

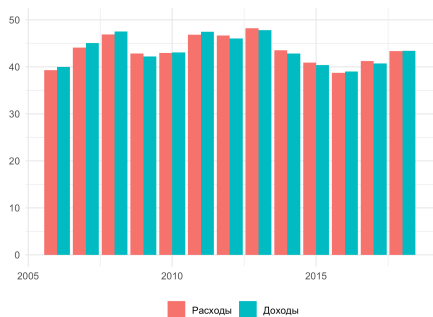
The effect of different models of local government's
head selection on quality of governance and
socio-economic indicators

Kirill Kazantcev & Alexandra Rummyantseva

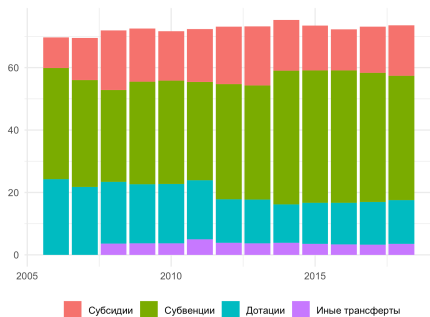
Center for Advanced Governance

March 13, 2020

Background: Russian local self-government financially dependent



Median income and expenditure



Share of grants in income, by type

- 2003 – Federal Law №131 introduced «council-manager» system of local government when head of the local administration is appointed
- 2014 – Amendments to the Law created new model which is more dependent of regional authorities (1/2 of the commission which chooses nominees is appointed directly by governor)
- Reforms decreased autonomy of the local self-government

Background: Institutional reforms

- 2003 – Federal Law №131 introduced «council-manager» system of local government when head of the local administration is appointed
- 2014 – Amendments to the Law created new model which is more dependent of regional authorities (1/2 of the commission which chooses nominees is appointed directly by governor)
- Reforms decreased autonomy of the local self-government

Background: Institutional reforms

- 2003 – Federal Law №131 introduced «council-manager» system of local government when head of the local administration is appointed
- 2014 – Amendments to the Law created new model which is more dependent of regional authorities (1/2 of the commission which chooses nominees is appointed directly by governor)
- Reforms decreased autonomy of the local self-government

How mode of selection of the local chief executive influences his/her policies?

- Different incentives: Politician VS Beruacrat (Alesina and Tabellini, 2007, 2008)
- Dependence on regional authorities: tasks set by the governor not by electorate
- Democratic legitimacy: popular support as a leverage in relations with the region

How mode of selection of the local chief executive influences his/her policies?

- Different incentives: Politician VS Beruacrat (Alesina and Tabellini, 2007, 2008)
- Dependence on regional authorities: tasks set by the governor not by electorate
- Democratic legitimacy: popular support as a leverage in relations with the region

How mode of selection of the local chief executive influences his/her policies?

- Different incentives: Politician VS Beruacrat (Alesina and Tabellini, 2007, 2008)
- Dependence on regional authorities: tasks set by the governor not by electorate
- Democratic legitimacy: popular support as a leverage in relations with the region

- Regional debt rised in recent year \Rightarrow federal government requires regions to decrease expenditure \Rightarrow governors transmit it to municipal level \Rightarrow more dependent heads of administrations decrease expenditure of municipal budgets
- At the same time budget cuts should not trigger protests (informal KPI for governors) \Rightarrow less socially sensitive types of expenditure are more vulnerable to optimization
- Appointed executives do not need to provide public goods to eectorate \Rightarrow optimization of employment in public sector (also allows cut of expenditure)
- Indirect measures of efficiency of «managers»: income from municipal property, investment, grants

Hypotheses

- Regional debt rised in recent year \Rightarrow federal government requires regions to decrease expenditure \Rightarrow governors transmit it to municipal level \Rightarrow more dependent heads of administrations decrease expenditure of municipal budgets
- At the same time budget cuts should not trigger protests (informal KPI for governors) \Rightarrow less socially sensitive types of expenditure are more vulnerable to optimization
- Appointed executives do not need to provide public goods to ectorate \Rightarrow optimization of employment in public sector (also allows cut of expenditure)
- Indirect measures of efficiency of «managers»: income from municipal property, investment, grants

- Regional debt rised in recent year \Rightarrow federal government requires regions to decrease expenditure \Rightarrow governors transmit it to municipal level \Rightarrow more dependent heads of administrations decrease expenditure of municipal budgets
- At the same time budget cuts should not trigger protests (informal KPI for governors) \Rightarrow less socially sensitive types of expenditure are more vulnerable to optimization
- Appointed executives do not need to provide public goods to eectorate \Rightarrow optimization of employment in public sector (also allows cut of expenditure)
- Indirect measures of efficiency of «managers»: income from municipal property, investment, grants

- Regional debt rised in recent year \Rightarrow federal government requires regions to decrease expenditure \Rightarrow governors transmit it to municipal level \Rightarrow more dependent heads of administrations decrease expenditure of municipal budgets
- At the same time budget cuts should not trigger protests (informal KPI for governors) \Rightarrow less socially sensitive types of expenditure are more vulnerable to optimization
- Appointed executives do not need to provide public goods to eectorate \Rightarrow optimization of employment in public sector (also allows cut of expenditure)
- Indirect measures of efficiency of «managers»: income from municipal property, investment, grants

- Social and Economic variables
 - Source: Database of Municipal Indicators gathered by Russian Federal State Statistics Service
 - Data was automatically retrieved from the website
- Data on models of selection
 - Source: Database of Municipal Indicators gathered by Russian Federal State Statistics Service
 - Automated search of regular expressions through texts of official documents (93%) and handcoding (7%)
- Result: panel dataset on cities and municipal districts from 2008 to 2018

- Social and Economic variables
 - Source: Database of Municipal Indicators gathered by Russian Federal State Statistics Service
 - Data was automatically retrieved from the website
- Data on models of selection
 - Source: Database of Municipal Indicators gathered by Russian Federal State Statistics Service
 - Automated search of regular expressions through texts of official documents (93%) and handcoding (7%)
- Result: panel dataset on cities and municipal districts from 2008 to 2018

- Social and Economic variables
 - Source: Database of Municipal Indicators gathered by Russian Federal State Statistics Service
 - Data was automatically retrieved from the website
- Data on models of selection
 - Source: Database of Municipal Indicators gathered by Russian Federal State Statistics Service
 - Automated search of regular expressions through texts of official documents (93%) and handcoding (7%)
- Result: panel dataset on cities and municipal districts from 2008 to 2018

- Pseudo-experimental setting: some districts and cities changed the mode of selection (treatment group), some kept directly elected mayor (control group)
- Problem: self-selection into treatment group \Rightarrow endogeneity
- Solution: Difference-in-Differences (DiD) research design, i.e. comparison of groups in pre- and post-treatment periods makes possible to control for unobserved differences indirectly.
- Estimated equation is «two-ways» DiD:

$$y_{it} = \tau_t + \pi_i + \gamma \cdot Model\ change_{it} + \theta X_{it} + \varepsilon_{it} \quad (1)$$

- Pseudo-experimental setting: some districts and cities changed the mode of selection (treatment group), some kept directly elected mayor (control group)
- Problem: self-selection into treatment group \Rightarrow endogeneity
- Solution: Difference-in-Differences (DiD) research design, i.e. comparison of groups in pre- and post-treatment periods makes possible to control for unobserved differences indirectly.
- Estimated equation is «two-ways» DiD:

$$y_{it} = \tau_t + \pi_i + \gamma \cdot Model\ change_{it} + \theta X_{it} + \varepsilon_{it} \quad (1)$$

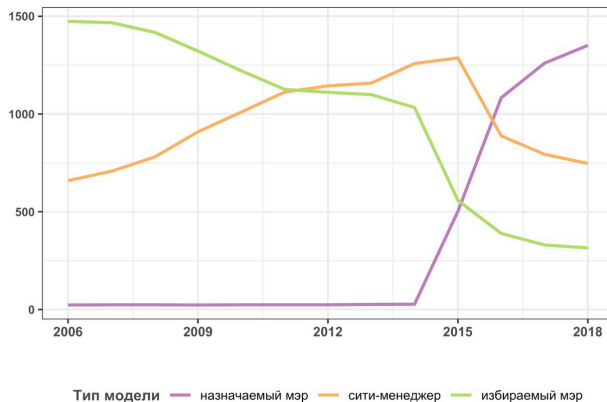
- Pseudo-experimental setting: some districts and cities changed the mode of selection (treatment group), some kept directly elected mayor (control group)
- Problem: self-selection into treatment group \Rightarrow endogeneity
- Solution: Difference-in-Differences (DiD) research design, i.e. comparison of groups in pre- and post-treatment periods makes possible to control for unobserved differences indirectly.
- Estimated equation is «two-ways» DiD:

$$y_{it} = \tau_t + \pi_i + \gamma \cdot Model\ change_{it} + \theta X_{it} + \varepsilon_{it} \quad (1)$$

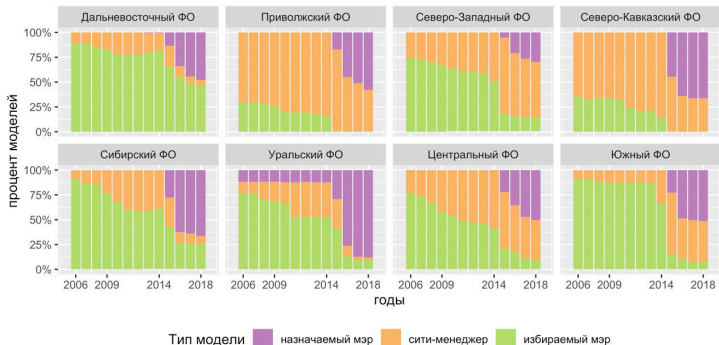
- Pseudo-experimental setting: some districts and cities changed the mode of selection (treatment group), some kept directly elected mayor (control group)
- Problem: self-selection into treatment group \Rightarrow endogeneity
- Solution: Difference-in-Differences (DiD) research design, i.e. comparison of groups in pre- and post-treatment periods makes possible to control for unobserved differences indirectly.
- Estimated equation is «two-ways» DiD:

$$y_{it} = \tau_t + \pi_i + \gamma \cdot Model\ change_{it} + \theta X_{it} + \varepsilon_{it} \quad (1)$$

Selection models: time variation



Selection models: spatial variation



Expenditure composition

	Total expenditure	Exp. on on education	Exp. on communal services	Social expend.	Stuff expend.
Model change	-0.055** (0.022)	-0.031* (0.017)	-0.308*** (0.097)	-0.106* (0.060)	-0.056* (0.030)
Controls	+	+	+	+	+
R2	0.150	0.084	0.023	0.041	0.025
Nobs	13164	12993	12239	12985	11211

Public employment

	Municipal employees	Educational employees	Administrative employees	Other employees	Wage of municip. employees
Model change	-0.035** (0.015)	-0.006 (0.010)	-0.024 (0.018)	-0.030* (0.016)	-0.011 (0.011)
Controls	+	+	+	+	+
R2	0.071	0.146	0.077	0.062	0.105
Nobs	13662	13378	13649	13577	13577

Efficiency

	Total investment	Investment into municip.	Property income	Total grants	Own income
Model change	-0.051 (0.041)	-0.113*** (0.043)	-0.020 (0.031)	-0.110*** (0.026)	0.036 (0.035)
Controls	+	+	+	+	+
R2	0.020	0.022	0.058	0.023	0.077
Nobs	13713	12978	12487	12455	12497

- Estimation without imputation in control variables
- Estimation on the censored sample from 2008 to 2014
- Municipality-specific linear trends
- Results are generally consistent with several exceptions for models with linear trends. Besides, in expenditure models only effect on total expenditure and expenditure on communal services is always significant. For other types – effect is negative but not significant.

- Estimation without imputation in control variables
- Estimation on the censored sample from 2008 to 2014
- Municipality-specific linear trends
- Results are generally consistent with several exceptions for models with linear trends. Besides, in expenditure models only effect on total expenditure and expenditure on communal services is always significant. For other types – effect is negative but not significant.

- Estimation without imputation in control variables
- Estimation on the censored sample from 2008 to 2014
- Municipality-specific linear trends
- Results are generally consistent with several exceptions for models with linear trends. Besides, in expenditure models only effect on total expenditure and expenditure on communal services is always significant. For other types – effect is negative but not significant.

- Estimation without imputation in control variables
- Estimation on the censored sample from 2008 to 2014
- Municipality-specific linear trends
- Results are generally consistent with several exceptions for models with linear trends. Besides, in expenditure models only effect on total expenditure and expenditure on communal services is always significant. For other types – effect is negative but not significant.

- Robust result that appointed managers on average spend less than elected mayors
- Expenditure cuts where it is possible (overall negative effect but not significant for separate types of expenditure)
- No signs of relative efficiency of the city-managers. On the contrary, less investment and less money from the region

- Robust result that appointed managers on average spend less than elected mayors
- Expenditure cuts where it is possible (overall negative effect but not significant for separate types of expenditure)
- No signs of relative efficiency of the city-managers. On the contrary, less investment and less money from the region

- Robust result that appointed managers on average spend less than elected mayors
- Expenditure cuts where it is possible (overall negative effect but not significant for separate types of expenditure)
- No signs of relative efficiency of the city-managers. On the contrary, less investment and less money from the region

Thank you for attention!

The effect of different models of local government's
head selection on quality of governance and
socio-economic indicators

Kirill Kazantsev & Alexandra Rumyantseva

Center for Advanced Governance

March 13, 2020