

# The Approaches' Evolution to the Local Governments Activity Efficiency Assessment

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## Abstract

The relevance of approaches' study to local governments' activities' efficiency assessment is justified by the fact that efficiency is the indicator of development of the municipal education's development and the foundation for adequate managerial decisions' making. A leading approach in this problem's study is a method of comparative estimation of local governments' functioning efficiency. The article presents the analysis of different points of view of domestic researchers on the category of local governments' activity efficiency, identifies differences in notions as "efficiency" and "local governments' activity efficiency", gives the analysis to different methodical approaches of local governments' activities' efficiency assessment, to the principles of their construction, to the results of critical analysis of the official system which is united for all the entities of the Federation - the system of local governments' activity efficiency estimation. Materials of the article are of valuable significance for researchers, teachers and students studying the problems of formation and development of the national municipal economy, its research methods in the framework of disciplines "Economics of public (state) services", "Municipal economy", as well as for specialists of local governments dealing with the problems of the effectiveness' evaluating of the municipal economy system.

**Keywords:** local government, efficiency evaluation, methodological approaches, effective management, principles and criteria of evaluation, tools and indicators for efficiency assessing, municipal management

## 1. Introduction

### 1.2 The Relevance of the Problem

Municipal formations operate their activity under the market economic space dominated by a complex system of economic relations associated with the manufacture, distribution, redistribution, exchange and consumption of goods and services within the territorial formation. This system of economic relations is the institutional framework of municipal economy (Gavrilov, 2008). Managerial effectiveness is one of the main criteria to estimate the efficiency of local self-government bodies' activity (Koch, 2002), as well as it is the indicator of the harmonious socio-economic development of the municipality and the basis for making effective management decisions of municipal management (Glazunov, 2006).

Therefore, the main approach in the study of this problem is the method of comparative estimation of local governments' functioning efficiency (Asanov, Ivanov & Melnikov, 2004). Source analysis revealed different points of view of domestic researchers in relation to the category of local self-government bodies' activity efficiency, defined notions "effect" and "local governments' activity efficiency", as well as methodical approaches to efficiency estimation of local governments' functioning, the principles of their construction

(Gavrilov, 2008).

Based on the foregoing information, the problem of efficiency estimation of local governments' activity seems to be quite relevant.

## **2. Methodological Framework**

### *2.1 Research Objectives*

Objectives of the study are: to systematize the methodological approaches to the efficiency assessment of local governments' activity, to analyze the points of view of leading Russian scientists on the problem of efficiency estimation of local governments' functioning, as well as to give critical analysis of the applied formal methods of municipal management efficiency assessment.

### *2.2 Theoretical and Methodological Basis*

As theoretical and methodological basis of the study serve fundamental principles on the economic theory, on municipal management theory, scientific papers of domestic and foreign scholars on the problems of an efficiency estimation of local governments' activity, policy documents and regulations of public authorities, Federal and regional normative legal acts, official methodical guidelines and methods published in the official press.

Methodological basis of the study is the comprehensive use of a wide range techniques' variety, situational, dynamic, comparative, structural and functional analysis, tabular and graphical interpretation of the actual data.

## **3. Results**

### *3.1 Systematization of Theoretical Approaches to the Effect's and Effectiveness' Assessment of Local Governments' Activity*

The research process of methodological approaches' evolution to the efficiency estimation of local self-governmental bodies' activity involves the systematization of definitions on efficiency, with respect to activities of local governments. In the widespread understanding by the efficiency in this case is understood the evaluation criterion of local government powers' performance. Thus, the effectiveness serves here as an indicator and incentive for the municipal formation development, when the administration, seeking to improve their efficiency, develop specific measures, which are adequate to development process of this specific municipal formation and, at the same time, cutting off those that hinder its development. Therefore, according to experts, "efficiency, as the category of quality, in this sense, is always associated with practice, it becomes a target of management activities, directs the activity on the path of the reasonableness, necessity, justification and adequacy. Associated with the intensity of activities' development – with the dynamic quality category, it reflects the underlying processes of improvement occurring in all its elements, and excludes mechanistic approaches" (Shilova, 2009). However, this definition is somewhat one-sided, as it is identical to the concept of "effect" that reflects the same processes and phenomena presented by the author, which requires clarification of these categories relatively to the subject of our study, associated with the activities of local governments.

From an economic point of view, the effect is a reflection of the activities' result, i.e. the state, to which the economic object seeks to. The concept of "effect" and "result" in the context of local governments activities' assessing can be perceived as identical and focused on specific management system's building which is identical in order and reaches this result. In turn, the concept of economic "efficiency", in contrast to the "effect" takes into account the amount of the expenses made for the purpose to achieve this effect and is determined by the ratio of the economic parameters of the effect (result) to the economic parameters of the expenses made in the process of achieving it.

It would seem obvious the economic parameters' unifying focus of the categories "efficiency" and "effect" in the local self-government activities. However, it is not so, and the achievement of the result or effect can be achieved by such high costs that will not allow us to speak about their effectiveness in the classic sense of this category and the costs exceeds the value of the results' evaluation, leading to overall negative economic and possibly social or management outcome. Conversely, relatively high economic efficiency of those or other events may not allow achieve the necessary economic or social effect as the main purpose of the activities of local governments.

Therefore, the main methodological position, upon which should underlie all official methods of efficiency assessment of local governments' activity means that assessment should be made on the effect or result criterion of those or other parameters' achievement in the problems' solving of local value within the powers of local governments. Evaluation according to the criterion of economic efficiency in this case is relegated to the

background, as if the municipality lacks the funds to resolve an issue, in most cases it will not be solved, in other words, the effect is simply missing. And if there is no effect it is impossible to determine its effectiveness. Therefore, the efficiency of local governments' activity is defined by specified outcomes (effects) in problems' solving of local value, by the extent of their achievements, not by the value of funds spent on their achievement or their effectiveness. Therefore, in the comparative characteristics it is possible to speak about efficiency or effectiveness as a higher performance of the activity of local organ of government.

The most difficult from the point of view of completeness of the evaluation is considered to be the management efficiency access of local governments, methodical approach to which includes:

- identification of management factors (catalysts), which contribute to the realization of local governments' power in matters of local significance;
- mechanisms of information obtaining for analysis of the causes and sources of inefficient managerial decisions, and processes' identifying which are impossible or difficult to influence by managerial impact;
- identifying of managerial decisions' effect on the efficient utilization of all types of local resources;
- forecasts' developing, which are aimed at improving of municipal management.

In the subject matter's context of ongoing research, the concept of management efficiency of local governments' activity, as we believe, may be related to the completeness, efficiency and timeliness of immediate needs' satisfaction (achieving the outcome, impact) of the municipality population within the limits of their authority. However, it is possible to agree with opinion of some authors that most strongly the relationship of the categories "effect" and "efficiency" is expressed with the notion of development with its inherent qualitative changes, as it often achieves the desired result, while the economic growth of those or other parameters of economic development of the municipality can be linked to rising costs of irreplaceable resources, and, in principle, does not reflect the need for intensive use of factors (Koch, 2002).

It should be remembered that among the main objectives and tasks under the authority of local governments on addressing issues of local importance there are problems which should be solved despite the economic costs' magnitude, as they are guaranteed by the constitutional foundations of statehood.

### *3.2 Principles of Efficiency Assessment of Local Self-Governments' Functioning*

When conducting a comparative analysis of methodological approaches to the efficiency assessment of local governments' functioning, it seems to be appropriate to substantiate some principles of its construction. So, in our view, this analysis should be proceeded from the following basic provisions:

goals and objectives of a methodological approach's choice, which are based on certain evaluation criteria applicable to the evaluation of local governments' activities:

- the effectiveness of a particular methodological approach, based on the evaluation criteria which are important for this municipal formation's indicators;
- the level of accessibility and simplicity (complexity) of a methodical approach to as employees' perception of the district administration so parent bodies' perception that assess;
- system nature of a methodological approach that allows to estimate efficiency of local governments' activity in all major spheres of life of the population in the municipality;
- transparency of one or another methodological approach to the efficiency assessment of local governments' activity to ensure access to and publicity of its results for the population of the municipality;
- permanent evaluation of local self-government bodies' activity laid down in the methodological framework of this approach;
- the level of responsibility of local government' s administration on the inspections' results undertaken under one or another methodological approach.

### *3.3 Comparative Characteristics of Efficiency Assessment Methods of Local Self-Government Bodies' Activity According to the Standards and the Results*

According to some specialists (Gavrilov, 2008), in modern practice of efficiency assessment of municipal government functioning in some countries there is a shift of focus from cost to result when there is a departure from the classical concept of the state apparatus to the concept of "management by results", the essence of which consists in management methods' replacing, based on the instructions and sequence of management actions by results-oriented management methods (see tab. 1).

Table 1. Comparative characteristics of management effectiveness assessing methods according to the standards and the results

Management according standards	Management according results
For example, the presence of one medical facility in the municipal district or the regulatory settlement on the number of persons with the purpose of ensuring the availability of medical services defined by the program of state guarantees for providing free medical services	Measurable parameters for the amount and quality of medical services in accordance with the program of state guarantees for providing free medical services, influence evaluation of the volume and quality of these services on the population satisfaction and health

Thus, the evaluation of the managing method effectiveness according to the standards involves the building of hospitals based on the ratio of hospital visits by one inhabitant of the municipal area. Will this hospital satisfy the actual population with quantity and quality of medical services the task of assessing of local government's performance in this approach does not include.

Methodic of the effectiveness assessing of the method of management according results involves the satisfaction level assessment of the municipality population with the volume and quality of medical services (Gavrilov, 2008).

### *3.4 Advantages of Multilevel Functional Methodological Approach to the Efficiency Assessment of Local Governments Activity*

A fundamentally different approach to efficiency assessment of local self-government bodies activity is offered by a number of specialists (Malchinov, 2011; Pikulkin, 2008), which is based on a multilevel methodological approach, reflecting the municipality as the subject of numerous functions forming in conjunction with each other many hierarchical levels and supporting themselves as an integrated and interdependent system. This approach is conditioned by profound interpenetration of municipality life spheres and, accordingly, areas and levels of local authorities' responsibility within their powers under the questions' decision of local value.

Thus, the administrative level provides the effectiveness assessment of the managerial mode by the municipal authorities' apparatus body, coordinating the work of key manufacture and territorial units. In this case, the administration is seen as self-organized, self-managing system, aimed at solving problems of function and development maintenance of the territorial community.

In its turn household level means management effectiveness assessing of municipal economy branches, including manufacturing, provision of engineering infrastructure services, support and assistance to budget-making and local industry. Implementation instruments of the evaluation characteristics in this case can be financially-economic indicators of activity, first of all, of municipal unitary enterprises and enterprises of other ownership forms, participating in economic relations within the framework of municipal services.

Social level involves the management effectiveness assessing of the system of relations between the municipal authorities and the population.

Ultimately, the methodological basis of organizational, economic and managerial models of efficiency assessment of local authorities' activity is a statutory need to provide them with standards by which can be assessed the effectiveness of municipal services according to the following criteria:

- economic efficiency of conducted activity;
- managerial effectiveness (completeness and timeliness) of conducted activity;
- economic efficiency (profitability, loss ratios) of the municipal unitary enterprises' functioning;
- social efficiency of municipal services and their activities' functioning;
- the level or degree of economic and social standards' compliance of municipality population life activity;
- level of management and economic standards' compliance of efficiency ensuring in the activities of local governments.

### *3.5 The System of Criteria Functional Groups for Municipal Management Effectiveness Evaluating*

Criteria implementation for municipal management effectiveness evaluating is conditioned by a number of

specific characteristics that are inherent in it:

- the specificity of the municipality as a complex managed object, which is inherent in the hierarchical structure;
- the specifics of a formalized description of socio-economic processes occurring on the territory of the municipality;
- low level of availability and reliability of the initial information about the managed object;
- the difficulties with measuring a number of indicators, which are complex, general in nature.

For a more visual demonstration of municipal management effectiveness evaluating complexity in Fig. 1 a system of functional groups of its evaluation criteria is proposed. Hierarchical structure of municipal management system, as we have noted, requires the identification of linkages between local subsystems through input and output indicators.

However, a large number of parameters characterizing the operation of the separate spheres of municipal activity are extremely difficult to measure. At the same time, among the essential for each area criteria almost always a group of criteria can be selected that cannot be strictly quantified, but can be identified using a range of quantitative categories in accordance with a predetermined substantial scale. All this increases the role of expert methods for assessing of initial indicators and for quantitative data into qualitative converting (Gavrilov, 2008).

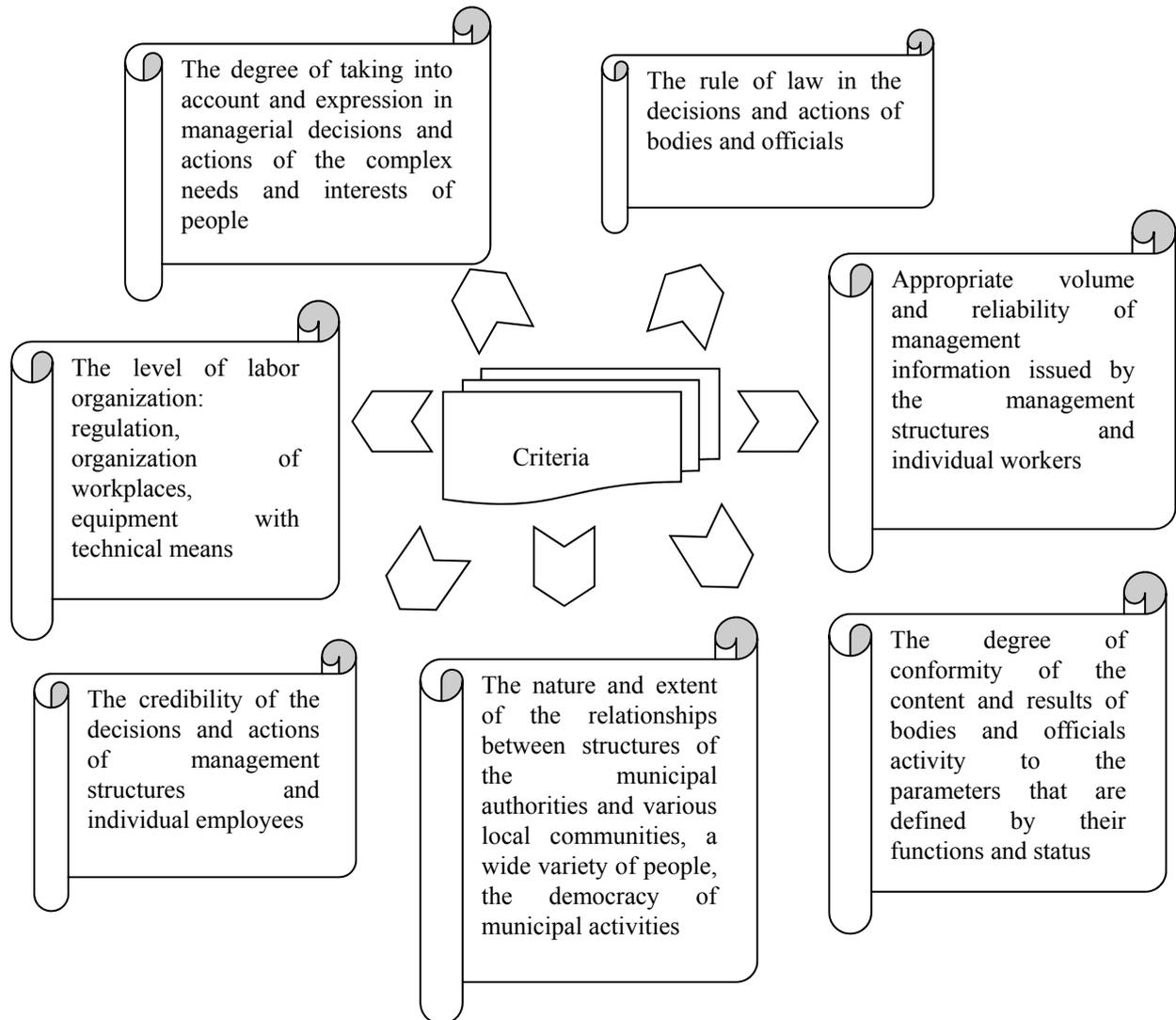


Figure 1. System of criteria functional groups for municipal management effectiveness evaluating

In the economic literature there are fairly common following methods of criteria and indicators' selection for municipal management effectiveness evaluating, among which are the justification and choice of performance

indicators' system and structure, including indicators on its current state and strategic development, the criteria and measures' definition of municipal governance efficiency in general and methods' development of individual indicators' calculation. When defining efficiency criteria and measures' system of municipal management, a number of specialists identify the following evaluation criteria, which have been partially expanded and refined:

- the performance level as the degree of achievement by the municipal management system of its targets under the powers in the problems' solving of local value, measured by comparison of planned and actual results;
- the level of economy as a result of comparing the resources planned for allocation to achieve certain goals and execute specific works, with the actual consumed resources;
- the level of quality as a result of management system compliance to the specified requirements and expectations;
- the level of economic efficiency as a result of the ratio of the performed works' volume and services and costs on their provision;
- the level of innovativeness as a result of managerial innovative technologies implementation (Gavrilov, 2008).

### *3.6 The indicators' System for Municipal Management Efficiency Assessing*

It is possible to combine all the indicators for assessing the efficiency of municipal management into one system (see Fig.2) (Gavrilov, 2008). These indicators of municipal management effectiveness assessing are formed into groups, each of which reflects a particular side of management activities of the municipal government. For example, the third group of indicators characterizes the efficiency of organizational and technical level of municipal management and can be represented as a combination of partial indicators' number. For example, the level of labor division can be calculated as the ratio of employees' number working on the basis of job descriptions to the total number, and the technological level of control as the ratio of function units' number, on the fulfillment of which there are instructional or teaching materials to the total number of function units of local government.

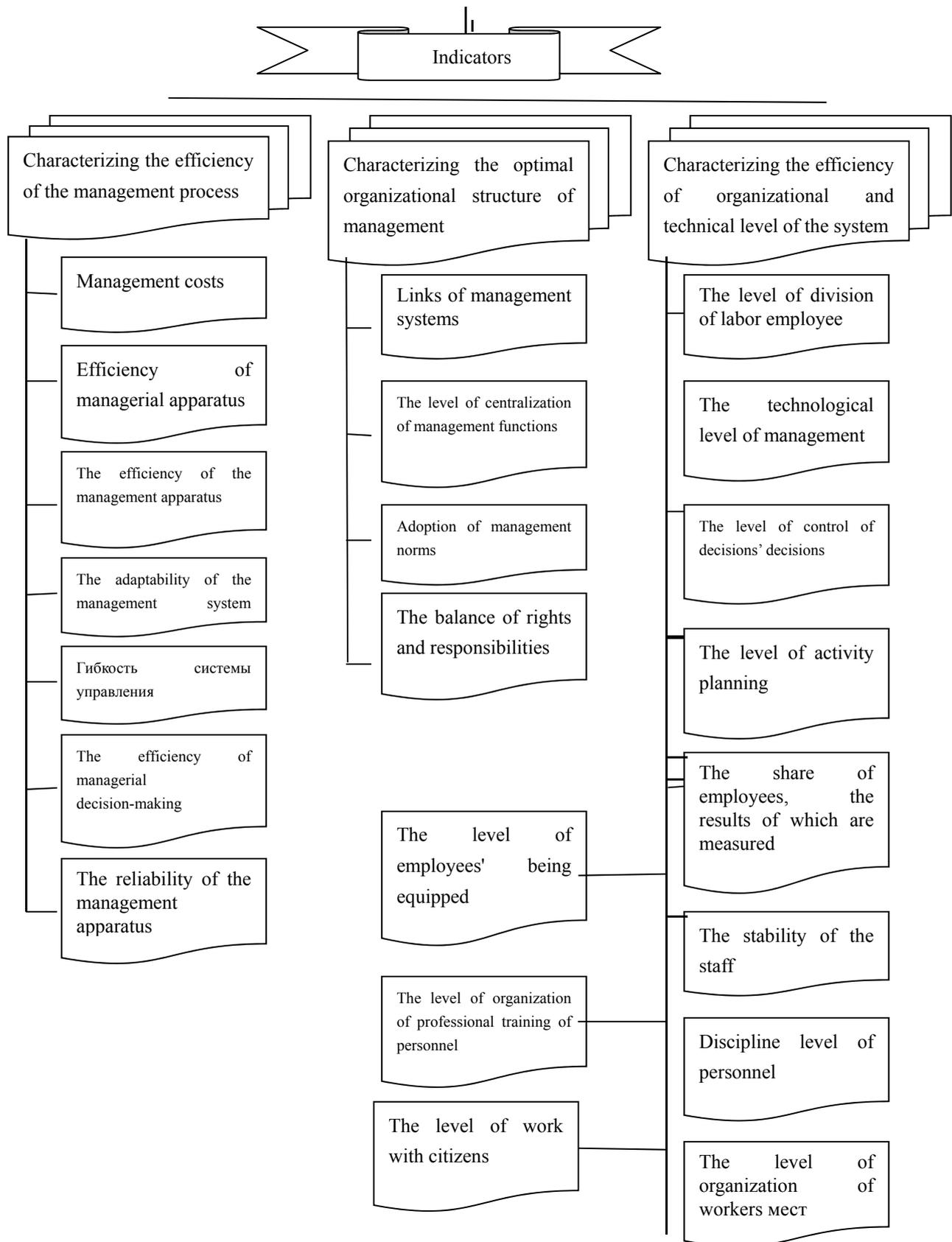


Figure 2. The system of indicators for assessing the efficiency of municipal management

To assess the effectiveness of the system of municipal management a method of evaluating the degree to achieve the main objectives by the local governments can be applied using the coefficients of mortality, quality of life and level of the rights' violation of the population in the municipality. (Antuyhov, Tzucor & Samoilova, 2003).

Also method of needs', effectiveness' and cost-effectiveness' ratio is widespread in the practice of the Federal and regional authorities in municipal management effectiveness evaluating. This method is intended to refute the common belief, that the results achieved in the framework of the powers of municipal activity are justified by any expenditure of resources to achieve that goal. Therefore, this methodological approach allows us to distinguish between productive efficiency (appropriate) and the economic efficiency or cost. It is therefore necessary to analyze and compare the feasibility of achieving the goal and the reasonableness of the carried-out costs in order to achieve this, in other words the analysis of efficiency of municipal management from the point of view of the conformity of its purposes to the regulations and values that are required and necessary for the local community at this stage of its development.

Even more effective is the method of evaluating the effectiveness of municipal management based on management effectiveness evaluation in each membered subsystem. In this case, the methodological approach is intended to solve particular problems of evaluating the effectiveness of the management system in selected areas of municipal activity and to excrete a collective evaluation of efficiency on the basis of rating values of separate spheres' importance (Samaroha, 2006).

### *3.7 Disadvantages of Formal Methods of Local Governments Activity Efficiency Assessment, Used by the Government of the Russian Federation*

As you know, today the system of local governments' activity efficiency assessment is unified under a single methodology approved by the decree of the President of the Russian Federation dated 28.04.2008 № 607 "Methods of local governments' activity assessment in city districts and municipal". By order of the RF Government dated 11.09.2008, No. 1313-R "On approval of the list of additional indicators for the local governments' activity efficiency assessment in city districts and municipal areas, including indicators required for the calculation of inefficient expenditures of local budgets" (Methodology, 2008).

This approach on the Government side is quite understandable, since only a single methodological framework integrated with mandatory private and integral indicators, calculations of which will be made on common methodological approaches will ensure adequate and uniform, comparable and measured by a single measure idea of the level of local governments' activity efficiency in Russia.

The above mentioned regulations actually formed the methodological basis of local authorities' activity efficiency assessment, determined the necessary parameters and indicators of development. Efficiency of local governments' activity is proposed now to identify on quantitative indicators and the degree of the population satisfaction by the received services and activities of local governments. In the majority, such indicators are used by national statistical bodies for their research, so they are easy to use in standard forms of indicators.

Of course, to the positive sides of the approved methods can be referred:

- ability to do analysis of the socio-economic condition of the municipality;
- relative transparency and availability of information for the population of the municipality in the form of annual results' presentation of their activities by local governments in the form of reports to the Executive bodies of a constituent entity of the Russian Federation and their publication in the "Internet";
- activities' analysis of local self-government bodies, which allows to determine the priorities in the problem solving of local value, and also allows you to create actions to increase of efficiency of local governments' activity;
- create a mechanism for monitoring the local authorities' activity.

However, the analysis of materials of this technique shows that the indicators used are not well-balanced on the objectives of the activities and responsibilities of local governments. The result is hard to evaluate because of the arising questions about the feasibility of using approved indicators.

It seems to us that the technique is insufficiently reflects an integrated approach to the evaluation of local governments' activities, the emphasis is made on the identification of inefficient spending of budget, and not on their effectiveness. For example, the proposed method measures do not reflect the activity of local governments in such areas as the degree of non-fulfillment of the accepted budgetary obligations, the optimality of the organization and placement of municipal order, the effectiveness of municipal property management, the level and dynamics of municipal infrastructure development, accessibility and availability of public with utilities.

#### 4. Discussion

To the analysis of methodological principles of formation of local governments activity efficiency assessment the works of researchers Gavrilov A., Hvatkov N., Sergeev V. & Krapivin V. (2008), Koch I. (2002), Glazunova N. (2006) and others are dedicated.

The research of the classification on evaluation criteria of municipal management functioning efficiency is studied in works by Antukhov M, Tzukur A., Samoiloa M. (2003), Asanov V., Ivanov V. & Melnikov C. (2004), Malchinova A. (2011), Piculkina A. (2008), and others.

Methodical approaches to local governments' activity efficiency estimation are studied in the papers by Shilova Y. (2009), Samaroha V. (2006), Gavrilov A. (2008), and others.

#### 5. Conclusion

Thus, we can conclude that the efficiency of municipal management is a phenomenon extremely versatile and can be measured only by a system of interrelated and interdependent private and integral indicators. Therefore, we believe, that to build the most comprehensive and accurate methods of the efficiency assessment of local self-government bodies' activity we need a comprehensive approach that uses a combination of several methodological approaches, each of which will have its qualitatively different content. In this case, the adopted for all regions official united system of local governments' activity efficiency assessment does not fully reflect the degree of their tasks' fulfillment and it is more informational by nature.

#### 6. Recommendations

The obtained results allow to systematize and classify the main methodical approaches to the local governments' activity efficiency estimation, and also to improve the methodological apparatus of this assessment. In addition, the results obtained can be useful for the municipal government to improve its policy in the framework of legislatively assigned responsibilities and justifying of costs for this policy implementation.

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