

ICPS newsletter

Public evaluates government services

Some public agencies perform distinctly better than others, but in general the Ukrainian population criticizes the poor quality of government services. Nearly one-quarter of transactions with public officials are greased by bribes. State regulation, and taxation first of all, is the main problem slowing business development. The attitude of the state bureaucracy to entrepreneurs has become worse, and courts are not able to assist them in resolving disputes. Evidence of these factors is found in a survey on the quality of services delivered by public agencies in the Western Ukrainian city of Ternopil. Conducted as a part of Public Voice project in summer 1999, its study of the findings was completed last week

The survey, carried out through face-to-face interviews with 500 residents and 100 entrepreneurs, set out to meet the following objectives: (a) to identify the quality of services people are receiving from public agencies; (b) to elicit people's opinion on the nature of the corruption problem and ways to resolve it; and (c) to provide a benchmark by which to measure the success of efforts to improve services and combat corruption.

Public opinion

Ternopil residents evaluated public service quality on a one-to-five scale. No agency was ranked as "very good". The agencies delivering the highest quality of services were the post office, the local phone service, and school authorities, while the agencies providing the lowest quality of service included hospitals, the road police, and tax inspection (see Chart 1). About 40 percent of respondents believed that the local housing authorities (ZhEK) and polyclinics caused problems most often. Thus, the improvement of these agencies would have the biggest effect on public opinion.

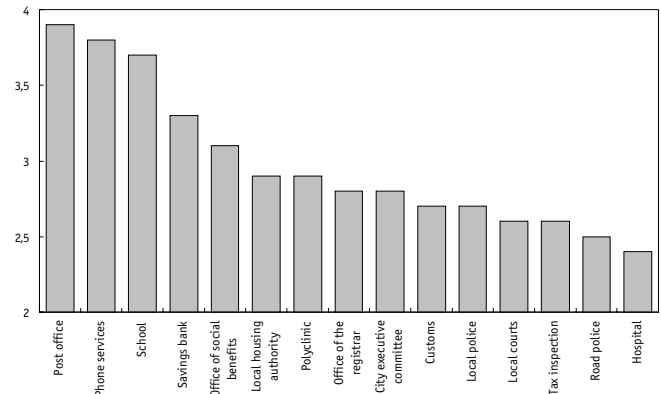
In addition to the overall evaluation of performance, respondents were asked to evaluate the level of responsiveness, politeness, and helpfulness of each agency. On average, only the school authority met the average rating of "good" for politeness and helpfulness. The agencies which received the highest marks for their performance were the schools, post office, local phone service, polyclinics and the state savings bank. At the bottom of the list among services were the tax inspection, customs service, registrar's office (VVIR) and local and road police. This suggests that power and control agencies have substantial work to do to improve both their services to citizens and the accountability of their officials.

According to the survey, official fees for transactions depended on the particular type of service and amounted to an average of 14 hryvnias. During the survey, respondents were asked whether they would be willing to pay more officially to obtain better service. Most

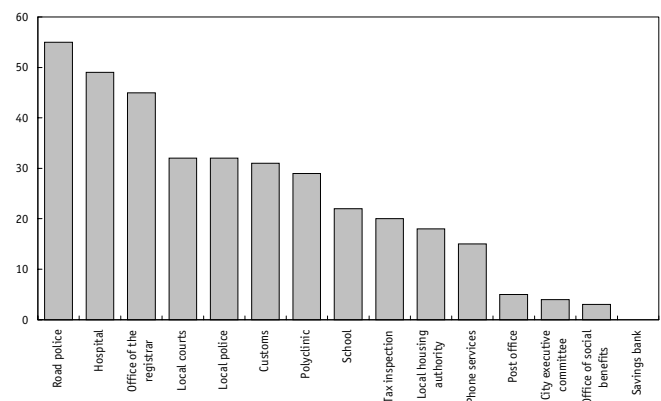
Ivano-Frankivsk joins the Public Voice project

Last week Mr. Zinovi Shkuliak, mayor of the Southwestern Ukrainian town of Ivano-Frankivsk, approved its participation in the Public Voice project. According to the mayor, the project will promote significant improvement of public service quality through involving city residents in the policymaking process. Mr. Shkuliak noted that the project would promote increased public confidence in the local authorities and build constructive dialogue between both parties.

1. Evaluation of service quality (on a scale of 0 to 5)



2. Percentage of respondents that have to make unofficial payments for public services



of the respondents (64% on average) opposed such an idea, and only 36% of the respondents were ready to pay more for improving the bureaucratic process. The attitudes of respondents toward this issue depended on their age and education: younger and more educated respondents were more likely to be willing to pay better money for better services.

Even though people were generally not willing to increase fees, 22% of the total transactions with public officials were accompanied by unofficial payments to get their services. It is noteworthy that over half of contacts with the road police and over 40% of contacts with hospitals and the registrar's offices required informal payments to get the problem to be dealt with (see Chart 2). The question was asked, whether the officials concerned asked the respondents for money or did the respondents pay at their own initiative? 36% of all respondents answered that they pay unofficially at their own initiative, 28% claimed that unofficial payments were made at the officials' initiative, and 36% responded that they paid according to other people's advice.

Entrepreneurs

Ukrainian entrepreneurs complain the most about a number of problems caused by state regulations. In the course of the survey, business respondents were asked to rate problems caused by different factors according to the extent to which they affect the development of their business.

According to the results of the survey, there are three major factors which cause problems for the operation and growth of businesses, and

Last Week

Association of Ukrainian Cities demands the reform of inter-budget relations. Mr. Pavlo Kachur, deputy executive director of the Association of Ukrainian Cities, raised the problem of Ukrainian inter-budget relations at ICPS's macroeconomic seminar on October 19.

The system of inter-budget relations in Ukraine is multilevel. The Cabinet of Ministers proposes, and the Verkhovna Rada adopts, standards of budget security for 27 administrative units (the oblasts, Crimea, and the cities Kyiv and Sevastopol). Then these funds are divided among 130 towns of oblast subordination and 490 local authorities at the raion level, wherefrom they are allocated to city districts, villages, settlements, and small towns. According to Mr. Kachur, this multilevel system would be useful under a stable economy, but with financial deficit the recipients' security depends most on their on level.

The Association of Ukrainian Cities developed requirements itself regarding the reform of inter-budget relations. According to these requirements, at least 40 percent of the consolidated budget should be directed to local budgets. Proper and delegated authorities of local communities should be divided, moreover it is necessary to have own revenue sources for fulfilling proper authorities and to determine stable standards of budget provisions per capita for fulfilling delegated authorities. State social programs should be financed from the state budget.

ICPS to study legislation implementation. The International Centre for Policy Studies has won a NewBiznet bid for conducting a survey regarding the implementation of five pieces of legislation related to small and medium business development.

Development of small and medium businesses is a critical element in restructuring the economy. Unfortunately, Ukraine has several times fewer small enterprises (per 10,000 population) than Russia and Baltic countries, 10 times fewer small enterprises than Romania and Slovenia, and 50 times fewer than Hungary and the Czech Republic.

Inconsistent government policy is one of the main impediments to the development of small and medium enterprises. Inadequate dialogue between the authorities and the private sector and citizens, resulting from a lack of proper feedback mechanisms, increases the probability of ineffective and often useless regulatory acts being passed. This, in turn, raises the operating costs of the economy in the legal sector, creating conditions for the movement of economic activity into the shadow.

During 1998--1999, five pieces of legislation aimed at improving the regulatory environment in Ukraine were adopted. But without studying and analysing the implementation of this legislation, it is impossible to determine the degree of its effectiveness. Polling entrepreneurs will enable ICPS to obtain information about the extent of the actual implementation of these regulations. This information will be critical in identifying impediments to the implementation of these regulations and developing recommendations concerning the improvement of regulatory policy.

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Next Week

Reform package. ICPS's macroeconomic seminar, devoted to the subject "The package of the most urgent reform measures needed in Ukraine", will be held on November 2. Presentation will be given by Mr. Marek Dabrowski, senior CASE advisor.

Concerning invitations for ICPS's seminars, please contact Larysa Romanenko. Tel. (380-44) 463-5967.

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all of them are related to government regulations. Those factors are: the arbitrary behavior of public officials in interpreting and enforcing guidelines; the high cost of complying with regulations; and the problems imposed by inspections carried out by tax authorities. Other problems, particularly those connected with infrastructure and lack of market information, are considered by entrepreneurs as less important. Respondents were asked to judge how problematic are certain common regulatory problems for the operation of their business. The problems caused by tax regulations and their administration represent the leading constraint among many other problems related to government regulations (see Chart 3).

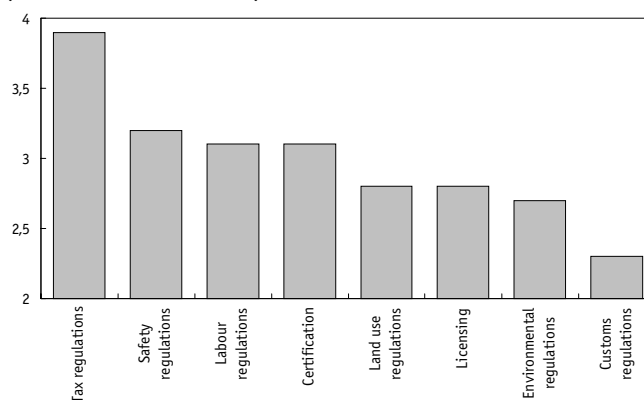
Entrepreneurs were asked to rate their overall perception of the relation between municipal government and businesses today and three years ago. On average, respondents think that it has not changed significantly, remaining "hostile". Furthermore, the trend on this factor is negative: more than 40 percent of respondents continue to regard relations between business and government as "hostile", while 50 percent of respondents rated the current relationship as "indifferent". During the survey, an attempt was made to analyze how problems caused by regulations have changed during the last three years. The answers suggest that situation became more difficult. Again, tax regulations and administration appear as a leading problem: 58% of respondents claimed that the impact on their company development caused by tax regulation has become worse now compared to three years ago (see Chart 4).

This situation is very damaging for the economy, because entrepreneurs waste more time on these problems instead of focusing on business. According to the survey results, 40% of senior management's time on average is spent in dealing with state officials.

One of the most striking findings of the survey is that less than one quarter of businessmen felt confident that the city's court system was fair, honest, and reliable. A slightly greater percentage of them disagreed with this characterization of the court system, while the majority was not sure. Such low expectations regarding reliability and fairness of court system deserve urgent attention.

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3. How serious are regulatory problems? (on scale of 0 to 5)



4. Which government controls have become worse in the last 3 years

(difference between negative and positive evaluations)

