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**THE INFLUENCE OF ADMINISTRATIVE
PROCEDURES ON THE INCENTIVES
OF BUREAUCRATS, SUPERVISORS
AND CITIZENS**

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One of the measures implemented as a part of administrative reform in Russia was the introduction of administrative procedures — special rules for providing government services that specify the process, the timing, the sanctions, etc, which can be used by bureaucrats for coordinating their activities, and by their principals (higher ranking bureaucrats and citizens) to control their agents. The main idea behind the administrative procedures was to increase the transparency of bureaucracies that provide government services, to simplify the control over bureaucrats, to prevent corruption, and, consequently, to increase the quality of government services. But after a few years since the introduction of administrative procedures we still face the problem of low accountability of bureaucrats. Thus, the main goal of the paper is to show whether administrative procedures can solve the problem of bureaucrats' opportunism, and if they can, what are the key determinants of their effectiveness. To answer the question we provide two simple models of interaction between bureaucrats and citizens, and bureaucrats of different ranks, and describe the links between the models, to show how the introduction of administrative procedures influences the outcome of the interaction between the agents. We also define the set of parameters that can make administrative procedures a real means of control over bureaucrats and thus lead to better quality of government services.

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Introduction

The quality of public sector governance in Russia is considered to be rather poor. According to World Bank governance indicators¹, in 2009 Russia ranked 35.2 (out of 100) for regulatory quality, 23.6 for the rule of law, 44.8 for government effectiveness. The latter, while higher than, for example, for the Ukraine, is still more than 20 points lower than Latvia, almost 30 points lower than Poland, and almost 50 points lower than most of the western European countries. The low quality of public services is also captured by the citizens' surveys. Among the problems respondents² mention long lines in public agencies (51%), red tape (24%), and the lack of information on public services (13%).

To improve the public sector governance the administrative reform was initiated. The reform aims at making public agencies more transparent, preventing corruption and improving the quality of public services, introducing better control over bureaucrats. One of the measures implemented as a part of administrative reform in Russia was the introduction of administrative procedures. What is the administrative procedure and what is the underlying basis for such reform? "Administrative procedure is a step-by-step algorithmic description of an optimized process of function or service delivery that includes the guidelines for decision making and the detailed characteristics of the final result in the form of the standard" (Klimenko, Zhulin, 2009). This process combines the attempts to optimize the process of service delivery, which is very important in case of bureaucracies in Russia, and to fix the rules of bureaucratic behavior. However there are a lot of examples of opportunism on the stage of the design of administrative procedures that undermines the positive effect of their introduction.

It is said that administrative reform should tend to empower the state apparatus to do what it should while impeding it from doing what it should not (Przeworski, 1999). The question is whether administrative procedures may be considered to be such a measure. The idea of regulating the activities of bureaucrats in their everyday job, as it is implemented in Russia, is adopted from the practice of large corporations, but it is evident that incentives of all the relevant agents are very different in public and private corporations. The system of Russian bureaucracy is well known for the op-

¹ http://info.worldbank.org/governance/wgi/sc_chart.asp.

² FOM Geo-rating, 2008 (30000 respondents across all Russian regions).

portunism of its members. The opportunism may take various forms from low efforts and poor quality to corruption. Moreover, it is present at almost all levels of the hierarchy that makes it very difficult to prevent it.

The administrative procedures are considered to be a panacea for all the problems of Russian bureaucracies. A lot of effort is made to introduce the procedures in each and every agency and ministry. However, as yet there is no evidence showing, whether the regulation of bureaucratic processes solves the problem of bureaucrats' opportunism. In the paper we try to fill in this gap. The main question is what factors influence the efficiency of administrative procedures as a means of control over bureaucrats. To do this we make a brief literature review on the basis of which we discuss the incentives of different parties involved in the process (politicians, bureaucrats and citizens) to control the officials and describe the role administrative procedures may play in such control. We continue with two simple models of interaction between bureaucrats and citizens (1), and bureaucrats of different ranks (2), and describe the links between the models, to show how the introduction of administrative procedures influences the outcome of their interaction. We also define the set of parameters that can make administrative procedures a real means of control over bureaucrats and thus lead to better quality of government services. Among these factors there are the share of honest bureaucrats in a public agency, the costs of control for bureaucrat's supervisors and citizens, and the costs the citizens face in the absence of procedures.

Theoretical framework

Principal-agent relations in state agencies

We model the situation on the basis of agency theory, according to which relations between a citizen and a bureaucrat may be viewed as a part of the chain of principal-agent relations.

The simplified scheme of these relations can be described as follows (Fig. 1). Politicians, i.e. elected officials, act as principals for the high-level bureaucrats (we will call them supervisors or top bureaucrats) and agents for the citizens. And low-level bureaucrats act as agents both for high-level-bureaucrats and citizens. As government agencies impose certain restriction on the analysis, we take into consideration the approach to the analysis of public bureaucracies outlined by Moe (Moe, 1984).

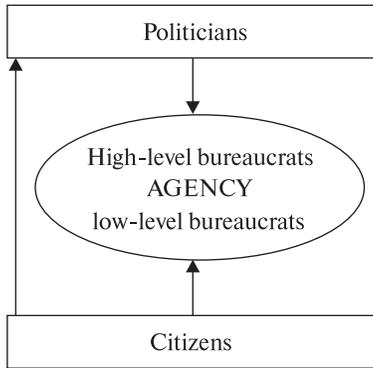


Fig. 1

The existing structure of agency relations in the government creates the opportunities for the moral hazard problem at all the sections of the scheme. Further we will concentrate on the moral hazard of the low-level bureaucrats. The moral hazard comes in various ways: unsatisfactory performance, slow work, shirking, bribe-taking. The most popular way to overcome moral hazard is to introduce an incentive scheme. There is a huge amount of the literature where motivation schemes are discussed and even in theory politicians and high-level bureaucrats face many constraints in implementing such schemes (Dixit, 2000; Prendergast, 2007; Burges & Ratto, 2003; Burges & Metcalfe, 1999). The basic assumption of the models on motivation schemes is existence of perfect control over bureaucrats. So it is a vicious circle. One of the main reasons for opportunistic behavior of the bureaucrats is the lack of control over the performance of government agencies in general, and bureaucrats in particular. Principals may solve this problem to some extent by applying motivation scheme, but it wouldn't work without control. Further in the paper we would focus on control issues.

The problem of control in state agencies

In theory politicians (through top bureaucrats), top bureaucrats themselves and citizens can control low-level bureaucrats. But in practice none

of them does. It happens so due to the lack of incentives and information or low effectiveness of control.

Citizens are interested in the quality of bureaucrats' work, but they face two major problems — the problem of coordination (1), due to great number of representatives and their diverse interests, and the weak potential of influence on politicians and bureaucrats (2). Especially, in Russia, where the main channel of political control — elections — seems to be inefficient. Therefore politicians are not interested in forcing bureaucrats to act in the interests of citizens, because they are not afraid to lose their position. Moreover, in Russia, citizens have even less influence on politicians, due to the low number of publicly elected politicians, and the low transparency of the process. People are not inclined to participate in elections and do not expect to influence anything. According to the data of Levada center³ 53% of respondents decided not to participate in the elections to Moscow parliament, because they thought it would change nothing. The resulting participation was about 30% only.

This logic is summarized in the table below (Table 1).

Table 1

Who can control the bureaucrats?			
	Incentives	Information	Possibilities
Citizens	+	+	–
Politics	–/+	–	+/-
Bureaucrats	–	+	+

Thus, citizens are the only party, which has incentives to control bureaucrats and have the information about the quality of public services they get. The question is, whether administrative procedures provide the possibility of control for them. It seems likely that administrative procedures might be a means of control over bureaucrats if it creates possibilities of control for citizens as well as the incentives to control for bureaucrats. In next section we explore in more details the possible advantages and disadvantages of administrative procedures.

³ <http://www.levada.ru/press/2009101501.html>, <http://www.levada.ru/press/2009100200.html>.

Solutions to the problem of control

As a starting point for the analysis of mechanisms of control of the bureaucracies we use the works by McCubbins, Noll, and Weingast (1987) and Lupia, and McCubbins (1994). In their works they discussed two general ways of solving the problem of bureaucrats' accountability: monitoring and fire alarm. Direct monitoring, bureaucrats' reports, expert judgments, budget reviews are unlikely to solve the problem of opportunistic behavior in state agencies due to low frequency and high costs. Another possible solution is to introduce institutions that, on the one hand, could create incentives for the agents, who have the necessary information on the bureaucrats' behavior, to reveal this information, and on the other hand, could form a credible threat that opportunistic behavior will be punished. Hammond, Knott (1996) combine these two measures and discuss administrative procedures that create incentives for non-opportunistic behavior *ex ante*, and close monitoring *ex post*. Epstein and O'Halloran (1994) make the further distinction between *ex ante* rules (like standards), *ex post* controls (like monitoring), but also the limits of discretion (when there are certain actions are not allowed at all). The first two measures are considered to be interdependent, enforcing each other. In a sense, administrative procedures as they are introduced in Russia are the mix of the three measures.

Thus administrative procedures are the example of such institutions because:

- administrative procedures limit the set of strategies available for bureaucrats;
- administrative procedures reduce the information asymmetries in the relations between politicians, bureaucrats and citizens;
- administrative procedures simplify the control over bureaucrats by agents, who have the information on the real quality of bureaucrats' performance and whose interests are to be taken into account at the first place.

McCubbins, Noll, and Weingast come to the conclusion that administrative procedures are very efficient instruments of control from the point of view of the politicians. But this leaves us with the open questions: whether politicians are interested in introducing good procedures, whether citizens are willing to use this instrument (that means that they should have the access to this instrument and ready to use it as a means of control) and

whether bureaucrats have incentives to use it. Whether administrative procedures will limit the scope of opportunistic behavior of the bureaucrats depends on the answer on the latter two questions. Moreover, we should also keep in mind some possible drawbacks of administrative procedures as well as some specific features of institutional environment in Russia that may influence the effectiveness of administrative procedures.

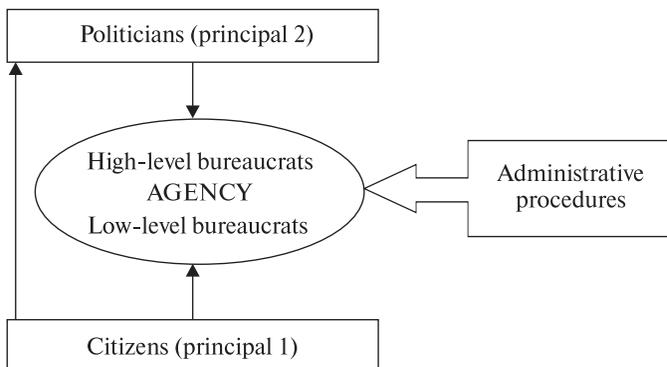


Fig. 2

(1) The effectiveness of formal rules depends on the informal rules that preexist in the organization. As some researchers of public sector observe “the effects of formal institutional constraints are defined in important ways by their relationships to the informal processes that surround them” (West, 2004). Thus, we should try to account for the influence from the organizational culture that may strengthen or on the contrary weaken the positive impact of administrative procedures as a means to control bureaucrats.

(2) It is outlined that one of the peculiarities of the public sector agents is intrinsic motivation (Burges&Ratto, 2003). On one hand, this could prove performance in state agencies without additional costs, but on the other hand, it is not evident that the beliefs of bureaucrats are congruent with the government policy. And as mentioned above, strict rules may lead to a conflict between rules and loyalty inside the agency.

(3) It is also mentioned sometimes that rules, while limiting the agent’s behavior, do not lead to higher credibility between the parties (Cowen, 2000; Cooter, 2002). Rules, even the most precise and detailed, can not prescribe the desired behavior in each and every possible situation in future. There

may be some situations in future, in which it might be crucial that the agent is credible. However, it is impossible to reveal the agent's type, if he is not given any discretion.

(4) The point that is connected with the previous one, is that administrative procedures may prove to be inefficient in the face of changing circumstances. Administrative procedures decrease the capability for adaptation of the service delivery to external changes (for example, to technological changes). In some situations principal may prefer not to limit the agent's behavior by means of administrative procedures (Cooter, 2002). Thus, there is a "fundamental trade-off in designing administrative procedures between informational gains and distributive losses" (Epstein, O'Halloran, 1994).

(5) Administrative procedures are not very effective in decreasing the number of bureaucrats' mistakes in favor of the citizens (Prendergast, 2003). It also implies that if we want to increase the control of the bureaucrats, we would put more weight on the citizens' complaints, thus creating the incentives for bureaucrats to over-perform, for example, providing services to those who are not eligible for these services just to minimize complaints.

(6) Aghion with coauthors (Aghion et al., 2009) show that individuals in low trust countries want more government regulation even if the government is corrupt, because the bad order is better than disorder⁴. Though regulation may be considered as second-best, distrust in the society creates demand for regulation. It may help to explain the tendency to higher control and less discretion in Russia.

(7) In the mean time we should be aware that when politicians are unaccountable to citizens the probability of adoption of distortionary policies increases (Acemoglu et al., 2008). So if the politicians are not accountable to citizens there are no incentives, on the one hand, to control bureaucrats, and it may prove the necessity of administrative procedures. But, on the other hand, the same fact may lead to inefficiency of administrative procedures. We do not include these

Thus, administrative procedure may be regarded as a means of control, moreover, the lack of trust and the expected opportunism of the bureaucrats make tighter control more desirable. The effectiveness of the formal mechanisms, however, may depend on the informal norms in the organization. The larger the share of opportunistic bureaucrats in the agency, the

⁴ In Aghion et al bad government is better than business.

more difficult it would be to change their behavior with the help of the formal rules. That is why we include the share of honest bureaucrats in the model. Even with administrative procedures in place, the high level bureaucrats will control their subordinates if their income depends on the behavior of their subordinates. That is why we describe the idea with two models: the first one describing the interaction of bureaucrats inside the agency, given that the citizens post complaints in case of bureaucrats' poor performance; the second one describing the choice of citizens to post claims.

Basic Model (1): Incentives to Monitoring Inside the Bureaucracy

Let's turn to the relations between upper and lower levels of bureaucrats. We are going to analyze the incentives of supervisor to control the bureaucrat in the framework of agency problem. Let's assume, that the supervisor's wage depends on the performance of the agency. The higher is the level of performance of the bureau, the less complaints from citizens the supervisor receives. If the agency doesn't receive complaints this means that it works well and the supervisor receives his wage (W_s). If the agency faces complaints from the citizens the supervisor receives $W_s - s$, where (s) is some penalty. So the aim of the supervisor is to minimize the probability to receive the penalty that depends on how the bureaucrat does his work. There is one way to influence the bureaucrat performance for supervisor to control him. If he wants to impose control over bureaucrat he should bear costs of control — (C).

The supervisor uses administrative procedures as a means against the opportunistic behavior of the bureaucrats. Procedures specify for a bureaucrat what to do in each moment. As most of rules require enforcement mechanisms to be effective, the supervisor needs to control how a bureaucrat follows the rules. Procedures also give a possibility for the citizens to control bureaucrats through complaints.

We need to specify the incentives and available strategies for the bureaucrats. There are three types of bureaucrats that differ in their attitude to rules. The first type is an honest one and is going to follow rules in any case. Such behavior may be explained by ethics and moral norms of the agents, for example, they treat violation of rules as deviation from norms and ne-

ver do this. The second type is an opportunist who is going to follow the rule only if he estimates the value of penalty higher than his costs to follow the rules. It is an example of rational behavior. The third type is a cheater who overestimates his luck not to be caught when he doesn't obey the rules. That means that there are some bureaucrats that would behave honestly or, on the contrary, opportunistically, whatever the supervisor does. But there are also some of the bureaucrats whose behavior may be changed. The bureaucrat has two strategies: to obey rules or not to obey rules. The supervisor would prefer that bureaucrats obey the rules and behave like an honest. Two factors may influence a bureaucrat's behavior — control from supervisor and prevalence of honest workers in organization (high moral). We base this idea on the work of Tirole (1996).

Supervisor knows that he can face the bureaucrat of the first type with probability p_h , of the second type — p_o , of the third type — $1 - p_h - p_o$. The supervisor does not know the type of the bureaucrat. The game can be presented in the following way (Fig. 3). Firstly, nature (N) determines the type of the bureaucrat, than supervisor (S) forms his control policy, and at last stage the bureaucrat (B) chooses to obey rules or not to obey. Usually, the control policy is known for bureaucrats, that is why we gave the last move to them. As we mentioned above only opportunists have a choice of strategy, strategies of the bureaucrats of the first and of the second types are predetermined. The bureaucrats of the first type will always obey the rules and of the second type will always cheat.

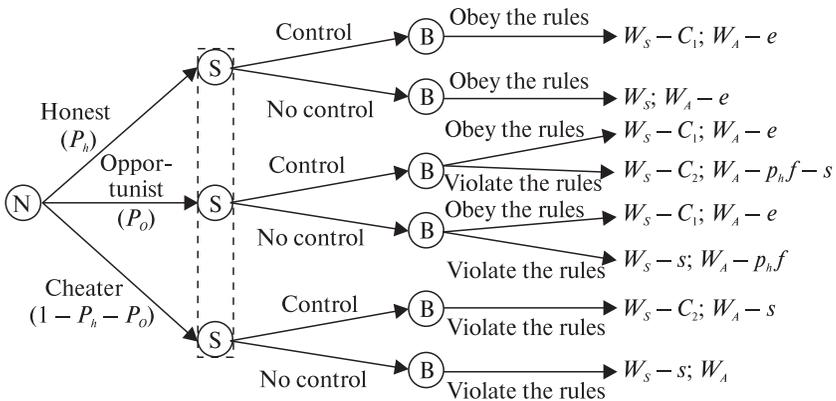


Fig. 3

Control costs are higher if the bureaucrat doesn't follow the rules: $C_2 - C_1 > 0$. It is easier to control somebody who follows the rule than somebody who cheats. Also you need to force the cheater to obey the rules that is why we distinguish these cases. We can say that the difference in costs ($C_2 - C_1 > 0$) is motivation costs (or enforcement costs). If the supervisor controls the bureaucrat who cheats the penalty s is imposed on bureaucrat. If he chooses not to control and bureaucrat cheats the penalty is imposed on supervisor.

The supervisor and the bureaucrat receive their wages W_S and W_A respectively, in any case. The bureaucrat should spend some effort to do her job, so (e) is the money equivalent of her efforts.

We also should specify the influence of organizational culture. We suppose that the fraction of "honest" workers in organization influence the behavior of opportunists. The higher is the share of "honest" workers the more costly is to cheat. $p_h f$ are the expected costs of cheating. These costs appear because of the social sanctions from the honest workers, because it is more difficult to hide opportunistic behavior if everybody else is not cheating.

We suppose that all parameters are positive: $W_A, W_S, s, C_1, C_2, C_2 - C_1 > 0$. We have two cases:

- a) The costs to produce efforts are lower than the cost to cheat $p_h f > e$;
- b) The cost to work (e) are higher than the costs to cheat but they are lower than the total costs of deviating from the procedures: $p_h f < e < p_h f + s$.

Case (a): $p_h f > e$. In this case opportunist will always choose to obey the rules regardless the choice of the supervisor because for him it is «cheaper» to work well. Nevertheless, the choice of supervisor depends on relation of control costs and the value of penalty. If $S < C_2$, then the strategy "Not to control" will dominate. If $S > C_2$, then the supervisors choice is determined by relation of expected utility of two strategies. He prefers to control bureaucrat, if

$$p_h(W_S - C_1) - p_o(W_S - C_1) - (1 - p_h - p_o)(W_S - C_2) > p_h W_S - p_o W_S - (1 - p_h - p_o)(W_S - s)$$

or

$$(1 - p_h - p_o)s \geq (1 - p_h - p_o)C_2 + (p_h + p_o)C_1.$$

On the left side of the inequality we have expected costs to receive the penalty, on the right side there are expected costs to control cheaters (third type of the bureaucrats) plus expected costs to control the other two types

of bureaucrats. These costs don't influence the behavior of the bureaucrats of all three types, they wouldn't change their strategy. The only motivation for the supervisor is to escape the penalty for him and to force cheaters to pay for deviation.

As in this case only cheaters will not obey the rules, the more cheaters are there in the agency, the higher are the costs of the supervisor, because citizens complain in case of poor treatment of their case. So the supervisor will control bureaucrats, even though their behavior will not change, just to shift the costs to the bureaucrats and not to bear these costs himself. If the costs for the supervisor are not very high ($S < C_2$), he will not control bureaucrats at all. If the citizens are active, and the penalties are high, ($S > C_2$), the supervisor controls just to minimize his own costs (if his expected costs of control are less than expected costs of penalties).

Case (b): $p_h f < e < p_h f - s$. In this case the behavior of the opportunists depends on the choice of the supervisor. The supervisors choice is determined by relation of expected utility of two strategies. He prefers to control bureaucrat, if

$$\begin{aligned} p_h(W_S - C_1) + p_o(W_S - C_2) + (1 - p_h - p_o)(W_S - C_1) > \\ > p_h W_S + p_o(W_S - s) + (1 - p_h - p_o)(W_S - s) \end{aligned}$$

or

$$(1 - p_h)s \geq C_1 + p_o(C_2 - C_1).$$

On the left side of the inequality we have expected costs of the supervisor to receive the penalty, that is the expected costs of the supervisor due to the fact that opportunists and cheaters do not obey the rules violating the administrative procedure. On the right side there are expected costs of control over the bureaucrats, where C_1 are expected costs of control if everyone obeys the rules, and the second part is the motivation costs for opportunists so that they choose to obey the rules. If the resulting inequality holds, than the opportunist obeys the rules. The less is the share of honest bureaucrats, the higher are the costs of supervisor if bureaucrats do not obey the rules.

There are some cases where the supervisor spends more on control than necessary. It doesn't matter for the society who will be punished when bureaucrats do not follow the rules, but the supervisor prefers not to be punished and spends additional resources for control.

Basic Model (2): Incentives to Monitoring Outside the Bureaucracy

The necessary assumption for supervisors to control bureaucrats is that citizens should report to them the unsatisfactory behavior of their agents. To explore the factors that increase the probability of citizens' control we build a simple model of interaction between a bureaucrat and a citizen, for example, a person applying for an unemployment benefit. To receive the payment a citizen has to take a few steps:

- to gather all the necessary documents, certificates, references;
- to bring the set of documents to the State Unemployment Service;
- to confirm the status of unemployed;
- on the basis of the documents he provides, the benefit is calculated (the size of the benefit depends on wage and length of service at previous place of employment and reasons for quitting).

We argue that the main determinant of citizens' willingness to control the bureaucrats is the size of the transaction costs. Citizens are likely to control bureaucrats, if the costs of applying for the service (ex ante costs) rise higher than some threshold value, the costs of control (ex post costs) are not very high, and controlling can lead to the decline on transaction costs. It is typical for most public services in Russia that it is very difficult to obtain information on the procedural details — when a citizen may apply for this service, what are the prerequisites, what documents one should submit, how long one should wait for the service. The visit to the public agency may take a lot of time and efforts (due to long waiting lines), and there are almost no alternative ways of obtaining information.

Thus, on the one hand, the higher are ex ante transaction costs, the higher are the incentives of citizens to control bureaucrats. On the other hand, the costs of control (ex post transaction costs) may also be rather high. The costs of control comprise not only the control itself, which implies obtaining information on the procedure, posting a complaint, if the rules are not followed, waiting for the result, etc, but the effectiveness of control, i.e. whether the bureaucrat bears the costs of his opportunistic behavior, whether he is punished or not. The costs of control may also be rather high, which may lead to lower propensity to control the bureaucrats, and, consequently, the higher level of opportunistic behavior of the bureaucrats.

To explain this idea, we use the simple idea, introduced by Cooter (Cooter, 2002, p. 154). He models the interaction of a bureaucrat and a citizen, who applies for a public service. While performing his duties, the bureaucrat determines the value of a certain parameter (for example, the size of the unemployment benefit for a person, or just the time he spends to explain the procedure for him). If he is not controlled, he would choose the value of this parameter that equals A (this choice reveals the bureaucrat's preferences: if it is possible, he would prefer spend less time consulting a citizen, decreasing the costs of his efforts). But in the same time a citizen would prefer that a bureaucrat chooses other value of this parameter, P , $P \neq A$ (a citizen would prefer a more detailed description of the procedure). The higher is the difference between P and A , the higher are the incentives of the citizen to control the bureaucrat (for example, to read the administrative procedure and to post a complaint to the bureaucrat's supervisor).

But to control the bureaucrat the citizen has to bear some costs. And he will not be willing to control the bureaucrat if the costs of such control are higher than his possible benefits (Fig. 4). Thus the ex post transaction costs of the citizens influence the discrepancy of the bureaucrats.

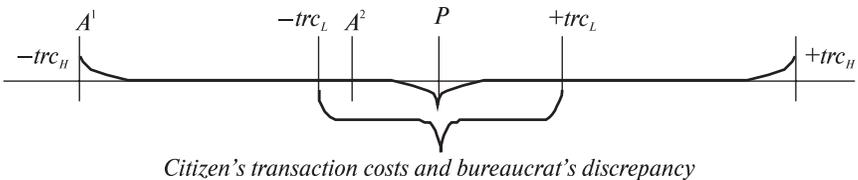


Fig. 4

If the shift of bureaucrats efforts (A^2) from citizen's goals is rather small, and there are certain costs of control for the citizen (trc_L), there will be no incentives to control the bureaucrat. The higher are the costs of control, the higher is the discrepancy of the bureaucrat. If the transaction costs are really high (trc_H), the bureaucrat is able to choose even A^1 and the citizen will not control him.

Following this logic, we may conclude that transaction costs play the most important role in the decision of citizens to control bureaucrats. The following transaction costs will be considered further:

- costs of applying to the public agency;
- costs of reading the administrative procedure;
- and costs of controlling the bureaucrats with and without the procedures.

The citizen's transaction costs in that case are comprised of the time a citizen spends to collect documents, to visit the State Agency, to wait in queues, etc. If bureaucrats behave opportunistically and cheat (i.e. they work slowly, and do not provide all the necessary information, or give incorrect information), the transaction costs of a citizen rise, because they have to spend more time in queues, pay several visits to the Agency, and so on. The administrative procedures fix the time the bureaucrat should spend on each type of work and the information he has to communicate. If a citizen does not have all the necessary information on the procedure of receiving the benefit, and the rules of the calculation of the benefit, in case of bureaucrat's cheating he is likely to incur higher costs and receive lower benefit than he should.

Bureaucrat:

Let us assume that the bureaucrat earns the fixed wage W . He also receives the bonus B , if there are no complaints about his work from citizens. The costs of his efforts are E , if he works well and does not cheat ($E = 0$ in case of poor performance, when he does not follow the procedure). A bureaucrat has two strategies — good performance (in accordance with procedure) and poor performance (he does not comply with the procedure).

Citizen:

An unemployed has two strategies — to control a bureaucrat (to complain to his supervisor) and not to control. The complaint is associated with costs S . To control he also has to read (and understand) the administrative procedure that implies the costs C . As a result of interaction with the bureaucrat the citizen gets G — the government service he applied for — if the bureaucrat works well, and $\beta \cdot G$, if he works bad, $\beta < 1$. The transaction costs of the citizen depend on the quality of bureaucrat's work. The efforts of the bureaucrat are negatively related to the transaction costs of the citizen: the faster he works, the less time the citizen spends in queues. If the bureaucrat chooses good performance, the ex ante transaction costs of the citizen equal Q , and $\alpha_1 \cdot Q$ — in case of poor performance ($\alpha_1 > 1$), and $\alpha_2 \cdot Q$, when the citizen controls the bureaucrat ($\alpha_1 > \alpha_2 > 0$). In case of control the citizen detects the opportunism and faces lower transaction

costs because he gets the necessary information from the administrative procedure. That allows him to receive the G amount of government service. If the citizen complains to the bureaucrat's supervisor, the supervisor does not pay the bonus B to the bureaucrat. It may seem counter intuitive that citizens might complain, especially in case of non-repeated interaction, because his private costs of complaining are higher than his private benefits, though social benefits may be high enough. But, firstly, in our settings citizens may benefit from being better informed, and, secondly, the experimental results (ultimatum games, for example) suggest that people often are ready to punish opportunistic behavior, even if they are not going to gain directly from that.

Below this interaction is presented in the matrix form:

			Citizen	
			Control	No control
			q	$1-q$
Bureaucrat	Good performance	P	$W + B - E; G - Q - C$	$W + B - E; G - Q$
	Poor performance	$1 - p$	$W; G - \alpha_2 Q - C - S$	$W + B; \beta G - \alpha_1 Q$

There will be no pure-strategy equilibrium, if:

- $G(1-\beta) + Q(\alpha_1 - \alpha_2) > C + S$, i.e. the citizen's total costs of reading the rules and complaining should be less than his losses, resulting from bureaucrat's poor performance in the absence of control,
- $B > E$, i.e. the bonus for good performance exceeds the costs of efforts.

The mixed-strategy equilibrium is the following set of strategies:

$q = \frac{E}{B}$, the probability that the citizen will control the bureaucrat depends on the bureaucrat's costs of efforts and the bonus.

$p = 1 - \frac{c}{G(1-\beta) + Q(\alpha_1 - \alpha_2) - S}$, the probability that the bureaucrat will choose the strategy "good performance" depends on the citizen's costs of reading the rules and complaining, his losses in case of bureaucrat's poor performance and his gains in transaction costs. This is summarized in the table below:

Table 2

The probability of citizen choosing the strategy to control the bureaucrat depends on			The probability of bureaucrat choosing the strategy of good performance		
<i>Variable</i>	<i>Symbol</i>	<i>Positive/negative dependence</i>	<i>Variable</i>	<i>Symbol</i>	<i>Positive/negative dependence</i>
The costs of efforts	E	+	Costs of reading the rules	C	-
The bonus	B	-	Costs of imposing sanctions	S	-
			Costs in case of bad work of the bureaucrat	$G(1 - \beta)$	+
			The difference in transaction costs	$Q(\alpha_1 - \alpha^2)$	+

Conclusion

The existing structure of agency relations in the government creates the opportunities for the moral hazard problem, where citizens are the principals and bureaucrats are the agents. Bureaucrats, in fact, have many principals: their supervisors, politicians, citizens. But only citizens are directly interested in the high quality of their work. So the mechanism of solving the moral hazard problem should create possibilities and incentives for citizens to disclose the available information. But in the mean time the fact of bureaucrats' bad performance should influence the income of their supervisor for him to control his subordinates, because he has more instruments of control available in comparison with the citizens.

We argue that administrative procedures may be considered to be such a mechanism. On the basis of two simple models we can speak of several parameters that influence the effectiveness of administrative procedures: the share of honest bureaucrats (the culture), the relation between the costs of control and the penalties imposed on supervisor if his subordinates do not obey the rules, the costs of bureaucrat's efforts, the bonus the bureaucrat receives, costs of reading the rules for citizens, costs of imposing sanc-

tions, costs in case of bad work of the bureaucrat, the difference in transaction costs (between the situations of control and no-control of bureaucrats who behave opportunistically).

The evidence on the introduction of administrative procedures in Russia shows the limits of their effectiveness due to many reasons: no access to information, no correlation between bureaucrat's performance and his income, reluctance to impose sanctions. But what might make one less pessimistic is that though Russians are not quite use to impose sanctions, the "administrative" channel is considered to be the most likely to be used⁵. According to the Survey⁶, which aimed at identifying the main problems citizens face when interacting with bureaucrats, citizens would consider addressing to supervisors, other authorities or courts (each about 20%) to report misbehavior. While civil societies organizations or political parties are chosen by less than 5% of respondents. That may mean that from all the possible ways to control bureaucrats, administrative procedures are the most promising at the moment.

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⁵Georating survey, FOM, 2008.

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В ходе административной реформы в России были внедрены административные регламенты предоставления государственных услуг. Предполагалось, что это позволит увеличить прозрачность работы государственных служащих, упростить контроль за действиями чиновников, снизить коррупцию. Но, несмотря на то что административные регламенты функционируют уже несколько лет, проблема низкой подотчетности чиновников до сих пор не решена. Таким образом, основной целью данной статьи является ответ на вопрос, могут ли административные регламенты решить проблему оппортунизма чиновников, и если да, то какие факторы препятствуют или, наоборот, способствуют этому. Для ответа на этот вопрос мы используем две простые связанные друг с другом модели, описывающие взаимодействие чиновников и их начальников, а также чиновников и граждан страны. С помощью моделей мы показываем, как использование регламентов влияет на результаты взаимодействия между агентами, и какие параметры надо учитывать, чтобы регламенты могли решить проблему контроля за действиями чиновников и повысить качество государственных услуг.

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Института институциональных исследований

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