ORIGINAL PAPER

Citation: Lizińska, W., Marks-Bielska, R., Babuchowska, K., & Wojarska, M. (2017). Factors contributing to the institutional efficiency of local governments in the administrative area. *Equilibrium. Quarterly Journal of Economics and Economic Policy*, 12(2), 339–353. doi: 10.24136/eq.v12i2.18

Contact to corresponding author: wieslawa.lizinska@uwm.edu.pl, University of Warmia and Mazury in Olsztyn, ul. Oczapowskiego 4, 10-718 Olsztyn, Poland
Received: 22 December 2016; Revised: 4 March 2017; Accepted: 29 March 2017

Wiesława Lizińska

University of Warmia and Mazury in Olsztyn, Poland

Renata Marks-Bielska

University of Warmia and Mazury in Olsztyn, Poland

Karolina Babuchowska

University of Warmia and Mazury in Olsztyn, Poland

Magdalena Wojarska

University of Warmia and Mazury in Olsztyn, Poland

Factors contributing to the institutional efficiency of local governments in the administrative area

JEL Classification: H70; H83

Keywords: *institutional efficiency; local government; administration*

Abstract

Research background: The theory of endogenous regional development indicates in particular the role of local authorities in creating the conditions for socio-economic development. Among the factors that shape institutional efficiency of local government, the ones referring to the administrative sphere should be especially analyzed.

Purpose of the article: The aim of the paper was the assessment of the activities shaping institutional efficiency in the administrative area with respect to the activities pursued by local governments in Poland, and to assess the effects of such activities. The analysis includes activities aimed at streamlining service provision, implementation of a system of self-control of provided services, and measures related to the adjustment of the organizational structure of an office to the implemented tasks.

Methods: For the purpose of performing the study a questionnaire was prepared and sent to local authorities in Poland. The research was conducted between 2015 and 2016 on a sample of 1,220 municipalities from 2,479. Identification of activities implemented by local governments was made on the basis of an analysis of the task implementation index. The evaluation of effects of tasks was made on the basis of the values of effect index of implemented tasks.

Findings & Value added: Many local governments do not fully apply the available tools that streamline the provision of administrative services. The value of the task performance index had a low average level in Poland (0.42). Representatives of local authorities were convinced of the relatively high efficiency of undertaken activities. The value of the task implementation index in the area of self-control of the provided services remained at the level of 0.48. The average value of effects of activities amounted to 0.55. The average index of task implementation of activities adjusting the organizational structure to the implemented tasks and provided services amounted to 0.64 in Poland.

Introduction

The results of international studies pursued at country level show that in the long-term perspective the affluence of individual countries is determined, inter alia, by the quality of institutions (Acemoglu *et al.*, 2005). Moreover, socio-economic development at the local level does not depend exclusively on the economic base and the possibilities of its financial support; more and more frequently it is possible to show that it is determined by institutional factors (MacLeod & Goodwin, 1999; Gibbs *et al.*, 2001).

In the area of the Polish literature in this field, one can find studies pertaining to changes in the perception of the functioning of public administration. The theory of endogenous regional development indicates the role of public authorities (in particular local authorities) in creating the conditions for socio-economic development (Grosse, 2002; Torres *et al.*, 2011, p. 1081).

The literature on the subject features two main views about the interactions which take place between economic development and institutional efficiency. In the first view, the significance of institutional efficiency is considered the key stimulant for the level of development (this view is dominant) (Evans & Harding, 1997); the second approach does not refute the theory that development conditions efficiency (Fried & Rabowitz, 1980). It may also be noted that the efficiency of functioning of a given local government may be determined by the activity of neighbouring local governments (Geys, 2006), or that it is possible to intensify it without the necessity of increasing expenses (Afonso & Fernandes 2008).

Among the factors that shape institutional efficiency, the ones referring to the internal factors of a local government (treated as an organisation) where development of the institutional sphere is important, adequately to

the administrative direction in management specified on the basis of Fayol's principles are highlighted¹.

A proper level of executive activities is necessary for a local government to become the proponent of development — this level should rely on proper administrative capacity. However, the results of performed analyses (Lizińska *et al.*, 2016) indicate that the problem of institutional efficiency in the area of administrative decisions issued by local authorities is significant. Simultaneously, it is difficult to notice positive changes with respect to improved quality in the area of decision making and issue of decisions in individual cases pertaining to public administration.

Accomplishments of modern technologies (e.g. electronic communication between employees of a local government and residents) are used more and more often in the provision of administrative services. However, the studies of Berger *et al.* (2016) show that the efficiency of using such instruments requires knowledge and technical skills on the part of employees and residents. It was noticed that deficiencies in this respect caused delays in service provision, disruptions in communication when handling individual issues and, in consequence, increased burden on employees.

Research objective and methodology

The author of the article² attempts to assess the activities shaping institutional efficiency in the administrative area with respect to the activities pursued by local governments in Poland, and to assess the effects of such activities. The analysis includes activities aimed at streamlining service provision, implementation of a system of self-control of provided services,

¹ Author of the administrative direction in management in the so-called narrow approach, where he distinguished the following functions: planning organisation, command, coordination and control (Raadschelders, 2008, p. 932).

² The results presented in the article refer to the implementation of one detailed objective (identification of factors influencing institutional efficiency at local level and its assessment in examined units) formulated as part of the implementation of a research project entitled *Institutional Efficiency vs. Local Economic Development: Forming Factors and Interactions*. The project was financed from the National Centre of Science, funds granted pursuant to decision No. DEC-2013/09/B/HS4/03039. The main objective of the project was to evaluate institutional efficiency in municipalities and to indicate its relation to the level of economic development. All of the identified factors were divided into five areas in which local governments fulfil their tasks: economic and spatial, financial, administrative, HR management, and social, cultural and educational services.

and measures related to the adjustment of the organisational structure of an office to the implemented tasks.

For the purpose of performing the study a questionnaire was prepared and sent to local municipal authorities in Poland. The research was conducted between 2015 and 2016 on a sample of 1,220 municipalities (N=2479), which offered a return index at the level of 49.2%. Assuming the level of confidence at 0.95 and estimated fraction size of 0.5, the response error from the sample amounted to 0.02.

For the purpose of verifying whether the distribution of municipalities according to types in the sample (urban, rural, urban and rural) differed significantly from the distribution in the population (on the level of provinces), a chi-square test was performed. In each case, its results were statistically insignificant ($p > 0.1$), which showed the absence of significant differences between the observed distribution (in the sample) and the expected distribution (in the population).

Identification of activities implemented by local governments was made on the basis of an analysis of the task implementation index. The values of such an index for individual areas were calculated as a relation between the number of tasks actually implemented by local governments and the number of tasks included in the study which could be implemented. The value of the index oscillated from 0 (municipalities do not perform tasks) to 1 (municipalities perform all tasks included in the study).

The evaluation of effects of the above-listed tasks in the areas analysed in the article was made on the basis of the values of effect index of implemented tasks resulting from the following formula³:

$$W_E = \frac{\sum_{i=1}^k n_i w_i}{kN} \quad (1)$$

where:

W_E is value of effect index of implemented tasks,

i is evaluation index,

n_i is number of municipalities showing the effects of implemented tasks on the i^{th} level;

k is maximum evaluation on a scale from 0 to k ($k=3$);

N is number of municipalities that participated in the study;

w_i is evaluation corresponding to the i level of task implementation.

³ The applied index was prepared on the basis of a solution proposed by Karaszewski and Sudoł (1997, p. 17–18).

The task implementation indices and their effect indices were also calculated in a division into provinces and with respect to the type of municipality (urban, rural, urban and rural). The same indices were also calculated for the entire population for comparative purposes.

Research results

Efficient functioning of a municipality or a city office in the performance of the daily tasks of a local government mainly consists in administrative servicing. The efficiency of this servicing, thanks to the general development of e-administration, the possibility of financial support for applying its tools, as well as the society's growing access to the Internet, may definitely be improved. However, the scale and involvement in the implementation of such a process not only requires the introduction of proper solutions in the office, but also their popularisation among residents.

The following administrative activities implemented by the offices were taken into account in the research: information about types of cases that are handled, information about the procedure of handling cases, possibility of downloading a form from the Internet site, individual trusted profile, electronic document management system, promotion of using e-services among the local population, publication on the Internet site of non-obligatory documents related to development of the municipality, offered services, etc., analysis of the existing system and evaluation of the possibility of implementing new solutions in the area of e-services.

In spite of the fact that many of the above-listed activities do not require significant involvement of funds, the task implementation index in this area did not accomplish high values in individual provinces (Figure 1).

The average value of the index in Poland amounted to 0.42. Taking the types of municipality into account, the index had the highest value in urban municipalities (0.58) and the lowest in rural ones (0.38). Such differentiation definitely results from the character of municipalities where — in particular in large urban municipalities — on account of the relatively high number of applicants, good organisation of provided administrative services is indispensable. However, it has to be noted that the value of this index is to be evaluated as low.

Among all provinces, the Śląskie Province (0.57) and the Małopolskie Province (0.50) accomplished the highest values of the task performance index. On the other hand, the lowest values were characterised by Świętokrzyskie Province (0.32) and Lubelskie Province (0.35) — these

values were lower than the average values for rural municipalities in general in Poland.

In the case of the index of effects of undertaken activities, it may be noted that there were no significant differences among individual types of municipalities in Poland. The representatives of local authorities of the examined municipalities were, in general, convinced of the efficiency of the undertaken activities. Therefore, it may be stated that the involvement of local authorities in the implementation of numerous tasks does not diminish their effects. The greatest difference between the values of the index occurred in the case of Mazowieckie Province (0.75) and Łódzkie Province (0.67), which were, at the same time, characterised by the lowest task implementation indices.

Individual activities aimed at streamlining the provision of administrative services are characterised by a varied degree of complexity or difficulty in their efficient implementation. In spite of the fact that the introduction of some activities and instruments is not complex, they are not fully applied at the level of provinces (even though these provinces were characterised by the highest share in the application of other activities) (Figure 2). Most often, the examined municipalities offered the possibility of downloading an application form from the Internet site (highest share in the Śląskie Province: 85.1%) and published non-obligatory documents related to municipality development and provided services, etc. on their Internet sites (highest share in Opolskie Province 77.1%).

It is also necessary to draw attention to the fact that not only were the most advanced administrative services characterised by the lowest share of implemented activities or instruments; this also referred to the activities which may be implemented without any significant financial and organisational encumbrance for the municipality. In the group of instruments from the first group, which were simultaneously characterised by a low level of application, it is possible to indicate the electronic document management system (highest share in the Śląskie Province 52.9%, lowest in Warmińsko-mazurskie Province 11.5%), individual trusted profile (highest share in the Śląskie Province 42.5), lowest share in Lubuskie Province 7.5%), and analysis of the existing system and evaluation of possibilities of implementing new e-service solutions (highest share in the Dolnośląskie Province 32.5%, lowest share in Lubelskie Province 14.7%).

On the other hand, the group of instruments whose nature should entice the authorities to their common implementation, yet which were not implemented frequently, included the promotion of the use of e-services among the local community (highest share in the Śląskie Province 52.9%, lowest share in the Lubuskie Province 7.5%).

Taking the type of municipalities which took part in the study into account, it may be noted that urban municipalities had the highest share in every group of activities streamlining administrative services; in particular, these municipalities were dominant in the group of the most advanced instruments (Figure 3). On the other hand, activities streamlining the provision of administrative services were undertaken least frequently in the group of rural municipalities, even though the difference between this group of municipalities and the group of urban and rural municipalities was not as significant as in the case of urban municipalities.

Another issue discussed in the study on account of its significance for streamlining the provision of administrative services was the evaluation of activities related to self-control of the provided administrative services and repair measures in this area. According to the performed study, the implementation of activities related to self-control of the provided services was diverse (Figure 4).

Warmia and Mazury Province was characterised by the highest value of the task implementation index in this area (0.59), whereas Lubelskie Province had the lowest value (0.39). The average value of the index in Poland was at the level of 0.48. Taking the type of municipalities into account, similarly as in the case of activities streamlining the provision of administrative services, it may be observed that activities in the area of self-control of the provided services were undertaken most frequently by urban municipalities (0.71). The absence of activities in the area of self-control of the provided administrative services may, unfortunately, greatly compromise their quality. Examples of such a situation include no improvement in the quality of decisions issued by local authorities (Lizińska *et al.* 2015) or frequently noted extended periods necessary for the issue of such decisions.

However, if the local authorities undertake activities aimed at self-control of provided services, it is important to implement repair measures in relation to the undertaken activities and their results. According to the data contained in Figure 4, the value of the index of effects of undertaken activities ranged from the level of 0.44 for Świętokrzyskie Province to 0.63 for Zachodniopomorskie Province. Comparing the effects of undertaken repair measures implemented as a result of self-control of provided administrative services with effects of activities streamlining their provision, it may be stated that in the opinion of local authorities, the repair measures were not as efficient as the streamlining activities.

In the context of the research results discussed above, a question may appear with respect to the factors which limit the efficiency of repair measures in the area of the provided administrative services (Figure 5).

One of them may include a mismatch between the organisational structure of the office and the implemented tasks, including the offered services. In the group of examined municipalities, the task implementation index aimed at adjusting the organisational structure to the implemented tasks ranged from 0.55 in Kujawsko-pomorskie Province to 0.74 in Opolskie Province. Its average value in Poland was 0.64, i.e. it was higher than in the case of activities streamlining the provision of administrative services and activities related to the self-control of provided services. A similar dependency can be noted in the case of the index of effects of undertaken activities. Its average value in Poland was at the level of 0.71. The most efficient activities in the opinion of local authorities were undertaken in the Śląskie Province (0.75); the least efficient in Lubuskie Province (0.66).

Conclusions

Efficient functioning of a local government relies on well-performed tasks in the administrative area. Nowadays, local governments have great potential to provide administrative services quickly, efficiently and without the necessity of the applicant's visit to the city (municipality) office. Furthermore, methods and tools offering the local government a possibility of diagnosis, evaluation and, in consequence, streamlining the process of provided services have been worked out.

Nevertheless, according to the performed study, many local governments do not fully apply the available tools that streamline the provision of administrative services. The value of the task performance index had a low average level in Poland (0.42). Tools streamlining the provision of administrative services were applied most extensively in urban municipalities (0.58), which may result from the necessity of efficient servicing of a relatively large number of applicants, but also from greater possibilities of applying these tools in such entities. The involvement of authorities in the implementation of numerous activities does not limit their effects. Representatives of local authorities in the examined municipalities were, in general, convinced of the relatively high efficiency of undertaken activities.

Individual activities and instruments are characterised by a differing degree of complexity in implementation; some of them — in spite of not being too complex — unfortunately have not been fully applied at the level of provinces. Not only did the most advanced administrative services have the lowest share among the applied activities or instruments, but also the services that may be implemented without any financial or organisational burden for the municipality. Urban municipalities had the highest share in

every group of activities streamlining administrative services; these municipalities were also dominant in the group of the most advanced instruments.

An important aspect of the provision of administrative services is their self-control, as well as the implementation of repair measures in this respect. The value of the task implementation index in the area of self-control of the provided services remained at the level of 0.48. Similarly as in the case of activities streamlining the provision of administrative services, activities aimed at self-control of the provided services were undertaken most frequently by urban municipalities (0.71). For the examined municipalities, the implementation of repair measures was even more difficult, as the average value of effects of activities amounted to 0.55.

The efficiency of the provision of administrative services may be conditioned by a properly shaped organisational structure of the office. In the examined municipalities, activities adjusting the organisational structure to the implemented tasks and provided services were performed. The average index of task implementation in the above area amounted to 0.64 in Poland. Therefore, it was higher than in the case of activities streamlining the provision of administrative services and activities related to self-control of the provided services. A similar dependency may be noticed in the case of the index of effects of undertaken activities.

References

- Acemoglu, D., Johnson, S., & Robinson, J. (2005). Institutions as the fundamental cause of long-run growth. In P. Aghion & S. N. Durlauf (Eds.), *Handbook of Economic Growth*. Amsterdam.
- Afonso, A., & Fernandes, S. (2008). Assessing and explaining the relative efficiency of local government. *Journal of Socio-Economics*, 37(5).
- Berger, J. B., Hertzum, M., & Schreiber, T. (2016). Does local government staff perceive digital communication with citizens as improved service? *Government Information Quarterly*, 33.
- Evans, R., & Harding, A. (1997). Regionalisation, regional institutions and economic development. *Policy and Politics*, 25.
- Fried, R. C., & Rabinovitz, F. F. (1980). *Comparative urban politics: a performance approach*. Englewood Cliffs (N.Y.): Prentice Hall.
- Geys, B. (2006). Looking across borders: a test of spatial policy interdependence using local government efficiency ratings. *Journal of Urban Economics*, 60(3).
- Gibbs, D., Jonas, A., Reimer, S., & Spooner D. (2001). Governance, institutional capacity and partnerships in local economic development: theoretical issues and empirical evidence from the Humber sub-region. *Transactions of the Institute of British Geographers*, 27(1).

- Grosse, T. G. (2002). *Wybrane koncepcje teoretyczne i doświadczenia praktyczne dotyczące rozwoju regionów peryferyjnych. Ekspertyzy do rozwoju społeczno-gospodarczego Polski Wschodniej do roku 2020*. Warszawa: Ministerstwo Rozwoju Regionalnego.
- Karaszewski, W., & Sudół S. (1997). *Empirical research on the process of transformation of Polish companies in the period of 1990–1995*. Toruń: Wyd. UMK.
- Knack, S., & Keefer, P. (1995). Institutions and economic performance: cross-country tests using alternative institutional measures. *Economics and Politics*, 7(3).
- Lizińska, W., Marks-Bielska, R., Babuchowska, K., & Wojarska, M. (2016). Institutional efficiency of local government in issuing administrative decisions, exemplified by the performance of the local government appeal board in Olsztyn. *Oeconomia Copernicana*, 7(2). doi: 10.12775/OeC.2016.017.
- MacLeod, G., & Goodwin, M. (1999). Reconstructing an urban and regional political economy: on the state, politics, scale and explanation. *Political Geography*, 18.
- Raadschelders, J. C. N. (2008). Understanding government: four intellectual traditions in the study of public administration. *Public Administration*, 86(4). doi: 10.1111/j.1467-9299.2008.00742.x.
- Torres, L., Pina, V., & Yetano, A. (2011). Performance measurement in Spanish local governments. A cross-case comparison study. *Public Administration*, 89(3). doi: 10.1111/j.1467-9299.2011.01919.x.

Annex

Figure 1. The task implementation and effect index associated with the organization of administrative services

Figure 2. The share (%) of municipalities provided activities aimed at streamlining the provision of administrative services

Figure 3. The share (%) of municipalities types provided activities aimed at streamlining the provision of administrative services

Figure 4. The task implementation and effect index of activities related to self-control of the provided services

Figure 5. The task implementation and effect index aimed at adjusting the organisational structure to the implemented tasks