
The Impact of "New Public Management" on Russian Higher Education



Carole Sigman

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Summary

The higher education reform underway in Russia is part of a much broader state reform project. Launched in 2004 at the start of Vladimir Putin's second term, this "administrative reform" grants the federal state the means to reclaim the public sphere, which largely escaped from its control during the 1990s. Energy incomes having considerably improved the public finances in the 2000s, the state can now consider reinvesting in and restructuring the public sphere as a whole. Its involvement cannot be seen as the construction of a "welfare state," but comes rather closer to an *entrepreneurial* state at the head of sectorial trusts aiming to be competitive on global markets. Such as it appears today, the restructuring of higher education is key to understanding how the formation of this entrepreneurial state is conceived and what possible structural uncertainties could arise.

This article is based on the author's presentation to the seminar: "Higher Education in Russia. Potential and Challenges," which took place on 28 January 2008 at the Institut français des relations internationales (Ifri).

Introduction

After a period of weak central power during the 1990s, the Russian Federation is now seeking to restore its authority and, particularly, to regain a foothold in the “lost” public sphere. Through the various projects adopted since 2004 for reforming the state, public services, and strategic industries; the state is not only perceived as a regulator and controller, but also as a key player in sectors it is supposed to rebuild. It makes use of its legitimacy to concentrate its efforts on the best-placed producers in national and international competition; to shed itself of those that are not profitable; and to subcontract what it wants to make more flexible. This involves transposing major multinational companies' strategies whereby “New Public Management” (NPM) tools are deployed to enable the state to act as an entrepreneur on global markets. These tools, which are primarily associated with a neo-liberal turn in public management and were forged in Anglo-Saxon countries—an institutional context that is very different from Russia—are hereby re-appropriated by local players from an *interventionist* perspective.

Higher education poses a major economic challenge today and is a particularly privileged area in Russia as it retains comparative advantages inherited from the Soviet period. The federal state reformers face the difficulty of making it competitive on a global scale without losing control of it. To this end, the entire sector and administrative system responsible for its management are reconfigured in accordance with a number of NPM principles. By introducing management logic, NPM effectively provides the central power with the means to reduce the autonomy gained by the sector during the 1990s. This article aims to elucidate how the new rules of play may affect the balance of power between actors in the field of higher education (establishments, sectorial administrations and central political power), which will throw new light on the type of power being established in Russia.

Translated from French by Nicola Bigwood.

State Reformation: According to Which Principles?

With the economic crisis of the 1990s and the under-funding of public services,¹ the Russian Federation's political center lost the lion's share of its managerial capacity and enabled service providers as well as regions to gain increasing autonomy. Public producers were forced to seek additional resources for themselves. Aware of these difficulties, the sectorial ministries tended to turn a blind eye to various breaches of legislation—fiscal in particular—committed by establishments or companies under their supervision and to protect them from the Ministry of Finance. They also exerted pressure to obtain laws favorable to their sectors, whence comes the proliferation of barely coherent sectorial legislations.² To compensate for the weakness of the central state, regions with the means to do so widely contributed toward the financing of universities and companies under state supervision.³ Through bilateral negotiations with the federal government, they obtained an increasingly broad scope for regulation. Such haggling and the lack of adjustment exacerbated the administrative system's fragmentation.

The hydrocarbons windfall—which has had an impact on the economy since 2002—and fear of “Dutch disease” encouraged leaders to draw up a policy of investment and restructuring for a certain number of sectors in the public sphere:⁴ education, research, culture, health and housing, as well as strategic industrial sectors (military). In 2005, “national priority projects” for education, agriculture, health and housing were

¹ Under-funding resulted in a decline in scheduled budgets. In the higher education sector, for example, consolidated budgetary expenses per student plummeted almost 70% in real terms between 1990 and 1997. R. Tretiakova, “L'environnement économique et le financement de l'éducation” [The Economic Environment and Financing of Education], in A. Vinokur (ed.), *Les transformations du système éducatif de la Fédération de Russie* [Transformations of the Russian Federation's Education System], Paris, UNESCO-IIEP, 2001, p. 57-91.

<unesdoc.unesco.org/images/0012/001248/124842f.pdf>.

² For a study on these processes in the education system, see, for example, C. Sigman, “La politique d'éducation” [Education Policy], in Annie Vinokur (ed.), *Les transformations du système éducatif de la Fédération de Russie*, *op. cit.* [1].

³ Wanting to reduce its responsibilities, the Russian Federation allowed regional authorities to become increasingly influential in public companies' capital and management (cf. G. Malginov, “State Participation in the Management of Corporate Structures in Russia”, *Problems of Economic Transition*, No. 4, vol. 44, August 2001, p. 70-92).

⁴ J. Sapir, “Quel bilan économique pour les années Poutine en Russie?” [What is the Economic Assessment for the Putin Era in Russia?], Working document 07-1, CEMI (EHSS), March 2007, p. 47, <cemi.ehess.fr/docannexe.php?id=1169>.

launched under the responsibility of Dmitry Medvedev, the then First Deputy Prime Minister and a presidential candidate.⁵ Such an interventionist policy does not signify a return to the Soviet model in any way, for it goes hand in hand with a *reduction* of the public sphere. In fact, it focuses financing on the most profitable producers, capable of withstanding competition on the global markets.

The building of a state that can be qualified as entrepreneurial is carried out by means of the “New Public Management” tools. Invented during the 1970s and 1980s by supporters of the “new right” in the United Kingdom (UK) and the United States (US) and practiced under Margaret Thatcher and Ronald Reagan, this innovation entailed the transposition of methods for managing the private sector to the public sphere and the introduction of competition mechanisms. NPM provides states with managerial tools such as the establishment of competition among producers through calls to tender; segmentation into administrative units with distinct functions (purchasing, control, regulation, service provision); the granting of responsibility to managing directors in accordance with target attainment; performance assessments; performance-related pay; and greater recourse to the private sector for financing and/or provision of public services (public-private partnerships, outsourcing).⁶ In the majority of countries where such tools have been implemented, NPM results in centralization of control and decision-making on the public sphere being reinforced,⁷ which is the aim sought today by the Russian Federation.

Russia makes surprising use of NPM to say the least, since in its case these tools are used for implementing *interventionist* policy. How can this unusual combination be explained? It seems to be the result of competition between several networks of players at the head of the state. Some—in the Ministry of Economic Development and Commerce, in the presidential administration and in think tanks close to the World Bank and Organization for Economic Cooperation and Development (OECD) (Higher School of Economics, Center of Strategic Research etc.⁸)—defend a

⁵ Cf. <www.rost.ru> for more on these projects.

⁶ C. Hood, “A Public Management for All Seasons?”, *Public Administration*, vol. 69, 1991, p. 3-19; G. Bouckaert, “La réforme de la gestion publique change-t-elle les systèmes administratifs ?” [Does Public Management Reform Alter Administrative Systems?], *Revue française d'administration publique*, No. 105-106, vol. 1-2, 2003, p. 39-54.

⁷ P. Hoggett, “New Modes of Control in the Public Service,” *Public Administration*, vol. 74, 1996, p. 9-32; P. Bezès, “La construction historique des politiques de réforme de l'administration en France depuis les années 1960: l'hypothèse d'un processus de différenciation intra-étatique” [The Historic Construction of Reform Policies in France since 1960: The Hypothesis of an Intrastate Differentiation Process], 7th Congress of AFSP (the French Association for Political Science): Pour une science politique de l'administration [Towards a Political Science of Administration], Lille, 18-21/9, 2002, 35 p.; G. Peters, “Réforme d'un Etat sans Etat? Les changements au sein du gouvernement américain” [State Reform without a State? Changes within the US Government], *Revue française d'administration publique*, No. 105-106, vol. 1-2, 2003, p. 193-202.

⁸ The State University—Higher School of Economics (SU HSE), a public higher education establishment, has actively developed its advisory activities vis-à-vis the federal executive in different areas since the Yeltsin era (<www.hse.ru/eng/>). The Center of Strategic Research was set up shortly before the presidential elections of 2000 to work out Putin's program and was headed by German Gref, who was to become Minister for Economic Development and

“liberal” policy (not without divergences between opinions) based on greater autonomous management for public producers, increasing competition among them via calls to tender and “vouchers,”⁹ and a reduction in public financing. Other networks attached to the Ministry of Industry and within the presidential administration opt for a more voluntary policy of restructuring of certain areas by the state and an increase in public spending. Aiming primarily to reduce the weight and dimensions of the public sector, state reform was prepared by the first group of players, who were very influential at the heart of the federal executive until 2004.¹⁰ However, in 2005, a considerable change in the direction of public policies is notable. Although the liberal “solutions” of previous projects are retained, the federal state is now conferred a key role in the financing, restructuring and management of strategic sectors. In this respect, projects for research reform in particular speak volumes. In 2004, the government essentially focused on the privatization of public institutes.¹¹ From 2005 onward, priority was given to a large-scale policy of public investment over a ten-year period in basic research in order to develop Russia's comparative advantages. However, such a reorientation does not call into question the project for privatizing some institutes and the obligation placed upon public laboratories to tap extra-budgetary financing (development of public-private partnerships). Such ambivalence undoubtedly results in a tactical convergence of players leaning toward “liberal” and “interventionist” trends but in competition within the executive body. The rise in power of an interventionist wave from 2005 could, however, be explained at least in part by its capacity to re-appropriate solutions from the opposing trend.

Trade after that election. He played a key role in drawing up the “administrative reform” during Putin's first mandate (<csr.ru/eng/>).

⁹ A “voucher” system (known under the name of *gosudarstvennye imennye financovye obyazatel'stva*, GIFO) has been planned since the 1990s. According to the principle of “money follows the student” as practiced in many countries to promote competition between establishments, the state grants the most deserving students the equivalent of a sum, which more or less covers registration fees. The amount varies depending on their grades on the national exam at the end of secondary studies (*Ediny gosudarstvennyy ekzamen* [EGE]).

¹⁰ The government of the Russian Federation, *Konceptsiya administrativnoy reformy v Rossiyskoy Federatsii v 2006-2008 godakh* [Conception of Administrative Reform in the Russian Federation 2006-2008], decree No. 1789-r, 25 October 2005. Driven by the Ministry of Economic Development and Trade with the help of the Center of Strategic Research and adopted by the federal government in 2005, it aims, for example, to “rationalize” administration and public ownership by liquidating, reorganizing and privatizing 36.4% of establishments (non-profit organizations) and 51.8% of companies.

¹¹ Russian Federation's Ministry of Education and Research, *Konceptsiya uchastiya Rossiyskoy Federatsii v upravlenii imushchestvennymi kompleksami gosudarstvennykh organizatsiy, osushchestvlyayushchikh deyatelnost v sfere nauki* (proekt) [Conception of the Russian Federation's Participation in Managing the Assets of Public Bodies in the Field of Research (project)], Moscow, 2004, 34 p., <www.mon.gov.ru/work/nti/dok/koncept.doc>.

Toward a Reconfiguration of Higher Education

In this context, the institutional transformation of higher education calls for a rescaling of service providers and of their supervisory administrations at federal level, as well as the redefinition of funding rules.

The concentration of public producers

Despite the drop in public funding in the 1990s, the number of higher education establishments (HEE) increased greatly as a result of the influx of students from the period of high demographic growth under the Soviet Union.¹² Hence the sector was not only able to survive but also to develop, thanks to an increasing financial contribution from households.¹³ The current situation is the complete opposite: with the demographic slowdown of the post-Soviet years, a decline in the number of students is expected over the next ten years. In effect, the number of people at university-entry age in 2016 will be half that of 2006, when the number of secondary school-leavers had already fallen by 106,000 compared with 2005.¹⁴ It is therefore the opportune moment to begin restructuring, a process that has two main aspects: the reduction in the sphere financed by the federal budget and the concentration of public establishments.

The policy envisaged at a federal level entails the exclusion of a certain number of higher education establishments set to become “autonomous” from the so-called budgetary sphere. This hybrid status

¹² The number of HEE doubled between 1990 and 2004, rising from 514 to 1,071. Cf. “Vysshie uchebnye zavedeniya (na nachalo uchebnogo goda)” [Total Number of Higher Education Establishments (at the start of the academic year)], <stat.edu.ru>. This increase is due to the creation of public establishments but also to that of “non-public” establishments, i.e. private universities and establishments that are formed by *public* entities but have *private* legal status.

¹³ In 2005, these contributed toward the financing of education at all levels, up to 1.9% of GNP, compared with 3.6% for the state (Federal, regional and municipal levels) and 0.1% for companies. M. Larionova and T. Meshkova (ed.), *Analiticheskij doklad po vysshemu obrazovaniju v Rossiyskoy Federatsii* [Analysis Report on Higher Education in the Russian Federation], Moscow, State University—Higher School of Economics, OECD's thematic report on higher education, 2007, p. 227.

¹⁴ Cf. Federal State statistics service, <www.gks.ru/WebContent/pyramid/index.html>. See also M. Larionova and T. Meshkova, *op. cit.* [13], p. 59.

between public and private came into being at the end of 2006.¹⁵ Although they are still owned by the state, these establishments no longer benefit from regular or sufficient public funding. They will have to be content with scheduled, marginal funding via calls to tender from their supervisory administration. Moreover, the state will no longer be responsible for their debts as a last resort, which will inevitably entail mergers and bankruptcies in the event of insolvency. Financial difficulties will be all the more likely given that the government has set public establishments the target of attracting a greater number of students.¹⁶ In fact, the status of “autonomous establishment” enables the production of education services to be *outsourced without their formal privatization*. The inventors of this legal innovation hope to win the support of the heads of the establishments promised greater managerial autonomy. However, to date none has sought to adopt this status for their establishment, undoubtedly because it ultimately offers few advantages to establishments that are not sure to secure their own financing.¹⁷

Only the most important HEE on national or regional levels will remain in the budgetary sphere and therefore will be susceptible to mergers. The aim is to create economies of scale and to establish bodies that are comparable in size to foreign competitors. The plan is to carry out around a hundred mergers,¹⁸ as there are currently more than 650 public establishments. The mergers, which began hesitantly in August 2006, appear to adhere to three rationales:

– Regional mergers: the formation of a “federal university” by district (Russia is divided into seven federal districts), conforming to the “national project” on education. Thus far, only two universities of this type have been set up: one is in Siberia; the other is in the Southern Federal District. Each of them combines four or five higher education establishments.

– Vertical concentration in technical areas: the integration of professional secondary education establishments (which suffer from a disaffection of students who prefer higher education) with technical universities, the aim being to provide qualified staff to the industrial sectors judged to be the

¹⁵ Cf. Federalnyj zakon Rossijskoj Federatsii "Ob avtonomnykh uchrezhdeniyakh" [Russian Federation's Federal Law on "Autonomous Establishments"], No. 174-FZ, 3 November 2006. Cf. also Russian Federation's Ministry of Education and Research, *Konceptsiya uchastiya Rossijskoj Federatsii v upravlenii gosudarstvennymi organizatsiyami, osushchestvlyayushchimi deyatelnost v sfere obrazovaniya* [Conception of the Russian Federation's Participation in Managing Public Bodies in the Sphere of Education], Moscow, 2004, <www.mon.gov.ru/edu-politic/priority/kui.doc>, p. 12 and 16.

¹⁶ Government of the Russian Federation, *Federalnaya tselevaya programma razvitiya obrazovaniya na 2006-2010 gody* [Federal Program for developing Education 2006-2010], Decree No. 803, 23 December 2005, Moscow, 2005, p. 49. This program aims for 35% of students to be enrolled in public universities in 2006 and 50% in 2010.

¹⁷ The federal authorities are careful not to release the quantitative objectives for the transformation of public establishments into autonomous establishments or to outline the targeted specializations.

¹⁸ V. Zhurakovskiy, I. Fedorov, "The Modernization of Higher Education. Problems and Ways to Solve Them," *Russian Education and Society*, No. 2, vol. 49, February 2007, p. 6-27.

most important but lacking in manpower (the armament industry is a case in point).¹⁹ In September 2007, there were 13 vertical concentrations.

– The constitution of “centers of excellence” in fundamental research and training: these “university complexes” will probably be based on Russian establishments that are well regarded internationally and will have research laboratories attached to them. The State University of Novosibirsk, for example, must reinforce its ties with the research institutes at Akademgorodok,²⁰ a scientific town situated a few kilometers away and the headquarters of the Siberian branch of the Russian Academy of Science (RAS). These “research universities” are therefore likely to be well-ranked in global ratings. In the Soviet era, research and higher education were relatively compartmentalized. The demographic structure of the two sectors seems to be decisive in their rapprochement. Hence, between 1990 and 2004, the Academy of Science lost 56.8% of its staff whilst higher education has a pool of teachers for an ever decreasing student population.²¹

The current reforms therefore result in a modification of the legal status of producers and their mode of funding by the federal budget, and in the specialization of HEE. Some will be destined to become competitive internationally, while others will provide the necessary manpower for strategic industries, and others will fuel the regional economy. In order to avoid being transformed into “autonomous establishments” and hence being eliminated from the competition for public resources, the aforementioned establishments have every interest in playing the “labeling and merging game” organized by the federal state.

A segmented sectorial administrative tool

The reform of higher education goes hand in hand with a fragmentation of the administration in charge of the sector: the functions for *financing*, *control* and *regulation* are now distributed between distinct institutions. This

¹⁹ In this way, the Reshetnikov Siberian State Aerospace University had two secondary establishments specialized in machine construction attached to it. See Federal Education Agency, Decree No. 1409, Moscow, 3 August 2007.

²⁰ Cf. I. Dezhina, "Leading institutions of Higher Learning' or 'Research Universities'?", *Russian Education and Society*, No. 8, vol. 47, 2005, p. 49-62.

²¹ According to data from the Ministry of Education and Research, the Academy of Science's research institutes employed around 100,000 researchers in 2004. Between 1989 and 2002, 50,000 staff went abroad (including 30,000 staff who had a temporary contract and were therefore likely, according to the Ministry, to return to Russia in the event of work conditions and pay improving). Higher education itself employs more than 184,000 teachers having a PhD (*kandidat nauk*) or *doktor thesis*, 115,000 holding an undergraduate degree and 26,000 researchers (Cf. Russian Federation's Ministry of Education and Research, *Strategiya razvitiya nauki i innovatsii v Rossiyskoy Federatsii na period do 2015 goda* [Strategy for the Development of Research and Innovation in the Russian Federation until 2015], transcript No. 1 of the inter-ministerial Committee for research and innovation policy, 15/2, Moscow, 2006, p. 9, <www.mon.gov.ru/work/nti/dok/strateg.zip>).

division of tasks conforms perfectly to the logic of “New Public Management”. In the form promoted by international organizations (the World Bank, OECD, etc.), the model is based on rational choice theory. It aims to introduce “agency relations” into the public sector, whereby the “principal” (the buyer or the proprietor) must make use of rewards and sanctions to obtain the desired result from the “agent” (provider). Yet this must be achieved without the “principal” having either direct power or complete information on the agent’s internal management and despite the possibility of conflicts of interest occurring between the two parties. Instead of the relationship of trust at the heart of the old administrative system there is one of mistrust, all the more justified given that—according to the “public choice” theory (another source of inspiration for NPM)—public agents tend to further their own interests and to cheat.²² Be they “liberal” or “interventionist”, the reformers of the Russian Federation also regard the administrative apparatus as one of the main obstacles to reform and believe that the managerial system, decision-making procedures and methods for recruiting civil servants must be modified.²³

Since 2004, the administrative system for several sectors, including education, has been split into three areas:

- the “ministries” are responsible for defining the main direction for state policy and regulating their sector. Some former ministries have been merged, such as those for education and science;
- the “agencies” own the public establishments and are responsible for financing services: in this capacity, they manage virtually all federal allocations made to their sector. As a result, the Education Agency budget for 2007 is 5.89 billion euros, while that of the Ministry of Education and Research is only 66 million euros.²⁴
- the “control services” are responsible for granting licenses, quality control and ensuring that producers respect the law.

There are separate agencies and services for higher education and research.

By means of its funding role and its intermediary position between HEE and the Ministry of Finance, the Federal Education Agency is likely to concentrate all the main decision-making controls in its hands, and is responsible for transforming the status of establishments it owns. It has

²² For theoretical references on NPM, see, for example, J.-E. Lane, *New Public Management*, London, New York, Routledge, 2000, p. 184 ff. For an introduction to the agency relation in the public sector, cf. A. Vinokur, “Avant-propos” [Foreword], in A. Vinokur (coord.), *Pouvoirs et financement. Qui paye décide ? [Power and Finance in Education. He Who Pays Decides?]*, Paris, L’Harmattan, 2007, p. 9-26.

<netx.u-paris10.fr/foreduc/publications/pouvoirs_financement_avantpropos.pdf]. For more general information on the agency relation, see J.-J. Laffont and D. Martimort, *The Theory of Incentives: The Principal-Agent Model*, Princeton, Princeton University Press, 2002.

²³ Russian Federation’s Ministry of Education and Research, *Strategiya razvitiya nauki i innovatsii...*, *op. cit.* [21], p. 23.

²⁴ Cf. the Finance Act, No. 238-FZ of 19 December 2006.

already absorbed the majority of the former Ministry of Education's personnel.²⁵ Classification of status is carried out every five years and grants the Agency considerable power in its relations with the players in the education system. Theoretically subordinate to the Ministry of Education and Research and not independent like English executive agencies, the Agency has 90 times more financial power than the Ministry that supervises it. The Agency could therefore be expected to be dominant in its relations with the Ministry and the control service. The predominant position it can hold is largely determined by its funding power and not by the personality of its Director. Grigory Balykhin, who was in charge when the Agency was set up, is not a politician but an administrator. After working in universities and then in the USSR's communist party's administration during *perestroika*, he became deputy minister for education and was responsible for economic issues until 2004. Elected to the list for the pro-presidential *United Russia* party in 2007, he is now President of the State Duma Committee for Education. His successor as head of the Agency, Nikolay Bulayev, is the former President of this Committee. The Education Agency seems, in fact, to have been designed to become an *annex* to the Ministry of Finance. In this respect, the fragmentation of sectorial administrations could be analyzed as a means of reducing sectors' autonomy to the benefit of the generalist administrations (presidential administration, government, Ministry of Economic Development and Trade, Ministry of Finance, etc.), which are supposed to manage state reform.

Competition by new forms of funding

The new system conceived by the reformers should grant the federal state greater freedom in the allocation of public funds, which could result in the following trends:

- Although on the increase compared with the 1990s, public funding resources are still scarce and are primarily reserved for the most profitable and competitive producers on a national and global scale.
- A system of tenders and “vouchers” allows the state to pit producers against each other. By allocating establishments an annual budget that varies from year to year, the state will, by default, set each establishment the objective of tapping extra-budgetary resources.
- In effect, public producers are required to attract private funds through investments (sponsorships, financing international organizations, etc.) and revenues from commercial activities (increasing the number of paid places, exportation of training services, etc.).

²⁵ The original Ministry of Education was reformed in 2004. The Education Agency has almost as many staff (312 people) as the new Ministry (380), which, in turn, has joint supervision over education and research.

- At any moment, the state could expel producers from the budgetary sphere into the market by a simple change in their legal status (transformation of public establishments into “autonomous establishments”) and make them run the risk of insolvency. Playing with legal statuses renders the dividing line between public and private opaque and unstable, which is a recurring effect of NPM in all countries.
- The expansion of the non-public sector (formed by autonomous and private establishments) will give the state more possibilities to boost competition between public and private sectors.

Structural Uncertainties of the New System

The current project for centralizing control of the public sphere supposes that the sectorial administrations are run at a distance by generalist administrations (presidential administrations, Ministry of Economic Development and Trade, government apparatus, Ministry of Finance) and act as controllers and managers of their respective sectors by creating an agency relation with producers. However, the balance of power between these three groups of players—generalist administrations, sectorial administrations and producers—runs the risk of being much more complex than the intended pyramidal organization. This is due particularly to the rescaling of administrative actors and the power stakes represented by the control of extra-budgetary resources.

Although NPM tools are designed to reinforce agencies' power over producers, empirical studies show that the buyer is not always in a stronger position, especially when the provider owns a monopoly, is influential on the international stage or is of significant size.²⁶ Yet a wave of *mergers* among providers can be seen in Russia, organized by the state to increase international competitiveness, while the sectorial administrative system is *fragmenting* in the NPM logic. If the funding agencies appear to be designed to become the Ministry of Finance's tools in their respective sectors, they could just as well be "instrumentalized" by leading players in their fields to take a stand against the generalist administrations (which is what the ministries have always done, both in the Soviet era and the "transition" years). The heads of the most important establishments—some of which could be more influential than their own supervisory minister and which are called to manage veritable "trusts"—could be tempted to negotiate directly with transversal administrations and treat the authority of principal sectorial administrations with disdain. This is what happened with the president of the State University of Moscow, who obtained his own federal budget line in 1992 and no longer relies on the Ministry of Education for funding.

The control of extra-budgetary resources could well be a structural stake in the reform of higher education. While the state could envisage covering the majority of its financial needs given the predictable drop in the

²⁶ Cf. passages in the study by S. Siverbo on the health sector in the United Kingdom "The Purchaser-Provider Split in Principle and Practice: Experiences from Sweden," *Financial Accountability and Management*, No. 4, vol. 20, November 2004, p. 401-420.

number of students, public establishments are called to increase their private funding. In this way, the government is preparing to set up a public guarantee system for bank loans to students.²⁷

The sources of extra-budgetary funds vary from sector to sector. In education, they essentially come from households. In research, private funding should logically be fuelled by raw material resources, yet it is difficult for these to infiltrate the rest of the economy owing to the lack of an efficient banking system.²⁸ In addition, one of the roles that the executive agencies could assume is that of intermediary between the resource sector and other sectors. Even if they do not become a fungible place for budgetary and extra-budgetary resources, they could steer private investments by means of calls to tender.²⁹ The federal state's aptitude for controlling sectors will, therefore, depend on its ability to mobilize and control extra-budgetary funding. Finally, foreign funding is another source of extra-budgetary funds for the public services.

Numerous analyses of NPM show that resorting to public-private partnerships is far from always being advantageous to the state, giving rise to uncertainty and possibly increasing costs for the public sector.³⁰ In some configurations, the latter could lose control of a partnership even though it is the principal financier or customer. It could be imagined that these risks are limited in Russia if the main source of financing is the resource sector, which is in turn controlled by the state. It remains to be seen how long companies in this sector that are becoming more and more powerful,³¹ will remain under state control. The state, however, appears somewhat hesitant to allow private capital to invade public services in the less controllable form of tax spending.³²

²⁷ An experiment was due to be carried out in 2007 but a government bill, drawn up by the Higher School of Economics and the Association of Russian banks, had already been submitted to the state Duma for examination in the same year. See also M. Larionova and T. Meshkova (ed.) *op. cit.* [13], p. 204.

²⁸ J. Sapir, "Quel bilan économique pour les années Poutine en Russie ?", *op. cit.* [4]. Russian banks borrow on international markets to grant loans to companies.

²⁹ Moreover, in the industrial sphere the practice of calls to tender develops, whereby the federal budget provides only part of the funding and the winner must find the remainder.

³⁰ C. Lonsdale, "Contractual Uncertainty, Power and Public Contracting," *Journal of Public Policy*, No. 2, vol. 25, 2005, p. 219-240; A. West, P. Currie, "Le secteur privé dans les écoles financées par l'Etat en Angleterre" [The Private Sector in State-Funded Schools in England], in A. Vinokur (coord.), *Pouvoirs et financement en éducation...*, *op. cit.* [22], p. 43-68.

³¹ By way of an example, the fuel companies Gazprom, Rosneft and Transneft (in which the Russian state is a major shareholder), together with the arms exporter Rosoboroneksport, are the largest investors in the military-industrial complex (cf. C. Gloagen, "Le complexe militaro-industriel russe. Entre survie, reconversion et mondialisation" [The Russian Military-Industrial Complex. Between Survival, Reconversion and Globalization], *Le Courrier des Pays de l'Est*, No. 32, vol. 2, 2003, p. 4-17; and J. Sapir, *op. cit.* [4], p. 39).

³² The Russian tax system does not currently offer any advantage to companies wanting to make donations to educational establishments. See M. Larionova and T. Meshkova (ed.) *op. cit.* [13], p. 202.

Conclusion

The reform of the state places a burden of structural uncertainty upon the entire administrative apparatus. The consequences of importing private management standards into the public sector are hard to predict. This is because the chain of interdependence is much more complex than the standard vision behind the “New Public Management” theory supposes. The restructuring of higher education and research will depend on the balance of power between the central political power, sectorial administrations, and the energy sector as a source of extra-budgetary resources. Of course, it will also depend on the balance of power between these two areas of activity that are buffeted by institutional reforms.

The new rules of the game not only result in uncertainties, but are themselves very unstable too. Having fragmented the sectorial administrations into ministries, agencies and control services, the central power is now planning to regroup them in the ministries. The central power seems to be anticipating a risk, namely that of seeing the various institutions of power with administrative resources becoming far too independent. This fear is indicative of the extent to which the weakness of central power during the 1990s still exerts an influence on the perceptions of players at the head of the state. It also highlights the fact that there well and truly are struggles to monopolize resources in the different sectors and that it is not possible to reduce the political game to the struggle for influence within any single group (the “power ministries”, Putin's entourage, etc.).