



RUSSIA INC.

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Chapter Nine

Russian Government: Management and Reform of State Assets

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Government organization in Russia has three levels of authority: the federal center, the regions or subjects of the Russian Federation, and local self-government. Each level contains its own exclusive authority that does not allow intrusion of any other government level or power. Also, government authority is further subdivided into the legislative, executive and judicial branches.

Russia enjoys a federal government structure, with a sharing of responsibilities at each level. National integrity, or unity of the governmental system, operates through the division of subjects and responsibilities among authorities in federal bodies of the national government and regional authorities. This balanced sharing of responsibilities is the basis of the federal structure in Russia.

The federal structure is implemented through a complex of ministries, commissions and other type bodies. Here we outline the types and number of these governmental units. As of January 1, 2001 the following governmental bodies were functioning in Russia: Federal Ministries—22 (excluding bodies ensuring law and national security); National Committees of the Russian Federation — 5; Federal Commissions of Russia—2; Russian Federal supervision structures—8; Russian agencies—7; other federal executive authoritative bodies—3.

Transition to a more market related economy has required that the character and structure of national government management correspond to emerging objectives. Efforts have been made from the very first days of economic reform (early 1990s) to overcome dispersion of management and regulation and to reinforce entrepreneurship and competition.

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The state acts first, as an authoritative structure dictating the “rule of the game,” to be applied in the market place, and also in setting up conditions for a proper functioning of market agents. Second, the state provides a mechanism for economic regulation. Third, the state is an owner of national property, acting in the market along with other economic agents. What is critically important here is achieving an appropriate balance of all three roles.

Effective operation of the Government under these conditions presupposes existence of a civil society, whose institutional basis is independent from the state. The population must be ready to practice initiative, solidarity and cooperation; and to be inclined to self-organization. Civil society is most adequately characterized by the General Declaration of Human Rights, attributing to it characteristics such as; democracy, a republican form of government, legal state and social agreement, and separation of governmental powers. Also, it is important to note that civil society cannot exist without a guaranteed protection of all forms of property, an effective judiciary system, fully effective local self-governance, and a free mass media.

STABILITY AND EFFICIENCY OF MANAGEMENT MECHANISM

From a managerial perspective, executive bodies at the federal government level can be grouped according to the following, based on similarity or close objectives:

- Protection of state sovereignty of the country (defense, domestic and foreign affairs, judiciary, security);
- Social policy (social protection, culture, healthcare, education, mass media and information);
- Economic regulation (finance and financial markets, economics, foreign economic relations, state property management, labor and employment, antimonopoly policy and support of business structures, tax administration);
- Structural and investment policy (industry, construction, transport, fuel and energy, communications, agriculture, science and technology policy);
- Resources and Environment (natural resources and ecology, material resources and trade, national mineral reserves, preservation and use of natural resource deposits).

Key units of government most useful in reforming the economy are those concerned with structural and investment policy and natural resources. The type and number of ministries required to manage the economy depends on

the volume and scope of their functions, the extent to which a separation of functions of national economic management is desired, and how large and diverse is the sphere of state ownership. One factor that influences governmental management structures is the level and scope of integration of the business structures with other forms of ownership. At present there exist several legal forms of business organization (financial—industrial groups, corporations, holding companies) capable of undertaking the entire range of functions required in managing industrial activities.

We can point to at least six areas of Government regulation that are considered or acknowledged to be representative of required activities of State power. Among these activities are 1) credit creation and regulation of the money supply; 2) management and maintenance of the legislative basis of market relationships including judicial protection of private property and consumer rights; 3) maintenance of a competitive environment and measures to prevent monopoly; 4) provision of basic social services including education, fundamental sciences, national defense, and law enforcement; 5) minimizing any negative side effects from a market economy, in particular environmental protection, and 6) support of vulnerable social groups and narrowing or preventing excessive wealth and income differences.

The creation of more efficient and effective mechanisms for successful development of the country is not as yet fully solved. However, it should be noted that step-by-step reform of state institutions involves a parallel need to formulate the required legislative basis to reinforce a federal system of power. This starts with the executive authority and extends to regional and municipal structures. Reform of the court system and related prosecutorial activities is underway. Considerable progress has been achieved in reducing the influence of private business interests on government decision-making.

It has been a long time since Russia initiated a search for the appropriate structures and functions to be applied in the sphere of executive management. Repeated efforts to reduce the Government staff, to merge or downsize governing institutions, have not succeeded. Thus far efforts to create a more objective system in defining the functions and responsibilities of federal and regional government offices have met with only limited success. Over the past decade many attempts have been made to create or reshape one or another administrative body at the federal level and to redistribute or realign their functions.

One could state that at all levels of the government system, serious efforts are underway to reform and reorganize the governing apparatus. This includes trial-and-error as well as scientific efforts. One difficulty, that requires solution, is to determine which government official and organizational unit is responsible in decision making when solving key problems of socio-

economic development. The functions of executive bodies are being preserved, but their activity is characterized by weak executive discipline when implemented. Unfortunately, there is a growing bureaucratization of top management levels in government, due to the existence of a great number of laws and orders and the fact that in some cases the executive offices ignore them.

In contemporary Russia the national management system suffers from certain imbalances. Regional systems of management often are not striving to gain maximum autonomy and pursue their own narrow aims. A weak aspect in government management is the tendency to deviate from the main economic course and search for different ways to achieve unclearly formulated objectives. One can observe the emergence of multiple centers of power competing for control within certain operating areas. This produces the opposite result, of weakening government effectiveness and destabilizing those operating areas.

Unfortunately, faulty notions come into being in the case of economic reform, which result in diminishing the role of state management. These faulty notions relate to what were considered the boundless possibilities of self-organization of the market, and the need for the state to withdraw from governing the economy and various spheres of everyday life. Further, these faulty notions resulted in setbacks in the spheres of science and technology, development of industry, and innovation policy. These setbacks created enormous losses and led to missed opportunities. The residual problems from these negative impacts include weak organization and application of executive power, hesitancy in applying management reforms required to achieve a better functioning government. I quote two American scholars who are Nobel Prize winners in the field of economics.

James Tobin recently wrote, "Unfortunately, professional Western advisers on management issues of post-communist countries transition to market capitalism—economists, financiers, business leaders, politicians—have contributed to appearance of wrong expectations. Their belief in the free market and private entrepreneurship was reinforced by political and ideological success of conservative antiethatist. movements in their own countries. The given pieces of advice had only one direction: remove the instruments of the communist control and regulation, privatize enterprises, stabilize the finances, take away the governments and watch the market economy rising from the ashes. It had not proved to be so easy. The western advisers in their euphoria used to forget very often that economic victory in the war of systems was not achieved by ideologically pure regimes of free market but by "mixed economies" where the state played an important and sometimes a decisive role. They have also missed very complex structures of laws, institutions and traditions that during centuries had been formed in the capitalist countries and constitute now the most essential principles of the market systems.¹

Joseph Stiglitz emphasizes that “one of the most important social commodities is public management. We all profit from the best, more effective, more corresponding to our needs state.”² Moreover, he pays attention to the fact that “market efficiency is too great and makes it impossible for the institutions to develop automatically in the framework of the private sector.”³

It should be emphasized in this connection that in a majority of countries public sector management reforms aim at reevaluation of the role and responsibilities of the government ministries and other authoritative bodies, and at removing conflicts of interest. These reforms also are directed to forming rules to secure transparency in the adoption of laws and in the use of public assets, as well as to improve the juridical system and to eliminate corruption. The role of local authorities also needs to be increased. All of these issues mentioned refer directly to Russia. To implement radical changes in society and to carry out a more stable economic transformation it is imperative there be an adequate system of management.

The point is that the basic system of management principles and typology of organizational structures, the system of relations between people, their adequacy, capabilities, motivations to labor and to achievement of prescribed goals, as well as methods of justification and decision making should become the basis of executive authority.

Functions and Responsibilities

The reorganization and transformation of the Russian Government is now in its final stage. This includes establishing state functions, distribution of these according to the appropriate level of management, and continued development of economic reforms. The assignment of functions depends on the goals established and the appropriate timing for achievement of targets within the society.

The Russian system of state bodies continues to evolve with the purpose of organizing and coordinating fulfillment of functions —both internal and external. Internal functions, according to accepted classifications, cover political, economic, social, ecological, taxation and financial control, protection of rights and freedom of people, provision of legitimacy and law and order. External functions include: integration into the world economy, defense, cooperation with other countries in solving global issues (ecological, raw materials, energy, demographic).

The functions of the state management are outlined according to the specific levels of federal structure (Table 9.1).

It is possible to define the key principles of executive power and state management using theoretical researches made in different countries, and sum-

Table 9.1. Distribution of Government Functions by Management Levels

<i>Levels of Management</i>	<i>Description of Functions</i>
Exclusively Federal State Management	Economic security Provision of integrity of financial system Protection of natural resources (air, transit waters, territorial seas, shelves, subsoil assets) State property management State and social security Mass media communications and informatization Integrity of national information resources, etc.
Joint State management—Federal and local	Transfer of law enforcement duties partially from the federal to the regional level as regard the subjects of joint ownership under the condition of entire control on the part of the federal bodies
Regional management	Functions of state management excepting those that belong exclusively to the Federal and joint state management

ming up the accumulated experience. The essentials of this approach follows.

A complete set of eight elements constitute the essential management tasks. These include setting objectives, forecasting, planning, control, accounting, regulation, information, and procedural techniques.

Proper execution of functions is ensured by providing fixed resources for each executive body, including materials, finances, natural resources, labor, information, and others, the need for which is determined according to existing circumstances.

Executive authorities at the Federal level differ from one another according to the set of functions and elements of managements assigned to them, and according to their level or status. These bodies include ministries, institutions, committees, and agencies. Figure 9.1 shows a variety of state bodies.

I. According to forms of activity	• Representative, Executive—regulatory, Prosecutorial
II. By the principles of power separation	• legislative, executive, adjudicative
III By hierarchy	• federal, federation entity bodies
IV By the term of functioning	• permanent, temporary
V By the order of fulfillment of competence	• collective, one-man management
VI By the character of competence	• general competence, specific competence
VII By legislative forms of activity	• Law creation, Enforcement, Law protecting

Figure 9.1. Types of State Bodies.

that differ according to several criteria: which are, type of activity, applicable principle of power separation, hierarchy, term or time period of functioning, and order of fulfilling responsibility.

The transfer of functions to a governmental body must be carried out simultaneously with fixing responsibilities for the fulfillment of those functions. Governmental units or agencies should not carry out the functions of making laws and regulations, and carrying out their operational implementation.

Evaluation of the effectiveness of carrying out state management functions can be conducted by using a system of measurement indicators. Specific indicators should be established for each federal executive body. These indicators must reflect the degree of success achieved in carrying out specific functions of state management.

THE COMBINATION OF STATE AND MARKET LEVERAGE

Changes in the organization and techniques of management in the area of executive power are taking shape in Russia. The privatization and mass selling of shares in state owned enterprises have catapulted Russia to a private sector orientation, but not quite fully to a genuine free market system. Independent economic entities on the one hand, are making efforts to maximize their own profits, but on the other hand have not yet adapted themselves fully to a free market system. The "incomplete" market mentality, joined with the desire of a number of business leaders and groups to become immediately wealthy makes it clear that the state must persist in governing the evolving structure and economic complex. Hence, over the entire period of transition the state must continue to play a significant role in regulating economic processes.

In Russia the managerial role of the state will differ substantially from that of Western counterparts as long as fully competitive market relations are lacking. In the foreseeable future the transition requires that governing mechanisms embrace both market forces and state leverage over management. For this purpose the structure of the state leverage must be transformed in such a way that the combination of market forces and state leverage do not contain unworkable contradictions.

We now turn our attention to the development and implementation of innovation policy. Development in this scientific and technology sphere specifies the boundaries between rich and poor countries, and defines opportunities for dynamic economic growth. Developed countries are moving to solve social problems related to a science and technology policy. Also, they are

shifting priorities to developing and improving information flow in medicine, and achieving better priorities in ecology, and in improving the quality of life.

The level of innovative activity in Russia gives evidence to the urgency of problems associated with it. The share of actively innovative enterprises in the total operating in industry is 62 percent, whereas a critical index is only 25 percent. But the share of innovative product in the total volume of industrial output does not exceed 3.5 percent. Innovative activity in Russia is characterized by a great difference between the rather high scientific potential and quality of education, and high specific gravity of technically educated population. This contrasts with low indicators of economic and industrial efficiency.

We believe the state will reach vital decisions as to which industries will become generators of economic growth, in which it may enlarge the scale of scientific expenditure, and find paths to expand and strengthen scientific research institutions. But the Russian system of innovation is characterized by contradictory and oppositely directed changes. One can observe a lag in the field of innovation, contrasted with stabilization and certain progress of others. A new type of innovation system is required, one oriented more closely to socio-economic needs, and one generating greater competitiveness of national manufacturers in domestic and overseas markets. The importance of the organizational role of the executive power in this process is obvious. Therefore, it is extremely important for the state to promote and carry out selective support of enterprises. This policy can be implemented not only on the basis of normative acts of common action, but also by adopting normative acts, competitive allocation of resources, and prioritizing lines of economic development. Figure 9.2 demonstrates one of the schemes of state support to be rendered to enterprises. The scheme describes a selective allocation of resources implementing priority projects in the industrial sphere on a competitive basis.

State regulation of business includes adopting normative standards relating to content and standards of quality, as well as ecological and sanitary norms. Government bodies play a determining role by granting licenses and adopting rules concerning economic activity. Equally important is the setting of restrictions, in reasonable proportions, regarding legislative norms and control and supervision of business. However, we hold firmly to the position that the executive power must absent itself from excessive invasion into business, especially the small business sector.

Western nation experience in the field of state incentives is of direct practical significance for Russia. These incentives should be provided to small firms in the form of specific budget, taxation, and credit policy measures. These could include reduced taxation on profits, deferred payments, balance

<i>Federal and local Bodies of executive power</i>	<i>Corporations, enterprises, Scientific-Research Institutes and Design Bureaus</i>
<ul style="list-style-type: none"> • Announcement of priority lines in technology • Working out competitive and out of competition terms of rendering support to enterprises, implementing these priorities • Holding of contests of juristic persons—executors of work in the framework of priority lines of technology • Decision making on out-of-contest state support (under the conditions of limited competitiveness of enterprises. • Supervision of timeliness of support measures and efficiency of its usage 	<ul style="list-style-type: none"> • Receipt of information on industrial priorities and terms of support • Evaluation of existing scientific and industrial potential for the purpose of establishing its compliance with the announced priority • Taking measures (if necessary or in accordance with the terms of the competition) to reconstruct production industries, to maintain their financial health, to get prepared for receiving state support • Preparation of documents for participation in the procedures for receiving state support • Development and implementation of plans of state support (upon receipt) • Presentation of reports to the Federal authorities

Figure 9.2. State Support for Priority Industrial Sectors: Competitive Organization.

sheet adjustment for application of value added taxes (to be made after adjusting own payments), and a system of discounts when deferred loans are paid out. Small firms also are to be provided with tax benefits when collecting local property tax. There also is a practice of granting subsidies to scientific institutes for research projects. In addition, government centers and consulting agencies can provide valuable support in the form of providing information concerning business and innovation opportunities.

We need to better understand Western experience in improving the quality of state services, mechanisms for their provision, important trends in enhancing management development among Western countries.

Attention should be given to measures to improve organizational structures and activities of state management authorities taking place in developed countries. Governments in many countries have replaced vertical administrative structures with a horizontal network of autonomous state organizations, implementing certain targets. Also, new mechanisms are being created, such as contract management, internal and external audit, and exchange funds.

Policy formulation is being broken into its various functions. This is changing the level of concentration formerly enjoyed by a few leading ministries. Also, implementation is being reassigned to different autonomous state agencies. The mechanisms of market relationships formerly used only in private

companies now are more and more integrated into the work of the state sector. The general trend is development of analytical, prognostic, control and monitoring functions, but the main focus is on improving the quality of preparedness, and formulating decisions within well-informed central management bodies.

The realization of market tested relationships is, to a great extent, hampered by an underdeveloped infrastructure. The chief responsibility of the state is to achieve a determinative impact in the process of organizing market infrastructure. Economic policy must envisage a complex of special measures concerning development of key elements in market infrastructure: including a sophisticated credit evaluation system and participating bank lenders; controlled monetary emission and deposit-creating banks; more competitively reactive stock and commodities exchanges; auction systems to handle non-exchange financial and business transactions; systematic and well-regulated employment centers and labor exchanges; wider transport alternatives; market research infrastructure; more competitive and flexible advertising agencies; and consulting and auditing groups.

State support of entrepreneurship includes direct financial subsidies, targeted credits and tax relief, special incentives by the state for organizing new enterprises, more flexible organization and regulation of the labor market; greater transparency in tenders for state purchase orders. Assistance is needed in training personnel and in the development of a state network of specialists training candidates for work under conditions of a market economy. Finally, opportunities must be increased to conduct business in free economic zones, and to coordinate activities of labor unions and enterprise associations.

ORGANIZATION OF STATE OWNED PROPERTY MANAGEMENT

Government organizational structures follow the functions to be executed by the state. State ownership of property necessarily complicates these functions, and their management. The state manages government owned properties through its executive bodies. The relevant activities include privatization, transfer of management, transfer for leasing, participation in the management of the shareholding companies, transfer of property, to provide capital in chartered companies, transfer of property for operation or management, and maintaining a register of state property. Direct management is used in entities such as state unitary enterprises and institutions; to manage packages of shares belonging to the states; and to manage federal property located outside the national borders.

The size of the State Sector in each country is determined by a number of interconnected factors; historical circumstances, current stage of national development, position of the country in world economic relations, national economic competitiveness, socio-economic factors, cultural and other factors. In the majority of countries state property includes industrial enterprises, arable land, military installations, subsoil resources, energy producing facilities, transport facilities, communications facilities, and other assets. The steady expansion of state expenditures is documented in Table 9.2. Here we can observe that over the past century state expenditure has increased as a percent of GDP.

In a number of countries the scale of state owned property is considerably enlarged as government seeks to protect business entities from economic

Table 9.2. State Expenditure as Percent of GDP

<i>Total spending of the State</i>	<i>1870 r.</i>	<i>1913 r.</i>	<i>1960 r.</i>	<i>1998 r.</i>
Australia	18,3	16,5	21,2	32,9
Belgium*		13,8	30,3	49,4
France	12,6	17,0	34,6	54,3
Germany		14,8	32,4	46,9
Italy*	11,9	11,1	30,1	49,1
Japan		8,3	17,7	36,9
Netherlands*	9,1	9,0	33,7	47,2
Norway	5,9	9,3	29,9	46,9
Sweden	5,7	10,4	31,0	58,5
England	9,4	12,7	32,2	40,2
USA	7,3	7,5	27,0	32,8
<i>Including social state transfers**</i>	<i>1880 r.</i>	<i>1910 r.</i>	<i>1960 r.</i>	<i>1990 r.</i>
Australia	0,0	1,1	7,4	15,4
Belgium	0,2	0,4	13,1	27,9
France	0,5	0,8	13,4	27,8
Germany	0,5		18,1	21,2
Italy	0,0	0,0	13,1	24,5
Japan	0,1	0,2	4,0	16,1
Netherlands	0,3	0,4	11,7	31,7
Norway	1,1	1,2	7,9	23,0
Sweden	0,7	1,0	10,8	21,3
England	0,9	1,4	10,2	16,8
USA	0,3	0,6	7,3	16,3

*Up to 1913—only spending of the Central Government.

**Social transfers cover: pension, different benefits, including unemployment assistance, health care expenditures (of Central and Local Governments).

Sources: Overall Spending—Tanci V. and Schuknecht I. *The Growth of Government and Reform of the State in Industrial Countries* IMF Wash. 1995: Economic Outlook. OECD. Paris/1999. Social transfers—Lindert P. *Rise of Social Spending. 1880–1930. What Limits Social Spending? Explorations in Economic History*. V/31 (1994), V/33 (1996).

adversity and even bankruptcy. Enterprises that are particularly important to the state from the standpoint of national objectives may not be capable of generating high profit of invested capital. In such cases these enterprises are of no interest to private investors, but highly important in providing goods and services deemed of high social or national significance. Large-scale projects of economic and strategic importance fit into this discussion. The enterprise sectors important from the viewpoint of state ownership are constantly changing. Each country and its historical conditions enjoy different sectoral targets. Hence state property management techniques and priorities differ, by country, and by stage of economic and industrial development.

A well-known Polish economist, G. Kolodko, in his book titled "From Shock to Therapy" has come to certain conclusions based on his analysis of the results of transition economy reforms. The less effective the management in the state sector, the greater the decline in production during the transition period. And the better the work performed in administration in the state sector, the easier the path to restoration and reform of the economy.⁴ It is easier to bring everything into proper order inside the state sector, including the relations of owners and managers, than it is in the framework of the entire economy. Therefore, corporate management in the state sector should prove to be an indicator of efficient management in the economy as a whole.

Government adopted principles and priorities concerning privatization and management of state owned property are embodied in its "Conception of State Project Management and Privatization." This document sets out management principles as well as a program for enhancing state control and regulation in the use of real property. The key targets outlined in the Conception are as follows: expanded competitiveness of business organizations; improved financial transparency of activities; greater flexibility in restructuring and terminating functions not creating value for enterprises; and including a maximum number of state-owned entities into this process of management improvement.

Achieving these goals and management targets for enterprises and institutions is closely related with developing a system of close ties between the state and heads of companies. Also, this relates to giving managers incentives to work more closely and effectively in the interests of owners, including the state as an owner. For this purpose leaders of enterprises must provide better accounting regarding their management success, and establish improved monitoring systems for this purpose. To improve control over activities of unitary enterprises and institutions, a process of registering enterprise charters and contracting with their leaders is to be instituted. Industrial ministries and departments are completing plans for a new procedure in which leaders of enterprises will be evaluated. Appointment of such leaders is to be made

on a competitive basis, by special commissions that operate under the watchful eyes of industrial ministries and departments.

The conception views the state sector primarily as a source of budget improvement, by means of selling property and generating non-tax revenues. Changes taking place in the composition of state property are explained mainly in terms of current budget profitability.

What does the current Russian State sector look like? According to data of the State Statistics Committee of the Russian Federation, in 1999 the State sector accounted for certain percentages of output in each industry division. With respect to total volume of industrial output, the State sector accounted for 10.2%. In overall agricultural output the State sector accounted for 14.3%. The portion of the State sector in transportation of goods by road was 9%, by marine shipment 14%, by domestic water traffic 14.7%, by air carriage 18.7%, and by railway shipment the State portion was 100%.

If we consider the qualitative composition of the industrial State sector we note that, except for those enterprises that are not permitted to be privatized (producing strategic output for national security), in the majority of these enterprises we have small firms, with low liquidity, that would be difficult to privatize. In several cases these enterprises represent industrial scientific organizations, various bureaus, or publishing houses.

The State owned sector has become a residual, with no set plan or direction. There is no clear and well-grounded development strategy for this sector. This precisely, explains the inconsistency of state policy in the public property management that in turn, negatively affects the investment attractiveness of state-owned enterprises. Conflict between business and social interests manifests itself in the course of operating state enterprises and makes it difficult to estimate the quality and performance of management. Here it is difficult to determine whether the weak financial situation of an enterprise is the result of sectoral trends, low quality of production factors, or low qualification of managers.

The assignment of state representatives in joint-stock companies in Russia has not proven successful. A conflict of interest in the activity of state representatives combining administrative and economic functions is not easily resolved. Those analyzing the problem of managing state assets appear divided on the question of organizing a special state corporation to manage state assets. This could be accomplished, for example, by giving such a management corporation 100 percent control over the activity of several dozen state holdings. This would direct analysis and comparison of the holdings in question, with the objective of maximizing profitability and efficiency. Also, it would provide a separation of administrative and economic functions. Executive authorities managing a block of shares belong-

ing to the state could carry out their responsibilities in a more objective and depoliticized manner.

A more effective control and monitoring of state enterprises by the management corporation should lead to increasing non-tax revenues in the federal budget. This approach will ensure better control over the implementation of investment projects of companies with state participation, and the market value and net assets of operating state enterprises should expand. The state management corporation also must have the right to increase the equity held by the Russian Federation in the ownership of operating enterprises. This would reverse privatization, but would insure that the RF has the ability to block socially undesired enterprise actions.

A more effective state property management will accomplish the following: develop a normative legislative basis for the operation of enterprises; clarify the rights and responsibilities of managers versus owners; optimize the property structure; allow for more efficient execution of social functions on the part of the state; application of managerial techniques based on normative standards of state property management.

To achieve these goals a number of problems must be dealt with. A number of tasks must be undertaken to bring about this more rational management of state assets. These include: classify and inventory state-owned assets; create a registry of state property; bring the quantity of state-owned entities to an optimum point; insure that additional revenues are provided for in the federal budget by means of more efficient use of state property.

A successful program-oriented management of state companies requires theoretical and applied research concerning related organizational issues. This research might elaborate on which projects deserve first priority from the perspectives of national and regional significance. Each project must be studied to discover objectives, program structure, the expected contribution of specified targets to economic development, and the necessary working relationships between participating departments and government organizations.

There are no single-valued organizational decisions that can be tailored to fit all types of complex large-scale programs. The types of programs for which we must formulate distinct approaches include: national economic programs with a great number of participating ministries and departments; programs directed to one clearly defined industry with participation of a limited number of key executives; programs requiring a decisive role of local authorities and a certain participation or organizations within federal lines of authority. Organizational forms of coordination and administration need to be adapted to the specific conditions of program implementation. The organizational mechanism to be used in managing the program should be formed at that level and in that unit where the real power of decision making is concentrated.

During the 1990s new problems in the sphere of state management have emerged. Important among them is the availability of government information to society, and the upgrading of information and information technology employees. There must be a clear-cut list of information to be made open for public use. This is necessary both for strengthening the civil role of individuals, and to develop a more civilized business environment. The list of such information is to be approved by law.

The right of the Russian people to have access to information is fixed by the "Law on Information, Informatization and Protection of Information." Article 12 of the law states that people and organizations have the right to obtain information, without any need to justify this access. The only exception is information with a special limited access: such as state secrets and confidential documents. Article 10 enumerates the types of information that cannot be referred to the category of limited access. This includes legislative acts, documents containing demographic information, documents containing ecological type information, data on activity of government bodies, and information describing use of budget resources, economics trends, and population living standards.

State management efficiency is to be improved by information exchange between the State and society. The specially approved federal program "Electronic Russia" (chapter 3.2) states that the Government is obliged to open information, including access via Internet facilities. This declaration will be followed by projects intended to enhance information openness by government institutions.

Opportunities to improve the efficiency of state management are expanding in Russia. This is due to the wide adoption of more sophisticated information technologies. At present, decisions have been worked out to promote and implement modern information services at the federal, regional and municipal levels. Basic prerequisites of this program's success are: reduced costs of management and services provided to the population at large; development of required information-communication technologies. The implementation of this program will permit the Russian nation to make available information services to individuals, organizations, and government departments in email and related computer technologies.

In this connection, State management must involve the entire administrative personnel, and all officials who are employed in the executive and legislative branches. Further, the judicial system must be brought into these processes. A broad spectrum of working relations, at federal and regional levels requires integration. Administrative policy must be extended in such a way that government authorities who are outside or beyond formal structures must be brought closer to operating the structures of government.

NEW REQUIREMENTS FOR STATE OFFICIALS

A person's managerial skills should be a key condition for employment by government bodies. A certain minimum level of competence in the organizational and information fields also is required as a basis on which to take employment with the government. History teaches us that it is not sufficient to have only the force of authority of state institutions to implement approved socio-economic policy. Trust in executive power is best based on the adequacy and predictability of decisions, the ability to follow an appropriate sequence in bringing them into being. This trust may prove to be no less significant than the content of decisions and measures taken alone. To succeed in management reform it is important to unite people around new social and economic values. Support for reforms initiated by executive authorities depends on the effective publicity of their implementation, openness and availability of information concerning their goals, and the actual conditions surrounding the intended measures. A two part audience needs to be addressed, the population at large and business leaders.

Today the Russian Federation is dealing not only with reforming, correcting and improving state services, but also with rebuilding the entire system anew. This includes a revised structure of public services and mechanisms for their delivery. We must understand that the world has developed and accumulated considerable expertise in normative regulation, organization and functioning of multiform government services. Step-by-step, Russia is carrying out a program of strengthening and improving government bodies, and overcoming old procedures and attitudes. A renewed state administration will enable implementation of reforms necessary to achieve the objectives, functions, and structures of state activity.

In recent years the government has introduced the practice of creating and defining state job positions with definite commitments and responsibilities. Under the law, an official state position is approved. These state positions are divided into five levels: Top level, chief, leading, senior, and junior. In addition, these positions are distinguished according to specialization. A state officer is obliged to be professionally educated and prepared to fulfill his or her official duties.

State officers must meet substantial qualification standards, to be considered for a position. These standards are based on level of professional education, life-in-service and expertise, knowledge of the RF Constitution, and an understanding of federal laws and other norms and regulatory acts to be applied in the respective professional line of work. Qualification degrees are usually granted to state federal officers, considering the position and level of responsibility they are going to assume.

To ensure equal access to job positions in state service based on personal capabilities and professional training, advertising of such vacancies is carried out on a competitive basis.

In the last few years specified and clearly outlined requirements have been worked out. These are based on quantitative measurement of competence and psychological qualities of employees.

Instructions are being worked out concerning which government officials at certain levels will be empowered to take decisions concerning implementation of government policy. Also, the criteria for evaluation of department and official work is being cleared up. Finally, guidelines concerning how to resolve unsolved problems, how to evaluate new ideas, and how to evaluate government staff work progress are being formulated for review, adjustment, and implementation.

A draft law "On the System of Public State Service" has been prepared and it is expected to be adopted by the state Duma (The Russian Parliament) in 2003. On August 13, 2002 President Putin signed a Decree "On Approval of Standard Principles of Official Conduct of Public Personnel." It states that the principles in question are introduced "to raise the trust of society in state institutions", and to increase the sense of responsibility of state officers to the State, society, and private citizens.

The Decree of the RF President specifies principles of official conduct, standards for execution of professional duties, the protection of rights and freedom and citizens, how to assess competence of government bodies, methods of maintaining independence from outside interference, preservation of political neutrality, and observance of ethical norms and rules of business behavior. State officers are obliged to exert correctness and politeness when associating with people and representatives of organizations, and tolerance and respect to customs and traditions of the peoples of Russia. They should not make use of their official status to unduly influence the activity of state bodies. A number of other principles focus on insuring that the execution of state services operate in such a manner that insures responsibility of the state to the needs of society and its citizens.

NOTES

1. James Tobin, The Theorem on "Invisible Hand" Should be Modified. *Russian Economic Journal*, 2002, Ms 3. p. 44-15
2. Joseph Stiglitz, *State Sector Economy*. M, INFRA-M, 1997, p. 141.
3. *Issues of Theory and Practice of Management*, 2000. **№**, p. 11.
4. G. Kolodko. "From Shock to Therapy, Political Economy of Post-Socialist Transformations," M. 2000, p. 243-251.