

Responsibility with accountability: A FAIR governance framework for performance accountability of local governments*

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We will strive increasingly to quicken the public sense of public duty; that thus ... we will transmit this city not only not less, but greater better, and more beautiful than it was transmitted to us.

(Oath of office required of council members in the ancient city of Athens)

Abstract

This paper focuses on the role of local governments in bringing about fair, accountable, incorruptible and responsive (FAIR) governance. Local governments around the world have done important innovations to earn the trust of their residents and their comparative performance is of great interest yet a comprehensive framework to provide such benchmarking is not available. This paper attempts to fill this void, by developing a general framework for performance accountability of local governments and by relating real world practices to aspects of this framework. The proposed rating framework requires several types of assessments: (a) their compliance with due process and law; (b) monitoring of fiscal health for sustainability; (c) monitoring of service delivery; and (d) citizens' satisfaction with local services. The approach yields key indicators useful for benchmarking performance that can be used in self-evaluation and improvement of performance. From an analysis of practices in local government performance monitoring and evaluation, the paper concludes that ad hoc ad-on self-standing monitoring and evaluation systems are more costly and less useful than built-in tools and mechanisms for government transparency, self-evaluation and citizen based accountability such as local government output budgeting and output based fiscal transfers to finance local services.

Key words: local government, responsibility, accountability, theory, practice, performance

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1. Introduction

Democratization through political decentralization spread like wildfire in developing and transition economies in the 1990s yet fruits of this democratic participation remain largely elusive. What went wrong? This paper argues that these disappointing results may be attributable to a lack of progress in citizen empowerment to hold governments accountable in between elections as a median voter lacks the skills to evaluate government performance and hold it to account. It is in the interest of political and bureaucratic elites to ensure that the status quo prevails and the sun does not shine on government operations. Unraveling of this system requires fundamental institutional and legal reforms to empower citizens to demand accountability for performance from their governments. This paper focuses on local governance especially the role of local governments to bring about this change. Local governments around the world have done important innovations to strengthen local accountability to earn the trust of their residents. The practice in this area, however, has leapfrogged the conceptual perspectives. This paper attempts to fill this void by developing a general framework for performance accountability of local governments and by relating real world practices to aspects of this framework.

The rest of this paper is organized as follows. A discussion of the evolving roles of local government is taken up first as a section 2. This section is followed by a conceptual framework on local government accountability and thoughts on its implementation methods and processes in the section 3. The following sections 4 highlight better practices in local government performance accountability. Section 5 highlights examples of not so good practices. A concluding section 6 draws general lessons from these experiences.

2. Literature review

Globalization and the information revolution has catapulted into prominence the role of local government in improving economic and social outcomes of its resident members. As a result, countries around the world are contemplating a more expansive role of local governments in multi-order governance. To be effective, the enhanced role of local government in local governance, however, need to accompanied by greater accountability of these entities to local residents. This requires an understanding of the conceptual as well as empirical perspectives on the role of local governments. The following sections provide a discussion of these issues.

2.1. Conceptual underpinnings of the role of local governments

There are five perspectives on models of government and the roles and responsibilities of local government: (a) traditional fiscal federalism, (b) new public management

(NPM), (c) public choice, (d) new institutional economics (NIE), and (e) network forms of local governance. The federalism and the NPM perspectives are concerned primarily with market failures and how to deliver public goods efficiently and equitably. The public choice and NIE perspectives are concerned with government failures. The network forms of governance perspective is concerned with institutional arrangements to overcome both market and government failures.

***Local government as a hand maiden of a higher government order:
Traditional fiscal federalism perspectives***

The fiscal federalism approach treats local government as a subordinate tier in a multi-tiered system and outlines principles for defining the roles and responsibilities of orders of government (see Boadway and Shah, 2009) for such a framework for the design of fiscal constitutions). Hence, one sees that in most federations, as in Canada and the United States, local governments are creatures or extensions of state/provincial governments (*dual federalism*). In a few isolated instances, as in Brazil, they are equal partners with higher-level governments (*cooperative federalism*), and in an exceptional case, Switzerland, they are the main source of sovereignty and have greater constitutional significance than the federal government. Thus with the sole exception of Switzerland, under federalism, local government role in multi-order governance, is highly constrained and depending on the constitutional and legal status of local governments, state governments in federal countries assume varying degrees of oversight of the provision of local public services.

The fiscal federalism perspectives have resulted in some major difficulties in practice—especially in developing countries—because the practice seems to emphasize fiscal federalism’s structures and processes as the end rather than as the means to an end thereby creating a governance system that is devoid of public interest or citizens’ control and characterized by “governments by the government, for the government and of the government” (Shah, 2014, 2010a, 2010b). These structures and processes were designed as a response to market failures and heterogeneous preferences with little recognition of government failures or the role of entities beyond government. The NPM and the NIE literature (synthesized in the following paragraphs) sheds further light on the origins of these difficulties. This literature highlights the sources of government failures and their implications for the role of local government.

***Local government as an independent facilitator of creating public value:
New public management perspectives***

Two interrelated criteria have emerged from the NPM literature in recent years determining, first, what local governments should do and, second, how they

should do it better. In discussing the first criterion, the literature assumes that citizens are the principals but have multiple roles as governors (owner-authorizers, voters, taxpayers, community members); activist-producers (providers of services, co-producers, self-helpers obliging others to act); and consumers (clients and beneficiaries). In this context, significant emphasis is placed on the government as an agent of the people to serve public interest and create public value. Moore (1996) defines *public value* as measurable improvements in social outcomes or quality of life. Moore (1996) has argued that, rather than diverting resources from the private sector, local governments use some of the resources that come as free goods—namely, resources of consent, goodwill, good Samaritan values, community spirit, compliance, and collective public action. This argument suggests that the role of public managers in local governments is to tap these free resources and push the frontiers of improved social outcomes beyond what may be possible with meager local revenues. Thus, public managers create value by mobilizing and facilitating a network of providers beyond local government. Democratic accountability ensures that managerial choices about creating public value are based on broader consensus by local residents (see Goss, 2001). Thus, the local public sector continuously strives to respect citizen preferences and to be accountable to them. This environment, focused on creating public value, encourages innovation and experimentation, bounded by the risk tolerance of the median voter in each community. The main current of the NPM literature is concerned with the second criterion mentioned earlier i.e. not with what to do but with how to do it better. It argues for an incentive environment in which managers are given flexibility in the use of resources but held accountable for results. Top-down controls are thus replaced by a bottom-up focus on results.

Local government as an institution to advance self-interest:

The public choice approach

The public choice literature endorses the self-interest doctrine of government and argues that various stakeholders involved in policy formulation and implementation are expected to use opportunities and resources to advance their self-interest. This view has important implications for the design of local government institutions. For local governments to serve the interests of people, they must have complete local autonomy in taxing and spending and they must be subject to competition within and beyond government. In the absence of these prerequisites, local governments will be inefficient and unresponsive to citizen preferences (Boyne, 1998). Bailey (1999) advocates strengthening exit and voice mechanisms in local governance to overcome government failures associated with the self-interest doctrine of public choice. He suggests that easing supply-side constraints for public services through wider competition will enhance choice and promote exit options and that direct democracy provisions will strengthen voice (see also Dollery and Wallis,

2001, Dollery and Robotti, 2000). The NIE approach discussed below draws on the implications of opportunistic behavior by government agents for the transaction costs to citizens as principals.

The government as a runaway train: NIE concerns with the institutions of public governance

The NIE provides a framework for analyzing fiscal systems and local empowerment and for comparing mechanisms for local governance. This framework is helpful in designing multiple orders of government and in clarifying local government responsibilities in a broader framework of local governance. According to the NIE framework, various orders of governments (as agents) are created to serve the interests of the citizens as principals. The jurisdictional design should ensure that these agents serve the public interest while minimizing transaction costs for the principals.

The existing institutional framework does not permit such optimization, because the principals have bounded rationality; that is, they make the best choices on the basis of the information at hand but are ill informed about government operations. Enlarging the sphere of their knowledge entails high transaction costs, which citizens are not willing to incur. Those costs include participation and monitoring costs, legislative costs, executive decision-making costs, agency costs or costs incurred to induce compliance by agents with the compact, and uncertainty costs associated with unstable political regimes (Horn, 1997; Shah, 2005). Agents (various orders of governments) are better informed about government operations than principals are, but they have an incentive to withhold information and to indulge in opportunistic behaviors or “self-interest seeking with guile” (Williamson, 1985: 7). Thus, the principals have only incomplete contracts with their agents. Such an environment fosters commitment problems because the agents may not follow the compact.

The situation is further complicated by three factors—weak or extant countervailing institutions, path dependency, and the interdependency of various actions. Countervailing institutions such as the judiciary, police, parliament, and citizen activist groups are usually weak and unable to restrain rent-seeking by politicians and bureaucrats. Historical and cultural factors and mental models by which people see little benefits to and high costs of activism prevent corrective action. Further empowering of local councils to take action on behalf of citizens often leads to loss of agency between voters and councils, because council members may interfere in executive decision making or may get co-opted in such operations while shirking their legislative responsibilities. The NIE framework stresses the need to use various elements of transaction costs in designing jurisdictions for various services and in evaluating choices between competing governance mechanisms.

Local government as a facilitator of network forms of local governance

Given the high transaction costs and perceived infeasibility of market and hierarchical mechanisms of governance for partnerships of multiple organizations, a network mechanism of governance has been advanced as a possible mode of governance for such partnerships—the kind to be managed by local governments. The network form of governance relies on trust, loyalty, and reciprocity between partners with no formal institutional safeguards. Networks formed on the basis of shared interests (interest-based networks) can provide a stable form of governance if membership is limited to partners that can make significant resource contributions and if there is a balance of powers among members. Members of such networks interact frequently and see cooperation in one area as contingent on cooperation in other areas. Repeated interaction among members builds trust. Hope-based networks are built on the shared sentiments and emotions of members. Members have shared beliefs in the worth and philosophy of the network goals and have the passion and commitment to achieve those goals. The stability of such networks is highly dependent on the commitment and style of their leadership (Dollery and Wallis, 2001) and the catalytic and mediating role played by local governments.

Summing up the conceptual role of local governments it can be said that we have presented a brief overview of the conceptual and institutional literature on local governance. A synthesis of the conceptual literature suggests that the modern role of a local government is to deal with market failures as well as government failures. This role requires a local government to operate as a purchaser of local services, a facilitator of networks of government providers and entities beyond government, and a gatekeeper and overseer of state and national governments in areas of shared rule. Local government also needs to play a mediator's role among various entities and networks to foster greater synergy and harness the untapped energies of the broader community for improving the quality of life of residents. Globalization and the information revolution are reinforcing those conceptual perspectives on a catalytic role for local governments (see Shah and Shah, 2007, Shah (2006a, 2006b)).

This view is also grounded in the history of industrial nations and ancient civilizations in China and India. Local government was the primary form of government until wars and conquest led to the transfer of local government responsibilities to central and regional governments. This trend continued unabated until globalization and the information revolution highlighted the weaknesses of centralized rule for improving the quality of life and social outcomes. The new vision of local governance presented here argues for a leadership role by local governments in a multi-centered, multi-order, or multi-level system (See Table 1).

This view is critical to creating and sustaining citizen-centered governance, in which citizens are the ultimate sovereigns and various orders of governments serve as agents in the supply of public governance. In developing countries, such citizen empowerment may be the only way to reform public sector governance when governments are either unwilling or unable to reform themselves.

Table 1: Evolving role of local governments in the 21st century

Old view: 20 th century	New view: 21 st century
Is based on residuality and local governments as wards of the state	Is based on subsidiarity and home rule
Is based on principle of ultra vires	Is based on community governance
Is focused on government	Is focused on citizen-centered local governance
Is agent of the central government	Is the primary agent for the citizens and leader and gatekeeper for shared rule
Is responsive and accountable to higher-level governments	Is responsive and accountable to local voters; assumes leadership role in improving local governance
Is direct provider of local services	Is purchaser of local services
Is focused on in-house provision	Is facilitator of network mechanisms of local governance, coordinator of government providers and entities beyond government, mediator of conflicts, and developer of social capital
Is focused on secrecy	Is focused on letting the sunshine in; practices transparent governance
Has input controls	Recognizes that results matter
Is internally dependent	Is externally focused and competitive; is ardent practitioner of alternative service delivery framework
Is closed and slow	Is open, quick, and flexible
Has intolerance for risk	Is innovative; is risk taker within limits
Depends on central directives	Is autonomous in taxing, spending, regulatory, and administrative decisions
Is rules driven	Has managerial flexibility and accountability for results
Is bureaucratic and technocratic	Is participatory; works to strengthen citizen voice and exit options through direct democracy provisions, citizens' charters, and performance budgeting
Is coercive	Is focused on earning trust, creating space for civic dialogue, serving the citizens, and improving social outcomes
Is fiscally irresponsible	Is fiscally prudent; works better and costs less
Is exclusive with elite capture	Is inclusive and participatory
Overcomes market failures	Overcomes market and government failures
Is boxed in a centralized system	Is connected in a globalized and localized world

Source: Shah (2006a, 2006b)

2.2. The practice of local governance in the 21st century

Local governance historically predates the emergence of nation-states. In ancient history, tribes and clans established systems of local governance in most of the world. They established their own codes of conduct and ways of raising revenues and delivering services to the tribe or the clan. The tribal and clan elders developed consensus on the roles and responsibilities of various members. Some tribes and clans with better organization and skills then sought to enlarge their spheres of influence through conquest and cooperation with other tribes. In this way, the first Chinese dynasty, the Xia, was established (2070 BC to 1600 BC) (see Zheng and Fan, 2003). A similar situation prevailed in ancient India, where in the third millennium BC (about 2500 BC) a rich civilization was established in the Indus Valley (now Pakistan). This advanced civilization placed great emphasis on autonomy in local governance and enshrined a consensus on division of work for various members of the society. This emphasis led to the creation of a class society in which each member had a defined role: upholder of moral values, soldier, farmer, tradesperson, worker. Each community formed its own consensus on community services and how to accomplish them.

Native American tribes in North America and tribes and clans in Western Europe also enjoyed home rule. Subsequent conquests and wars led to the demise of these harmonious systems of self-rule in local governance and to the emergence of rule by central governments all over the world. This development (roughly around 1000 BC in Western Europe) ultimately led to the creation of unique systems of local governance and central-local relations in most countries.

Historical evolution and the current practice of local governance is instructive in drawing lessons for reform of local governance, especially in developing countries. There is great diversity in practice in local governance in industrial countries, but there are also some common strands. The diversity is in the institutional arrangements, which have evolved incrementally over a long period. This evolution has resulted in diverse roles for local governments and diverse relations with central governments across countries. In Nordic countries, local government serves as the primary agent of the people, whereas in Australia, that role is entrusted to state governments, and local government has a minimal role in local affairs.

There is no uniform model for local government size, structure, tiers, and functions across OECD countries. There are nevertheless a number of interesting common features. First, most countries recognize that finance must follow function to ensure that local governments are able to meet their responsibilities efficiently and equitably. Second, home rule is considered critical to meeting local expectations and being responsive to local residents. Therefore, local governments must have significant taxing, spending, and regulatory autonomy, and they must have the ability to hire, fire, and set terms of reference for employees without having to

defer to higher levels of governments. Only then can local governments innovate in management by introducing performance-based accountability and innovate in service delivery by forging alternative service delivery arrangements through competitive provision, contracting, and outsourcing wherever deemed appropriate. They can also facilitate a broader network of local governance and harness the energies of the whole community to foster better social outcomes. Third and most important, accountability to local residents has been the factor most critical to the success of local governance in industrial countries. This accountability is strengthened through democratic choice, participation, transparency, performance budgeting, citizens' charters of rights, and various legal and financing provisions that support wider voice, choice, and exit options to residents.

Recent years have also seen positive developments regarding local governance in developing countries. Local governments are increasingly assuming a larger role in public services delivery. However, with the exception of a handful of countries such as Brazil, China, and Poland, local governments continue to play a very small role in people's lives. They typically are bounded by the principle of *ultra vires* and allowed to discharge only a small number of functions, which are mandated from above. They have limited autonomy in expenditure decisions and hardly any in revenue-raising decisions. Their access to own-source revenues is constrained to a few nonproductive bases. Political and bureaucratic leaders at the local level show little interest in lobbying for more taxing powers and instead devote all their energies to seeking higher levels of fiscal transfers.

As a result, tax decentralization has not kept pace with political and expenditure decentralization. Hence, one does not find many examples of tax-base sharing, and even the limited existing bases available to local governments are typically underexploited. Fiscal transfers typically account for 60 percent of revenues in developing countries (51 percent in sample developing countries) as opposed to only 34 percent in OECD countries. This distinct separation of taxing and spending decisions undermines accountability to local citizens because local leaders do not have to justify local spending decisions to their electorates.

Local self-financing is important for strengthening governance, efficiency, and accountability. Although most countries have opted for formula-driven fiscal transfers, the design of these transfers remains flawed. They do not create any incentive for setting national minimum standards or accountability for results and typically do not serve regional fiscal equity objectives either.

Local governments also typically have very limited autonomy in hiring and firing local government employees. In a number of countries with decentralization, such as Indonesia and Pakistan, higher government employees are simply transferred to local levels; financing is then provided to cover their wage costs. This approach limits budgetary flexibility and opportunities for efficient resource allocation at the local level.

Overall, local governments in developing countries typically follow the old model of local governance and simply provide directly a narrow range of local services. The new vision, with the local governments assuming a network facilitator role to enrich the quality of life of local residents, as discussed earlier in this paper, is yet to be realized in any developing country.

Summing up the evolving role of local governments we have reviewed ideas emerging from the literature on political science, economics, public administration, law, federalism, and the NIE with a view to developing an integrated analytical framework for the comparative analysis of local government and local governance institutions.

The dominant concern in this literature is that the incentives and accountability framework faced by various orders of government is not conducive to a focus on service delivery consistent with citizen preferences. As a result, corruption, waste, and inefficiencies permeate public governance. Top-down hierarchical controls are ineffective; there is little accountability because citizens are not empowered to hold governments accountable.

Fiscal federalism practices around the world are focused on structures and processes, with little regard for outputs and outcomes. These practices support top-down structures with preeminent federal legislation (that is, federal legislation overrides any subnational legislation). The central government is at the apex, exercising direct control and micromanaging the system. Hierarchical controls exercised by various layers of government have an internal rule-based focus with little concern for their mandates. Government competencies are determined on the basis of technical and administrative capacity, with almost no regard for client orientation, bottom-up accountability, and lowering of transaction costs for citizens. Various orders of government indulge in uncooperative zero-sum games for control.

This tug of war leads to large swings in the balance of powers. Shared rule is a source of much confusion and conflict, especially in federal systems. Local governments are typically handmaidens of states or provinces and given straitjacket mandates. They are given only limited home rule in their competencies. In short, local governments in this system of “federalism for the governments, by the governments, and of the governments” get crushed under a regime of intrusive controls by higher levels of governments. Citizens also have limited voice and exit options.

The governance implications of such a system are quite obvious. Various orders of government suffer from agency problems associated with incomplete contracts and undefined property rights, as the assignment of taxing, spending, and regulatory powers remains to be clarified—especially in areas of shared rule. Intergovernmental bargaining leads to high transaction costs for citizens. Universalism and pork-barrel

politics result in a tragedy of commons, as various orders of government compete to claim a higher share of common pool resources. Under this system of governance, citizens are treated as agents rather than as principals.

On how to reverse this trend and make governments responsive and accountable to citizens, the dominant themes emphasized in the literature are the subsidiarity principle, the principle of fiscal equivalency, the creation of public value, results-based accountability, and the minimization of transaction costs for citizens, as discussed earlier. These themes are useful but should be integrated into a broader framework of citizen-centered governance, to create an incentive environment in the public sector that is compatible with a public sector focus on service delivery and bottom-up accountability. Such integration is expected to deal with the commitment problem in various levels of government by empowering citizens and by limiting their agents' ability to indulge in opportunistic behavior. The following section attempts to develop a rating framework for oversight and accountability of local governments to create incentives for FAIR (fair, accountable, incorruptible and responsive) local governance.

3. Responsibility with accountability: a FAIR governance framework for performance accountability of local governments

The rating framework proposed below attempts to reinforce desired role of the local government for the 21st century. In view of this the rating framework would serve as a useful reference for rating the institutional framework for local governance for a country as well as rating individual local governments. Thus the framework is intended not just to guide the performance improvements that a local government may be able to undertake itself but also to facilitate reforms that empower local governments to play their due role to improve economic and social outcomes for local residents.

A FAIR governance framework lays down the following four principles for local government accountability.

Fair Governance. Fair governance requires that the local government equal and fair access to essential public services with equitable sharing of local tax burdens. It also acts as an equal opportunity employer. For peace, order and good government, the local government mediates conflicting interests, is focused on consensus building and inclusiveness and ensures a sense of participation by all and protection of the poor, the minorities and the disadvantaged members of the society.

Accountable governance. Accountable governance requires that citizens may be able to hold the government to account for all its actions while incurring minimum transactions costs. This requires that the local government lets sunshine in on its

operations and works to strengthen voice and exit options for principals. It also means that the government truly respects the role of countervailing formal and informal institutions of accountability in governance. A local government should be accountable to its electorate. It should adhere to appropriate safeguards to ensure that it serves the public interest with integrity. Legal and institutional reforms may be needed to enable local governments to deal with accountability between elections—reforms such as a citizen’s charter and a provision for recall of public officials.

Incorruptible governance. Incorruptible governance requires that the local government does it right i.e. governmental authority is carried out following due process with integrity (absence of corruption), with fiscal prudence, with concern for providing the best value for money and with a view to earning trust of the people. The government should also do it right—that is, manage its fiscal resources prudently. It should earn the trust of residents by working better and costing less and by managing fiscal and social risks for the community. It should strive to improve the quality and quantity of and access to public services. To do so, it needs to benchmark its performance with the best-performing local government.

Responsive governance. The fundamental task of governing is to promote and pursue collective interest while respecting formal (rule of law) and informal norms. This is done by local government creating an enabling environment to do the right things – that is, it promotes and delivers services consistent with citizen preferences. Further, the government carries out only the tasks that it is authorized to do, that is, it follows the compact authorized by citizens at large.

A rating framework based upon the above principles is embodied in Table 2.

Table 2: A FAIR governance framework for rating performance accountability of local governments

Fair Governance	Accountable governance	Incorruptible governance	Responsive Governance
<p>Is inclusive</p> <ul style="list-style-type: none"> • Protects the poor and the disadvantaged members of the society • Equal and fair access to essential local public services • Equal opportunity employer • Equitable sharing of local tax burdens 	<p>Lets the sunshine in:</p> <ul style="list-style-type: none"> • Local government bylaw on citizens' right to know • Budgetary proposals and annual performance reports posted on the Internet • All decisions, including the costs of concessions, posted on the Internet • Value for money performance audits by independent think tanks • Open information and public assessment <p>Works to strengthen citizen voice and exit:</p> <ul style="list-style-type: none"> • Citizens' charter • Service standards • Requirements for citizens' voice and choice • Sunshine rights • Sunset clauses on government programs 	<p>Follows due process:</p> <ul style="list-style-type: none"> • The principle of ultra vires or general competence or community governance • The procedure bylaw • Local master plans and budgets • Zoning bylaws and regulations • Funded mandates <p>Is fiscally prudent:</p> <ul style="list-style-type: none"> • Operating budget in balance • Golden rule for borrowing • New capital projects that specify upkeep costs and how debt is to be repaid • Conservative fiscal rules to ensure sustainable debt levels • Major capital projects that are subject to referenda • Maintenance of positive net worth • Commercially audited financial statements <p>Earns trust:</p> <ul style="list-style-type: none"> • Professionalism and integrity of staff • Safeguards against malfeasance • Streamlined processes and e-governance • Complaints and feedback acted on • Honest and fair tax administration • Strict compliance with service standards • Citizen-friendly output budgets and service delivery performance reports • Participatory budgeting and planning 	<p>Is citizen focused and customer driven</p> <ul style="list-style-type: none"> • By law on taxpayer rights • Has subsidiarity and home rule • Has direct democracy provisions • Has budget priorities consistent with citizens' preferences • Specifies and meets standards for access to local services • Improves social outcomes • Offers security of life and property

(continuation)

Fair Governance	Accountable governance	Incorruptible governance	Responsive Governance
	<ul style="list-style-type: none"> • Has access to equity- and output-based intergovernmental finance • Citizen-oriented performance (output) budgeting • Service delivery outputs and costs • Citizens’ report card on service delivery performance • Budget, contracts, and performance reports defended at open town hall meetings • All documents subjected to citizen-friendly requirements • Open processes for contract bids • Mandatory referenda on large projects • Steps taken so that at least 50 percent of eligible voters vote • Citizens’ boards to provide scorecard and feedback on service delivery performance • Provisions for popular initiatives and recall of public officials 	<p>Works better and costs less:</p> <ul style="list-style-type: none"> • All tasks subjected to alternative service delivery test—that is, competitive provision involving government providers and entities beyond government • Financing that creates incentives for competition and innovation • Comparative evaluation of service providers • Public sector as a purchaser through performance contracts but not necessarily a provider of services • Managerial flexibility, but accountability for results • No lifelong or rotating appointments • Task specialization • Budgetary allocation and output-based performance contracts • Activity-based costing • Charges for capital use • Accrual accounting • Benchmarking with the best • General administration costs subjected to public scrutiny • Boundaries that balance benefits and costs of scale and scope economies, externalities, and decision making • Boundaries consistent with fiscal sustainability 	<ul style="list-style-type: none"> • Offers shelter and food for all • Has clean air, safe water, and sanitation • Has a noise-free and preserved environment • Offers ease of commute and pothole-free roads • Has primary school at a walking distance • Has acceptable fire and ambulance response times • Has libraries and Internet access • Has park and recreation programs and facilities

Source: Author’s views

The table outlines specific criteria on which local governments can be rated for performance. Overall, the rating framework accentuates local government focus on citizen-centered governance. The distinguishing features of citizen-centered governance are:

- Citizen empowerment through a rights-based approach (direct democracy provisions, citizens' charter)
- Bottom-up accountability for results
- Evaluation of government performance as the facilitator of a network of providers by citizens as governors, taxpayers, and consumers of public services.

The framework emphasizes principles that strengthen the role of citizens as the principals and create incentives for government agents to comply with their mandates. The commitment problem may be mitigated by creating citizen-centered local governance—by having direct democracy provisions, introducing governing for results in government operations, and reforming the structure of governance, thus shifting decision making closer to the people. Direct democracy provisions require referenda on major issues and large projects and require that citizens have the right to veto any legislation or government program. The FAIR governance framework requires government accountability to citizens for service delivery performance (see Ivanyna and Shah, 2014, 2011a, 2011b for application of FAIR Governance framework for country rankings on good governance). Hence, citizens have a charter defining their basic rights as well as their rights of access to specific standards of public services. Output-based intergovernmental transfers strengthen compliance with such standards and strengthen accountability and citizen empowerment (Shah, 2010c, 2010d).

The local government accountability framework described above has important implications for reforming the structure of government. Top-down mandates on local governance will need to be replaced by bottom-up compacts. Furthermore, the role of local government must be expanded to serve as a catalyst for the formulation, development, and operation of a network of both government providers and entities beyond government. Local government's traditionally acknowledged technical capacity becomes less relevant in this framework. More important are its institutional strengths as a purchaser of services and as a facilitator of alliances, partnerships, associations, clubs, and networks for developing social capital and improving social outcomes.

Table 2 provides a comprehensive rating framework to evaluate local governments on the four aspects of FAIR governance. This evaluation would require both inspections and audits for conformity with the law and reporting and requirements on fiscal and financial management and service delivery performance of local governments. It will also require citizens' opinion surveys conducted by independent research, think-tanks or non-governmental organizations to assess citizens' evaluations of local government services. These issues are taken up in the next section.

4. Implementation of the FAIR governance performance accountability framework: process, methods and practices

4.1. Process and methods of the implementation

Local government monitoring and oversight requires (a) verifying their conformity with law in following due processes and (b) ensuring that they follow prudent and transparent fiscal and financial management practices and (c) deliver services in the most cost effective manner. The former two criteria require voluntary compliance and verification through occasional inspections and audits. Most of the criteria presented in Table 2 relates to the first two concerns. Several criteria nevertheless require formal periodic reporting requirements. Higher level government should provide legislative backing for such reporting. All local governments should be required on a quarterly basis to submit reports on their revenues and expenditures. They may also be required to submit annual commercially audited financial balance sheet detailing the previous year revenues and expenditures – both operating and capital, and assets and liabilities within three months after the end of the fiscal year. This should also be accompanied by annual report detailing service delivery performance using a standard format prescribed for all local governments of the same type and size class. Table 3 provides a format for reporting service delivery performance.

Table 3: Key service delivery performance indicators for local governments

No.	Function	Key Performance Indicators
0.	General administration	Total full time equivalent employees Total costs (wages, benefits, pension etc)
1.	Roads, Walkways, and Sidewalks (Footpaths)	Length: Roads (KM), walkways and footpaths (KM) Total roads in KM resurfaced each year Physical conditions (rate each): % good, fair or poor condition:
2.	Public Electricity	No. of connections Average No. of hours of uninterrupted service per month. No. of billing complaints
3.	Drainage	Length of total wastewater main Length of storm water system Physical condition of drainage infrastructure: % good, fair or poor % of network not completed – wastewater and storm water No. of business and households served No. of Incidents of wastewater main backups
4.	Water Supply	Total length of water main Physical condition of water infrastructure: %good, fair or poor Percent of homes with access to safe drinking water 24/7 No. of Water main breakup incidents No. of contamination incidents

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No.	Function	Key Performance Indicators
5.	Child and Youth Development	Number of children and youth participating in LG sponsored events
6.	Sports Promotion	Number participating in local government sponsored classes or events No. of playgrounds maintained to fair or good condition Square meters of outdoor sports and recreation local government owned facility space per thousand person
7.	Promotion of Elderly	No. of elderly provided with home care (general or nursing visits)
8.	Supporting Disadvantaged Groups	Total number of disadvantaged clients served
9.	Public Health	Total no. of clinics Number of visitors Number of vaccinations Number of clinics staffed with a qualified GP Number of clinics staffed with a nurse Number with adequate medicines
10.	Promotion of Women	Total number of women participating in locally sponsored programs
11.	Promotion of Careers	Hours of training/skill building offered Total participants
12.	Disaster Prevention and Mitigation	Description of work performed
13.	Promotion of Religion, Arts, and Culture	Total number of participants in local government sponsored events
14.	Promotion of Tourism	Total number of tourists Total revenue from tourism
15.	Management of Natural Resources	Description of work
16.	Public Education	School age population Total enrollments Total teachers Completion rates Achievement scores on standardized tests

Source: Author's views

This format can be amended to include additional services performed by local governments or to exclude services listed here but not performed. It is important to publish on the web annually both the financial balance sheet as well as the service delivery performance of local governments so that independent researchers and citizens can vouch for the authenticity of the data being reported as well as develop benchmarking analysis. The Council of Australian Government specifies a useful set of considerations in deciding upon the performance indicators to be used. (see Table 4).

Table 4: Practical issues – COAG performance indicator criteria

Criterion
Streamlined reporting
Focus on outcomes
Meaningful and understandable
Timely
Comparable
Administratively simple/cost effective
Accurate
Hierarchical
Avoid perverse incentives
Measurable
Documentation

Source: Australia, Government of (2014). Productivity Commission, Annual Report on Government Services, 2014, Box 1.4, pp. 1.11-1.12

Benchmarking analysis is also a tool frequently used by local governments for self-evaluation and improvement of their performance (see Table 5 for a listing of principal tools for results oriented management).

Table 5: Tools for results oriented management – external, citizen focus

Question for results-oriented management	Management tool	The entire process driven by a citizen focus
Contract information – what is the final product we must produce and what do we receive to produce such a product	Performance-based budget	All these tools are connected to Total Quality Management and such devices used to create a results and participation culture, and work effectively where roles emphasize results.
How do we know how we are doing in terms of the contract, and in terms of other producers from whom we can learn?	Benchmarking	
How much does it cost to produce such a product (the complete cost)? How can we produce the product better so we can be sure of meeting and exceeding our contract obligation and receiving rewards?	Activity-Based Costing (and others)	
How do we report our results?	Full reporting using accrual accounting	
How do we manage the new reporting, production, and contract obligations we have, as well as run a citizen friendly administration?	Balanced Scorecard	

Source: Andrews and Shah (2005)

Through benchmarking local governments can have specific goals to judge their performance against itself as well as against comparators at a point in time and overtime. The indicators frequently used for this purpose, with examples for police protection and roadways, are:

- The cost of various public services e.g. per capita expenditures;
- The Workload of public services e.g. average number of police calls, lane miles to be constructed and maintained;
- The efficiency of public services e.g. average cost per incident, annual maintenance cost per lane mile;
- The Equity of public service provision e.g. crime prevention in poor neighborhoods, access to public transit by the poor and the needy;
- The quality and quantity of public services e.g. percent of cases cleared, percent of lane miles in good repair; and
- The Quality of life in the municipality e.g. incident of violent crimes per 1000 people, citizens' satisfaction with services.

The above information can be highly useful to policy makers in improving performance and to citizens for performance accountability of their local governments.

4.2. Practices in local government performance accountability

Local governments in industrial countries are subject to stringent higher level regulations and fiscal rules to ensure fiscal discipline and fiscal sustainability. These typically include compliance with the laws and reporting requirements for financial flows, assets and liabilities. Occasionally, as done by Ontario, Canada, higher level governments impose reporting requirements for service delivery performance. Beyond this, local governments do more in fiscal and operations transparency to strive to earn the trust of their local residents. In the following paragraphs we highlight useful examples from a select group of countries.

Mandatory higher level oversight of local government fiscal health

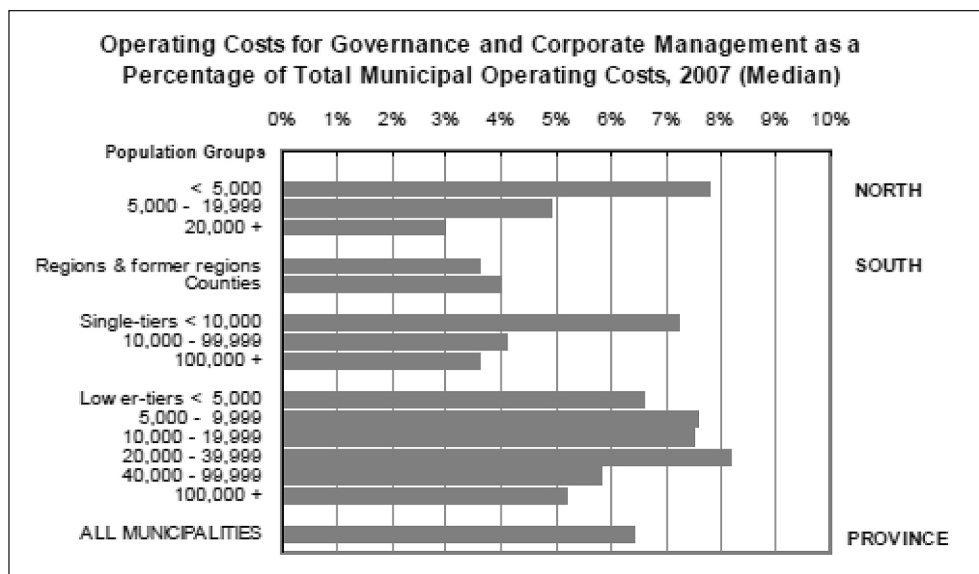
This is typically done through the requirements of submission of commercially audited financial statements on a quarterly or on an annual basis. These statements are used to develop an early warning system of fiscal stress. For example, in Russia an oblast or a rayon is rated as “in fiscal distress” if its debt to revenue ratio exceeds 30% and 15% respectively. Debt services to revenue ratio exceeding specified limits is seen in Italy and Spain (25%), Japan (20%) and Russia (15%) indicating fiscal stress. Colombia has developed a traffic light system to rate local government

fiscal health (see Crivelli and Shah, 2009). A local government is considered in good fiscal health (green light) if its interest payments to *revenue surplus* (*excess of revenues over mandatory expenditures*) ratio is less than 40% and its debt to current income is less than 80%. It is considered in fiscal distress (red light) and subject to central oversight if its ratio of interest payments to *revenue surplus* exceeds 60% and its ratio of debt to current income exceeds 80%. A ratio of interest payments to *revenue surplus* in the range of 40-60% qualifies for a close surveillance status (yellow light). The State of Michigan, USA has developed a 10-point fiscal stress indicator for local governments. These points include: population growth (2 years), real taxable value growth (2 years) large decreases in real taxable value, general fund expenditures as percent of taxable value, general fund operating deficit, prior general fund operating deficits, general fund finances as a percentage of general fund revenues, current and previous year deficit in a major fund, general long term debt as a percent of real taxable value. The State of Ohio, USA has a fiscal watch program for its local governments. A local government is placed under fiscal watch if deficit exceeds 8.3% of revenues and the state auditor suggests a workout. A local government is placed under fiscal emergency if it incurs more than 30 day default on debt obligations and/or payment of salaries or deficit or overdue amounts payable exceed one-sixth of the previous year revenues. Such a local government is then placed under a state appointed control board or planning and supervisory commission.

Mandatory local government service delivery performance reporting requirements

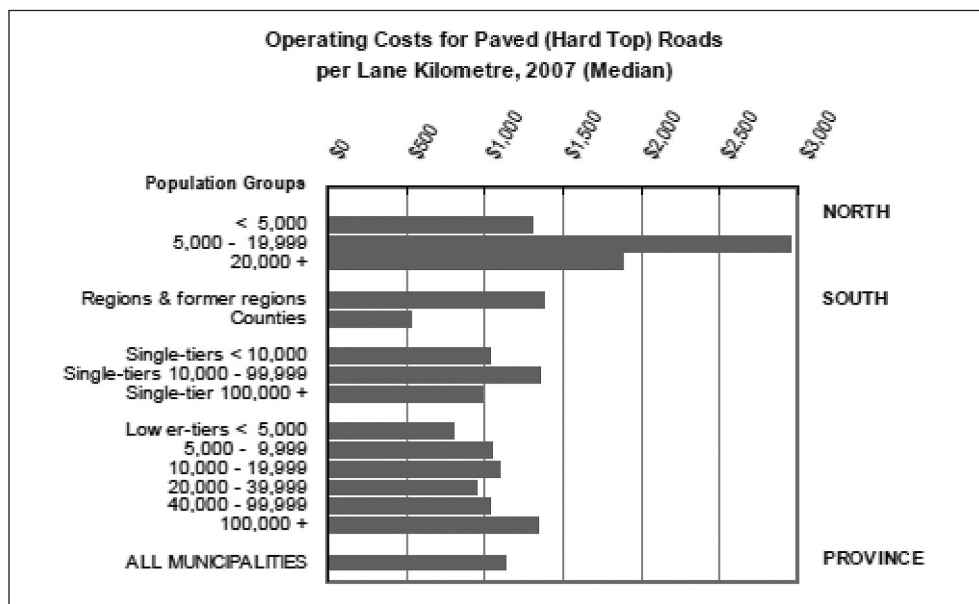
The Province of Ontario, Canada initiated Municipal Performance Measurement Program (MPMP) in 2000. This was followed in 2000 by the Provinces of Nova Scotia Municipal Indicators Program (MIP) and the Province of Quebec in 2003 initiating Municipal Performance Measurement System (MPMS). The Ontario program is concerned with measuring the cost efficiency and effectiveness of municipal services and benchmarking inter-local performance in the delivery of services. For each service a minimum set of standardized indicators have been developed (see Annex Table A1). This contrasts with an exhaustive set of indicators used by the U.K. Audit Commission discussed below. Two example of benchmarking analysis used by MPMP are presented in Figures 1 and 2.

Figure 1: Comparative efficiency of general government (General Administration)



Source: Government of Ontario (2011)

Figure 2: Comparative efficiency of paved roads

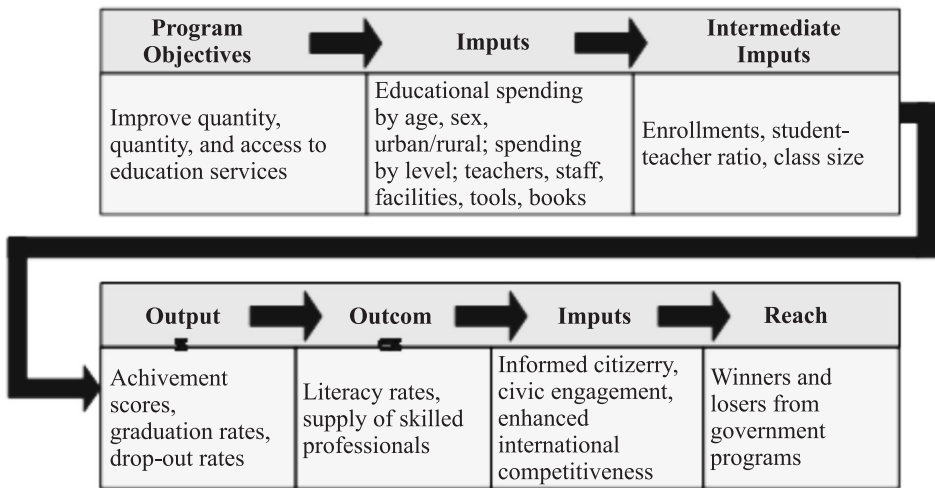


Source: Government of Ontario (2011)

Self-imposed transparency in local governance

This is an area where local governments in the United States excel. They do this by presenting the information in their annual budgets for each service category. Fairfax County, Virginia and Montgomery County, Maryland and Cities of Conrad and Cary, North Carolina represent outstanding examples of full disclosure of their operations through performance budgeting on their website (see Annex for examples).

Figure 3: Results based chain: all programs should give the citizens a clear window on the results chain



Source: Shah (2005)

Figure 4: Performance budgeting payoffs: budget as useful source of performance information

- **Cost:** Inputs/resources used to produce outputs
- **Output:** Quantity and quality of goods and services produced
- **Outcome:** Progress in achieving program objectives
- **Impact:** Program goals
- **Reach:** People who benefit or are hurt by a program
- **Quality:** Measure of service such as timeliness, accessibility, courtesy, accuracy
- **Productivity:** Output by work hour
- **Efficiency:** Cost per unit of output
- **Satisfaction:** Rating of services by users

Source: Shah (2005)

Table 6: Alternate budget formats

Feature	Line Item	Program	Performance
Contents	Exp. by objects (wages, travel, utilities, vehicles/equipment) or organization	Exp. by cluster of activities (enforcement, investigations)	Results based chain
Format	Operating and capital expenditures	Exp. by program	Inputs, outputs, outcomes, impact, reach
Orientation	Input controls	Input controls	Focus on results
Management Paradigm	Top-down, rules driven	Top-down, but within a program	Managerial flexibility but accountability for results

Source: Shen and Shah (2007)

A performance budget presents details on the entire results based chain (see Figure 3) and in the process provides information that is relevant for policy makers as well as citizens based local government accountability (see Figure 4). Further such an approach to budgeting reinforces results based accountability of local governments (see Table 6 and Shen and Shah, 2007).

5. Case studies in failure

Two examples of poorly designed and heavy handed central government oversight of local governments are reviewed in the following paragraphs to draw lessons of interest to other countries.

5.1. The curious case of higher level local government intrusive oversight: UK audit commission

UK represents the most ambitious yet a curious case of higher level oversight of local governments. Through the Local Government Act, 1999, it introduced the Best Value Framework (BVF) as a statutory requirement for all local governments to deliver services to specified standards in the most efficient and effective manner possible. The BVF required every local government to report pre-specified set of cost and quality Best Value Performance Indicators (BVPI) for each service and also expectations and needs of their clients for various services. The UK Audit Commission served as the custodian of this program to ensure the integrity of data. The Commission subjected local governments to rigorous inspections and audits. In 2002, BVPIs were replaced by a Comprehensive Performance Assessment (CPA). The CPA represented one of the most ambitious system to provide oversight on local government. The new system augmented individual service indicators by developing aggregate indicators of overall efficiency and effectiveness of individual authorities. These aggregate indicators showed how each local government

performed for each service and overall and in comparisons with other local governments. The CPA system led to significant improvements in service delivery performance but the system proved controversial as local governments became wary of the Audit Commission's intervention in their day to day management and also complained about the heavy burden of reporting and inspections and audits. In response, Comprehensive Area Assessment (CAA) was replaced comprehensive performance assessment (CPA) in April 2009. CAA seeks to assess how well communities are being served by their local public services, including councils, police, health, and fire and rescue services. It emphasizes the quality of life of residents, and how well these bodies, working together, are achieving improvement and progressing towards long-term goals. It will also highlight best practice and innovation, and identify any barriers to improvement. The intention is also for CAA to provide information to local people about their local services. This will increase their awareness of the services available to them, empowering them to make better decisions and get value for money. To do this, CAA includes two elements:

Area assessment

An area assessment is a combined inspectorate judgment, which assesses the extent to which councils and their partners are delivering improvements on the issues that matter to people within the local area. It considers whether the priorities set in the area reflect those of the people who live there. Area assessments also look at how effectively improvements are delivered now and in the future.. The starting point for the area assessment is the sustainable community strategy (SCS) and local area agreement (LAA). The SCS sets out the vision and aspirations for an area and the LAA sets out how it shall be measured. The area assessment is not scored or 'star rated'. It is a narrative report providing an overview of key priorities for the area, overall success and challenges, and a summary of prospects for improvement.

Area assessments may award green or red 'flags':

- *Green flags* highlight exceptional performance or outstanding improvement from which others can learn.
- *Red flags* represent significant concerns about outcomes or future prospects where more or different actions are required.

Organizational assessment

This focuses on the individual public bodies within an area to make sure they are accountable for quality and impact. It involves two assessments:

- managing performance;
- use of resources, which consists of three themes: managing finances, governing the business, and managing resources.

The organizational assessment is scored from 1 to 4, with a rating from ‘performs poorly’ to ‘performs excellently’.

The new system proved to be too costly and too controversial. According to independent analysis, the reporting requirements cost each local government about 1.8 million pounds and about 20 million pounds for the audit commission expenses for the system. Responding to local government complaints about too intrusive oversight and his departments’ view about the cost-effectiveness of the program, Communities and Local Government Secretary Eric Pickles on 13 August 2010 announced plans to discontinue the CAA and disband the Audit Commission. He argued that replacing the audit commission by a strengthened system local democratic accountability will save the central government about 50 million pounds a year in addition to enormous cost savings for local governments. He announced plans to encouraged local governments to have full and complete reporting to their residents and strengthen citizens’ rights to have greater recourse against local government failures. In addition, the auditing standards will be strengthened. This is precisely the approach followed in USA and Canada for the past half a century.

5.2. The tragic case of central government oversight of local governments in Indonesia

Indonesia represents a tragic case of a costly local government performance monitoring system implemented with external technical assistance that have yielded little useful performance information while imposing a huge cost for the Indonesian government. The system comprises three distinct subsystems (a) Indicators required at inception (62 indicators): general indicators on each local government detailing boundaries, organization, functions and finances and assets; (b) Annual Performance indicators mandatory for all (79 indicators): demographic, process and service delivery, and general indicators e.g. “book titles catalogued as proportion of number of books held by the library”(?) and (c) Indicators to discover problem local governments (115 indicators): a mixture of macro, demographic, service area, investment, climate, arts and culture and human resource indicators. Two major issues identified with these indicators are (a) lack of any useful information on fiscal health; (b) inadequate focus on service delivery and an overwhelming focus on macro indicators beyond the control of local governments ; (c) local governments are required to undertake sophisticated statistical analysis to report inequality and human development indicators; and (d) indicators to discover problem local governments are mostly not relevant for any judgment on fiscal sustainability or service delivery performance. In addition, while an enormous amount of data are collected, these are never tabulated and analyzed for benchmarking or absolute analysis and no feedback is provided either to local governments or citizens at large. Overall the system represents a colossal waste of public resources.

6. Concluding remarks

Local government performance accountability requires four types of assessments: (a) their compliance with due process and law; (b) monitoring of fiscal health for sustainability; (c) monitoring of service delivery ; and (d) citizens' satisfaction with local services. The paper reviewed examples of better practices and not so good practices. Several important lessons from this review follow: (1) no formal information system is necessary to monitor compliance with due process and laws. Such non-compliance could be discovered by stratified random sampling audits; (2) fiscal health is best monitored through requirement of periodic submission of commercially audited financial statements; (3) service delivery performance is best monitored by having local government performance budgeting; to the extent a higher level monitoring system is required, it must focus on a few relevant indicators and must allow open access to such information and must provide timely feedback through analytical reports; (4) citizens' satisfaction is best measured by having recourse to independent source such as an Ombudsman's office and an open website to register such complaints.

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Odgovornost za odgovorno obnašanje dužnosti: FAIR upravljanje okvirom za odgovorno obnašanje dužnosti lokalnih vlasti

Anwar Shah¹

Sažetak

Ovaj članak usredotočuje se na ulogu lokalnih vlasti u postizanju fer, odgovornog, nekorumpiranog i responzivnog (FAIR) upravljanja. Lokalne vlasti diljem svijeta provele su važne inovacije kako bi pridobile povjerenje svojih stanovnika a njihova uspješnost/ rezultati rada su od posebnog interesa, pa ipak sveobuhvatan okvir za takvo poravnanje uspješnosti još uvijek nije dostupan. U radu se pokušava ispuniti ta praznina razvijanjem općeg okvira za preuzimanje odgovornosti lokalnih vlasti za uspješnost svoga rada i odnosa prakse iz stvarnog svijeta prema aspektima tog okvira. U nastavku predloženi okvir ocjenjivanja zahtijeva nekoliko vrsta procjene: (a) njihova usklađenost s propisanim postupkom i zakonom; (b) praćenje fiskalnog zdravlja za održivi razvoj; (c) praćenje pružanja usluga; i (d) zadovoljstvo građana s lokalnim službama. Ovaj pristup donosi ključne pokazatelje korisne za kriterije uspješnosti koji se mogu koristiti u samo-procjeni i za poboljšanje izvedbe. Iz analize prakse praćenja i procjene uspješnosti lokalnih vlasti, u radu se zaključuje da su ad hoc samostalni sustavi praćenja i evaluacije skuplji i manje korisni od ugrađenih alata i mehanizama za transparentnost vlade, samo-vrednovanja i građanske odgovornosti, kao što su izdaci lokalnih vlasti iz proračuna i izdaci temeljeni na fiskalnim doznakama za financiranje lokalnih službi.

Ključne riječi: lokalna vlast, odgovornost, odgovorno obnašanje dužnosti, teorija, praksa, uspješnost

JEL klasifikacija: H11, H72, H75, H76, H79

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Appendices

Table A1: Annual list of measures in the municipal performance measurement program (MPMP)

Service area	Objective	Type of Measure	Measure
Local government			
Governance and corporate management	Efficient municipal government	Efficiency	Operating costs for governance and corporate management as a percentage of total municipal operating costs
Fire			
Fire services	Efficient fire services	Efficiency	Operating costs for fire services per \$1,000 of assessment
Police			
Police services	Efficient police services	Efficiency	Operating costs for police services per household
Violent crime rate	Safe communities	Effectiveness	Violent crime rate per 1,000 persons
Property crime rate	Safe communities	Effectiveness	Property crime rate per 1,000 persons
Total crime rate	Safe communities	Effectiveness	Total crime rate per 1,000 persons (Criminal Code offences, excluding traffic)
Youth crime rate	Safe communities	Effectiveness	Youths crime rate per 1,000 youths
Roadways			
Paved roads	Efficient maintenance of paved roads	Efficiency	Operating costs for paved (hard top) roads per lane kilometre
Unpaved roads	Efficient maintenance of unpaved roads	Efficiency	Operating costs for unpaved (loose top) roads per lane kilometre
Winter maintenance of roadways	Efficient winter maintenance of roadways	Efficiency	Operating costs for winter maintenance of roadways per lane kilometre maintained in winter
Pavement condition	Pavement condition meets municipal objectives	Effectiveness	Percentage of paved lane kilometers where the condition is rated as good to very good
Response to winter storm events	Appropriate response to winter storm events	Effectiveness	Percentage of winter events where the response met or exceeded locally determined road maintenance standards
Transit			
Conventional transit	Efficient conventional transit	Efficiency	Operating costs for conventional transit per regular service passenger trip
Conventional transit ridership	Maximum	Effectiveness	Number of conventional transit passenger trips per person in the service area in a year

Service area	Objective	Type of Measure	Measure
Wastewater (Sanitary and Combined Sewage)			
Wastewater collection	Efficient municipal wastewater collection services	Efficiency	Operating costs for the collection of wastewater per kilometre of wastewater main
Wastewater treatment and disposal	Efficient municipal wastewater treatment and disposal services	Efficiency	Operating costs for the treatment and disposal of wastewater per megalitre
Wastewater collection, treatment and disposal (Integrated System)	Efficient municipal wastewater system (Integrated System)	Efficiency	Operating costs for the collection, treatment and disposal of wastewater per megalitre (Integrated System)
Wastewater main backups	Municipal sewage management practices prevent environmental and human health hazards	Effectiveness	Number of wastewater main backups per 100 kilometres of wastewater main in a year
Wastewater by-passes treatment	Municipal sewage management practices prevent environmental and human health hazards	Effectiveness	Percentage of wastewater estimated to have by-passed treatment
Storm Water			
Urban storm water management	Efficient urban storm water management	Efficiency	Operating costs for urban storm water management (collection, treatment, disposal) per kilometre of drainage system
Rural storm water management	Efficient rural storm water management	Efficiency	Operating costs for rural storm water management (collection, treatment, disposal) per kilometre of drainage system
Drinking Water			
Water treatment	Efficient municipal water treatment services	Efficiency	Operating costs for the treatment of drinking water per megalitre
Water distribution	Efficient municipal water distribution services	Efficiency	Operating costs for the distribution of drinking water per kilometre of water distribution pipe
	Efficient municipal water system (Integrated System)	Efficiency	Operating costs for the treatment and distribution of drinking water per megalitre (Integrated System)
Boil water advisories	Water is safe and meets local needs	Effectiveness	Weighted number of days when a boil water advisory issued by the Medical Officer of Health, applicable to a municipal water supply, was in effect
Water main breaks	Improve system reliability	Effectiveness	Number of water main breaks per 100 kilometres of water distribution pipe in a year

Service area	Objective	Type of Measure	Measure
Solid Waste Management (Garbage)			
Garbage collection	Efficient municipal garbage collection	Efficiency	Operating costs for garbage collection per tonne or per household
Garbage disposal	Efficient municipal garbage disposal services	Efficiency	Operating costs for garbage disposal per tonne or per household
Solid waste diversion (Recycling)	Efficient municipal solid waste diversion services	Efficiency	Operating costs for solid waste diversion (recycling) per tonne or per household
Solid waste management (Integrated System)	Efficient solid waste management	Efficiency	Average operating costs for solid waste management (collection, disposal and diversion) per tonne or per household
Complaints – collection of garbage and recycled materials	Improved collection of garbage and recycled materials	Effectiveness	Number of complaints received in a year concerning the collection of garbage and recycled materials per 1,000 households
Total number of solid waste management sites owned by municipality		Effectiveness	Total number of solid waste management sites owned by the municipality with a Ministry of Environment Certificate of Approval
Solid waste management facility compliance	Municipal solid waste facilities do not have an adverse impact on environment	Effectiveness	Number of days per year a Ministry of Environment compliance order for remediation concerning an air or groundwater standard was in effect for a municipality owned solid waste management facility, by facility
Diversion of residential solid waste	Municipal solid waste reduction programs divert waste from landfills and/or incinerators	Effectiveness	Percentage of residential solid waste diverted for recycling
Diversion of residential solid waste (based on combined residential and ICI tonnage)	Municipal solid waste reduction programs divert waste from landfills and/or incinerators	Effectiveness	Percentage of residential solid waste diverted for recycling (based on combined residential and ICI tonnage)
Parks and Recreation			
Parks	Efficient operation of parks	Efficiency	Operating costs for parks per person
Recreation programs	Efficient operation of recreation programs	Efficiency	Operating costs for recreation programs per person
Recreation facilities	Efficient operation of recreation facilities	Efficiency	Operating costs for recreation facilities per person
Parks, recreation programs and recreation facilities (Subtotal)	Efficient operation of parks, recreation programs and recreation facilities	Efficiency	Operating costs for parks, recreation programs and recreation facilities per person

Service area	Objective	Type of Measure	Measure
Trails	Trails provide recreation opportunities	Effectiveness	Total kilometres of trails per 1,000 persons
Open space	Open space is adequate population	Effectiveness	Hectares of open space per 1,000 persons (municipally owned)
Participant hours for recreation programs	Recreation programs serve needs of residents	Effectiveness	Total participant hours for recreation programs per 1,000 persons
Indoor recreation facilities	Indoor recreation facility space is adequate for population	Effectiveness	Square metres of indoor recreation facilities per 1,000 persons (municipally owned)
Outdoor recreation facility space	Outdoor recreation facility space is adequate for population	Effectiveness	Square metres of outdoor recreation facility space per 1,000 persons (municipally owned)
Library Services			
Library services	Efficient library services	Efficiency	Operating costs for library services per person
Library services	Efficient library services	Efficiency	Operating costs for library services per use
Library services	Increased use of library services	Effectiveness	Library uses per person
Type of uses	Better information on library usage	Effectiveness	Electronic library uses as a percentage of total library uses
Type of uses	Better information on library usage	Effectiveness	Non-electronic library uses as a percentage of total library uses
Land-Use Planning			
Location of new development	New lot creation is occurring in settlement areas	Effectiveness	Percentage of new lots, blocks and/or units with final approval which are located within settlement areas
Preservation of agricultural land during the reporting year	Preservation of agricultural land	Effectiveness	Percentage of land designated for agricultural purposes which was not re-designated for other uses during the reporting year
Preservation of agricultural land relative to 2000	Preservation of agricultural land	Effectiveness	Percentage of land designated for agricultural purposes which was not re-designated for other uses relative to the base year of 2000
Change in number of agricultural hectares during the reporting year	Preservation of agricultural land	Effectiveness	Number of hectares of land originally designated for agricultural purposes which was re-designated for other uses during the reporting year
Change in number of agricultural hectares since 2000	Preservation of agricultural land	Effectiveness	Number of hectares of land originally designated for agricultural purposes which was re-designated for other uses since January 1, 2000

Source: Government of Ontario (2011)

Table A2: An extract from Fairfax County, State of Virginia, USA Annual Budget (2006)

Fairfax County, Virginia – Police Patrol Services (1)					
Funding Summary					
Category	FY 2004 Actual	FY 2005 Adopted Budget Plan	FY 2005 Revised Budget Plan	FY 2006 Advertized Budget Plan	FY 2006 Adopted Budget Plan
Authorized Positions/ Staff Years Regular	1321/ 1230.88	1189/ 1098.88	1188/ 1097.88	1200/ 1109.88	1200/ 1109.88
Total Expenditures	\$93,518,475	\$84,535,731	\$86,954,912	\$94,807,577	\$94,827,577
Position Summary					
3	Police Majors	485	Police Officers II (6)	8	Traffic Enforcement Officers I
9	Police Captains	229	Police Officers II (3)	9	Administrative Assistants III
11	Police Lieutenants	50	Police Citizen Aides II	12	Administrative Assistants II
69	Police Second Lieutenants	1	Crime Analyst II		
51	Police sargeants	8	Crime Analysts I		
128	Master Police Officers Master Police Officers (3)	127	School crossing Guards, PT		
TOTAL POSITIONS					
1200 Positions (12) / 1109.88 Staff Years (12.0)				() Denotes New Positions	
985 Sworn / 215 Civilians				PT Denoted Part-Time Positions	
2/2.0 SYE Grant Positions in Fund 102, Federal/State grant fund					
<i>Goal</i> To protect persons and property by providing essential law enforcement and public safety services, while promoting involvement, stability, and order through service assistance and visibility.					
<i>Objectives</i> To maintain the rate of Aggravated Assault cases per 10,000 population at 4.0 or less. To maintain the rate of Burglary cases per 10,000 population at 17.8 or less. To ensure that the rate of traffic crashes where alcohol was a factor per one million vehicle miles of travel in the County is no greater than 32.9.					

Source: Government of Fairfax County, Virginia, USA (2006). Annual Budget. Fairfax: Fairfax County

Table A3: An extract from Fairfax County, State of Virginia, USA Annual Budget (2006)

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2002 Actual	FY 2003 Actual	FY 2004 Estimate/ Actual	FY 2005	FY 2006
Output					
Aggravated Assault cases investigated	357	399	378 / 392	386	386
Burglary cases investigated	1,813	1,713	1,675 / 1,609	1,682	1,682
DWI arrests	2,536	2,815	2,665 / 2,899	2,698	2,698
Alcohol-related crashes	1,079	1,028	1,016 / 855	999	999
Service Quality					
Aggravated Assault case clearance rate	72.0%	63.2%	65.1% / 81.0%	65.1%	65.1%
Average response time from dispatch to on-scene-Priority 1 (in minutes)	5.9	6.1	6.3 / 6.9	5.0	5.0
Burglary case clearance rate	34,6%	32.6%	33.0% / 37.0%	37.0%	37.0%
Outcome					
Aggravated Assault cases per 10,000 population	3.7	4.1	4.0 / 4.0	4.0	4.0
Burglary cases per 10,000 population	18.9	17.5	17.8 / 17.6	17.8	17.8
Alcohol-related crashes per one million vehicle miles of travel	37.4	34.9	33.7 / 27.7	32.9	32.9

Source: Government of Fairfax County, Virginia, USA (2006). Annual Budget. Fairfax: Fairfax County