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## **Effective State Ownership Administration in the Context of the Privatization Process in Russia**

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**Abstract:**

*The aim of this article is to describe, explain and understand the problems of effective state ownership administration in modern Russia. The author discusses the need of qualitative institutional transformations in the system of state ownership management due to modern conditions of innovative processes in the economic system. The main direction of the state policy concerning the implementation of state ownership administration (including the current process of privatization) is qualitative improvement of public administration. The overview of Russian experience in active introduction of results-based management into the authorities' activities has revealed a negative concern in the existing management system: introduced productivity indicators are generally used as the instrument of control or reporting instead of management. Therefore, it is necessary to develop an effective monitoring and evaluation system of state ownership administration that can promote remedial action for the weak elements of the civil service management system.*

**Key Words:** *civil service management system, privatization, qualitative improvement of public administration, state ownership*

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## 1. Introduction

Strategic objectives of Russian modernization, including innovation development, need changes. Property relations have impact on the quality of the institutional environment that forms the innovative growth potential.

By innovative development the author means economy based on knowledge, innovations and continuous technological improvement. It involves production and export of hi-tech goods with high additional cost, including export of technologies. Innovative economy is capable to use any innovations effectively and implies the corresponding innovative infrastructure: legislative base, material components of the innovative system and institutional transformations of state ownership. More than that, it includes six basic elements: (1) education; (2) science; (3) human capital and high quality of life; (4) innovative system; (5) innovative industry; (6) effective public administration (favorable environment of innovative system functioning).

Institutional transformation of state ownership is one of the growth factors. This is the subject of scientific research in such fields as institutional economics (Coase, 1960; Alchian & Demsetz, 1973; Pejovich, 1990), public choice theory (Buchanan, 1978), and the theory of “collective action” (Olson, 1982). Scientists unanimously indicate the need for the increase of effectiveness in state ownership management (Clague, Keefer, Knack, & Olson, 1997; Cox, 2008; Pargendler, 2012; Marra & Carlei, 2014). The problems of effective use of state ownership are of interest from the practical point of view.

The quantitative structure of the Russian state property fund has been changed in connection with the long-term period of state ownership privatization and approaches to it. The authorities consider modern privatization, firstly, as the instrument of investment attraction in public sector; secondly, as the instrument of competition development; and thirdly, as the instrument of state ownership involvement into the macroeconomic system. New algorithms of privatization are reflected in “The concept of federal property management until 2018” (Federal Agency for State Property Management [Rosimushchestvo], 2015):

The system of socio-economic goals in state ownership administration involves a number of requirements to form an effective property structure – it has to include preferences of all main consumers: population, corporate sector, authorities, and investors. However, the necessity to improve the system of state ownership management is defined by the low level of consumers’ satisfaction and growing market requirements.

The concern of this article is to explain and understand the problems of effective state ownership administration in Russia, to develop a methodological base to assess it, and to suggest directions for the improvement of the management system. The

key points of the research are reflected in the following sections: literature review and methodology, results, and discussion.

The first section of the article reviews the theoretical basis concerning the influence of property rights protection on economic development. The author offers a system of indicators to measure the effectiveness of state ownership administration. The second part describes the purposes and the problems of modern state policy in the field of property administration; in particular, new instruments of administration are discussed. Also in this section author proposes ways to increase the effectiveness of state ownership administration. The author is sure that transformations in the system of state ownership management have to improve the structure as a whole; they must include both legislative regulations and improvement of the management process. Responsibility and motivation problems of the civil service management system, which are one of the ways to improve the management process, are discussed in the second part. Only then, in the third section, the author offers the directions for the improvement of the civil service management system.

## **2. Literature Review and Methodology**

The possibility of a high-quality transformation in the state ownership institute is a factor of economic development. This is the subject of scientific research in foreign and domestic schools of sciences: institutional economics, public choice theory, and the theory of “collective action”. These theoretical researches form the methodological basis of the paper.

Modern economics theory does not doubt the importance of institutes for the economic growth. Moreover, the interrelation between the quality of the institutional environment and the rates of the economic growth is confirmed in numerous researches (Clague et al., 1997; Rodrik, Subramanian, & Trebbi, 2004; Cox, 2008; Pargendler, 2012; Marra & Carlei, 2014). Scientists, as a rule, take a start from economic-mathematical models that allow tracking the influence of institutional factors on the rates of economic growth. Thus, there are a number of methodological problems, including the problem of quantitative and qualitative assessment of institute functioning.

Qualitative assessment of the institutional environment is usually based on expert polls. Rating comparison of the received estimates allows comparing the indicators of various countries, but it does not reflect the essence of macroeconomic interrelations. Besides, estimation results depend on the tracking points of a so-called ideal position in a model and can change according to the conditions of social development.

The indicator of the level of property rights protection (the International Property Right Index, IPRI) is most often used in empirical researches of the authors whose works are devoted to the influence of property rights on the economic growth

(Shleifer, Glaeser, La Porta, & Lopezde-Silanes, 2004; Easterly, Ritzan, & Woolcock, 2006; Bogetti & Obermann, 2008). However, “the protected property rights” is a qualitative and multidimensional concept, so it is difficult to be qualitatively indicated. The “objective” quantitative index of property rights protection within a country characterizes the situation partially as it reflects only one of the numerous aspects (Freynkman, Dashkeev & Muftiahetdinova, 2009). The method of expert evaluations is also imperfect. The reason of it consists in the absence of data in long time intervals in some countries (Drakić, 2007).

The listed methodological difficulties are expressed in the lack of a common objective indicator and its replacement by various indicators of the institute quality or the quality (stability) of the institutional environment.

Another point to consider is that there is no consensus in the scientific community concerning the indicators that most adequately reflect the quality of a country’s institutional environment. Usually scientists study the influence of the system of institutional factors on economy functioning. Thus, an institutional factor can be understood as a special social system influencing the formation process of the institutional environment including both formal and informal behavior rules in a particular situation. In a broad sense, institutional factors are considered as a set of mechanisms and rules that provide redistribution of resources in economy, attraction of new investments and training of manpower, and also form the system of incentives for efficiency increase (Radygin & Entov, 2008).

The quality of the legal system, the extent of the financial system development, the protection of property rights, the development of basic legal institutes, the freedom of the press, political freedom, and the quality of anti-corruption control are among the institutional factors that have impact on the economic growth. Close interaction of all above-mentioned factors creates additional methodological difficulties in the analysis of their influence on the economic growth. Every attempt to estimate the value of a particular factor will be connected with the difficulty of differentiation concerning the influence of each factor.

Authors give various institute classifications, conditionally grouping them in accordance with the sphere of influence on the national economic system. Thus, it is possible to estimate the quality of the institutional environment on the basis of the indicators characterizing four institute groups: (1) legal institutes; (2) regulating institutes; (3) institutes of human capital development; (4) institutes of risks coordination and distribution (Freynkman et al., 2009, p.36-40).

These groups of indicators form a general criterion, which assesses quality of institutional transformations in the property relations system. In the practice of economic activities this criterion is often expressed by an indicator of effective state ownership management. Effective state ownership management demands qualitative legal decisions in the sphere of property relations. It reflects the extent of realization

of administrative and social functions in a state. Effective functioning of state ownership provides risks coordination and distribution in the public sector.

More than that, the formation of universal institutional “growth recipes” (for example, the list of priority institutional tools for modernization) is extremely difficult, despite the progress in the research of the economic growth and the achieved consensus on the defining role of institutes.

So, D. Acemoglu highlights the complexity of institutional transformations and, developing R. Coase’s views, pays attention to the difficulties of reforming the distributive relations (Acemoglu, 2003, p.86). In particular, he points out active counteraction of the officials interested in “status quo” maintenance to keep inefficient institutes (from business and population point of view) in order to have the opportunity to political rent seeking. Therefore, if corruption is widespread in a society, it is more difficult to reform legal and economic institutes of long-term development, including public and private property.

Universal recipes for the acceleration of institutional reforms concerning property relations can probably be offered not soon, and many documents will always demand careful amendments that will take into account the uniqueness of local conditions. Moreover, some procedures of institutional reforms, especially those of political and economic aspects, mean better understanding of general institutional dynamics. At the same time general conclusions about the strategy of high-quality institutional transformations, offered by Rodrik et al., deserve attention. They are:

- A universal comprehensive reform of institutes is not necessary in most cases. The strategy of reforms has to be concentrated on a limited set of key institutional restrictions.

- Same objectives can be achieved by means of various institutional decisions. Import of institutes should be balanced with their careful adaptation to local conditions.

- Reformers have to be ready to institutional changes (experiments) in accordance with initial conditions and local traditions. They have to be ready to change the policy on the basis of careful monitoring and assessment of actual results of the carried-out reforms.

- It is necessary to pay attention to strengthening of the institutes that provide stability of economy to external shocks, such as the system of social protection and consultative mechanisms between the government and main social groups (Rodrik et al., 2004, p.142).

Applying these recommendations to Russian economy, we can estimate the importance of high-quality institutional transformations in the system of property relations and realize the potential of innovative economy development, which is involved in state ownership.

State ownership is a basic institute of the economic system, by means of which a state realizes socio-economic purposes of a society development. This institute can adapt for regional conditions and at the same time guarantee the existence of common strategic objectives of a state. Strengthening of the state ownership institute provides economy stability, social safety, direct connections between authorities and the private sector of the economy.

Transition to innovative economy is impossible if a state does not participate in this process as an organizer and as an active agent of its realization. In modern conditions, the need for the use of backbone qualities and reserves of the state ownership system is observed. System reserves of state ownership can be estimated as the extent of the influence of property rights protection on the major factors of economic growth that stimulate innovative activity (investments, scientific and human capital development).

### 3. Results

#### 3.1 State policy in the field of property administration

The issues of effective use of state ownership and socio-economic efficiency of the public sector in Russia are interesting from the practical point of view. The public sector is still large in Russia. According to publications of Organization for Economic Co-operation and Development (OECD), it makes about 50% of GDP. In the period of 2012-2013, the number of state ownership enterprises (SOEs) reached 2 356 in comparison with 326 in Poland, 57 in France, 47 in Canada, and 19 in the USA. Their quantity decreased a little and was 2 008 in the year of 2014. Russia takes one of the leading positions in the number of employees in SOEs: 636 115 people without public servants (i.e., Tab. 1). Among the recommendations of OECD concerning modernization of Russian economy is the need to reduce the size of the public sector, to improve state administration and to develop corporate management.

**Table 1.** Overview of SOEs by countries, 2012-2013

Country	Indicators	
	Number of enterprises	Number of employees
Russia	2 356	636 115
Poland	326	159 730
Czech Republic	125	140 300
China	117	n/a
Portugal	89	171 534
Germany	72	349 203
France	57	1 584 501
Spain	53	95 589
Turkey	50	246 071
Sweden	49	135 608
Canada	47	86 558

Norway	45	221 045
United States	19	599 010
United Kingdom	17	332 601
Denmark	17	22 823
Australia	15	49 945

**Source:** State-owned Assets Supervision and Administration Commission of the State Council the People's Republic of China. <http://www.sasac.gov.cn/>; Federal Agency for State Property Management (Rosimushchestvo), Report 2012/2013, Report 2014 <http://rosim.ru/about/reports/performance/38326>; The Size and Sectoral Distribution of SOEs in OECD and Partner Countries. [http://www.oecd-ilibrary.org/finance-and-investment/the-size-and-sectoral-distribution-of-soes-in-oecd-and-partner-countries\\_9789264215610-en](http://www.oecd-ilibrary.org/finance-and-investment/the-size-and-sectoral-distribution-of-soes-in-oecd-and-partner-countries_9789264215610-en). DOI: 10.1787/9789264215610-en

Until recently state ownership privatization has been considered by authorities as the main source of budget revenues and the main tool for attraction of private investments into economy. The indicators of privatization revenues in Russia for the last 7 years are presented in Table 2. According to it, the size of privatization revenues decreases after reduction of the number of SOEs.

**Table 2.** Indicators of privatization revenues in Russia, 2008-2014

Indicators	Years						
	2008	2009	2010	2011	2012	2013	2014
Size of privatization revenues, bln. dollars.	41.86	46.12	51.57	58.88	64.70	57.03	18.72
Share of privatization revenues in GDP, %	3.6	3.6	3.4	3.04	3.2	4.3	2.4
Share of state ownership enterprises and organizations in total of the registered organizations, %	7.9	7.6	7.1	6.4	5.9	n/a	n/a

**Source:** *Statistical reports of Federal State Statistics Service of the Russian Federation* <http://www.gks.ru/>

Despite quite a large number of privatization deals in the period of 2013-2014, their value is small in comparison with the European countries, Canada, the USA, and China (i.e., Tab. 3). This fact testifies inefficiency of the privatization methods used in Russia and indicates the need for the improvement of state ownership management.

**Table 3.** Ranking countries by total privatization revenues, 2013-2014

Country	Deals		Value (mln. dollars)	
	2013	2014	2013	2014
Russia	26	17	10 543	6 474
Poland	13	7	3 648	1 097
Portugal	6	3	5 445	2 075

France	10	13	5 664	5 729
Spain	11	5	3 861	7 189
Greece	4	4	11 190	11 482
Turkey	4	4	12 400	10 000
Sweden	9		7 840	n/a
Canada	n/a	8	n/a	1 459
United States	10	6	6 415	7 478
United Kingdom	11	12	16 277	11 650
Denmark	2	1	2 008	2 007
Australia	9		9 731	n/a
China	115	124	41 308	40 640
South Korea	14	7	2 748	2 004

**Source:** State-owned Assets Supervision and Administration Commission of the State Council. <http://www.sasac.gov.cn/>; Privatization Barometer, Report 2013/2014. <http://www.privatizationbarometer.net>; Government at a Glance. [http://www.oecd-ilibrary.org/governance/government-at-a-glance-2013\\_gov\\_glance-2013-en](http://www.oecd-ilibrary.org/governance/government-at-a-glance-2013_gov_glance-2013-en) DOI:10.1787/gov\_glance-2013-en

Nowadays, according to federal authorities, one of the priority directions for the improvement of the system of state ownership management is realization of the actions aimed at qualitative improvement of administrative activities. In this regard, in the state program of the Russian Federation “Federal property management” (approved as the Resolution of Government No 327 of April 15, 2014) new objectives of state ownership management are defined: (1) to form target functions of each property asset that is in state ownership, taking into account preferences of main consumer groups; (2) to develop “road maps” for the realization of strategic objectives of property objects use; (3) to create management mechanisms for property complex development, including macroeconomic factors; (4) to create the risk control system; (5) to provide the accounting and monitoring of the efficient use of state ownership objects, etc.

Introduction of these tools into management practice is urged to provide one of the main public administration functions – the assessment of efficient use of economic resources, in this case – federal property. The assessment of efficient use of state ownership completes a number of important tasks. Firstly, efficiency measurement allows to analyze the productivity of the applied management methods and to reveal their shortcomings. Secondly, it defines possible directions for the efficiency increase in property complex use. Thirdly, it can calculate target indicators of property functioning, taking into account the problems of innovative development in Russia.

Regularly carried out monitoring of efficient use of state ownership contributes to the formation of the information base that is necessary for the assessment of authorities’ activities in the sphere of state ownership management. Therefore, providing the accounting and monitoring of state ownership is one of the key purposes of the subprogram “Increase of effective management of federal property



and privatizations” (the state program of the Russian Federation “Federal property management” [Rosimushchestvo], 2015).

According to the program, the Federal Agency for State Property Management (Rosimushchestvo) is obliged to develop a common system of accounting and monitoring of the efficiency of federal property management in the short term (2015-2018). Therefore, by 2015 it is planned to introduce a federal property management system and to create new methodology for federal property accounting. By 2018 the Agency should put the technique of comparative analysis of federal property efficiency into practice and develop an automatic system for statistical monitoring of changes in the federal property structure and dynamics of economic indicators of the activities in SOEs.

The main expected result of the implementation of the subprogram is the formation of conditions for the transition to socially oriented innovative development of domestic economy.

Thus, the concept of federal property management and the state program “Federal property management” become a long-awaited step towards high-quality transformations of the state ownership institute in Russia. However, not everything is as simple as it seems at first sight. The use of new instruments in public administration will not immediately solve numerous problems in the system of state ownership management in Russia. Property relations affect legal and social aspects of public development; they are the basis of any economic system. It means that transformations in the system of state ownership management have a systematic character and include both actions directed on qualitative improvement of legislative regulation and improvement of the management process. Only systematic transformations in the sphere of state ownership management can increase efficiency of state ownership in Russia.

### ***3.2 Ways to increase the effectiveness of state ownership administration***

The need for qualitative improvement of legislative regulation in the sphere of property relations is defined by the existence of numerous legal gaps, which both preserve excessive and unregulated property rights for authorities and disperse responsibility between various governmental management institutions. It complicates complete control of the process of state ownership use, blocks realization of its innovative potential and practically legalizes shadow privatization.

Moreover, the long period of the current privatization process in addition to the absence of incentives to effective administrative activities among public servants have led to the existence of legal opportunities for state ownership repartition. This impedes realization of national interests and influences motivation of private owners to efficient activities, significantly reducing interest of the private sector in long-term investments.

The underrun of legislation in the sphere of property relations regulation from domestic economy realities not only testifies low efficiency in the use of state ownership objects, but also points to inefficiency of the state ownership institute in the economic system. Thus, the longer inefficient behavior standards formed by the state exist, the more inefficient institutes of economy become, provoking the emergence of the institutional trap effect (QWERTY-effect).

Within the state program “Federal property management”, the government of the Russian Federation has planned measures of legal regulation in the sphere of property relations for 2014-2018. Their timely performance is an indispensable condition for successful realization of the state policy concerning the improvement of state property management.

Numerous actions of authorities directed on efficiency increase in the process of state ownership management also refer to high-quality transformations of the institutional environment.

With regard to foreign practice of public administration, it is possible to formulate several ways for the improvement of the process of state ownership management:

- improvement of the organization of the management process (on the basis of convergence of principles and mechanisms of public and private management);
- improvement of management (with due regard to innovative approaches in public administration such as: introduction of the means that can provide management transparency, introduction of service standards, interaction with professional associations (see also Grover, 2009);
- strengthening control of activities in enterprises and organizations (risk management and internal control);
- increase of quality standards in corporate management (corporate management code);
- improvement of the system of civil service management (the system of responsibility and motivation), etc.

If the first three ways for the improvement of the process of state ownership management are widely presented in modern scientific literature and have already found practical application in activities of authorities, the last two have received reflection in normative legal acts rather recently.

The need of corporate management improvement is widely discussed both at the level of the government of the Russian Federation and at the level of expert communities. As a result of discussions, the change of corporate practice in companies with state share (SOEs) was planned in accordance with the new version of the corporate management code (approved at the meeting of the government on February 13, 2014). For this purpose it is necessary to broaden the powers of boards of directors in the next two years, to introduce long-term development programs, to define and regularly estimate indicators of efficiency for SOEs and their top

management, and to change the system of state property management (see also Gusev, 2014).

The absence of an effective corporate management model in state companies in practice is one of the barriers that impedes effective use of state ownership. In this regard a contradictory situation occurs: on the one hand, responsibility for inefficient administrative decisions concentrates on boards of directors, on the other hand, their dependence on relevant administrative departments' increases. Thus, in the period of 2011-2014 activities of boards of directors gain more and more formal character while independent directors, who are compelled to agree on any strategic development plan of a company with branch ministries, gradually lose freedom of decision-making (Rosimushchestvo, 2015).

The comparative analysis of the countries concerning the indicators of motivational programs in SOEs shows that the level of director's reward differs in Russia (i.e., Tab. 4). Nearly one quarter of all board members are foreigners (24%), which is much higher than in Italy (7%) and Spain (11%), but lower than in France or the United Kingdom (31% and 33% respectively). The largest number of foreign directors is observed in the Netherlands (43%) and Switzerland (59%). The reason is that these countries host headquarters of the largest international companies. Less than half of the companies in Russia (39%) have at least one woman as a part of board of directors. It is an exclusively low indicator in comparison with France (100%), Italy (87%) or Spain (68%). Board meetings in absentia are widely applied for vote in Russia. Such method of decision-making explains essential differences in the number of board meetings in Russia and other European countries: on average 22,3 meetings a year are held in Russia and twice less than that - in Italy (10,5). If to take only meetings in an internal form, the average value in Russia falls to 7,4 a year, which is comparable with a similar indicator in the United Kingdom, the Netherlands, France and Switzerland.

**Table 4.** Ranking countries by indicators of motivational programs in SOEs, 2014

Indicators	Country									
	Turkey	France	Italy	Spain	Switzerland	Germany	UK	Netherlands	Russia	USA
Average board size	9.6	14	12.2	11.4	10.6	14	10.5	9.5	10.6	10.8
Percentage of companies with at least one woman on the board	8.7	62	50	13	16	43	60	62	39	84
Percentage of foreign board members	15	31	7	11	59	n/a	33	43	24	8

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Board meeting/year (average)	17.5	8.3	10.5	10.4	8.3	6,1	7.6	8,6	22.3	8.1
Average size of a director reward, mln. dollars	44.5	50.6	75.0	70.9	186.0	73,0	97.0	92.6	101.0	94.0

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**Source:** Spencer Stuart Board Index, 2014 (2015). Retrieved from:

<https://www.spencerstuart.com/research-and-insight/spencer-stuart-us-board-index-2014>

Only 170 of 436 directors (39%) of the leading Russian companies are considered independent by the companies. On average, 3,6 independent directors are the share of one board of directors. Among other European countries, which entered the analysis of this indicator in Russia, only Spain (38%) and Turkey (34%) concede (Spencer Stuart Board Index, 2014). So activity and the level of responsibility of directors in Russian companies is higher, and the standard level of remuneration is lower. In general, remuneration averages 101 million dollars, but it is extremely differentiated and can change from 18 to 350 million dollars.

Lack of regular monitoring significantly complicates the analysis and does not allow making adequate conclusions. Programs of long-term motivation for public servants are absent at all. The situation that has developed in the sphere of corporate management becomes aggravated due to incapacity of the existing system of responsibility and motivation in civil service management to perform efficiently in the system of federal property management.

### ***3.3 Responsibility and motivation issues in the system of civil service management***

The system of responsibility and motivation plays a special role in state ownership management. It is capable of having impact on the management process not only from within the system, imposing responsibility for poor management on public servants and motivating them to effective activities, but also going beyond its frames, expanding to the corporate sector and private investors, motivating and demotivating them to economic activity.

The main reason for the incapacity of the existing system of civil service management is that new tasks of state ownership management are not provided with appropriate resources. Moreover, supply of resources does not correspond to the extent of responsibility distribution between officials. Requirements, which are imposed on public servants, do not cover needs for high-quality execution of an owner's functions. Besides, formal official criteria contradict the volume and degree of responsibility at the solved tasks (Gusev, 2014).

The representatives of the consulting council at the Federal Agency for State Property Management (Rosimushchestvo) note that at the moment there are no allocated zones of responsibility for the privatization process among supervising executive authorities. In the period of 2013-2014 the number of directives has

doubled while only 2% of employees provide 98% of the agency income and 10% of employees control 90% of risks. New competences necessary for solution of new tasks are not supported with the available resources, but are mainly based on enthusiasm of public servants.

The developed motivation system for public servants does not work in fact. Common motivation for all employees, which does not take account of individual contributions to results and risks decrease, only creates conditions for demotivation. For example, a high-quality sale of an asset demands many efforts on coordination and advancement of privatization processes, at the same time, there is no punishment for violation of privatization terms (there is no common linking body between those who make decisions and those who advance them at the level of federal authorities). This results in indifference to the growth of the sale price (the excess of the sale price over the planned one is not considered in any way in the motivation system) and emergence of additional functions irrelevant to staff number and available competences.

The majority of the existing problems in the system of civil service management have a number of intersystem reasons independent on the current authorities' purposes. They are: (1) lack of due cognitive (the highest) level of human resource management: absence of meanings, archetypes, systems of values, ethics and ideology which (besides the opportunity to trade on the official position) could present public service as attractive; (2) lack of due information management: management of information channels when selecting highly professional employees.

In general the low level of management is caused by the following factors: (1) fixed low levels of payment; (2) lack of an additional monetary system and non monetary motivation for achievements; (3) a considerable level of corruption in undocumented and non-transparent administrative processes; (4) blurring of an individual's responsibility for the made decisions; (5) lack of transparency in control of midline and final results.

Active introduction of the mechanisms of management by results into activities of authorities, formed in accordance with the concepts of New Public Administration (NPM) and Good Governance, has ambiguous impact on the system of civil service management.

In the frames of these concepts two principles form a basis for the increase of efficiency in administrative influence: creation of accurate standards and indicators of productivity and transfer of attention focus from processes directly to management results. This increases personal responsibility of managing directors, prevents small corruption, and motivates public servants to have an active position in the management process.

Nevertheless, the analysis of Russian practice in use of management by results testifies that productivity indicators are generally used as the instrument of control (reporting), but not management. Thus, administrative benefits from productivity indicators use are perceived by public servants as insignificant (Kalgin, 2012, p.46).

In accordance with the received results some specific problems, which not only negatively influence efficiency of administrative activities, but also contradict the methodological basis of management by results, have been revealed: (1) inability of some government departments to influence the identified indicator; (2) lack of interdepartmental coordination and cooperation; (3) lack of feedback after approval of indicators.

If public servants do not understand how and what for these or those indicators of productivity are established, they treat their performance formally. In Russian practice it is accepted that responsibility for each indicator has to be consolidated to this or that division. Thus, the question of the one who plays the leading role in work does not rise (federal authorities are meant). However, essential differences consist in that one department bears responsibility for the “imputed” indicator, while another initiates the development of the indicator and plays the leading role in its monitoring.

These weaknesses limit the potential of productivity indicators as an instrument for motivation of public servants, and open new opportunities for evasion from responsibility for people and departmental organizations in charge.

So, collaboration of departments in order to improve an indicator (or groups of indicators) can be considered as a problem of collective action. Expenses are incurred by a particular department but benefits are distributed between all. Therefore, the problem of a “free rider” occurs. Famous economist and sociologist M. Olson claims that collective action will not take place unless its participants have their personal interest in the success of a deal. In other words, simple consciousness of that your actions help “common cause” are insufficient to motivate a rational participant of a group. In this case, address benefits or enforcement is necessary (Olson, 1982, p.82).

In conclusion, it is possible to point out a positive moment that is the existence of opportunity to identify problems on the basis of interregional comparison, and to signal companion problems and needs for financing (budgeting).

## **4. Discussion**

### ***4.1 Directions of improvement in the system of civil service management***

If to remember that employees in fact solve everything, it is reasonable to define three priorities in improvement of state ownership management in Russia:

1) To master new administrative technologies – to learn how to operate effectively not only on a physical (direct, manual) level of management, but also on informational and cognitive levels.

2) It is essential to increase the critically low level of professional skills among management authorities and public servants. A special attention should be paid to development of professional skills in risks and opportunities management, which is becoming extremely urgent in the present period of global economic recession, growth of risks, uncertainty and changes.

3) To provide development of key nonfunctional “soft skills” of management among directors, which, as practice shows, are almost completely absent among the overwhelming majority of state property managers. According to the tendencies of educational programs modernization in western universities and business schools, as well as results of the analysis of the demand for employees in effective international corporations, “soft skills” of management come out on top of required professional skills (Gusev, 2014).

Management based on “soft skills” includes critical thinking, adaptability, emotional intelligence, ability to solve problems, management of stresses, psychology of influence and reflexive communications. The problem of competitiveness in modern economic and social environment cannot be solved without “soft skills” of management.

Thus, actions for improvement of the responsibility and motivation system among management authorities and public servants can be perceived as a factor for successful realization of modern purposes of state ownership management. It is possible to outline the following perspective directions:

- optimization of the management process: creation of a functional interaction model, identification of criteria and indicators for effective administrative activities in the system, development of procedure to monitor efficiency of administrative influence;

- professional development of public servants: overcoming the role model “the registrar – the manager”, creation and implementation of development programs;

- introduction of the complex motivation system: labor productivity increase, increase of the motivation level among personnel, change of qualification requirements to employees;

- development of corporate culture: fight against corruption at all levels, formation of collegial bodies, introduction of the mechanism of internal control into main processes;

- development of the system of relationships between authorities and expert communities concerning state property management in the medium-term and long-term period.

When realizing these directions it is important to keep balance between controlling and administrative actions. Introduction of the practice of assessment concerning efficiency of public servants activities, as well as monitoring and expansion of control

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forms in state ownership management go along with the increased requirements to government reporting.

In addition, the responsibility of government representatives increases, and the basis for administrative and disciplinary responsibility extends. It discourages activities of public servants even more, having an adverse effect on qualitative institutional transformations in the system of state ownership management. To realize innovative potential of state ownership it is necessary to develop and introduce a package of measures for the improvement of the system of civil service management.

## **5. Conclusions**

The privatization process in transition economies is the basis for economic reforms in other areas. Various countries use various privatization methods and technologies as privatization processes have different purposes and tasks. Same methods yield different results: in some countries the results are excellent, in others – poor. Private property cannot separately lead to increased efficiency of the privatized companies in an inappropriate economic situation. It is necessary to improve the institutional environment, which is defined by property relations and includes the system of effective state ownership management.

Qualitative improvement of public administration is the main direction in the state policy concerning implementation of state ownership administration in Russia. However, active introduction of the results-based management into activities of authorities does not provide the expected results. Existence and distribution of similar negative factors in the system of state ownership management over a long period (in fact from the beginning of common privatization and to the present stage of state ownership privatization) have led to creation of a favorable environment for different office abuses. Today, corruption scandals in the system of state ownership management are not surprising. Numerous examples of corruptive behavior among officials in the system of state ownership management and regular nature of judicial proceedings (both at federal and regional levels) have become a peculiar feature of public administration in Russia. The actions realized by the government within the program for counteraction of corruption remain ineffective and do not solve the corruption problem completely.

From the author's point of view, the main reasons of inefficiency in state ownership administration are based on incapacity of the system of civil service management. The system of civil service management has a special value in state ownership management because it has motivating and demotivating impact on the administrative process. Therefore, it is necessary to develop an effective monitoring and evaluation system of state ownership administration in order to promote remedial action for the weak elements of the system. The author offers concrete steps for the development of the system of civil service management: optimization of the management process, professional development of public servants,



development of a complex motivation system, fight against corruption, and involvement of expert communities.

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