, Germany, South Korea, and Taiwan this value amounts to approximately 40–50% [14] (*Tab. 3*).

The main products exported by Russia to world markets are mineral products. During 2000–2015, the share of mineral products in the exports structure continued to increase – from 53.8 to 71.3% (an increase of 17.5 p.p.), while the share of machinery and equipment decreased from 8.8 to 5.1% (3.7 p.p.)³. Thus,

³ Share of engineering products in the total value of exports in Japan is around 65%, in the US and Germany – around 50%, in Sweden – 45%, in Canada – 42% [17].

Russia remains a mineral mining power on global markets.

At the same time, other sectors of material production continue to accumulate endemic problems. In particular, in 2015, despite the measures of federal and regional authorities, the physical agriculture output did not exceed the level of 1990. The national average is only 95% of the level in the reference period. Among other territories, the largest decline is observed in the Far Eastern Federal district (by 43.5%; *Tab. 4*).

In 1990–2015, there was a steady trend in decreasing land areas under crops: on average,

Table 4. Index of agricultural production (in all types of households), % to 1990*

Territory	1990	1991	1998	2000	2005	2008	2009	2010	2011	2012	2013	2014	2015
Russian Federation	100	95.5	55.1	60.7	68.1	80.2	81.4	72.2	88.8	84.5	89.4	92.5	95.3
<i>Central Federal district</i>	100	97.1	57.2	62.2	64.2	80.1	83.3	70.3	94.8	98.8	105	109.7	115.2
<i>Northwestern Federal district</i>	100	99.4	53.6	59.1	52.8	52.5	54.7	55.8	60.4	62.8	62.7	65.6	68.5
Republic of Karelia	100	96.7	39.7	47.2	40.6	41.7	40.2	39.8	39.8	37.5	39.1	38.4	37.9
Komi Republic	100	104.9	68.3	68.3	57.1	58.2	56.6	58.4	63.6	64.5	61.2	60.7	61.2
Arkhangelsk Oblast	100	99.7	61.8	56.6	38.9	33.0	34.7	33.9	36.6	36.9	33.6	34.3	29.2
Vologda Oblast	100	96.8	64.1	72.3	61.1	57.7	56.3	52.1	57.6	54.8	51.1	50.2	52.0
Kaliningrad Oblast	100	100.0	46.4	48.1	47.8	53.7	59.0	59.1	59.2	62.3	64.8	71.2	78.5
Leningrad Oblast	100	98.8	49.3	59.7	61.8	64.0	66.9	68.7	74.7	80.7	83.7	85.8	87.4
Murmansk Oblast	100	92.3	32.2	37.0	26.6	32.6	32.9	32.1	32.7	32.7	26.8	22.2	16.9
Novgorod Oblast	100	98.7	53.2	57.5	53.6	50.7	59.7	75.1	88.1	92.5	84.1	93.6	107.5
Pskov Oblast	100	104.4	55.4	59.9	41.9	36.3	37.0	37.3	39.3	41.6	46.9	57.7	66.5
<i>Southern Federal district</i>	100	88.0	42.0	50.8	70.1	90.7	83.6	82.9	93.9	85.1	89.0	93.6	95.0
<i>Volga Federal district</i>	100	99.3	64.5	70.1	77.0	89.2	89.0	65.8	92.3	86.5	90.2	94.0	95.4
<i>Ural Federal district</i>	100	94.4	56.3	61.3	69.3	75.5	78.9	71.1	88.8	75.8	82.1	82.0	84.9
<i>Siberia Federal district</i>	100	84.6	53.8	60.1	61.5	68.5	75.3	71.3	74.9	67.4	75.4	72.8	74.1
<i>Far Eastern Federal district</i>	100	93.7	47.2	43.8	44.6	49.2	50.7	51.7	55.6	54.1	48.6	58.2	56.5

Source: compiled by the authors based on data from official website of Unified Interdepartmental Statistical Information System (EMISS). Available at: www.fedstat.ru. *Data on the North Caucasian Federal district are available only for 2011–2015, that is why they are not presented in the table.

they decreased by almost one third in Russia as a whole; in the Northwestern Federal district their decrease was even more rapid. Similar destructive phenomena were recorded in livestock breeding. Over the past 25 years the cattle population decreased by 2/3, in the regions the situation is even more pessimistic – the population declined 4–5 times.

Negative phenomena in domestic agriculture are one of the causes of current issues

of rural areas. In most Russian regions since the early 1990-s the share of rural population has been rapidly declining. For example, in 1990–2015, it decreased by 20% in the Northwestern Federal district.

This suggests that without major policy changes the rural population in these territories will further be focused on migrating to cities with more favorable conditions for comfortable living (*Tab. 5*).

Table 5. Distribution of rural residents' responses to the question "Are You planning on permanently moving to the city on permanent residence in the next 2-3 years?", % of respondents

Variant	2010		2015		2015 to 2010, p.p.	
	All respondents	Including those aged 16–30	All respondents	Including those aged 16–30	All respondents	Including those aged 16–30
I will definitely move	6.8	14.0	14.0	26.6	+7.2	+12.6
I am thinking about moving	18.4	27.3	27.9	37.6	+9.5	+10.3
It is unlikely	26.0	26.8	27.2	18.9	+1.2	-7.9
No	48.8	31.9	30.9	16.9	-17.9	-15.0

Sources: Bondarenko L.V. Demograficheskaya situatsiya na sele i perspektivy razvitiya sel'skikh territorii [Demographic situation in the village and development prospects of rural areas]. *Ekonomika sel'skokhozyaistvennykh i pererabatyvayushchikh predpriyatii* [Economy of agricultural and processing enterprises], 2013, no. 3, pp. 53-57; Ushachev I.G. Strategicheskie podkhody k razvitiyu APK Rossii v kontekste mezhgosudarstvennoi integratsii [Strategic Approaches to Developing the AIC of Russia in the Context of the Interstate Integration]. *Ubidem*, 2015, no. 2, pp. 8-15.

In general, the business community as one of the “interest groups” admits that public administration in Russia is currently inefficient and does not meet the challenges our country is facing. An urgent objective is to enhance the role of the state, expanding the range of the applied tools. This in 2015 was pointed to by 59% of managers of industrial enterprises of the Vologda Oblast (*Tab. 6*)⁴.

One of the key issues of public administration at the federal level is the inconsistency of government activities with the President's strategic policy. Thus, the

⁴ Since 1993, ISED T RAS has conducted questionnaire survey of managers of industrial enterprises in the Vologda Oblast for identifying trends in the sector's development, assessing the efficiency and revealing the promising areas of improving public administration. Within the research, managers of iron and steel, lumber, engineering, food, chemical, consumer goods and construction enterprises are surveyed. The survey included: in 2016 – 68 managers, in 2014 – 67; in 2013 – 97; in 2012 – 95; in 2011 – 93; in 2010 – 85; in 2009 – 64; in 2008 – 57; in 2007 – 56 managers.

Presidential Address to the Federal Assembly dated December 3, 2015 notes that one of the strategic goals of Russia's agriculture development is “by 2020 to fully provide internal market with domestic products...and become the world's largest supplier of healthy, organic, high quality food”. At the same time, there has formed a regulatory institutional environment which fails to address this issue. The sector's enterprises, especially small businesses, try to avoid it just like before.

For example, according to the Order of Ministry of Transport of the Russian Federation no. 36 dated February 13, 2013, agricultural producers are required to install tachographs on goods vehicles beyond the region they are registered in. Statutory provisions of Federal Law no. 248 dated July 13, 2015 require manufacturers to receive special permits to transport oversized

Table 6. Distribution of answers to the question “What role should the Russian state be playing in the economy in the next few years?”, % of the total number of respondents

Assessment	Year					Change in 2015 to 2007, p.p.
	2007	2008	2010	2014	2015	
The state should strengthen its economic policy, expanding the range of applied tools	43.6	44.6	41.2	45.5	58.8	+15.2
The state must retain some influence on the country's economy but its role should be reduced	16.4	17.9	20	34.8	23.5	+7.1
The state should increase its direct participation in economy and intervene in economic policy	16.4	26.8	17.6	6.1	8.8	-7.6
The current degree of state involvement in the economy is optimal	3.6	8.9	5.9	0.0	7.4	+3.8
The state must withdraw from direct intervention in the economy and monitor compliance with the law of all economic actors	12.7	1.8	9.4	13.6	1.5	-11.2

Source: ISEDT RAS survey results among managers of industrial enterprises in the Vologda Oblast.

equipment by regional and federal roads⁵. The permit is issued for 10 trips, valid during 3 months and costs 1,500 rubles. According to part 2 of Article 8.7 of the Code of administrative violations of the Russian Federation, Rosselkhoznadzor employees (Federal Service for Veterinary and Phytosanitary Surveillance) have a right to charge producers with penalties (up to 50,000 rubles) for poor soil fertilization. All this does not contribute to the industry development and revitalization of economic entities.

The decisions of the Russian Government often conflict with each other and with common sense. In particular, the objectives

⁵ Federal Law no. 248-FZ “On changes to Federal Law “On roads and road management in the Russia Federation and on changes to specific legislative acts of the Russian Federation” and specific legislative acts of the Russian Federation in terms of improving the standards controlling the movement of heavy vehicles, large vehicles and vehicles transporting dangerous goods”, dated July 13, 2015.

of sub-program no. 5 “Technical and technological modernization, innovative development” of the State agricultural development program in Russia approved by Government Decree of no. 1421, dated December 19, 2014, are “encouraging agricultural producers’ purchase of high-tech machinery and equipment, increase in their innovation activity and expanding the scale of industry development on an innovation basis”. At the same time, Government Decree no. 81, dated February 6, 2016 “On the disposal fee for self-propelled vehicles and (or) trailers...” defines the penalty size higher than the final price for these products [24].

Similar policy is applied to other industries. In particular, in light of the sanctions imposed and the implementation of the import substitution policy the Government adopted “The Plan of priority

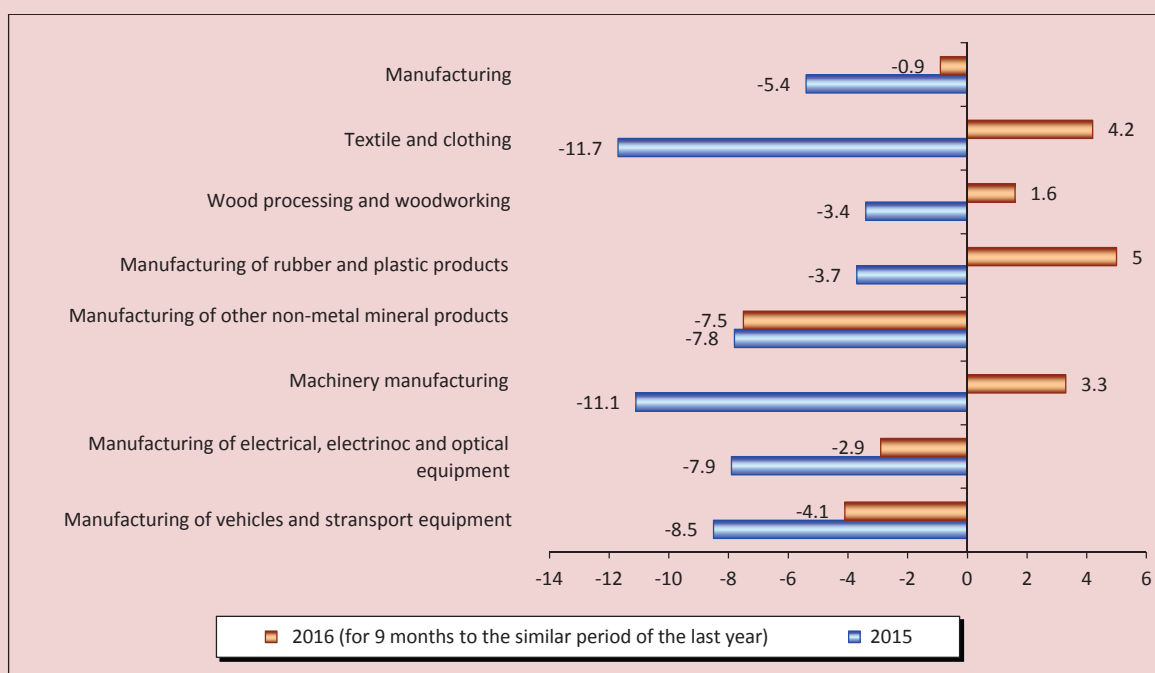
measures to ensure sustainable economic development and social stability in 2015” (approved by Government Decree no. 98-p, dated January 27, 2015). But the anti-crisis plan was apparently aimed at “saving” the banking sector: for this purpose, about 1.7 trillion rubles was allocated, while only 4 billion rubles – on measures to provide import substitution and support non–resource exports, and 5 billion rubles – to support small and medium enterprises.

Over the years of implementing the country’s import substitution policy (end of 2014–2016) production of strategically

important products rose insignificantly and fell by a number of positions (*Fig. 4*).

It is possible to admit that the current state of public administration is characterized by lack of reasonable objective forecasting in when making strategic management decisions. Thus, the Ministry of Economic development of Russia during September–October 2016 adjusted the forecasting of Russia’s socio-economic development in 2017–2018 3 times, considering the requirements of the Ministry of Finance and the Central Bank of the Russian Federation to the draft federal budget. Now the country’s base development

Figure 4. Index of physical volume of industrial production by industry, % to the previous year



Source: compiled from Rosstat. Available at: http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/enterprise/industrial/#

Table 7. Forecasts of Russia's socio-economic development for 2016 and the planning period of 2017 and 2018 (base scenario)

Indices	2016	2017			2018		
	Evaluation	Forecast for September 16, 2016	for October 10, 2016	for October 17, 2016	for September 16, 2016	for October 10, 2016	for October 17, 2016
Urals oil price, dollars/ barrel	41	40	40	52	40	40	55
Inflation at the end of year, %	5.8	4.9	4	4	4.4	4	4
Dollar exchange rate, rubles	67.5	65.5	67.5	67.5	65	68.7	68.7
GDP, %	-0.6	0.6	0.2	1.9	1.7	0.9	2.4
Fixed investment, %	-3.7	0.3	-0.5	2.1	2.2	1.2	2.6
Real disposable income, %	-5.6	0.5	0.2	1.5	1	0.3	1.9
Real wage, %	0.3	0.6	0.4	2.9	1.9	1.2	3.1
Retail, %	-4.6	1.1	0.6	0.5	1.5	0.9	1.1
Industry, %	0.4	1.2	1.1	1.5	1.8	1.7	1.9
Exports, billion dollars	279	...	284	344	...	290	365
Imports, billion dollars	187	...	194	212	...	200	223
Current account, billion dollars	32	...	30	30	...	25	25
Unemployment, %	5.9	...	5.9	5.9	...	5.8	5.8

Source: Forecasts of Russia's socio-economic development for 2016 and the planning period of 2017 and 2018. Available at: <http://economy.gov.ru/minec/about/structure/depMacro/20151026>; data from Ministry of Economic Development of Russia.

scenario implies GDP growth in 2017 by 1.9% (previous forecasts – by 0.2 and 0.6%; *Tab. 7*).

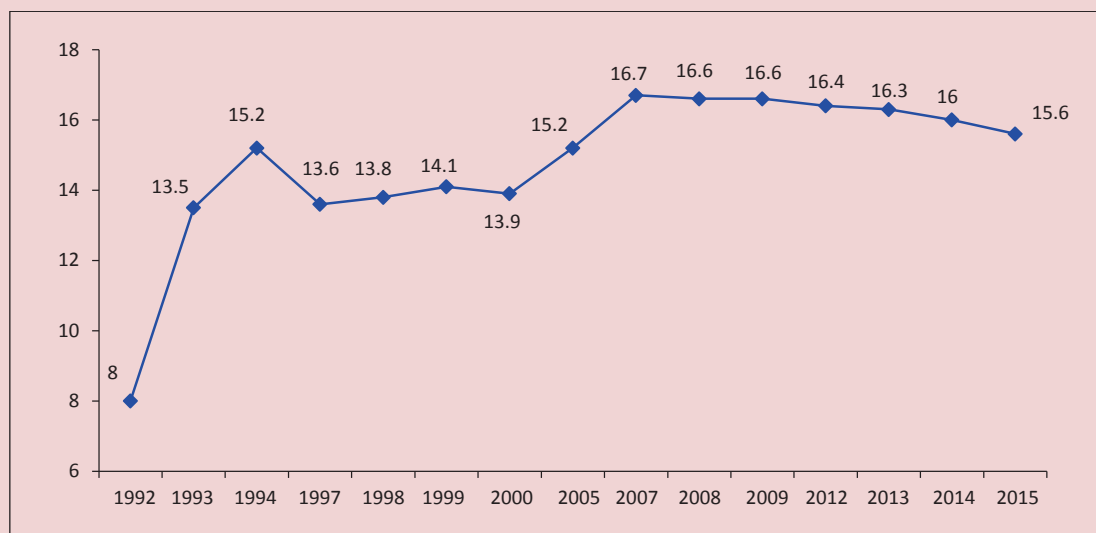
Against these processes in the economic sphere, enhancing crisis phenomena take place, as evidenced by the drop in real standard of living of Russians. The share of those who consider themselves middle class reduced to 51% in 2016 (10 percentage points compared to the figure in 2014). In absolute

terms, 14 million people were “excluded” from the middle class⁶.

Data from other studies are more pessimistic. For example, according to the research results of the Russian Presidential

⁶ Source: Sberbank CIB Survey data on the third quarter of 2016, which is held among 2.3 million Russians aged 18–65 with an average income level in 164 cities with the population more than 100,000 people. These estimates were obtained based on how people identify themselves. Data are delivered quarterly and help trace the level of consumer confidence among middle class population.

Figure 5. R/P 10% ratio in the Russian Federation in 1992–2015



Academy of National Economy and Public Administration (RANEPA), the share of middle class population dropped by the end of 2015 from 20 to 15% in the total population⁷.

Over the past 1.5 decades the gap between the incomes of the rich and the poor has been continuously growing. This is evidenced by dynamics of the R/P 10% ratio which indicates showing the ratio of the average income of the richest 10% to the poorest 10% (Fig. 5).

Thus, the country's public policy is unfortunately not aimed at the social.

⁷ In this methodology, middle class population includes people who have at least 2 of 3 criteria: material wealth (income higher than the average wage in the region, savings enough for buying a car), professional qualities (higher education, affiliation to a group of specialists or entrepreneurs) and self-awareness (assessment of well-being, access to power and respect).

Against this background, the declining public trust in state structures and social institutions is observed compared to estimates in 2015. This is evidenced by results of the study conducted by analytical center "Levada-Center" (Tab. 8).

According to the study, the credibility rating of the Russian government is the lowest over the past five years. In 2016, around one fourth of the respondents admitted that the Russian Government is "not credible". These data correlate with the results of the ISED T RAS research.

Judging by the results of analysis, the priority activities in the field of improvement of public administration for enhancing its effectiveness are:

1) expanding direct government involvement in the development of territories,

Table 8. Distribution of respondents' answers to the question: "To what extent are in your opinion the following institutions credible? (share of people who chose the variant "quite credible")

Government authorities and social institutions	Year					2016 to 2015, +/-	2016 to 2012, +/-
	2012	2013	2014	2015	2016		
Russian President	51	55	79	80	74	-6	+23
The Army	39	43	53	64	60	-4	+21
State Security services	33	36	46	50	46	-4	13
Russian Government	29	30	46	45	26	-19	-3
The Council of the Federation	21	24	39	40	24	-16	3
State Duma	20	25	37	40	22	-18	2
Police	20	18	21	29	24	-5	4
Prosecution Office	23	26	32	37	24	-13	1

Source: Institutional trust: press release. *Analytical center "Levada-Center"*, 2016, October 13.

industries and complexes; improving the public policy in key areas of the socio-economic systems, developing knowledge economy (IT, biotechnology, genetic engineering);

2) increasing the availability of investment resources for enterprises implementing projects in modern economic sectors (6th technological mode) and in non-resource sectors by improving the monetary policy, recapitalization and increasing of the efficiency of development institutions;

3) use of advanced methods of activity management in the public sector, new technology and best practices in implementation of state functions and provision of services (for example, implementation of the project management approach);

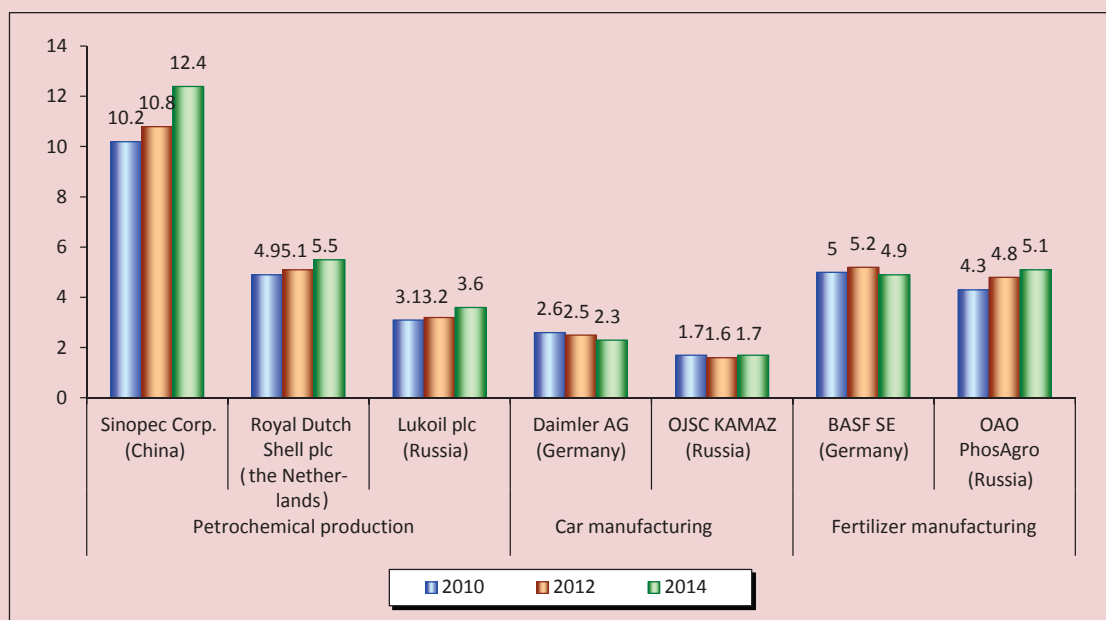
4) organization of effective interaction of authorities, business-structures and civil

society institutions in achieving strategic objectives of public administration (establishment of a government structure under the President, which is endowed with special powers in the development and implementation of key reforms, which should include representatives of government, business and civil society; reducing the tax burden on new and dynamically developing industries, etc.);

5) transition to comprehensive assessment of legal acts at different levels, aimed at managing a particular field of activity;

6) improving the efficiency of interagency cooperation, cooperation of authorities at federal, regional and municipal levels (redistribution of tax revenue sources between different budget levels, reducing dependence of regional and local budgets on inter-budget transfers, etc.).

Figure 6. Value-added multiplier of foreign and domestic vertically integrated structures (VIS) in 2010–2014



Source: calculated by the author based on materials of companies' annual reports.

An important role in these processes belongs to the new industrial policy, the basic areas of which are: promotion of horizontal and vertical links, flexible organizational forms of high value added production chains; strengthening the role of national companies in the development of global value added chains [13].

However, the level of integration of Russian business entities lags behind the foreign level, as evidenced by the values of the value-added multiplier⁸ (Fig. 6).

⁸ Value-added multiplier – ratio of total weight of commodities manufactured by an enterprise to the value of primary raw material resources involved in economic turnover. It characterizes the depth of technological processing at an enterprise and the manufactured products from the point of view of value added.

It should be noted that the average value of the multiplier in the Russian economy is significantly lower than in that in the developed countries: around 1.3–1.5 (according to calculations of S.S. Gubanov and other researchers) against 12.8 in the USA and 11–13 units in other developed countries [25].

These data indicate that the main process chains in the Russian economy are destroyed, and it is currently based on a large number of fragmented business entities within one enterprise manufacturing products of only few processing stages. The volume of Russian high-tech production with high added value is limited, it is uncompetitive on world markets

compared to products of multinational companies manufacturing similar products.

Therefore, it is important for the government authorities to promote transformational changes in the economy through elimination of fragmentation, as well as restore technological chains of value added in priority sectors, since only in this case will it be possible to ensure industry's real re-equipment and neo-industrialization through innovation.

Formation and development of vertically integrated companies suggests the need to develop public policy which through economic incentives would encourage enterprises to create integrated economic entities.

The main methods of forming integrated structures, identified based on researching foreign experience (France, Italy, Germany, the USA, the UK, China, Japan, South Korea), include state purchasing of companies' controlling stake, financial instruments (state-owned banks control enterprises through financial mechanisms encouraging them to unite), state regulation (integration of industries and enterprises in groups), strict government regulation of competition (regulation, forcing the companies to merge or leave the market), etc.

In other words, the process of VIS formation and development should be supported by the authorities (primarily federal and regional) for creating favorable conditions for enhancing the efficiency of using the

resource potential of business entities. In general, management of integration processes involves a wide use of methods and forms of target strategic management which considers all the actors involved in the VIS formation as a single entity with a common objective of functioning.

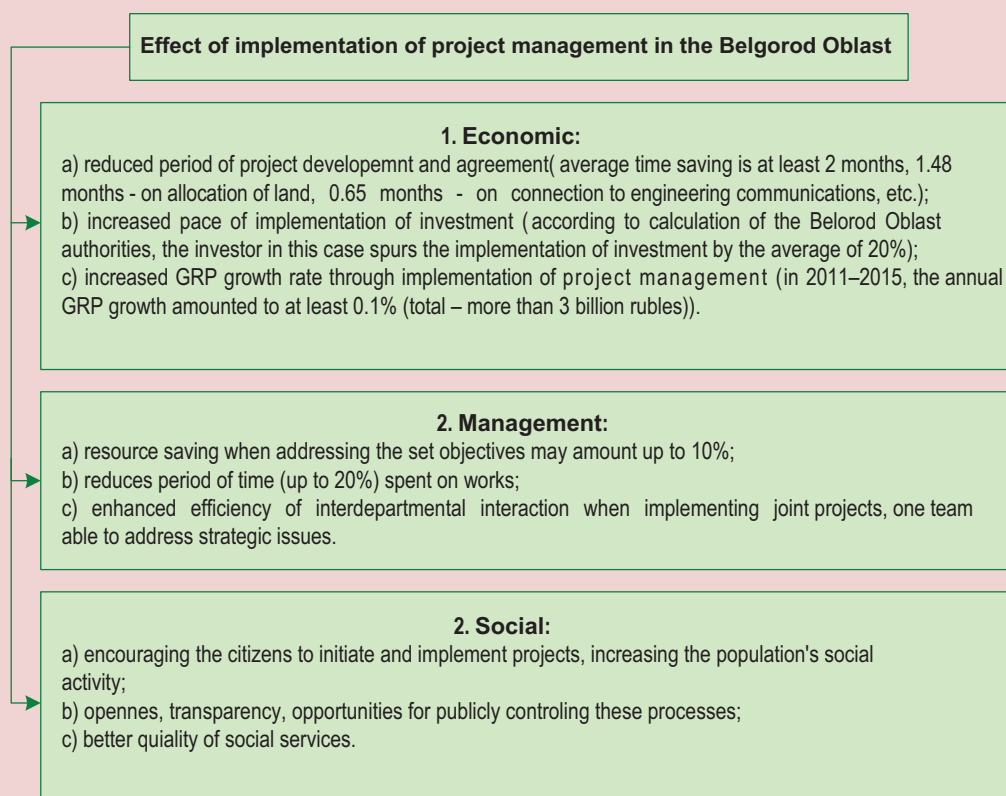
The need to modernize and shift the national economy to innovative development, as well as address the whole complex of issues of territories' development necessitates the enhancement of public administration efficiency through improving the system of management process organization in the public sector. Foreign experience indicates that the solution of these problems lies in the implementation of the project management approach in activities of the authorities.

One of constituent entities of the Russian Federation where the practice of project management has greatly developed is the Belgorod Oblast. The introduction of project management in the region's government has caused a series of effects in the entire regional socio-economic system (*Fig. 7*).

The study of institutional legal and organizational support has helped recognize that the factors in such success of the Belgorod Oblast are:

1. High level of support from higher officials of the subject (Governor of the region).
2. Designation of a governing institution responsible for the implementation of project management.

Figure 7. Effect of implementation of project management in the Belgorod Oblast



Source: compiled from [15, 21].

3. Inclusion of all region's state and municipal authorities into a common framework.

4. Professional retraining of authorities.

5. Creating the environment for evaluation and selection of projects for implementation (expert commissions for their review, independent expert support).

6. Building a system of administration "from project implementer to chief authority".

7. Formalization of project management (project documentation, roles, processes, standard procedures).

8. Technological support for project activity (automated information system (AIS)).

9. Incentive policy aimed at employees' participation in projects and their successful completion. It is based on material stimulation financial incentives for government employees who successfully

completed their project, in the form of a project bonus fund in the region, with its assignment of ranks in project management (e.g., 1–4 rank project specialist who is a member of the project team, 1–4 rank project manager who is the project coordinator) [21].

Thus, when providing favorable conditions, project management can become one of development tools for effectively managing state programs, projects whose key implementation problem is low efficiency amid enormous budget expenditures. However, achieving such positive outcomes requires a well-developed institutional and legal environment at both federal and regional level.

The study suggests that, in general, the current public policy and public administration at practically all levels is inefficient, i.e. it fails to timely and fully address the country's internal socio-economic issues related to an increase in the population's quality of life and standard of living, solving socially objectives, facing Russia's challenges, ensuring national security in the changing geopolitical and geo-economic conditions.

In our view, it is impossible to overcome crisis phenomena in the economy without changing the priorities of the public policy in key economic sectors. The government should move to the policy of an active actor in the country's economy. In this case, public administration should be aimed at the development of the real sector of

economy, implementation of projects on country's development and economic diversification, modernization of its key sectors, manufacturing products with high value added competitive on global markets. The main indicator of public administration efficiency should be the population's quality of life and standard of living, dynamic economy able to face current challenges.

In this regard, scientific community is facing a number of issues whose successful solution will help provide recommendations on enhancing public administration efficiency.

They are as follows:

a) study of issues of territories' (countries', regions') management efficiency in the current and changing global geopolitical and geo-economic conditions;

b) study of opportunities, conditions and mechanisms of applying modern management methods (project management, benchmarking, crowd-sourcing, BPR (Business Process re-engineering), SMART technology, PPP (public-private partnership), etc.);

c) development of methodological techniques for assessing the effectiveness of public and municipal administration, state policy in various fields (including the use of economic-mathematical methods);

d) research into issues of enhancing the efficiency of strategic planning and management of socio-economic systems;

e) development of areas of improving public state policy in local self-government in Russia;

f) research into enhancing effective interaction of authorities, business-structures and civil society institutions for achieving strategic objectives of public administration.

In this case, it is important to develop the system of public administration efficiency monitoring of territories and industries based on the approved methodology and indicators which will ensure timely identification of the existing problems and develop scientifically substantiated proposals on enhancing public administration efficiency in Russia.

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