

# Participatory projects effectiveness

## La eficacia de los proyectos participativos

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### Contents

[1. Introduction](#)[2. Methodology](#)[3. Results](#)[4. Conclusions](#)[Acknowledgements](#)[Bibliographic references](#)

#### ABSTRACT:

The relevance of the article is caused by the insufficient development of the evaluation system for participatory projects effectiveness. The objective of this paper is to formulate the basic principles of the evaluation methods for effectiveness of participatory projects financing and management. The article distinguishes between the notions of effectiveness and efficiency, reveals 12 funding models for participatory projects at the territory of the Russian Federation. The author proposes and partially tests corresponding methods, as exemplified by the most common model RA2MA2C, under which local authorities support program is implemented. The identified issues are the lack of publicly available information for most of methods implementation factors and the achievement of the effectiveness in question.

**Keywords:** participatory project, effectiveness, financing, Local initiatives support program

#### RESUMEN:

La relevancia de este artículo es debida a la falta de estudios publicados sobre la evaluación de eficacia de los proyectos participativos dentro de Rusia. El objetivo del presente estudio es desarrollar los principios de la metodología evaluatoria para el financiamiento y la gerencia de los proyectos participativos. El artículo diferencia eficacia de eficiencia, muestra 12 modelos de financiamiento, usados para los proyectos participativos en la Federación Rusa. El autor ha propuesto y parcialmente evaluado la metodología correspondiente, ilustrada por RA2MA2C el modelo más frecuente usado para implementar el programa de apoyo para iniciativas locales. Los problemas principales son la falta de los datos en público para la mayoría de los factores importantes en la implementación de la metodología y el alcance de la eficacia investigada.

**Palabras clave:** Proyecto participativo, eficacia, financiamiento, el plano de apoyo para iniciativas locales

## 1. Introduction

Participatory budgeting projects have been implemented in the Russian Federation since 2007.

Nowadays over 40 regions of Russia have different programs for implementation of such projects, for example: Local initiatives support program, "popular initiative", "Your budget", "Territories development" etc. The distinctive feature of participatory projects is that they are involved in budgetary funds allocation process in regions and municipal entities in spheres that are vital for the population (consumers of project results). The primary effect of the projects implementation is the increase in number and quality of social and private goods (services) in demand, granted for the population due to social infrastructural development or reconstruction.

Such authors as D. Alltgretti, A. Ryoke, I. Sentome, K. Herzberg (2013), N. Dias (2018), V. V Vagin (2015), I. Schulga and A. Suchova (2016), S.S. Smirnova (2018) etc. have considered various aspects of participatory projects implementation.

However, all of them neither studied approaches to the definition of participatory budgeting effectiveness, nor tested the methods.

The academic literature employs different ways to distinguish between such economic categories as „efficiency” and „effectiveness”, based on the analysis of their essence.

In the broadest sense, the effectiveness is a described or quantitative indicator that characterizes the result of the activity or success in the achievement of the set goal (Klishch, 2015).

A well-known researcher Peter Drucker argues that „Efficiency is doing things right; effectiveness is doing the right things” (Mescon et al., 2000).

The summary of the various interpretations of the given categories is explicitly described in the works of A.Yu. Demidov (2009).

The author has analyzed the interpretations, given in the works of A.V. Bachurin, G.V. Atamanchuk, F.I. Shachmalov, A. Niilya, L.P. Kurakov, V.L. Kurakov and has come to the conclusion that, „despite the differences in definitions, the efficiency is the ratio of cost values for maintenance of activity to the costs of results for this activity” (Demidov, 2009).

Taking into account the interpretations of V.M. Krasnov and A.N. Azrilian, the author considers the notion of „effectiveness” as „the degree of achievement of the set goal” (Demidov, 2009).

These results should reflect the achievement of goals that can be set, depending on issues or on tasks (type of goal setting that stipulates partial or total directive goal determination (tasks, relying on the state policy priorities) (Chernikin, 2016).

American economist P. Heine believes that „efficiency is an imminent evaluation category. It is always connected with the ratio between result value and cost value” (Heine, 1993)

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## **2. Methodology**

The first stage presents the theoretical analysis of the existing scientific approaches to the effectiveness evaluation in such spheres as management, finance and regional economics, conference materials. At this stage the principal issue has been identified: the lack of participatory projects effectiveness methodology. The objective and methods of the study have been identified as well, along with the work plan.

The second stage clarifies funding models, applied to the participatory projects in the Russian Federation. At the second stage the author proposes and tests methods of evaluation of project funding effectiveness, as exemplified by the most common way of participatory budgeting – Local initiatives support program, (hereinafter referred to as LISP).

The third stage proposes the methods of evaluation for effectiveness of participatory projects management, specifies the difficulty in their implementation due to the lack of publicly available information about the required values.

The fourth stage reveals the diagnostic study of issue detection, concerning the participatory projects effectiveness under LISP at the territory of testing – in Tver region, the author analyses expert reviews and provides the results. The diagnostic study results and expert reviews helped to check and clarify conclusions, obtained during analysis and classification of regional mechanisms for participatory budgeting.

The issues in the regional mechanism in Tver region were diagnosed in 2016 and 2018. The territories that were diagnosed in the given period account for 78% of municipal entities in the region of Tver, participating in LISP.

Cities: Tver, Rzhev, Torzhok, Vyshny Volochyok, Kimry.

Municipal districts: Andreapolsky, Bezhetsky, Belsky, Bologovsky, Vesegonsky, Vyshnevolotsky . Zharkovsky, Zapadnodvinsky, Zubtsovsky, Torzhoksky, Staritsky, Spirovsky, Sonkovsky, Selizharovsky, Sandovsky, Rzhevsky, Rameshkovsky, Penovsky, Ostashkovsky (since 2018 – city district), Oleninsky, Nelidovsky (since 2018 – city district), Molokovsky, Maksatihinsky, Lichoslavl'sky, Lesnoi, Kuvshinovskiy, Krasnoholmsky, Konakovskiy, Kimrskiy, Kesovogorsky, Kashinsky, Kalyazinsky, Kalininsky, Firovskiy, Udomelsky (since 2018 – city district), Toropetsky.

Questionnaire items for experts: regional authorities in the Tver region, involved in LISP participatory projects implementation; local municipal governmental bodies that participated in the implementation of at least one project; representatives of the local communities, the territorial concern of which was taken into account in the participatory budgeting mechanism in the Tver region; representatives of the commercial entities, working at the corresponding projects.

Thus, the expert questionnaires have defined the issues of participatory projects effectiveness at the territory under study from the point of view of all concerned parties, including: carriers, expressers and representatives of local communities' territorial concerns in the region.

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## **3. Results**

### **3.1. Effectiveness of participatory project financing**

The participatory budgeting projects in Russia are financed according to the following models.

1. 1RA – The projects, funded by regional budget;
2. 1MA – The projects, funded by municipal budget;
3. MA2C – The projects, co-funded by municipal budget and revenues of the population, consumers of the project results;
4. MA2B – The project, co-funded by municipal budget and juridical persons;
5. RA2MA – The projects, co-funded by means of regional and municipal budget;
6. RA2C – The projects, co-funded by regional budget and revenues of the population, consumers of the project results;
7. Ra2B – The projects, co-funded by regional budget and juridical persons;
8. MA2B2C – The projects, co-funded by municipal budget, juridical persons and revenues of the population, consumers of the project results;
9. RA2B2C – The projects, co-funded by regional budget, juridical persons and revenues of the population, consumers of the project results;
10. RA2M2C – The projects, co-funded by means of regional and municipal budget and revenues of the population, consumers of the project results;  
and juridical persons;
12. RA2MA2B2C – The projects, co-funded by means of regional and municipal budget, juridical persons and revenues of the population, consumers of the project results;

RA2MA2C is the most common model of participatory project funding, in particular such a funding is implied by the local initiatives support program implementation (hereinafter – LISP).

The LISP is implemented in 10 regions: Kirov region; Tver region; Nizhny Novgorod region; Sakhalin region; the Stavropol Territory; the Khabarovsk Territory; the Jewish Autonomous Region; the Republic of Bashkortostan; the Republic of North Ossetia-Alania the Republic of Sakha; (Yakutia).

The evaluation of funding effectiveness for the LISP projects can be carried out in terms of regional, municipal budget or consolidated funding.

In these circumstances, the particular interest resides in the effectiveness of project financing by means of the regional budget funds, granted in the form of the interbudgetary transfer – subsidy.

D. Yu Zavyalov points out that the effectiveness of such a transfer as subsidy can be evaluated by each of the following indicators or all of them:

- rise in expenditures for the budget recipient of grant, for providing subsidized services that are assigned to its own duties ;
- The increase in number of budgetary services that can be provided for the population;
- The increase of the level of satisfaction with the subsidized budgetary services among consumers” (Zavyalov, 2008).

To evaluate the effectiveness of funding for the LISP participatory projects we can use the following formula, approved in the process of evaluation of the program "Popular initiative", implemented in the Irkutsk region:

$$E_i = \frac{S_a}{S_p} \times 100\% , \quad (1)$$

Where  $E_i$  – the effectiveness of the grant use by i-m recipient;

$S_a$  – the amount of actual expenditures of the municipal entity for the subsidy payment for i-recipient;

$S_p$  – the amount of planned expenditures of the municipal entity for the subsidy payment for i-recipient; (pursuant to the total amount of subsidies, stated in subsidies distribution plan).

For the Irkutsk region this formula is explained in the following way: the financing effectiveness is considered to be high, if  $E_i > 90\%$ ; the financing effectiveness is considered to be low, if  $E_i \leq 70\%$ ; in other cases the financing effectiveness is considered to be average.

Within this approach the effectiveness depends on saving that occurs during 44- FL implementation and this is not reasonable

Besides, in several regions, in which the LISP is implemented, the saved money, emerging because of

tenders is redistributed among the projects, not included in the program in the first round.

For instance, in the region of Tver the procurement of goods, works and services necessary for meeting the municipal needs for urban settlements, has resulted in 1 467 524,17 rubles saved in 2018 (table .1.).

**Table 1**

Budget saving in tenders for LISP projects, implemented in urban settlement of the Tver region in 2018

Urban settlement name	Total amount of money, provided for project financing before tender rub.	Total amount of money, provided for project financing after tender rub.	The amount of money, saved due to reduce in subsidies as on 11.08.2018, rub.
Andreapol	1 207 950,00	1 207 944,41	3,15
Bezhetsky district	1 452 338,87	1 430 896,62	11 712,81
Krasnomaisky	863 674,16	647 315,74	127 509,24
Zharkovsky	1 814 660,00	1 409 679,08	156 220,25
Kashinsky district	1 955 564,73	1 945 809,26	3 988,68
Lichoslavl	2 036 570,00	1 767 704,03	105 615,21
Oleninsky district	1 126 361,83	1 126 356,59	3,39
Penovsky district	2 043 789,25	1 536 016,16	182 158,59
Rameshkovsky district	2 204 507,33	1 575 963,21	228 094,18
Selizharovo	2 058 553,05	2 045 923,00	4 908,32
Staritsa	1 979 187,21	768 722,65	489 277,44
Staritsky district	1 407 907,97	1 136 551,44	154 189,92
Toropetsky district	1 581 614,23	1 573 837,85	3 842,99
Total:	21 732 678,63	18 172 720,04	1 467 524,17

Source: compiled by author, based on the publicly available data of Tver region Ministry of Finance

We can resort to target values, established in particular region of the Russian Federation, to assess the effectiveness of financing carried out by means of regional funds.

For example, for the Stavropol territory this group includes:

- 1) actual contribution of the population of the settlement that belongs to the municipal entity of the territory-recipient of the grant to the project implementation in cash;
- 2) actual contribution of the individual entrepreneurs and institutions to the project implementation in cash;
- 3) actual contribution of the individual entrepreneurs and institutions to the project implementation in kind;
- 4) actual contribution of the individual entrepreneurs and institutions to the project implementation by rendering services free of charge (works performance);
- 5) Actual population of the settlement that belongs to the municipal entity of the territory- recipient of the grant, which has taken part in the project implementation by rendering services free of charge;
- 6) Project implementation degree.

The assessment of the financing effectiveness is carried out at the end of the reported fiscal year by comparison of actually reached values of financing effectiveness with the planned values, set out in the

agreement.

This approach can be illustrated by the following formula:

$$E_i = \sum E_{ni} \quad (2)$$

Where  $E_{ni}$  –the effectiveness of six indicators, mentioned above.

The grant use is inefficient, if the average degree of achievement of the financing effectiveness targeted values is  $< 80\%$ .

The financing has reached the planned level of efficiency, if the average degree of achievement of the financing effectiveness targeted values is  $80-90\%$ .

The financing is efficient, if the average degree of achievement of the financing effectiveness targeted values is  $> 90\%$ .

We can use comparable planned and actual financial criteria, established for the tender, to assess the LISP participatory projects financing effectiveness in the region of Tver.

- Effectiveness of project financing from the municipal entity budget;
- Effectiveness of project financing by population funds in cash;
- Effectiveness of project financing, carried out by juridical persons in cash, except the incomes, got from the municipal companies and institutions;
- Effectiveness of project financing with the funds, transferred to the local budget for implementation of activities on requests, handled by Members of Legislative Assembly in the Tver region

It is not rational to introduce the value of planned and actual grant amount in the region for projects, selected in the first round and to the projects, implemented in the second round a corresponding indicator  $E_5$  is applied.

The LISP project financing can be considered effective, when  $E_i \geq 4$  for the projects that have been selected in the first round and  $E_i \geq 5$  for the projects that have been selected in the second round.

$E_{1-5}$  shouldn't be  $< 1$ .

As there is no publicly available information about planned and actual values, we give a simulated example of the project, selected in the Tver region in the second round to test the proposed methods (tab. 2)

**Table 2**  
The evaluation of effectiveness for the participatory project N under the LISP at the rural settlement in the Tver region

s/n.	Sources of funding	Planned values, in rubles	Actual values, in rubles	Actual value/plan ratio
1	Municipal budget funds	200000,00	200000,00	1
2	Funds of population of the municipal entity, at the territory of which the project is implemented	23401,29	23401,29	1
3	Revenues from juridical persons in cash, except the revenues got from municipal companies and institutions	5008,55	10250,00	2,05
4	Funds, transferred to the local budget for implementation of activities on requests, handled by Members of Legislative Assembly in the Tver region	841,77	841,77	1
5	Grant from a regional budget	700000	700000	1

Source: compiled by author

In the given example the project financing can be considered efficient, the required conditions are met  $E_i \geq 5$ ,  $E_{1-5} \geq 1$ .

It should be noted that the effectiveness of participatory project financing reflects the effectiveness of the grant use as an interbudgetary equation tool. The interbudgetary equations form part of the interbudgetary relations, which as S.N. Saaya (2007) says, should be understood as „mutual relations between authorities at different levels, concerning differentiation between spending and profit powers, as well as spending and profit sources that correspond to them and interbudgetary management: redistribution of funds between the budgets of different levels and kinds, in order to even the levels of minimal fiscal capacity” (Saaya, 2007).

So, the effectiveness of interbudgetary equations, aimed at the participatory budgeting is the increase in volume and quality of the budgetary services, provided for the population and (or) increase in the level of satisfaction among the population, regarding the state of the municipal entity social infrastructure, owing to the use of the grant for the purposes that are vital for the population, taking into account the non-budgetary sources engagement.

The efficiency of interbudgetary equations, aimed at the participatory budgeting is the change of results from the project implementation in the municipal entity to the change of expenditures with regard to the subsidy, granted by the region.

Such efficiency is possible only for profitable participatory projects.

### 3.2. Management effectiveness for participatory projects

„Management effectiveness is the capacity of the management system to ensure the achievement of the end results that comply with the set goal and meet the particular need”. (Armstrong, 2014)

Thus, „effectiveness is not only what we do, but also how we do it. The excellent results are possible owing to appropriate behavior and efficient use of the necessary knowledge tools and competences. The effectiveness management should study how to achieve results, for it helps to understand, what measures are necessary to make further progress”. (Lopatina, 2018)

L.G. Sokolova (2015) argues that the management effectiveness is stipulated by the level of meeting social needs for particular kinds of goods and services, corresponding to the approved goals and vital directions in strategic plans of social and economic development.

The end result of any participatory project, implemented in any region is to create or reconstruct the social infrastructure object, according to the set standard. The object should be chosen by the population.

In other words, the construction of the required object can act out as the simplest factor of the management effectiveness and the time limits of this process (work completion or object delivery date) can act as an indicator for this factor.

However this approach reflects the management quality at all stages of the participatory project implementation only in indirect way.

Table 3 contains the examples of items for participatory project management effectiveness assessment.

**Table 3**  
The items for the assessment of participatory project management effectiveness

Task	Index (Result)	Indicator	Value
To compile tender application	The tender application is compiled on time	A1 – The documents have been accepted by the department that is responsible for the implementation of projects in this region; A2 – The documents have been accepted after changes; A3 – The documents have not been accepted.	A1 – 10 points; A2 - 5 points; A3 – 0 points

To sign subsidies-granting agreement.	The documents for the agreement are provided on time	A1 – The agreement has been signed A2 – agreement has been signed after changes; A3 – The documents have not been accepted.	A1 – 10 points; A2 - 5 points; A3 – 0 points
To announce the tender pursuant to 44-FL	Tender is announced on time	A1 –The municipal agreement has been celebrated; A2 – The municipal agreement has not been celebrated	A1 – 10 points; A2 – 0 points
To perform works under the project	The works have been performed on time	A1- Lead group of the project has signed the certificate of works performed upon the completion of work under project; A2 - Lead group of the project has signed the certificate of works performed after elimination of all the detected flaws; A3 - Lead group of the project hasn't signed the certificate of works performed upon the completion of work under project;	A1 – 10 points; A2 - 5 points; A3 – 0 points
To fund the project	The contractor services have been paid	A1 – Co-funding sources correspond to the planned values or exceed them; A2 – All the sources of co-funding are involved in the process, but some values are below the planned ones; A3 – One of the planned co-funding sources is not involved in the process	A1 – 10 points; A2 - 5 points; A3 – 0 points
To complete the project	Ceremonial opening of the object has occurred	A1 – There was not less than 30% of the beneficiaries at the ceremonial opening; A2 –there was $\leq 30\%$ of the beneficiaries at the ceremonial opening; A3 –there were no beneficiaries at the ceremonial opening .	A1 – 10 points; A2 - 5 points; A3 – 0 points

Source: compiled by author

The table 3 proves that the project funding is one of the components of management effectiveness. The further studies can attempt to embed the effectiveness of participatory projects funding into the methodology of management effectiveness evaluation.

It is worth mentioning that this methodology proposes to evaluate project management effectiveness at the municipal level, for the evaluation at the regional level is rational only for participatory projects.

Within this methodology the participatory project management can be considered effective, when  $E_i \geq 55$ , the effectiveness can be considered average, when  $55 > E_i \geq 35$ . When  $E_i < 35$  the participatory project management is not effective.

### 3.3. Difficulties in reaching the effectiveness of participatory projects

It is worth mentioning that population, local authorities and regional authorities have different points of

view, regarding the burning issues of the process in question.

The study, conducted in the Tver region, showed that the main difficulties, which faces the population in the process of projects implementation are: the lack of information about the possibility of participation in the LISP; restrictions in choice of objects that can be created or reconstructed under the program; the amount of local subsidy hasn't been increased since 2013 (the onset of LISP implementation in the region of Tver) and nowadays makes it impossible to implement all the projects, proposed by the local communities; the difference in the amount, granted for support of the initiatives that are aimed at defending the territorial interests of city and rural communities is double, and they think that it's unfair.

Local governments of the municipal entities that have implemented at least one LISP project mentioned the following difficulties: the percentage of co-funding of the initiative on the part of the local budget is constantly growing, while the amount of subsidy remains the same; small territories often lose regional support tender for the tender committee thinks that the projects of small local communities don't have enough beneficiaries; In most cases the project implementation deadline is close to winter and this affects the project implementation quality negatively and makes the project promoters unsatisfied; not all the local community members, who are interested in the implementation of the project are ready to invest in it; dishonesty of the contractor, working at the project; the lack of practicability due to the rise in its price in the period from the launching up to works performance.

The Tver region Ministry of Finance states that the major difficulty in reaching the participatory projects effectiveness under LISP is untimely submission of the basic report documents. Such documents include: data about the celebration of the municipal contracts (agreements); project completion report, (including all appendices); report on grants use for the LISP implementation

Here are other typical mistakes: the submitted documents don't comply with the approved forms (application, protocol); the name of the project doesn't correspond to the name in the submitted documents (cost estimation-application, protocol).

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## 4. Conclusions

The conducted research showed that it isn't rational to develop all-round evaluation methodology for participatory projects effectiveness. To implement proposed methods, we need data for the specified indicators, and this data is not publicly available. The analysis of difficulties in reaching the project effectiveness, as exemplified by LISP in the region of Tver, showed that the main project participants (population, local authorities, and regional authorities) have different points of view, regarding burning issues of the process in question.

The results of the study can be used by public authorities, project management experts, scientists, who specialize in inter-budget relations, regional economics.

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[Index]

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