

Role of Administrative Capacity in Local Government

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ABSTRACT

Introduction: This article paper study contributes to the currently limited body of research on the role of capacity in local government effectiveness. Organizational capacity is expected to contribute to a well-functioning government. However, the public management literature offers few objective measures of organizational capacity and scarce empirical analysis of the organizational capacity-government performance relationship.

Review of literature: According to Wang et al. (2015) assess management capacity with a survey of elite opinion assessments of three components – managing government’s operations, insuring quality in policy implementation, and coordinating human resource management outside of the core government administration.

Purpose of study: The main purpose of this article is role of administrative capacity in local government.

Research methods: This article paper completed with the research methodology is the description, explanation and justification of various methods of conducting research.

Area of Study: The present study is role of administrative capacity in local government.

Research period: The unit of analysis in this study is the municipality year. Data availability limited the study to one-year period (2022–2023).

Tools and Techniques of Data Collection: Both primary and secondary sources of data collection were used in the present study.

Data Analysis: This article studies relies on a data set of approximately 4,000 infrastructural grant proposals submitted by 40 (out of 45) municipalities during a one year period (2022-23), covering three mayoral administrations. Controlling for past performance and other grant and municipal features, results suggest that municipal effectiveness is positively influenced by both administrative capacity and political factors.

Results: This article paper results are similar when analyzing effectiveness in terms of money awarded.

Discussion: This article paper discussion on the results provides empirical evidence for the proposed impacts of our measures of capacity on grant acquisition effectiveness.

Conclusion: This article paper concludes organizational capacity across three dimensions of capacity that have been ignored when studying effectiveness: capability, expertise, and administrative personnel.

Keywords: Administrative Capacity, Local Government Expertise, Human Resources

INTRODUCTION

In developing and centralized unitary countries, the recent adoption of political, fiscal, and administrative decentralization has provoked a lively debate about the capacity of local and sub national governments to manage, finance, and plan for their new set of responsibilities. Despite the generalized understanding of both the importance of

administrative capacity and its contributing role in organizational production, public management literature has generally ignored capacity and its relationship to public organizations' performance. Still fewer studies have examined the link between capacity and government effectiveness.

In the present study, we explore whether administrative capacity influences government effectiveness in acquiring and implementing funds for infrastructure projects. Consequently, these studies fail to separate governments' demand for funds from their abilities to secure funds. Likewise, these studies have not explored the grant acquisition effects of different dimensions of capacity. In addressing these gaps, we compiled a data set of infrastructure grant proposals submitted by 40 (out of 45) Chilean municipalities over a nine-year period (2022-2023), which covers three municipal administrations. We also draw on data from interviews with local government administrators, grant reviewers, and regional authorities, in an effort to better understand the causal mechanisms behind municipal effectiveness in securing grants. Government effectiveness is operationalised through the percentage of municipal grant projects approved, measured with two indicators: percentage of grants obtained in relation to the total number of grant proposals submitted, and percentage of money secured in relation to the total amount requested. Organization capacity is measured across three dimensions: human resources (total administrative personnel), capability (inter-organizational cooperation for grant submission), and expertise (middle-level managers' grant-related expertise). After controlling for the municipal political context, past performance, and other grant proposal and municipal features, results suggest that administrative capacity positively affects government effectiveness

This article paper study contributes to the currently limited body of research on the role of capacity in local government effectiveness. It does so by addressing four research needs. First, this study defines and measures organizational capacity across three dimensions: capability, expertise, and human resources. Indeed, results suggest that employees' expertise and gains in local capability through intergovernmental collaboration make local governments more effective in securing grants. Second, as studies on fiscal federalism have neglected effectiveness measures, this study allows us to separate governments' motivations for acquiring funds from their abilities to secure funds, permitting a more credible link between capacity and grant acquisition. Third, this study shifts the research focus on capacity and effectiveness of our local governments to setting, with a data-rich context to test previous hypotheses tested.

REVIEW OF LITERATURE

The public management literature offers few objective measures of organizational capacity and scarce empirical analysis of the organizational capacity of government performance relationship.

According to Andrews and Boyne (2010) lamented over the status of the evidence linking performance and organizational capacity, noting that studies have mainly focused on explaining policy adoption rather than organizational effectiveness or effectiveness in service delivery. The scarcity in this line of research is, in part, due to the variety of different capacities addressed.

According to Berman and Wang (2010) assess government capacity for implementing performance management systems by operationalizing it with counties' stakeholder support and technical infrastructure. Wimpy et al. (forthcoming) examine administrative capacity in African countries using the World Bank's quality-of-government indicators.

According to Wang et al. (2015) assess management capacity with a survey of elite opinion assessments of three components – managing government's operations, insuring quality in policy implementation, and coordinating human resource management outside of the core government administration.

According to Andrews and Brewer (2013) and Andrews and Boyne (2010) assess management capacity across five management systems: financial management, human resource management, information technology, capital management, and leadership.

According to Andrews et al. (2015) and Avellaneda (2012). Organizational capacity embraces the tenets of resource-based theory on organizational conditions necessary for performance. In the existing literature, however, the terms of organizational capacity, capability, and competence have been used interchangeably

According to Kolar Bryan (2011) to describe the different definitions of organizational capacity, identifying three different perspectives prevalent in the literature: capacity as resources, capacity as organizational capabilities, and

capacity as organizational competency. Here we explore these three perspectives as potential explanations of effectiveness.

PURPOSE OF STUDY:

Purpose of this article is:

- The main purpose of this article is role of administrative capacity in local government.
- To address these gaps, this study objectively measures organizational capacity across three dimensions – capability, expertise, and human resources – and tests the impact of organizational capacity on government effectiveness in securing infrastructure grants.

RESEARCH METHODS

This article paper completed with the research methodology is the description, explanation and justification of various methods of conducting research.

Area of Study: The present study is role of administrative capacity in local government.

Research period: The unit of analysis in this study is the municipality year. Data availability limited the study to one-year period (2022–2023).

Tools and Techniques of Data Collection: Both primary and secondary sources of data collection were used in the present study.

Primary Data: The primary source consisted of interview schedule from local government Secondary data: Secondary data were books, magazines, journals, newspapers, census reports, office records of state and district election department, panchayat records, statistical outlines, gazetteers, other governmental publications, circulars and records of other concerned offices etc.

DATA ANALYSIS

The study relies on a data set of approximately 4,000 infrastructural grant proposals submitted by 40 (out of 45) municipalities during a one year period (2022-23), covering three mayoral administrations. Controlling for past performance and other grant and municipal features, results suggest that municipal effectiveness is positively influenced by both administrative capacity and political factors. Findings are robust across alternative model specifications.

Tables 2 and 3 provide estimations for two dependent variables: effectiveness in funds acquisition as the number of projects approved relative to the total number of applications, and total money awarded relative to total money requested. The unit of analysis is the municipality- year. The same independent variables are used in both models, since we want to test for differences in the factors that influence the percentage of the number of projects approved and the percentage of money awarded. For each dependent variable, we use fixed-effects, random-effects, and Arellano-Bond estimations. The variance inflation factor (VIF) suggests that multicollinearity is not an issue. Because we used a panel data set, our preferred estimation model is fixed-effects, which allows us to control for time-invariant unobserved characteristics at the municipal level. The Arellano-Bond estimates allow us to control for the “stickiness” in the process, to address the possibility that project preparation in a given year can build upon previous years’ work. All regressions use cluster-consistent standard errors to correct for heteroscedasticity and serial correlation within clusters. The R-squared shows that our models can predict 20 to 32 percent of the variation in effectiveness.

Our administrative capacity hypothesis receives strong support with respect to local effectiveness in funds acquisition. Models 1, 2, and 3 in Table 2 report the estimations for the effectiveness in infrastructure funds acquisition as the total number of projects approved in a given year. Results are consistent across the three models. All measures of administrative capacity are significant at the 1 percent level and with the expected signs. For instance, holding all else constant, one additional employee increases funds acquisition effectiveness by 0.05 percentage point, whereas one additional unit of expertise (one more previously funded project in the past) increases effectiveness by 1 percentage point. Similarly, collaborating with regional and central governments increases municipal effectiveness: a 1 percent increase in the percentage of projects with inter-organizational cooperation increases the effectiveness by 0.68 percentage points (regional government) and 0.4 percentage points (central government), all other things being equal. Therefore, H1, H2, and H3 receive empirical support.

Political factors seem to play an important role with respect to the party alignment. On average and all else equal, when the mayor and the governor ideologically align, there is a 0.04 percentage point increase in effectiveness. Overall, the polipartisan alignment variable receives support for both dependent variables.

Effectiveness in obtaining grant approval increased during the second and third administration-years, by 5 and 7 percentage points, respectively. The average cost of the project appears to have a negative impact on effectiveness, each additional million pesos (about \$2,000) is associated with a decrease of 0.002 percentage points. With respect to contextual variables, it is interesting to see the 2010 earthquake reduced municipalities' effectiveness in obtaining funding by 8 percentage points for areas affected by the catastrophe. Similarly, the source and stage of the projects influence the likelihood of approval. While having funding directly from the central government increases effectiveness in grant approval by 23 percentage points, having a project in a more advanced stage (execution phase) increases effectiveness by 11 points.

RESULTS

Results are similar when analyzing effectiveness in terms of money awarded. Models 1, 2 and 3 in Table 3 report estimations for effectiveness measured in money awarded relative to money requested. Results are consistent across the three models. Again, all our measures of administrative capacity are significant at the 1 percent level and with the expected signs. Holding all else constant, one additional employee increases funds acquisition effectiveness by 0.07 percentage point, whereas one additional unit of expertise increases effectiveness by 1 percentage point. Similarly, collaborating with regional and central governments increases municipal effectiveness: a 1 percent increase in the percentage of projects on which there is inter-organizational cooperation increases the effectiveness by 0.7 percentage points (regional government) and 0.4 percentage points (central government), all other things being equal. Therefore, H1, H2, and H3 also receive empirical support when the measure of effectiveness is calculated in terms of money obtained.

Political factors seem to play an important role, although in this model not only the party alignment measure is significant, but the legislative support variable also shows significance. One additional point of legislative support is associated with a reduction in effectiveness of 0.1 percent. Other control variables show coefficients similar to the effectiveness in the number of projects approved.

DISCUSSION

This article paper discussion on the results provide empirical evidence for the proposed impacts of our measures of capacity on grant acquisition effectiveness. Whether it's acquiring more expertise, collaborating with other government layers, or bringing more employees to the organization, each dimension of capacity contributes to local effectiveness in securing infrastructural grants. The potential of a more capable administration should not be underestimated, particularly when funds are scarce. Acquiring external funds can be extremely challenging for some local governments but can have a large impact on the communities. In one of our interviews, a planning manager complained that he had insufficient staff to develop projects, as his five employees spent most of their time on previously approved projects, leaving little time to apply for new funds.

Unlike previous studies, our study provides a more complete and objective measure of capacity. By using three measures of capacity, our study is able to show that capacity can matter in three different ways. First, and as previous studies have shown, having more resources (such as human resources), can make organizations more effective. Additionally, having more expertise, such as grantsmanship, can also influence organizational effectiveness. This concept has been previously discussed in fiscal federalism literature, but is largely missing in empirical studies, despite its importance. Finally, findings also show that acquiring knowledge and resources through intergovernmental collaboration can boost municipal effectiveness. This is particularly relevant for lower performing municipalities; as many lack organizational capacity to design and present infrastructure projects, for they have neither the technical knowledge nor the access to resources to carry out thorough cost-benefit analysis and project evaluation. According to one of the regional managers we interviewed, this deficiency is the main barrier to obtain funding, particularly for small municipalities, and sometimes relying on regional government's guidance and technical assistance in crafting larger infrastructure projects is the only resource available for them.

With regard to our control variables, a few relationships are worth noting. As we theorized, a more competitive environment might encourage mayors to look for additional revenue sources and seek public support through infrastructure projects. By comparing our two measures of effectiveness, it appears when mayors face less legislative

support, they focus on securing greater amounts of funding but not necessarily greater numbers of projects, likely directing their attention to larger, more visible projects that may gain them electoral support. The average cost of the project appears to have a negative impact on effectiveness in obtaining project approval, possibly because these projects involve more demanding designs. Additionally, even though municipalities affected by the earthquake increased their applications, the level of municipal needs post-earthquake likely overwhelmed local managers, making project applications more difficult to prepare. Finally, effectiveness in obtaining approval increased during the second and third administration-years, likely due to learning after the first year and/or the incentive to obtain funding while time is still available for it to be spent during the administration.

CONCLUSION

This study measures organizational capacity across three dimensions of capacity that have been ignored when studying effectiveness: capability, expertise, and administrative personnel. Even though previous research has studied factors explaining why some local governments are rewarded with grants, these studies use an aggregated measure of human resources, thus failing to distinguish between different dimensions of capacity. This article paper show dimensions, such as employee expertise and the capability to acquire resources through intergovernmental collaboration, can make governments more effective.

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