



Russian-European Centre for Economic Policy (RECEP)

Российско-Европейский Центр Экономической Политики (РЕЦЭП)

**Public service standards: economics,
international experience
and Russian reforms**

V.L. Tambovtsev

2004 Moscow | Москва 2004



This project
is funded by the EU

Этот проект
финансируется ЕС



Tel (7-095) 926-0411
Fax (7-095) 926-0299
E-mail info@recep.ru
Web www.recep.ru
Russia 107996 Moscow, K-31, GSP-6
Kuznetsky most str., 21/5, entr.1



This project is implemented by the
Bureau of economic management
and legal studies
Этот проект реализует Бюро
экономического менеджмента и
правовых исследований

Table of Contents

1. Introduction	3
2. Quality standards from economic perspective	4
3. International experience of development and implementation of public service quality standards	10
4. Russian administrative reform and public service standards: analysis and policy recommendations.....	22

1. Introduction

Reforming public governance in Russia that has been initiated at the onset of the century is ultimately aimed, according to official documents¹, at improving efficiency and quality of performance by the government of its constitutionally vested functions and provision of public services through budget performance optimization and a range of performance-dependent incentives for public officers. As such, the unfolding reforms are very much similar to the ongoing campaign in both developed and emerging markets to revamp the functioning of the executive branch – government – based on the new public management concept².

Improvement of the public administration based on the new public management concept in the developed market economies proceeds largely with a view, as is codified in many official documents, *to raise the quality of public services* rendered by the government (public) organizations to the population³.

The significance of the above objective is directly emphasized in the official documents of the Russian Federation intended to formulate the aims and areas of the public budgeting improvement: "Better performance of budget spending is primarily associated with changes in the budgeting process. At the same time all elements of the budgeting system restructuring are interrelated and the optimal outcome is not possible unless there is a concurrent, consistent and successful restructuring of the entire public sector. Accordingly, performance-centered budget planning is pivotal for the system of mutually complementary incentives to improve efficiency of the public administration and as such may generate the maximum positive effect given the integrated approach to the latter's reform. Whether this method is to succeed depends on efficient interaction between the budgeting and administrative reforms and their practical implementation as well as realization of other lines of the public sector policy and measures aimed at raising the quality of public services ..."⁴.

Development and introduction in the daily routine of a public service organization of *quality standards* for the services rendered are undoubtedly the steps critical for the overall success of

¹ The Program of Budget Federalism Development in the Russian Federation for the Period up to 2005 (approved by RF Government Resolution No. 584 of August 15, 2001), Concept of the Budgeting Reform in the Russian Federation for 2004-2006 (approved by the RF Government Resolution No. 249 of the of May 22, 2004).

² Pollitt C. *Managerialism and the Public Services: The Anglo-American Experience*. Oxford: Basil Blackwell, 1990; Hood, C. 1991. *A Public Management for All Seasons?* // *Public Administration*, 69 (Spring): 3-19; Osborne D., Gaebler T. *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*. London: Penguin, 1992; Hood C., Scott C., James O., Jones G.W. and Travers T. *Regulation inside government: waste-watchers, quality police and sleaze-busters*. Oxford: Oxford University Press, 1999; L. V. Smorgunov. *Comparative Analysis of Political and Administrative Reforms: from the New Public Management to the Public Governance Concepts*. POLIS Magazine, No.5. 2003 <http://www.politstudies.ru/fulltext/2003/4/5.htm>. Differences of the above concept from the one pursued in Russia are described in the publication by V. L. Tambovtsev: *Public Regulation of the State: Theory, International Experience, Russian Reforms*. Moscow, RECEP, 2004

³ See: Cabinet Office. *The Citizen's Charter. Raising the standards*. London. HMSO (July, 1991)

⁴ Concept of the Budgeting Reform in the Russian Federation for the Period 2004-2006, p. 31

transition to the performance-centered budget planning which, although initiated at the federal level, will be ultimately extended to the subject entities of the Russian Federation.

In light of the above, proper understanding of the nature of such services and regulation of their development and implementation in the work of public service organizations rendering the respective services, i.e., "end"-receivers of budget resources that directly transform them into the government (and municipal) services, is critical for successful improvement of the public administration efficiency in the Russian Federation.

Considering the afore-stated, this paper provides a consistent overview of the following groups of issues: definition and functions of the quality standards in the activity of various organizations and economic sectors from the economics perspective (Section 2), international best practices in the area of development and implementation of quality standards for the public services (Section 3), approaches to development of laws regulating the quality standards in the public sector currently pursued in Russia, and the functioning of organizations in charge of public administration which are providers of government (public) services (Section 4). Results of the study reflected in the above sections are summarized in Section 5 in the form of *findings and recommendations* to help improve the currently developed public services standards and administrative regulations.

2. Quality Standards from Economics Perspective

The array of tradable public boons — goods and services — are normally classified in terms of the consumer's ability to obtain information about quality thereof into three main categories: "search", "experience" and "credence" goods⁵. The customer may obtain knowledge about essential properties of the *search* goods at no cost *before* the purchase; in case of *experience* goods, the knowledge may be obtained only through incurring certain *expenses* (unless it is obtained *as a result of acquiring experience* in using such goods), credible information about *credence* goods becomes available only after elapse of significant time since their acquisition. These properties relate to the goods as entreties, but may well be applied to "search", "experience" and "credence" *features* inherent in various combinations in these goods. Hereafter, for the sake of simplicity we will confine our subject matter to public boons only, leaving aside the afore-mentioned features.

Therefore, the Seller and the Buyer at the *search goods'* markets appear to have had *similar information* (strictly speaking, the Seller also knows about the costs incurred in the generation of the goods in question but the above knowledge does not in any way impact the behavior of the market agents). At the same time markets for *experience* and *credence* goods are characterized by significant *informational asymmetry*.

Informational asymmetry i.e., the situation when knowledge about the good's properties is not available for the Buyer but is available for the Seller has long been viewed (starting from

⁵ Nelson P. Information and Consumer Behaviour // Journal of Political Economy, 1970. Vol. 78. P. 311-329; Darby M., Karni E. Free Competition and the Optimal Amount of Fraud // Journal of Law and Economics. 1973. Vol. 16. P. 67-88.

already classical study by G. Akerlof⁶) as a major market characteristic responsible for market failures and falls that cannot be remedied without the government's interference⁷.

A fall of the market for a good whose properties are unknown to the Buyer may occur when the latter knows that there are indiscernible on the face goods available at the market with significantly different quality and prices quoted by the Seller, but is not at all sure that the higher price signifies a good of higher quality. Therefore, the Buyer is ready to pay per unit of goods only an average (a weighted average) price which he/she defines based on his/her understanding of the goods distribution by quality across the market. Such a price would be sufficient to cover the cost of a low-quality product but would not absorb the costs incurred in manufacturing high-quality goods. So long as the Seller could not convince the Buyer in his trustworthiness the Seller would not have incentives whatsoever to manufacture high quality goods. As a result, the market will offer only low-quality goods the demand for which will eventually fall to zero, and the market in question will cease to exist ("collapse of the market").

To avoid the above situation sellers may introduce *private guarantees of quality*⁸ whilst the government may make it a law that sellers warrant *minimal quality standards* for the tradable good so that the consumer entering the market be assured that the purchased good would not be utterly unfit for consumption⁹.

Voluntary complement of the offered good having experience and credence features with a warranty of quality is, as is amply evident, a proactive measure, a *creative response of the market* to the problems arising in the course of the market functioning. This is obviously encouraged by the *competition* between the sellers. However, it would be premature to think that the market competition gives an impetus to seeking only "positive" solutions to problems in circulation of goods i.e., innovations and value-adding approaches. In reality, resorted to on a massive scale is a *mala fide* competition representing a variety of *opportunistic behavior* of competitors i.e., use of disinformation, sharp and foul practices in pursuing economic ends¹⁰.

The opportunistic behavior of economic agents generally leads to redistribution of the value already generated rather than to generation of the new one whilst expenses incurred in the underlying *mala fide* practices will have to be directly deducted from the available resources. Accordingly, from the perspective of *maximizing the public good*, opportunistic behavior proves *ineffective*, but if you see it with the eyes of the opportunistically behaving economic agent, those practices *reap him the most* (at least in the short-term). Consequently, the greater are the incentives generated by concerted efforts, whatever the form of coordination, of the

⁶ Akerlof G. The Market for "Lemons": Qualitative Uncertainty and the Market Mechanism // Quarterly Journal of Economics. 1970. Vol.84. P. 488-500). Russian translation published in THESIS, 1994, No.5, P.91-104

⁷ Hirshleifer J. and Riley J.G. The Analytics of Uncertainty and Information // Journal of Economic Literature. 1979. V. 17. P.1375-1421; Stiglitz J.E. Information and Economic Analysis. – In: Parkin and Nobay, eds. Current Economic Problems, Cambridge: Cambridge University Press, 1975. P.27-52

⁸ For instance, in the form of a promise to take back or fix free of charge the faulty good within a certain timeline if the customer encounters a discrepancy between the price paid for and actual quality of the good.

⁹ Leland H. Quacks, Lemons and Licensing: A Theory of Minimum Quality Standards // Journal of Political Economy. 1979. Vol. 87. P. 1328-1346

¹⁰ O. Williamson: The Economic Institutions of Capitalism, St. Petersburg: Lenizdat. 1996. p.97

economic agents, the more likely is their opportunistic behavior in pursuing own economic ends. At the same time, the higher the level of informational asymmetry, the wider the opportunities for strategic hiding and/or distortion of information i.e., *mala fide* competition or any other forms of opportunistic behavior of a more informed party.

A detailed analysis of the relative strengths of incentives (including wage earners' incentives towards opportunistic behavior) in the markets, firms and governments¹¹ has shown that reasonableness of applying the above mentioned forms of coordination generally viewed as forms of organization of manufacturing and provision of various goods is essentially dependent on the type of the public good provided. The higher are the *costs incurred in measuring the quality* of the good the more incentives towards rational use of resources tend to transform into incentives towards *opportunistic behavior*, primarily, in the form of market signaling i.e., lending a *semblance* of high quality¹².

So long as the most powerful incentives are generated by the market and the weakest exist in governments the latter may have relative advantages (from the public welfare maximization perspective) when it comes to manufacturing of certain *private* goods, whilst private companies operating under market conditions may have such advantages when they produce *public* goods. By introducing such a factor as "*transactional costs of measuring the quality of the manufactured goods*" the authors could furnish a new explanation of "gaps" in the traditional "government / public goods" system and amply prove that given certain conditions, commercialization (i.e., employment of the market mechanisms) may have a positive impact on the processes of public goods manufacturing.

At the same time this paper provides persuasive arguments in support of the viewpoint that commercialization *should not* (from the public welfare maximization perspective) be introduced in sectors where the cost of measuring the quality is prohibitively high, i.e., first and foremost, in the manufacturing of *credence* goods, such as education and healthcare. Powerful incentives that the market gives rise to could easily shift endeavors of the goods makers into market signaling thereby deteriorating the quality of the goods in question.

Insomuch as employment of market or quasi-market¹³ incentives in manufacturing of any (be it even credence) goods, is conducive to resources conservation it would only be natural to apply to mechanisms that could eliminate (or at least reduce) the informational asymmetry between the manufacturer (seller) and the customer.

Introduction of the minimum quality standards is evidently one of such mechanisms.

We should also bring your attention to yet another class of situations where the answer may be introduction of minimum quality standards i.e., *regulation of monopolies*, whether natural or otherwise, emerged as a result of a political or administrative decision. So long as the consumers of the above monopolies' products cannot do without the latter's services (or the shifting costs are prohibitively high), the urge of the monopoly to lower the quality of

¹¹ Acemoglu D., Kremer M., Mian A. Incentives in Markets, Firms and Governments. NBER Working Paper 9802, June 2003

¹² Spence, M. Market Signaling: Informational Transfer in Hiring and Related Screening Processes. Cambridge, MA: Harvard University Press. 1974

¹³ For definition of quasi-market and how it is applied various area of government social policy (education, healthcare, etc.) - see: Le Grand J., Bartlett W. (eds.) Quasi-Markets and Social Policy. Houndmills, Macmillan. 1993

goods may be countered through the introduction of *legally mandated* minimum quality standards. In this case, the costs incurred in developing and introducing the above standards need to be increased by the cost of the monopolies' compliance oversight. Where products manufactured by the monopoly represent search goods, the above costs burden is actually shifted onto the customer and such costs, as is seen from the definition of such goods, are negligible for him/her. As for experience and, especially, credence goods, proper monitoring requires special measurement equipment, wherefore oversight costs are borne by the regulator, i.e., the government¹⁴. Evidently, costs incurred by the government are ultimately borne by the taxpayers.

Where public goods are provided by government institutions we evidently encounter situations when criteria of *credence* of the goods in question as well as *monopolistic* position (or, at least, significant market power) of the manufacturer/seller of the goods often exist in combination.

Theoretically, another mechanism of suppressing the manufacturer's urge to opportunistic behavior is possible and often applied to: i.e., liability in tort. In fact, consumer having sustained material or moral damage (loss) as a result of consumption of poor quality products may well seek *compensation for damages* at court to the extent discouraging the seller from offering the price inadequate to the quality of the good (or providing the customer false information about its quality)¹⁵.

The above two methods of eliminating or making up for inadequacy of the market — setting minimum quality standards or putting in place the mechanism of liability in tort — as well as any other similar legal remedies require certain *expenses* having a different structure and different owners. Inasmuch as the government strives to ensure the best economic environment for the value creation the choice between the methods should depend on the minimum cost criteria provided all of them ensure similar social effects. At the same time, given the wide range of damage, i.e., social consequences inflicted by different types of quality faults, maximization of public welfare is evidently the most common criterion.

Therefore, it is important to distinguish between the two types of potential damages: recoverable (repayable) and irrecoverable (non-repayable). Such a division is apparent: if a potential damage may be totally *recovered* placing *liability* with the party at fault after the damage has been already inflicted would not in the least worsen position of the individual who has consumed the good of poor quality but rather encourage the seller of the good (responsible for the damage) not to commit the same in the future. Where the damage *cannot be fully recovered* (e.g. man's life or health) placement of the liability with the party at fault would not fully recompense the party affected. Consequently, in the latter case it would be more preferable from the public (public welfare maximization) perspective to introduce

¹⁴ Where regulation is performed by self-regulatory professional organizations, the respective costs are borne by the organizations' members but, ultimately, as these increase the price of products, by the consumers.

¹⁵ Spence M. Consumer Misperceptions, Product Failure, and Producer Liability // Review of Economic Studies. 1977. Vol. 44. Pp. 61-72; Polinsky A.M., Shavell S. The economic theory of public enforcement of law // Journal of Economics Literature. 2000. V.38. N.1. Pp. 45-76; Innes R. Enforcement costs, optimal sanctions, and the choice between ex-post liability and ex-ante regulation // International Review of Law and Economics. 2004. V.24. N.1. p.29-48; Schmitz P.W. On the joint use of liability and safety regulation // International Review of Law and Economics. 2000. V.20. Pp. 371-382

stringent controls over the quality of goods *prior* to their sales, i.e., establish minimum quality standards warranting the lack of irrecoverable damages.

Besides, whether the damage is recoverable/irrecoverable may be further ascertained if it is tied to *concrete individuals* whose activities have caused the damage. We are talking about the size of their *property*. Suppose that the damage may be recovered *in principle*, but a guilty person that has inflicted it *does not possess* sufficient resources for that. The party affected would unlikely be fully indemnified for the losses by placing liability *ex post*.

Finally, another important factor that needs to be thoroughly weighed before choosing between *ex ante* regulation in the form of quality standards and *ex post* liability in the form of damages litigation is the *difficulties* (and costs) *in proving the guilt* of the defendant. If such proof under the existing judicial system and substantiation practices is either impossible or to a highest degree complicated (involves prohibitively high costs) the use of *ex post* liability may become totally out of question. Besides, given the vague cause-and-effect relation between the properties of the consumed good and subsequent damage any prospective litigation looks unlikely. For instance, where hidden properties of the good have manifested themselves only after elapse of several years during which period the company at fault has wound up with no legal successor whatsoever, any attempts to recover the damages will likely be futile. Another example: an individual that has improved his/her qualification through corporate training constantly fails as a job applicant. Evidently, there is no convincing that inadequate training service is responsible for his/her failure rather than some other circumstances.

At the same time for such credence goods as healthcare services (e.g., surgeries) a possibility to ascertain provable relation between the quality of the service rendered and the long-term consequences for the health and life of a patient is much higher making liability in tort a viable legal remedy. On the whole, for the goods of this type, if taken as a class, the above mechanism proves low efficient.

Therefore, we may propose the following relation between the types of goods (search, experience and credence) and the forms of remedies to prevent losses associated with the former's acquisition:

<i>Types of goods</i>	<i>Remedies to Avoid Losses</i>	
	Setting standards (<i>ex ante</i>)	Liability in tort (<i>ex post</i>)
Search	<i>Inefficient</i>	<i>Efficient</i>
Experience	<i>Efficient</i>	<i>Efficient</i>
Credence	<i>Efficient</i>	<i>Low efficient</i>

Summarizing the above, we may conclude that the quality standard pertaining to any good in question may be characterized as a set of requirements to the properties of the good *in combination with* legal remedies to enforce manufacturers of the above good to ensure compliance of its actual properties with the set standard. This definition *in essence* follows from the afore-stated deliberations on the economic role and prospective areas of use of the quality standards. Accordingly, quality standards are essentially variations of the economic

institutions¹⁶. Based on the established understanding, the quality standard as any institution comprises a discernible model or pattern of exemplary conduct (product's quality parameters), and sanctions imposable on whoever breaches the above model.

No doubt, the above two components — conduct model and enforcement remedies — are not obligatorily integrated into the practically employed standards in their *classical form*. For instance, instead of an explicit conduct model there normally exist only lists of the product quantitative and qualitative specifications which are certainly the core of the conduct model. If the list is denoted by *St*, the logical reconstruction of the model may be described as follows: "Manufacturer of A product is required to warrant that the A product's actual properties are not worse than *St*". As for enforcement remedies, these are either implied in the standards in place or references are made therein to the existing laws that provide various forms and types of liability for noncompliance with the above standards.

Accordingly, although *on the surface* the standard is mostly a set of different measures *by essence* it defines the underlying economic institution as its logically reconstructed description includes the following blocks:

- ⇒ Situation, i.e., any instances of production or sale of the good;
- ⇒ Addressee, i.e., manufacturer or seller of the good;
- ⇒ Guarantor, i.e., a third party — the state, association of manufacturers, association of consumers, etc. — monitoring compliance of the good in question with the respective standard;
- ⇒ Sanctions for noncompliance, i.e., activities of the guarantor that decrease profitability of the addressee, ranging from fines to liquidation of the good manufacturing business or criminal persecution of the addressee.

As any economic institution, the quality standard performs three basic functions: restrictive, coordinative and distributive.

Restrictive function of the standard consists in that it excludes from practice such technological processes of manufacturing that do not ensure the required set of properties of the good. In so doing the standard *imposes additional costs on the manufacturer* as it demands production upgrades. However, such additional costs are *productive* in principle as they lead to a rise in the quality of the product, although the position of some consumer groups may get impaired¹⁷. Introduction or improvement of quality standards of socially significant goods provided to the consumers free of charge or at fixed prices which do not cover production costs, will not evidently affect the consumers as in this instance any additional costs incurred will be solely absorbed by the state budget.

¹⁶ Detailed definition of economic institution – see: O. Williamson, *The Economic Institutions of Capitalism*, St. Petersburg: Lenizdat. 1996; A.E. Shastitko, *New Institutional Economic Theory*, M, TEIS, 2002

¹⁷ As indicated [Leland, 1979] above (ref. 9) a rise in quality may entail certain losses for consumers if it is accompanied by a respective price hike. Besides, according to Ronnen, U. *Minimum Quality Standards, Fixed Costs and Competition*. *Rand Journal of Economics*. 1991. V.22. p.490-504, subsequent to introduction of a minimum quality standard manufacturers that have already been compliant therewith would get a further impetus to raise quality (and prices) to avoid competition from those manufacturers who need to bring their low quality to the level established by the set standard so as not to exit the market.

Coordinative function of the standard consists in that its introduction cuts the costs incurred in reaching agreement between the seller and the buyer and the costs of searching incurred by the consumer.

Distributive function (or, more precisely, distributive effect) of the standard is the total of above economic costs and benefits allocable to various parties in the course of manufacturing, sale and consumption of the product that is subject to the minimum quality standard introduced.

Evidently, economic impact of the minimum quality standards' introduction would vary for the parties involved, often asymmetrically. The more or less universal is the following dependence: the higher the standards and the more they account for the consumers' requirements, the greater will be the costs of their meeting by manufacturers. For commercial organizations, as was already mentioned, this relationship would mean an opportunity to raise prices for products of higher quality and incentives to cut costs.

For public organizations rendering services to individuals and legal entities either free of charge or at discount prices this relationship is indicative of the *services quality dependence on the level of budget financing*.

Besides, reaching higher standards is certainly contingent on how optimally budget subsidies are *allocated* by the entity's manager between areas of appropriation, and on individual *inputs* of staff, i.e., the system of incentives existing in the organization. However, realization of a cost cuts option is problematic for public organizations, firstly, due to often monopolistic position of such organizations and, secondly, the objectively existent "ratchet effect" encouraging *overstatement* of costs or at least discouraging any costs cutting efforts¹⁸.

This is the main reason why it is so important to ensure relationship between *standardization* of public services and *focus of the government budget on deliverables* giving a much greater say to the management of public organizations in matters of budget funds appropriation. When the total amount of financing and the structure of spending are assigned to the organization from "above" it is hardly conducive to prospective activity in implementation of the set standards.

This relationship is clearly discernable in the international best practices of development and implementation of quality standards for government (budget, public) services.

3. International experience of development and implementation of public service quality standards

Of the EC countries, the practical development and implementation of quality standards for services provided by the public sector started in 1991 in the United Kingdom with the adoption of the Citizen's Charter at the initiative of the then Prime-Minister John Major. This document presents a 10-year program intended to improve the quality standards of public services.

¹⁸ Weitzman, M. The ratchet principle and performance incentives // Bell Journal of Economics. 1980. V.11. Pp. 302-308; Freixas X., Guesnerie R., J. Tirole. Planning under incomplete information and the ratchet effect // Review of Economic Studies. 1985. V.52, Pp. 173-192

The program focused on establishment of *quality standards* for public services and measuring of actual performance of public agencies against such standards so that the end users make service providers constantly improve the quality standards. The program envisaged that the possibility to exert such pressure was to be ensured by *transparency* of public bodies, primarily, by providing information to the people about the established standards and the actual quality of services.

By 1996, 42 national and almost 10,000 local charters were developed and published for various public sectors in Great Britain¹⁹.

In Italy the Ministry of Public Services initiated in 1993 a similar program — *Carta dei servizi* — drawing on the review of the implementation of such initiative in the UK²⁰.

Another document of the same nature - *Charte des Services Publics* - was made public in France in 1992. This Charter determined the basic principles of public services such as transparency and responsibility (understood as appropriate organization of work of service providers, communication of required information to the people, elimination of inconsistencies between the procedures used, preliminary consultations, obligatory measuring of performance and introduction of rules of appeal), simplicity and accessibility (i.e., limiting the number of required documents, elimination of excessive steps and formalities, provision of services to the rural population, assessment of the people's satisfaction with service provision), attracting the people and adaptation to the people's needs (which presupposed cooperation of organizations, education of the feeling of responsibility in the personnel of service providers, etc.), trust and reliability (understood as the legal basis, assessment of current and proposed regulations, recognition of erroneous decisions and their fast correction when identified)²¹.

Similar programs and documents were adopted in Belgium, Norway, Denmark, Sweden, Finland, Spain, Ireland, USA, Australia and New Zealand in the early and mid-1990s²².

Quality standards

Quality standards of public services are central in the above programs intended to improve their quality. Therefore, a clear understanding of this term is critical for the use of the experience acquired during the implementation of these programs in the European and other economically advanced countries. The meaning of this term within the programs concerned is almost all-inclusive and envelops various aspects of the public service improvement process. Actually, the service quality improvement programs are based on the idea of the quality

¹⁹ Cabinet Office. *The Citizen's Charter. Five years on. A report to mark five years of the Charter programme.* London: HSMO (Sept. 1996)

²⁰ Dipartimento della funzione pubblica. *La Carta dei Servizi pubblici.* Proposte e materiali di studio. Roma: Istituto Poligrafico e Zecca dello Stato. 1993

²¹ Bouckaert G. Charters as framework for awarding quality: The Belgian, British and French Experience. – In: Hermann Hill and Helmut Klages (eds.), *Trends in Public Sector Renewal. Recent Developments and Concepts of Awarding Excellence.* Frankfurt am Main: Peter Land. 1995

²² See a review in the article: Torres L. *Service Charters: Reshaping the Government-Citizen Relationship.* Paper presented on International Conference 'Policy and politics in a globalising world' (24-26 July 2003, Bristol, UK)

standard as one or more qualitative or quantitative indicators which are measurable and reflect certain social values.

Such idea, first of all, presupposes that the quality standard includes indicators or *measures*, which means applicability of typical measuring requirements such as validity, reliability, functionality and legitimacy²³. The first two characteristics relate to the technical and methodological basis of measuring: validity of the quality indicator means its ability to reflect precisely what should be measured, and reliability means its stability in space and time. The last two features, i.e., functionality and legitimacy, relate to the structural, social, and political aspects of the measuring process. The quality indicator may be valid and reliable but dysfunctional, i.e., unable to help attain the organization's goals. Or it just will not work, i.e., will be impracticable due to the lack of legitimacy, e.g. lack of reference in official documents.

Second, as follows from the above description the quality standard can be based both on *qualitative* and *quantitative* indicators. "In fact, the quantitative measuring of standards may be preferable, especially for users, but some quality aspects may be so subtle and imponderable that their measuring in any measuring units will be disorienting. This does not mean that such subtleties cannot be measures in principle, but the respective indices may be difficult for understanding, calculation or explanation. The risk of using mostly quantitative indicators consists in that only a few quality aspects can be measured. But if the scope of precise measuring is too narrow, such quality standard will probably be rejected as irrelevant or, which is even worse, as disorienting."²⁴

Third, as the standards represent certain *social values* they may *change* along with the changes in the level of knowledge, delegation of authorities, increased sensitivity of the people in respect of consumed services, or in line with the changes in understanding one's own interests and needs²⁵. Therefore, of critical importance is the process of establishment, verification and improvement of quality standards, first of all, of such characteristics as openness for participation of users (service consumers) or focus on the internal interests of the service provider. The standard setting process should also include important decisions which will determine its further functioning. Acceptability of the standard's quality level depends on its type, i.e., whether it features an *average* quality of service or establishes *minimum quality requirements*. The standard acceptability also depends on the scope of action (nation-wide or local); on the consequences taken into account in situations when the actual service quality level does not meet the established standard requirements (economic or legal consequences, impairment of the service provider image, or all these consequences taken together, etc.).

To illustrate how the above characteristics of standards are translated into life, let us consider, as an exemplary public service standard, the standard developed for the British magistrates' courts²⁶. This 6-page document describes those aspects of the citizens' relationship with the judicial body which directly or indirectly impact satisfaction with its work. The Introduction

²³ Bouckaert G. Measuring quality. – In: Pollitt C., Bouckaert G. (eds.) Quality Improvement in European Public Services. Concepts, Cases and Commentary. London: Sage. 1995. P.20-32

²⁴ Lo Schiavo L. Quality Standards in the Public Sector: Differences between Italy and the UK in the Citizen's Charter Initiative // Public Administration. Vol.78. N.3. 2000. P.684

²⁵ Williamson C. Whose Standards? Consumer and Professional Standards in Health Care. Buckingham: Open University Press. 1992. P.26

²⁶ Model Quality of Service Charter for all Magistrates' Courts Committees in England and Wales. 1999. (www.dca.gov.uk/magist/mcc-chtr.pdf)

states that the relevant standard (charter) relates to all categories of people coming to the magistrates' court: victims of crimes, witnesses, defendants, people attending the trials, students watching the course of the trial, relatives and friends of those involved in the litigation, lawyers, etc.

Subsequent sections of the document, structured in line with the "life cycle" of the visitor in the court building, describe those aspects of the stages which he/she has to go through that influence the person's appraisal of the quality of provided services (13 categories altogether).

Let us review some of the document's blocks. For example, "when you are summoned to the court we must: inform you about the date and time of court hearings and the working hours; send you a map showing where the court is located and information on the public transport and a parking lot for your car; inform you on such details of your stay in the court building as the possibility to get food and beverages, telephones, waiting rooms, and equipment for people with limited abilities; communicate to you the telephone number where you can get additional information if required."

Furthermore, "when you come to the court building you will find: clear signage helping you to take bearings in the building; polite and friendly personnel wearing badges with their names and titles; understanding and desire to help on the part of the court personnel; you will also find that any personal information not intended to be disclosed in open court hearings will be treated as strictly confidential; that the court premises are clean and comfortable, and there are separate rooms for smokers and non-smokers; that you can find the list of cases tried in the court in the main waiting room; and that the entire ambience is safe and protected."

"You may make telephone calls to the court between 9 a.m. and 5 p.m. When you call we will: respond within 30 seconds; tell you to whom you are talking; give you clear and useful answers; when a person you want to talk to is unavailable we will tell you when you can talk to him/her."

"Waiting time. We try our best to arrange hearings the soonest possible. When a criminal case is tried we shall be guided by the following rules: not more than 5 weeks should pass between the opening of case against an adult and the first court hearing; for teenagers the interval should not exceed 3 weeks; some cases can be tried longer than expected but for most witnesses waiting time before giving testimony on the day when the witness is summoned to the court should not exceed 1 hour; we should ensure that more than half of witnesses wait less than 1 hour before giving testimony (**a key standard**); if you are not summoned within an hour the court officer will explain to you the reason behind the delay and will tell you how long you will have to wait (**a key standard**)."

As is seen from the above examples, the discussed standard includes both the qualitative and quantitative characteristics; and threshold values are established for the latter. The service quality contents are disclosed for all partial services included in the general concept of "public service provided by the court".

At the same time the quality characteristics included in the standard reflect the service provision *process* whose parameters impact the assessment of the service quality by the users (provision of required information to a citizen, waiting time and conditions, etc.), and not the result of the service which is quite understandable considering the specific services of the court. Nevertheless, the section of the standard dealing with lodging claims and complaints

states as follows: "We do not consider complaints about the actions of prosecutors, lawyers or other parties. Please, remember that we cannot consider complaints about the decisions made by the judges". In other words, the standard does not include those parameters of the service provision process which depend on the person to whom the service is provided.

The focus of the public service quality standards on the service consumer reflects the general guidelines of all discussed documents; such focus is largely due to the specific procedure of development and adoption of such standards.

Development of public service quality standards

The above general principles of public service quality standards development (transparency, participation of service users, etc.) can be realized in the form of various specific procedures. Different countries use different procedures, so we will review only one of them believed to be one of the most developed and detailed. This procedure is used in Ireland. It is described in a special document — Customer Charter Initiative tabled in December 2002²⁷. First of all, this document features the Customer Charter which is a brief description of the level of service that a citizen has the right to expect from government departments or institutions. As this Charter was developed by the relevant department or institution, the development technology (order of stages, contents of stages, etc.) is recorded in this document in great detail.

First of all, it features the general approach to the charter development at the department or organization which presupposes:

- discussion by the organization's management of the charter development goals and approaches;
- assessment and distribution of responsibilities between the senior managers for the charter development;
- appointment of bodies responsible for the charter development; Partnership Committee²⁸ or an *ad hoc* team can be a perfect instrument for involvement of the organization's personnel in the charter development process;
- discussion of the charter with the organization's employees;
- ensuring a close connection between the charter development process and the general planning of the organization's activities;
- discussion of the charter with the top management if required.

The entire process of charter development and practical application consists of four basic stages:

1. Consulting with consumers and interested parties
2. Establishment of service standards
3. Assessment of the organization performance
4. Reporting on the results of activities.

Consulting with consumers and interested parties. The importance of this stage is explained by the *gist* of the consumer charter initiative, i.e., by increased focus of the public bodies on

²⁷ See the materials at <http://www.bettergov.ie>

²⁸ An administrative body which includes senior managers and staff of a public agency and is intended to involve workers in the management process.

meeting the requirements of the citizens who use their services. As *satisfaction* of public service consumers is a critical indicator of successful improvement of such services, consultations with immediate consumers and other concerned parties are the main source of information for drafting such service quality standards which will ensure higher levels of consumer satisfaction.

The exemplary consultations (Good Practice Examples) described on the above website present a clear idea of their nature and methods applied. For instance, of special interest are the following consultations conducted by the Department of Agriculture:

Official meetings with the farmers' organizations. This traditional form of expressing the farmers' interests in the Department's policy (in 2002 there were 140 meetings) was successfully used to learn the farmers' opinion about those parameters of the services provided by the Department that significantly impact the assessment of their quality.

Permanent consumer survey panels. The panel set up by the Department in December 2001 includes consumer associations, volunteers working in supermarket networks, etc. Collected information provides almost real-time feedback with buyers of food products to monitor their satisfaction with the practical implementation of various regulations introduced by the Department.

Consumer polls. The Department regularly conducts random-sample consumer polls (about one thousand respondents in each sample) asking their opinion on the quality of the Department's methods of work, satisfaction with the results of the Department's work, etc.

Another example is the surveys conducted by the Benefits Agency of the Department of Social Security. Within the annual national consumer polls the Benefits Agency asks those respondents who applied to the Agency's local offices within the last 12 months to assess such visits by 19 parameters which reflect various aspects of the office and its personnel. Assessments should include the following: first, whether the respondent agrees with the formulated statement and, second, whether the respondent believes that the discussed aspect is critical. The table below presents the results of one of such surveys.

Statement	% of respondents who think it important	% of respondents who agree with the statement
The personnel wish to help	83	78
The personnel look competent	82	71
The personnel listen to what they are told	77	82
My talk with the personnel cannot be overheard	76	26
I feel that I can ask questions to the personnel	76	73
The personnel have time for me	75	65
The personnel are polite	74	85
The office is easy to get to	69	78
There are enough seats	63	76
More often than not the personnel did not make me wait	57	25
Comfortable seats	55	52
The signs are conveniently placed	56	67
The toilet room is well equipped	48	18
The office is clean and tidy	48	72
Good facilities for children	37	04

Comfortable temperature in the office	35	62
As a rule I am attended by the same officer	30	11
The office's design and furniture are good	23	31

As seen from the above results, visitors of local offices of the Benefits Agency consider some of the statements important and mostly agree with them (i.e., they give high marks to the quality of services related to such parameters). They also think that some statements are of lower importance although they agree with them (therefore, such parameters hardly impact the general level of satisfaction with the visit to the office). Some parameters are deemed important but respondents do not agree with the proposed statements (evidently, these are precisely those aspects of the office work which most strongly affect the respondents' opinion). The last group includes the statements which are not deemed important and the respondents do not agree with them (these are the aspects which should be given low or no priority at all when it comes to improvement of the office work).

In other words, such surveys provide information which has a direct bearing on the next stage of work, i.e., establishment of public service quality standards.

Establishment of service standards. In the opinion of the authors of the Customer Charter Initiative, development and formal adoption of service standards has a number of positive consequences for the public bodies. First of all, such standards are established on the basis of consultations with both the service consumers and other interested parties, first and foremost, with the personnel of the public agency providing services to visitors. Therefore, the standard development process ensures a clear picture of what the service consumers expect from the agency. This makes the agency clearly result-oriented and focused on ensuring to the community such positive results for which it was actually established.

In addition, assumption of obligations to meet the standard:

- ⇒ clarifies the goals of the organization in providing services to consumers;
- ⇒ is required to assess the level of provided services;
- ⇒ triggers appropriate measures when the standard is not met;
- ⇒ helps identify the areas where resources should be allocated to improve the service provision processes;
- ⇒ ensures reliable feedback to the personnel about what the visitors expect from them;
- ⇒ helps identify the best in-house practices of service provision.

To ensure fulfillment of the above functions, the service standards should be established:

1. on the basis of what the service **consumers** think important for raising the level of their satisfaction with the service;
2. in accordance with **12 principles** of the Quality Customer Service;
3. on the basis of partnership with the personnel which will provide services and actually play the role of the judge who decides what the customer needs;
4. as directly measurable in accounting systems and indirectly measurable by appropriate performance indicators.

The above 12 principles of Quality Customer Service constitute the following system of general rules for public service providers:

1. **Service Quality Standards.** The provisions reflecting the nature and quality of the services that the customer wishes to get should be published and conveniently placed in the sites where the service is provided.
2. **Equality/Diversity.** Ensure the right of all customers to equal treatment established by the equal rights laws and at the same time take into account the diversity of customers to ensure the actual equality of groups differing by such characteristics as sex, age, family status, sexual orientation, religion, physical abilities and race. Identify and try to remove the barriers to access the service for pauperized people who feel excluded from society and for those who face territorial barriers in getting services.
3. **Physical accessibility.** Provide clean and easily accessible premises which ensure the right to privacy and meet the safety standards; in particular, ensure an access to services for physically disabled people and people with specific requirements.
4. **Information.** Provide clear, timely and accurate information available in all places where visitors interact with personnel and meeting the needs of people with specific requirements. Utilize all possibilities provided by information technologies, place information on open websites in line with the rules of such publications. Continue simplifying published rules, instructions, regulations, forms, information brochures and procedures.
5. **Timeliness and accuracy.** Provide high quality services timely and accurately, with minimum delays, creating an atmosphere of mutual respect between the service provider and the service consumer.
6. **Complaints.** Establish a simple, transparent and user-friendly system for lodging complaints on the quality of provided services.
7. **Appeals.** Similarly, establish an appropriately formalized, simple, transparent and user-friendly system of appeal/requests for the customers dissatisfied with the decision made about the service provided to him.
8. **Consultations and evaluation.** Provide for well-organized consultations with the customers and ensure their participation in the development, provision and evaluation of services. Provide for a meaningful evaluation of the service provision process.
9. **Choice.** Ensure to the customers, whenever possible, the choice of the way the service is provided including the payment terms, location of places of contact with the personnel, hours of work and the time of service provision. Make use of the available and emerging technologies to ensure maximum possibilities of access, choice and quality of services.
10. **Equality of official languages.** Provide high quality services in all official languages recognized on the territory and inform visitors about their right to choose in what language they will contact with the personnel.
11. **Better coordination.** Ensure a more coordinated and integrated approach to the provision of public services.
12. **Internal consumers.** Provide to the personnel considered as internal consumers of a public service full support and consultations about getting the public services provided by their organization.

High quality service standards can only be developed on the basis of the above stages and the 12 principles. The relevant requirements are defined by the abbreviation SMART, i.e., personal performance indicators developed within the Performance Management and Development System:

Specific — an organization should set precise standards for the main services it provides so as to ensure compliance with expectations, needs and, in some cases, with some legal rights of customers. Organizations should avoid vague wording which hamper the measuring process at the evaluation stage.

Measurable — measurable and manageable things. Consumer requirements set by the service standards should be presented in the form which allows measuring and collection of information for the measuring process. The number of standards which are not supported by measuring techniques should be minimized. The cost of data collection should not exceed the resources allocated by an organization to attain the set goals.

Achievable — it is critical that the established standards could be met on the basis of accessible resources. The set aims and goals should presuppose additional effort on the part of an organization, but at the same time they should be achievable. They also should be realistic from both angles: meeting customer expectations about such standards and distribution of limited resources. Unrealistic goals will demotivate the personnel and arouse excessive criticism from customers and their political representatives.

Relevant — organizations should assume obligations to meet the standards of such services which the customers deem important. During consultations the customers should not only define what level of service they want but also indicate what aspects of the servicing process are the most important for their satisfaction. Such aspects should be included in the service standards developed by an organization.

Timebound — the set standards should allow a review of their implementation after a certain period of time. At minimum, all service standards should be assessed in the annual report from the point of view of their implementation. Sometimes it is advisable to publish such reports more often. The meaning of such analysis is the development of corporate culture focused on permanent improvement. By using technological information and increasing efficiency an organization will constantly improve the service standards in line with the growing customer expectations.

The legal frameworks of standard-setting vary across the EC countries. In the United Kingdom implementation of standards was decentralized as they were introduced nationally by decisions of various ministries and independent regulators, and locally by the territorial units of the Government departments. Sometimes the standards were established by public bodies for their clients. Each organization determined the time to introduce standards independently, either when it thought itself completely prepared or when the pressure of public opinion would become insistent. On the contrary, in Italy the timeframe of development and implementation of quality service standards in public bodies was established by such legal act as Directive of the Prime-Minister adopted in January 1994 as obligatory for all public bodies. This Directive established an extremely short period for standard implementation — 3 months, but they had to be introduced only by immediate providers of services, i.e., by each hospital, school, court, municipality, utility, etc. The Directive did not provide for any nation-wide standards. Large-scale non-fulfillment of this Directive (only 40 out of 40,000 organizations implemented the quality standards, and not within three months

but by the end of 1994 r.²⁹) made the Parliament adopt a special law (No. 273/95) in 1995 which introduced *Carta dei servizi* anew. The new legal instrument forcing the public bodies to adopt quality standards established the same tight schedule complemented by the order in which they had to be adopted by the public sectors: first, public health, then education, etc. As a result, some sectors have adopted the quality standards while others have not. Therefore, the resulting system in Italy significantly differs from the United Kingdom where the level of standard implementation was much higher in spite of the lack of a rigid legal framework.

In the opinion of L. Lo Schiavo, differences in the forms and, which is more important, in the results of the quality standard projects in the above countries are due to the differences in their legal systems: Italy's legal system is based on codified law and traditionally pays little attention to law enforcement instruments and mechanisms. That is why the Italian parliament approved the law which set an obviously unrealistic schedule of developing quality standards based on the opinions of the public service consumers. Moreover, the law did not define adequate measures of encouraging successful organizations or punishing those which failed to comply with the law, etc.³⁰

Use of quality standards in public sector organizations

The large-scale and resource-consuming effort to implement quality standards is justified when its results increase value and improve the citizens' wellbeing. The possibility to reach such results depend both on the quality of standards and on how such standards are applied by public service providers. That is why, from the point of view of increasing the efficiency of the public sector, the *application of the public service quality standards* is critical for implementation of the above initiatives, charters, etc.

As follows from the above, the public service quality standards can be used in the following areas of the work of public agencies:

- 1) planning of the organization's work;
- 2) monitoring of the organization's work by superior bodies;
- 3) monitoring of the organization's work by the users (consumers) of services;
- 4) increasing the efficiency of the use of internal resources;
- 5) increasing the quality of provided services;
- 6) improving the system of personnel motivation;
- 7) improving the efficiency of the organization as a whole;
- 8) improving the efficiency of the use of national budget funds.

It should be stressed that realization of all these activities is based, in the final count, on the provision that **increased quality of public services expressed in the growth of customer satisfaction is considered an increase in the people's wellbeing**. This explains the focus on the opinion of service consumers about their satisfaction, and attention to the fluctuations of such opinions within the general trend to increase the accountability of public bodies to people. It is worth mentioning that the above statement in bold letters is a logical conclusion prompted by the economic theory of wellbeing.

Let us review the above areas of using the public service quality standards in more detail.

²⁹ Lo Schiavo L. Quality Standards in the Public Sector: Differences between Italy and the UK in the Citizen's Charter Initiative // Public Administration. Vol. 78. N.3. 2000. P. 682-683.

³⁰ Idem, p. 691

Planning of the organization's work. Obligations to meet the service parameters set by the standard, first of all, the parameters for which the major customer dissatisfaction was revealed, presuppose that certain resources will be allocated to improve the situation. Therefore, the work plan of the organization (and a corresponding budget call to the superior organization) should provide for maneuvering the allocated resources.

Methodologically, such maneuvering presupposes the targeting of the planning process, i.e., basing the plan on the organization's goals, not on available resources (established level and structure of resources allocated to various areas of the public body's activities). Targeted budget planning at the level of individual organizations, in its turn, represents a logical development of the targeted planning of the national budget (see above).

Monitoring of the organization's work by superior bodies. Reports on the level of meeting the quality standards adopted by an organization serve as a source of information for monitoring of the organization's work by superior bodies. Based on such information, superior authorities can evaluate the organization's success and, within their competence, decide on the level of responsibility of the organization's leader in case of significant deviations of actual performance indicators from the standard(s). This implies such possibility for the organization's leader as reporting based on the "indicator-based work" (see Section 2 of this paper). As the superior body, due to significant transaction costs, inevitably observes not the actual performance of the organization but only the performance indicators (in this case, the indicator of meeting the standard), its ability to *discover* the indicator-based work for reporting purposes is rather *limited*.

In such conditions of special importance is the following area of using quality standards:

Monitoring of the organization's work by the users (consumers) of services. The service consumer, unlike the superior authority, deals not only with the reporting data but also with the personnel of the service provider. Therefore, the customer's information about the examined service components is much more complete and accurate than the reporting data on meeting the service standard. The above example proves that most indicators reflect precisely the parameters of the examined service, therefore, information provided by the public service users can significantly complement and adjust (in case of indicator-based work) the data which serve as a basis for monitoring by a superior authority of the service provider performance. But the customer opinion can reach the superior authority only when there is an independent information channel. Also, the superior body should be interested to get such "outside" information (in relation to the government bodies). In democratic countries such interest is reliably supported by the political mechanism, i.e., *election of leaders* of various levels, while the role of information channels is played by various organizations and institutions of civil society and mass media. L. Lo Schiavo says that "the basic idea of the Citizen's Charter in Great Britain was to set standards, measure performance against them and improve standards under public pressure felt by service providers as a result of open information about the set standards and the actual level of service quality"³¹. Accordingly, public service providers should continuously eliminate the identified deficiencies ("put things right when they do wrong"), for example, by improving feedback to consumers' complaints or, wherever possible, by cash compensation for inconveniences.

³¹ Lo Schiavo L. Quality Standards in the Public Sector: Differences between Italy and the UK in the Citizen's Charter Initiative // Public Administration. Vol. 78. N.3. 2000. P. 680

Responsibility of the organization's top manager is based on the above double monitoring of the public service provider by the superior authority and service consumers. On one hand, such manager is directly answerable to the superior authority (which appointed the manager) for the organization's performance, and on the other hand, the manager bears responsibility for the level of compliance with the standard to the service consumers.

Surely, the first line of responsibility is more formal and rigid but it is based on incomplete and probably distorted information. The second line of responsibility is informal and less rigid but it is based on more complete and accurate information. Evidently, these two lines of responsibility *complement each other*, and *each separate line is not enough* to form adequate incentives for the top manager to improve the organization's performance³².

Increasing efficiency of the use of internal resources. This area of public service quality standards is directly linked to and follows from the above areas. Its practical application is expressed in changing the lines of using in-house resources in accordance with the organization's work plan. Adequate incentives of top management are supported by a combination of "vertical" and "horizontal" monitoring. Specific mechanism of increasing the resource performance is their allocation to the areas which will most probably ensure the growth of customer satisfaction.

Increasing the quality of provided services. The above allocation of resources to improve customer satisfaction with the quality of public services ensures and supports the solution of this task as the very concept of quality presupposes that the properties of purchased goods are close to the customer requirements.

Moreover, as follows from the above (and many other) examples, the public service quality standards include such characteristics of their provision which can not be quantified (e.g., politeness of the personnel) but can be easily assessed by service consumers, therefore, improved motivation of the personnel contacting with the service consumers palpably improves the quality of produced and provided services.

Finally, the quality standards *directly* influence the improvement of public services as more often than not they presuppose not only the need to preserve the attained level but *to raise* it during the planned period.

It should be noted that the corresponding practices vary in different countries implementing the public service quality standard initiative. For instance, when in the UK the quality standards are perceived as "goals which should be met and even exceeded, in Italy the quality standards are associated with legal obligations. Official government publications rarely use such terms as 'standards we want to reach' or 'raise standards'. On the contrary, the lately adopted Italian law regulating the consumer associations states that provision of public services in accordance with the efficiency and quality standards is the fundamental right of consumers and users of such services"³³. The Russian approach to this aspect of public service quality standards will be reviewed in Section 4 of this paper.

³² These two complementary lines of responsibility within the concept of new government management exist not only at the level of public bodies directly providing public services but also at other levels of executive power.

³³ Lo Schiavo L. Quality Standards in the Public Sector: Differences between Italy and the UK in the Citizen's Charter Initiative // Public Administration. Vol.78. N.3. 2000. P.679-680.

Improving the system of personnel motivation. Tying the level of standard compliance with economic and moral incentives is the most evident and at the same time the most disputed form of quality standard application. Specific mechanisms of such connection can be either of direct or indirect action.

Direct action mechanisms suggest the use of various incentives for the workers who successfully meet or even exceed the standard's requirements: additional cash, improved "social package", various moral incentives. The latter can be represented by publication of results reached by different entities of the same economic sector in meeting the standard requirements and identification of leaders and "weak sisters".

Indirect action mechanisms are based on the reduction of the organization's budget because of payments to the customers who were provided inadequate services. Therefore, the application of such mechanisms is limited by the sectors and organizations which provide for such compensations. For example, in the UK they were applied in such sectors as passenger carriage by rail (before the privatization) where poor service standards would lead to lower prices on seasonal tickets; and in the area of power and water supply where suppliers reimbursed overpaid amounts to customers if their services did not meet the standard requirements³⁴.

The disputed nature of direct incentive schemes for the level of standard compliance (performance pay scheme) consists in that they can trigger mass-scale indicator-based work mentioned above. Moreover, some authors think that such schemes *supersede* the *labor motivation of disinterested services to the society* which, in the final count, affects the general performance of the organization³⁵ because it impedes the workers' creative initiatives in searching for new ways of *real* improvement of services and replace them by seeking the *formal* methods of increasing customer satisfaction.

Improving the efficiency of the organization as a whole. As the set standard reflects the customer preferences, on one hand, and is tied to the level of financing of the organization, on the other hand, it can be assumed that full realization of the standard means ensuring the maximum return on available resources, i.e., the organization's best performance given the existing limitation of resources. Allocation of additional finance to such organization via the above standard-setting mechanism will most probably result in growing efficiency (if the opposite trends of indicator-based work or attempts to maximize the organization's budget³⁶ will not supersede this tendency).

Improving the efficiency of the use of national budget funds. Improvement of performance of each organization providing public services and better distribution of resources in such organizations also mean the *possibility* to improve the budget as a whole. Such possibility

³⁴ Curwen P. The Citizen's Charter and British Rail. – In: Chandler J.A. (ed.) The Citizen's Charter. Aldershot: Dartmouth, 1996

³⁵ See, for example: Francois P. 'Public Service Motivation' As An Argument For Government Provision // Journal of Public Economics, Vol. 78, No. 3, Pp. 275-299, November 2000; Houston, D. J. Public-Service Motivation: A Multivariate Test // Journal of Public Administration Research and Theory; October 01, 2000.

³⁶ Niskanen, W.A. Bureaucrats and politicians // Journal of Law and Economics. 1975. V.18. Pp. 617-643; Breton, A., Wintrobe R. The equilibrium size of a budget maximizing bureau // Journal of Political Economy. 1975. V.83. Pp. 195-207

may turn into reality when the budgeting process will have embedded mechanisms preventing the "ratchet effect"³⁷ or at least mitigating its consequences. This effect consists in the following: a rational minded manager increases tasks or reduces resources for those units or workers who raise their labor productivity. Accordingly, the workers foresee such actions on the part of the manager and do not try to improve performance as they do not want to worsen their situation in future. Improvement of the use of budget resources by the service provider may lead to a situation when its financing will be *cut down* after the demonstration of achievements which will mean the end to further improvement of the standards in this sector.

When the public service quality standards are used within the system of new performance-centered government management and budget planning, the above negative consequences will be prevented by the principle of financing budget expenses by their importance (priority). Therefore, any budget resource saving will not automatically lead to cutting down the organization's budget as the general budget performance will increase. On the contrary, any local increase in budget performance (for example, resource saving against budgeted expenses) in other budgeting systems will most likely lead to reduced financing of the corresponding sector in future periods and, consequently, to a reduction in the general budget performance.

So, summing up the international best practices of development and implementation of public service quality standards for the purpose of increasing the customer satisfaction levels, the following aspects should be emphasized:

- ⇒ obligatory involvement of service consumers in setting the service quality standards;
- ⇒ including standards in the system of the organization's responsibility (including financial and moral incentives for employees);
- ⇒ close link between *standardization* of public services and orientation of the whole budgeting process *to final results*.

These three key aspects, as follows from the above review, ensure a real contribution of public service quality standards to raising the wellbeing of the people.

4. Russian administrative reform and public service standards: analysis and policy recommendations

The concept of the reform in the Russian Federation developed in 2002 comprised three principal components: (1) changing the structure of the executive branch; (2) changing the composition of functions and their allocation (including the curtailing of irrelevant and excessive functions; (3) introducing the rules to regulate the public servants' practices and status. The last component, in particular, was expected to ensure the improvement of transparency of the government activities and public involvement. Therefore, the introduction of the public service standards in the government and its agencies should be viewed as a measure to implement the third component of the administrative reform generally aimed at improving the operation of the government machine.

³⁷ См.: Weitzman, M. The ratchet principle and performance incentives // Bell Journal of Economics. 1980. V.11. Pp. 302-308; Freixas X., Guesnerie R., J. Tirole. Planning under incomplete information and the ratchet effect // Review of Economic Studies. 1985. V.52, Pp. 173-192

The drafting of the Federal Law of the Russian Federation "On Public Service Standards" commenced in the spring of 2004 and has been conducted at a fairly good pace so that at least five versions of the draft existed as of the end of October, both embodying the conceptual design and specific draft provisions.

The existing concept versions of the draft law identify it as a "framework" legal act designed to define not the standards proper but rather the methods and forms of their development and adoption, along with the methods and forms of their practical use as part of the government practices. Given the diversity of the public services and the local conditions under which these are provided, such approach appears to be absolutely justified as creating realistic opportunities to take account of such diversity. At the same time, certain other concept components appear to be to a certain extent in conflict with the framework nature of the concept draft.

The procedure for the development and adoption of a public service standard is characterized in all concept drafts as an absolutely democratic procedure with the mandatory involvement of all civil society organizations at virtually all stages: "Panels empowered to approve the public service standards shall be formed as collective bodies including the representative of the executive branch of the government and municipal authorities, national and municipal legislature, non-government not-for-profit organizations, businesses, human rights organizations and expert associations to exercise powers granted to them by this Federal Law. The Panels shall review the public services by activity of the government executive branch and optimize the composition of the public services on the basis of designated laws and regulations. The Panels shall conduct their activities within the scope of the authority established by this draft law". (Version of September 10, 2004). A similar description of the public service development and adoption procedures appeared in the earlier versions of this draft.

The Panels for standard development established in accordance with the above provisions, are clearly well positioned to most fully accommodate inter-regional and intra-regional differences in the conditions in which the public services are delivered, by formulating standards for applicable levels, i.e., national, regional, local and individual agencies.

However, the *definition* of a public service standard, given in one of the initial drafts effectively prevented the accomplishment of such diversity. The standard was defined as "the regulatory requirements to the scope, quality and conditions of public services delivery that are uniform across the entire territory of the Russian Federation"³⁸ (underlined by the author). While no objections are raised in respect of the uniformity requirement as far as the *scope and quality* of the services are concerned, the requirement for the *uniform* conditions of the services delivery fails to take into account the various resource constraints existing in the Russian Federation across its different regions. In other words this requirement should be linked to the budgeting process, i.e., the need to allocate significant funding in the budget to ensure uniformity of the physical conditions in which the services are delivered, i.e., ensuring uniformity of the premises, equipment, etc. Unfortunately, the linking of implementation of standards with the budgeting process has not even been raised in this version.

These issues are addressed in the version of September 10, 2004, which reads: "**Public Service Standard** is an organized set of requirements related to public service provision by a

³⁸ Version of June 22, 2004

government body, defined on the basis of the needs and desires of the public service users, on one hand, and, on the other hand, considering technological, material, technical, financial and other resource constraints (author's underlining) of the government body and its scope of authority".

As outlined in the concept version of June 22, 2004: "the principal idea underlying the draft law is:

- to make it mandatory for all government bodies to employ, develop and implement standards in respect of all public services which such government authority is empowered to provide or cause to provide or is to provide pursuant to the government functions assigned to it or is necessary for carrying out the same;
- to ensure that individuals and legal entities have a real opportunity to demand that the government bodies comply with the public service standards, including through legal action".

Respectively, the objectives of the legal regulation of the public service standard implementation process encompass:

- "protecting users of public services, both individuals and legal entities;
- discontinuing the practice of 'imposed' public and quasi-public services;
- improving the quality of the public services, including in the non-competitive environment with the government monopoly in their delivery; introducing the criteria for quality control on the part of the civil society and regulators;
- optimization of the list of public services. The issue is about separating services delivered by the government bodies and their agencies and detaching those services that are not related to the governance functions and can be contracted out to the market sector without significant adverse consequences (a sharp rise in the price of the service, etc.);
- compliance of the government bodies and their officials with the provisions of the Russian Constitution that require them to always protect and safeguard the rights, freedoms and lawful interests of the citizens and their associations".

The version of September 10, 2004 has a differing description of the principal intention of the Draft Federal Law "On Public Service Standards", i.e., creating "a legal basis for implementing uniform requirements to the conditions (author's underlining) of service provision by the government bodies, and to the extent such duty has been duly delegated to the municipal authorities and entities, by such authorities or entities, to the individuals or organizations (users) of the public services, with respect to their quality and availability".

Therefore, the questionable idea of introducing the statutory provisions requiring the *uniformity of conditions* (obviously, including physical conditions) of the public services delivery, which was previously included in the definition of the standard, *remained* in the new version, having been shifted from the definition to the description of the law goals.

The objective of optimization of the number of public services (version of 22.06.2004) mentioned above leads to the conclusion that the draft law would be designed to standardize only the *governance* services, while the services that provide public, collective or socially significant benefits, would remain outside the scope of the regulation by this law. Therefore, such services delivered by the state institutions as general education, healthcare, social

security and all of the utility services, which *potentially* can be fully privatized, but in reality remain the responsibility of the state, would be left without any quality standards (or at least those standards that would be introduced under *this* law).

It is true that the above comments accompanying the description of this objective emphasize the absence of "any negative social consequences" of shifting the relevant services to the "market sector" as a precondition of excluding a particular public service from the scope of the law, but no operational criteria have been given in the draft law concept as to how the determination that a service qualifies for such exclusion should be made.

The same thinking underlines the concept outlined in the version dated September 10, 2004, in which a public service is understood as "a statutory process, by means of which a government body is engaged in enabling the exercise of the rights, freedoms and lawful interests of, as well as the performance of legal duties by the individuals and entities that involves interactions of an individual or a legal entity (user) with the government authority or civil servants within the scope of their authority".

The draft law under review *significantly* departs from the approaches implemented in the EC countries where, as discussed above, the quality standards apply to the services provided by the state schools, hospitals, public transport, etc.

In the concept version of June 22, 2004, the public services are defined as "services delivered to the citizens and their associations, individuals and legal entities (service users) by the government bodies. The services in this case represent the delivery of outputs (results of performance) of the government functions, by means of which the latter perform the duties of the government before the citizens, i.e., enable them to exercise their rights and perform their duties".

Under such definition for the purposes of standardization the public services are subdivided in the draft into two categories based on the user category. "The public services include the following categories:

- public services delivered to unspecified public;
- public services delivered to a specific user (individual or legal entity, citizens and their associations, groups of persons) – public administrative services".

According to the concept, the public services to *unspecified* public are understood to be the activities of the government bodies, which "create a legal and organizational framework for obtaining by the citizens and their associations of goods ... and services (sourced from publicly and privately owned producers) pursuant to their interests".

If we put aside certain linguistic ambiguity as to whose interests are those referred to in the above quotation (pursuant to interests of the citizens or publicly and privately owned producers?) the content of the public services is, at a first glance, defined in the concept fairly clearly: these are, first and foremost, governance and regulatory (in particular, legislative) services putting in place the legal and organizational framework for the activities of businesses and other entities. For instance, the activities of the RF Federal Assembly which adopts laws, represent, under such definition, the delivery of public services to the unspecified public, as the output of such activity, i.e., laws, certainly create a legal and organizational framework for obtaining by the individuals and legal entities of goods and services from publicly and privately owned producers pursuant to the interests of such parties.

However, such interpretation is in conflict with the concept's other clarifying provision: "the public services to unspecified public shall be delivered directly to the user both by means of the public services to specific users and of the services delivered to them by the publicly and privately-owned producers of goods and services".

It would be fairly hard to find an example of a public service that, on one hand, would "create a legal and organizational framework for obtaining" by the users of certain goods or services, while, on the other hand, being delivered to the end users "by means of the public services to specific users and of the services delivered to them by the publicly and privately-owned producers of goods and services".

The public services to *specific users* "shall be delivered to them immediately after the performance of the government function by the government body or, if delegated, by relevant public agencies or institutions. In fact, for the purposes of the draft law this is the most important single category of the public services: public administrative services".

The concept suggested the following distinctive features of the public administrative service:

- 1) individual delivery (to be delivered to a specific individual or legal entity);
- 2) public service users applying (in connection with the exercise of their rights and duties) to the government body;
- 3) service being delivered directly on the premises of the government body;
- 4) delivery of the service may not be shifted to any business or not-for-profit entities or their associations due to objective social and economic considerations".

It is easy to see that these features combine both economic and organizational characteristics of the services, with the description of the first being very vague: "due to objective social and economic considerations" a service may not be delivered by a private entity. Furthermore, missing from the list is the *principal* (in our view) *distinctive feature* of the public *administrative* (or governance) *services*, i.e., the user applies to the government body seeking to ascertain (*acquire, confirm* or *protect*) some of its *rights*: ownership rights to property, rights of access to other rights, etc.

The concept version of September 10, 2004, does not essentially contain any detailed discussion of what a public service is, except for the definition quoted above.

Instead, it elaborates on "the requirements to be embodied in the public service (service delivery) standards". This version makes a distinction between *public service standards* which "are to be developed in respect of each category of the public services" and the *service delivery standard* which is to contain "the requirements to the general process of interaction of the government authorities with the individuals and entities".

Based on the content of the below requirements "which may be adopted as part of the public service (service delivery) standards", these exclusively relate to *service delivery standards*, as they comprise:

- 1) requirements to the time of service delivery (including (a) time necessary to deliver the service and (b) time spent for obtaining the service such as waiting time);
- 2) requirements to the place of delivery (accessibility for different groups of users, free access during business hours, accessibility for users with special needs, acceptable

- waiting conditions, accommodations for preparation of documents, filling out applications, etc.);
- 3) requirements to the provided information (availability of reliable information, requirements to the lists of requested documents, etc.);
 - 4) requirements to the personnel (rules of conduct in the office, employee qualification requirements);
 - 5) requirements to the price (availability of information on the service price and privileges available to certain categories of users);
 - 6) "with respect to the users – an exhaustive list of the requirements which may be imposed on the users and of their rights".

It appears from the above list that items 1a, 5 и 6 relate to the *output standard*, while all other items relate to the *process standard*.

It is believed that the standard may and should establish certain *uniform* requirements to the *output* of the public service that will be applicable anywhere in this country: whether an individual applies for a certificate to be issued in a rural community or a major city, such certificate should have the same form and be accepted across the country, irrespective of the place where it was issued; a license issued to a legal entity should be uniform as well, etc. The principles that the procedure should be democratic and that the users should contribute to the development of such standards are *useful* as long as they relate to the determination of the *composition* (list) of the public services, but hardly remain such where the document form, counterfeit protective features, etc. are concerned.

As far as the requirements to the *process* of obtaining the service output (*service delivery standard* is the term employed in the draft under discussion), the introduction of the statutory provision establishing **uniform** national requirements seems to be **impractical**. As noted above, the improvement of the physical conditions for the delivery of the public services may entail significant budget funding requirements. For example, in order to meet the above requirement of uniformity with respect to accessibility for the "users with special needs", i.e., primarily for disabled, and given the existing condition of most of the buildings used by the government bodies, major repair or rebuilding of virtually all such buildings will be required (except, maybe, for those few located in large cities).

Therefore, it is with respect to the *process standards* of public service delivery (service delivery standards) that the process for adoption of respective requirements need to be **decentralized**, there should be a mandatory procedure for the approval by the local community and of gradual quality improvement targets tied to the increasing capacity to fund such improvements in the physical conditions of the public services delivery. In other words, the heads of the agencies delivering public services should secure the *approval of the users* both with respect to the current level of the service delivery quality and to its future improvement targets. It is easy to see that it is this practice that has prevailed in the countries that have employed the approach based on public service quality standards.

Otherwise, if the uniform service standards are introduced centrally and immediately, a significant if not the largest portion of the buildings and premises used for delivery of public services, *would turn out to be unfit* based on such standards. Since the proposed law would certainly set forth the principles and rules with respect to the *accountability for non-compliance*, the government is likely to face an immediate surge in complaints and claims

regarding the non-conformance to standards without any realistic opportunity to deal with the cause of such complaints in the foreseeable future.

As a result, the very idea of the public services standardization is likely to be largely discredited, as the law would fail to bring quality improvements into the *process* of the service delivery, i.e., it would not achieve the improvement in the customer satisfaction. To the extent the law would be used as a basis for introduction of the quality standards with respect to the service *output* (essentially, with respect to the quality of the documents evidencing certain rights of their holders), this aspect of the public services is unlikely to be of the same significance for the individual and legal entities (users) as the *improvement in the service delivery process*.

In this conjunction a major concern is that in the draft law concept of September 10, 2004, the development of the public services standards is persistently tied to the development of *administrative regulations*.

Pursuant to the Concept of the Draft Federal Law "On Administrative Regulations in the Executive Bodies of the Government of the Russian Federation" (The Center for Strategic Studies, 11.06.04), "an administrative regulation is understood as a normative act which set forth the standards for the performance of the government functions, i.e., the mandatory requirements related to performance indicators, content, delivery, quality of the governance activities, procedures and processes that ensure the efficient performance of the government functions by the government body within the scope of its authority to the benefit of the state, individuals and legal entities.

An administrative regulation shall in an exhaustive manner (with the description of the successive activities, procedures and stages thereof, completion timing, potential decision-making variations, form of the output, position of the responsible official, etc.) regulate the performance of the respective government functions".

In other words, an administrative regulation represents an outline of the procedures and practices of the performance of a particular business process, by means of which an executive body of the government carries out its functions and which covers both organizational and technical aspects.

As stated in the Concept, "the principal idea underlying the Draft Federal Law 'On Administrative Regulations in the Executive Bodies of the Government of the Russian Federation' has to do with the creation of the legal framework for the sustainable and far-reaching improvements in the performance of the government functions by the executives bodies of the government. With this purpose in mind it is proposed that the draft law should provide for the uniform normative requirements to the performance of the government functions which will be, as a rule, exercised in strict compliance with the administrative regulations".

Therefore, it is proposed that the *procedure of the development* of "administrative business processes" be embodied in and take a form of a federal law. According to the Concept, such administrative regulations should be developed by the relevant panels which should include the representatives of the government bodies and civil society organizations. Apparently, it is expected that the representatives of the government bodies on such panels would seek to protect the interests and *minimize the efforts* of the relevant government bodies in connection

with the performance of their functions, while the representatives of the civil society organizations would seek to *minimize the number* of the functions and *maximize the quality* of their performance. It is for this reason that the Concept emphasizes the parity in the composition of such panels meant to prevent either of the two positions from prevailing.

Clearly, a process adopted within a certain agency or institution with respect to a certain public service would directly impact the quality of the *output* of such service, as well as the *timing* and *cost* of their delivery.

For example, if such process requires that an applicant should obtain approvals of several government agencies *himself*, the *time* of obtaining the *output* (certificate, permit, license, etc.) would significantly differ from the time required for the process whereby all such approvals will be obtained by employees of the government body to which the user applies ("one window" approach). Consequently, if the process requires that a notary certified copy of a certain document needs to be submitted in each instance, the user's costs would be significantly higher than with the "one window" approach under which only a *single* notary certified copy would need to be submitted to the "lead" agency and is available for review by all "associated" agencies. At the same time the link between the process and the *quality of delivery* of the output, when evaluated from the user's standpoint, appears to be indirect, and is expressed in the total of waiting time and related costs, with all other quality aspects being overlooked (such as waiting accommodations, availability of information, etc.).

Given that the philosophy underlying the new approaches to the public governance, along the lines of which the administrative and budgeting reforms in the Russian Federation have proceeded, originates from the corporate management concepts, it would be helpful to look at how the issues discussed have been dealt with in connection with the operation of the markets.

As noted in the second section of this paper, there is no doubt that the product quality standards for the credence goods have a positive impact on the well-being of consumers. In the meanwhile, the technology employed in the production of such goods have almost never been a subject of the government regulation, except where there is a potential adverse impact on the well-being originating from the very technology employed (such as harmful emissions in the air, etc.). However, even in such cases the most frequently employed approach has been to establish certain *requirements with respect to the effects* of employment of a certain technology, rather than the technology itself. The formalized product standards leave the production technology as the only area of innovation, which could lead to lower costs and quality improvements, i.e., the "exceeding" of the quality standards. The technology that yields the products which are non-conforming to the minimum quality standards would be removed from the production facilities *not because of the adoption of a certain law* regulating the choice of technology, but rather as a result of the independent *decision by the producer* facing new restrictions on the production quality.

The literal implementation of such system in the area of public services could be summarized as follows:

The legislators, based on the known preferences of the *users*, would adopt *uniform requirements to the output* of the public service delivery (including requirements to the issued documents, total time for the delivery of the service, the fee charged for the service), as well as liability for the failure to meet the same, including payments from the organization's

budget to those users, the service delivery to whom failed to meet the quality standards; it would also approve the service provider's *budget*, which savings in the absence of the consumer claims could be used, in particular, for the purpose of providing incentives to the employees involved in the delivery of the service;

The service provider in coordination with the *users* would establish current and future *process quality* standards for the delivery of the service that would take into account certain specific local conditions (premises available to the service provider, personnel skills and potential for improvements, etc.), as well as the form of the liability for the failure to meet these standards and applicable rates;

The service provider, based on the incentives provided by the legislators and the liability to the users, would streamline the delivery process by achieving cost savings (budget expenditures) and providing incentives to the employees in order to accomplish continuous improvement.

The immediate implementation of such system today is, of course, impossible for an obvious reason that the *legal* market of the public services is not yet competitive³⁹, and the government bodies delivering such services are not-for-profit entities by their economic nature, i.t., their heads are not allowed to distribute among themselves the difference between the gross revenue and cost of sales.

However, the logic underlying the proposed system *may* very well be implemented with its all substantial elements even with the existing constraints mentioned above. While the budgeting reform envisages the broadening of the discretion of the recipient of the budget funds with respect to their use with the view of achieving the organization's objectives, the forthcoming civil service reform will comprise such component as incentive programs for the employees based on their performance and efficiency.

In terms of the proposed system the above reforms *fail to deal with* the payment of penalties to the users for non-compliance with the standards *directly from the budget of the government body or agency* that failed to meet the public service standard. Obviously, in the absence of such incentive the motivation for the agency to comply with the standards would significantly decrease.

The following provision in the Concept is interesting in this connection: "Executive bodies of the government and their officials will have the duty to optimize the performance of the government functions, including and primarily related to the delivery of the public services by development and subsequent modification of their administrative regulations and will be responsible for compliance with the rules set forth in the administrative regulations pursuant to the procedures to be established by the drafted federal law" (author's underlining). According to the Concept, the individuals and entities, being the *consumers of the output* of the respective government functions, are seen to take the role of "supervisors" overseeing the compliance with the standards. Moreover, the Concept contains a separate section "Challenging the decisions and actions (omissions) of the executive bodies of the government and civil servants failing to comply with the rules of the administrative regulations" and provides that a similar chapter should be included in the law.

³⁹ The *combined* market for any public services, that includes both the legal and illicit sectors, is certainly a competitive one where counterfeits, extra charge services, etc. are operating as "substitutes" for the public services.

For the public service user to be able to complain on non-compliance with the administrative regulation, he would have to *be familiar with such regulation* and to be able to *identify such non-compliance*. If we use, as before, an analogy with the production of credence (and experience) goods in the market, the buyer (consumer) of consumer electronics should have the right of claim against its manufacturers on the basis of faults in the process of manufacturing stereo systems or computers. For that he would have to be familiar with such process and be able to analyze its workings in the manufacturing of the product that broke down while in his possession.

This, of course, never happens in practice, as it is sufficient for the consumer to be familiar with the quality standards applicable to such electronic products, i.e., its consumer properties whose inadequacy would give rise to a claim against the seller. The consumer would not need to ascertain what exactly caused such failure – it would be the seller's job who may pass the claim on to the manufacturer.

In the meanwhile, as these issues have been discussed, it was said that the user of the public services would need to know how the process of their delivery works. In the opinion of G. Tomchin, a deputy in the State Duma, in order to root out corruption a mechanism would be needed "that enables each individual to track his application, petition, request or letter as they move through the public agencies"⁴⁰. "Such mechanism", writes Mr. Tomchin, "has been implemented in the city of Seoul and was code named Program OPEN". The key feature of the program is the opportunity for the individuals to track the progress in the processing of their applications through Internet from any computer".

From our point of view, such objective can be accomplished at a much lower cost by introducing liability (tangible penalties to be paid from the agency's budget to the affected individual) for sub-standard performance. For an individual it would be absolutely unnecessary to know exactly which official and why failed to ensure that a particular document is properly processed, resulting in non-compliance with the quality standards. It would be the job of the *head of the agency* which suffered the budget losses to find such official. Clearly, it would spend much less time and effort to identify who is at fault than for the user affected by the sub-standard performance.

Thus, as shown by the theoretical study of the quality standards and international practices in the areas of the public services standardization, the laws on the public services quality standards and administrative regulations drafted in the Russian Federation, while being generally the steps in the right direction, contains certain elements which may significantly affect their effectiveness and efficiency.

1. The public services are defined narrowly with virtually all of the socially significant services, i.e., education, healthcare, utilities, etc., excluded from the scope of standardization to be implemented by the proposed law.

2. If the requirements to the *output* of the public service delivery (including those of the governance nature) should be *uniform* and determined with the mandatory involvement of

⁴⁰ CM.: <http://www.tomchin.ru/ideolog.shtml?txt=4>

the users, the requirements to the *process* of delivering that output (or "service delivery standards") should be "*localized*", reflect actual conditions existing in each municipality and take into account the input from the local community.

3. It is advisable to engage the public at large (with the granting of, so to say, "deciding vote") in the determination of such aspects of the administrative regulations which have a *direct impact* on the quality of the public services, i.e., time required to deliver the service and costs that the user would have to pay in order to obtain such service. The *development and adoption* of the regulation proper in this case may very well become the responsibility of the agency (institution) concerned, always subject to the requirement that the process used should ensure that the requirements in the public service *output* standard can be met and its impact on the output of the public service delivery is acceptable to the public.

4. Enabling the users to oversee the process of the performance of the regulation procedures within the agency (institution) is seen as excessive and imposing unnecessary cost on them. Such oversight should be the responsibility of the administration of a particular agency (institution) who would be motivated by a statutory provision envisaging the payment of penalties to the users affected by sub-standard performance under the public service and service delivery standards from the budgets of the agencies (institutions). Combined with the broader discretion of the budget fund recipients in the use of budget funds for the purpose of accomplishment of their objectives that is envisaged as part of the budgeting reform, such measure should create adequate incentives for improving the budget spending efficiency and quality of the delivered public services.

5. The regulation by a federal law is necessary for the two categories of the administrative regulations: firstly, for the regulations applicable to inter-departmental relations and those between the public institutions (including dispute resolution rules); secondly, regulation of introduction of new rules applicable to the exercise by the agencies of their authority and governance functions.

The regulations in the first category should, first of all, address the "deadlocks" in the relations between the agencies and their institutions, when the absence of the conflict resolution rules leads to the delays in the decision-making process resulting in direct and indirect economic (and social) losses.

The regulations in the second category should prevent the agencies acting within the scope of their authority, from adopting such new rules having the nature of administrative barriers that impose unjustified costs on the individuals and legal entities which are the subjects of such rules.

It appears that if these recommendations are taken into consideration in the development of the draft laws under discussion, this would help to make them better geared towards achieving the improvements in efficiency and quality of the services delivered by the government and municipal institutions.