

# 8

## Success factors and municipal performance measurement

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Based on data and information analysed by the OECD, this chapter identifies a number of success factors that contribute to municipal performance in Ukraine. These relate, among other elements, to the fiscal and administrative capacity of municipalities and the time they had to adjust to the new powers and responsibilities that came with amalgamation. This chapter also provides recommendations to help the government establish a municipal performance measurement framework. This can support post-war recovery and enable evidence-based decision making on the legislative, regulatory, fiscal and capacity building measures necessary to improve local public service delivery, citizen well-being and municipal resilience throughout the country.

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## Introduction

Russia's war in Ukraine has highlighted the role that municipal leaders play in providing essential public services and supporting the well-being of communities in times of crisis. In addition to their pre-war, decentralised responsibilities, municipalities are now also responsible for new and often resource-intensive tasks, such as providing housing to internally displaced people, supporting territorial defence and organising the allocation of humanitarian assistance (VOA, 2022<sup>[1]</sup>). In the forthcoming recovery period, they are also likely to play a critical role in supporting local reconstruction and recovery initiatives. To ensure that all municipalities are able to deliver on their responsibilities, and to provide the necessary support to municipalities facing the most urgent challenges, policy makers need to have a broad-based and detailed understanding of the relative performance of different municipalities. Insight into why some municipalities may perform better than others after the decentralisation reforms is also valuable when considering further territorial and multi-level governance reforms as part of national recovery efforts.

The findings discussed in chapters 6 and 7 show that, prior to February 2022, there were already large disparities in the performance of different types of municipalities (urban, rural and settlement) in such areas as administrative capacity, public engagement, local finance and investment, and the efficiency of local spending on public services. Russia's war against Ukraine has exacerbated many of these disparities. While in some parts of the country, municipal governance structures still function relatively well and local self-governments continue providing basic services to citizens, in other parts local authorities face severe challenges in maintaining their governing structures, while most infrastructure has been destroyed and large swathes of the population have been forced to flee. These disparities have the potential to undermine municipal success. According to OECD interviews with local leaders, many of them believe that success depends on two elements: a) improving the quality of local public services and access to them, and b) supporting local economic development (OECD, 2021<sup>[2]</sup>).

This chapter identifies a range of factors that are enabling successful municipal performance in Ukraine, while providing reflections that can help policy makers to better support weaker municipalities in the forthcoming recovery and reconstruction period. The success factors identified are based on two analytical components: i) a perception-based online survey (see Chapter 7 Box 7.3) and ii) data on the efficiency of local public expenditures (see Chapter 7 Box 7.8). The trends in relative municipal performance that are highlighted by these two analytical components enable preliminary conclusions to be drawn as to why some municipalities perform better than others.

At the same time, the current lack of municipal-level data on a wide range of indicators (e.g. the quality of and access to key public services, such as education, healthcare, water and waste management) presents a particular challenge to local performance measurement in Ukraine. This is compounded by the absence of baseline values for a wide range of indicators (e.g. number of students enrolled in secondary education institutions, and number of education and healthcare institutions) needed to compare the performance of local self-governments before and after amalgamation.

These limitations will need to be addressed in post-war recovery initiatives, given that access to comprehensive performance data will be essential in identifying and addressing specific local recovery needs. In fact, investing in a robust performance measurement framework is crucial for the reconstruction and recovery period as it gives national and subnational level policy makers timely information to enhance decision making. For example, it can help municipalities make informed decisions on how to boost local economies, redress territorial inequalities and improve the well-being of local communities. It can also help the national-level government strengthen the design of place-based regional and local development strategies and projects that identify specific and urgent development gaps, map the assets of different localities, and, subsequently, propose territorially-differentiated policy solutions. At the same time, it can provide non-governmental actors, including citizens, with the necessary information to hold policy makers accountable.

This chapter has two objectives. First, based on the limited data available, it seeks to identify a number of success factors that appear to drive municipal performance in Ukraine. Second, it provides recommendations that can help the government develop an effective municipal performance measurement framework, which can contribute to effective post-war recovery.

### Box 8.1. OECD recommendations to strengthen municipal performance measurement in Ukraine

The following recommendations should be considered in a timeframe that is appropriate to the current context of war and post-war reconstruction and recovery.

**To support evidence-based decision making at the national and subnational levels for improved municipal development outcomes, Ukraine is advised to:**

- Develop a set of municipal performance and development indicators (e.g. socio-demographic, fiscal, operational, political system) applicable to all 1 469 municipalities, that capture:
  - Outputs establishing to what extent formal or informal mechanisms, practices, rules, structures exist to help facilitate municipal performance.
  - Outcomes determining to what extent different municipalities are able to deliver on their objectives and responsibilities efficiently and effectively.
- Link the available statistics on municipal revenues, expenditures and debt to up-to-date data on the population of each municipality to facilitate in-depth cross-municipal comparisons.
- Ensure that data on municipal performance and development are widely accessible and regularly updated.
- Invest in the generation, analysis and dissemination of information on citizen satisfaction with public service delivery.

## Success factors for municipal performance in Ukraine

The OECD has identified success factors for municipal performance in Ukraine based on data that pre-date the Russian Federation's large-scale war against Ukraine. As noted above, even for the period covered (2016-2021), the data are limited in their ability to present a holistic picture of municipal performance before and after amalgamation. While the OECD project's survey provides insights into how municipalities perceive various aspects of their own performance, the data are vulnerable to the subjectivity of respondents. In addition, while the OECD Data Envelopment Analysis (DEA) provides valuable information regarding how efficient different municipalities are at managing local public finances, it does not consider the broader effectiveness of local public service delivery, such as how the decentralisation reforms (including amalgamation) have improved the quality and/or access to services, and whether they have also led to better service outcomes, for example in education, healthcare, living environment, etc. Nevertheless, the combined datasets offer indications of factors contributing to successful municipal performance in Ukraine, with implications for the post-war recovery. These factors include institutional, fiscal and investment capacity, as well as effective inter-municipal co-operation.

### ***Municipal success is linked to population size and sufficient time to build institutional capacity***

The OECD DEA assessment highlights that population size is a key indicator of municipal efficiency. Overall, Ukraine's more populous municipalities tended to be more efficient managers of local public

spending, while every municipality in the bottom 5% of the efficiency index had a population of less than 10 500 inhabitants. These findings could reflect the value of economies of scale at the municipal level. This may seem intuitive. However, there is no iron-clad rule about what the best size is for a municipality, in terms of optimising its cost-efficiency. Studies on the impact of municipal size on service costs in different countries present a mixed picture, and one that depends heavily on the subnational institutional context, while optimal scale is thought to vary by service delivery areas. For example, one study from New Zealand suggested that cost savings resulting from amalgamation are more visible in services for which constant costs play a role, such as water and sewage (Dollery, Grant and Kortt, 2013<sup>[3]</sup>; Faulk, Schaal and Taylor, 2013<sup>[4]</sup>; Sinnewe, Kortt and Dollery, 2016<sup>[5]</sup>; Tran and Dollery, 2019<sup>[6]</sup>; Gendźwiłł, Kurniewicz and Swianiewicz, 2020<sup>[7]</sup>). The positive relation between population size and municipal performance was also supported by results from the OECD project's online survey. While 39% of surveyed urban municipalities believed that they were already carrying out all their tasks and responsibilities effectively, this figure was lower among rural and settlement municipalities (28% and 33% respectively).

In addition, time appears to be an important factor underlying improvement in municipal performance. As discussed in chapters 6 and 7, many large, urban municipalities that were formerly categorised as cities of *rayon* and *oblast* significance, already had extensive responsibilities at the outset of the decentralisation reform process. As such, these municipalities, which, on average had relatively high efficiency scores, had a longer period of time to build their institutional capacities than many of their peers. By contrast, some smaller municipalities only received their responsibilities as recently as 2020 as a result of mandatory amalgamation.

In the context of the post-war recovery, the government should recognise that enhancing municipal capacity and improving performance takes time, and particularly so given that the institutional capacity of many municipalities will have been significantly affected by the war. Municipalities will require sustained capacity building support in areas such as financial and public investment management, strategic planning and inter-municipal co-operation. They will also need adequate time to fully understand and manage additional administrative and service delivery responsibilities, and effectively fulfil their mandate.

### ***Sufficient fiscal capacity is a prerequisite for successful municipal performance***

The OECD assessment suggests that having sufficient fiscal capacity is a pre-condition for successful municipal performance. As discussed in the previous chapter, the DEA identified municipalities that boasted a higher share of own-source revenues as being more efficient managers of local public funding.

Research has shown that a stronger reliance by municipalities on own-source revenues can contribute to improving the accountability and efficiency of local public service provision (OECD, 2019<sup>[8]</sup>). Traditionally, municipalities have been highly dependent on intergovernmental grants (often earmarked) and transfers, which reduces their ability to spend on territorially-specific needs and may reduce the incentive to generate own-source revenue. Creating the conditions for municipalities to increase own-source revenue should be a priority.

Boosting own-source revenues will depend on additional fiscal reforms from the government and, in particular, Personal Income Tax reform (see Chapter 5) as well as expanding municipal power to set the tax base and rates for own-source taxes. This could be done within a nationally determined range or band in order to avoid too much variation among municipalities, i.e. a “race to the bottom” in certain tax rates (e.g. property tax). It could be coupled with reforms that give municipalities more power to collect taxes themselves, provided that adequate oversight mechanisms are in place. Such reforms would improve their fiscal capacity, give them more flexibility to address local priorities, and could also bolster public accountability. Responses to the OECD project's survey indicated that municipalities considered increasing their powers to set the local tax base or rate as a particularly urgent area of fiscal reform. In parallel, the government could also support municipal own source-revenue generation by expanding their

power to set fees for certain administrative services – such as business registrations – within a national established range.

Finally, ensuring that municipalities are equipped with sufficient fiscal capacity is critical to avoiding un- or under-funded mandates, where subnational governments have the responsibility to provide services or manage policies without the requisite resources. This will be particularly important for Ukraine's reconstruction and recovery given the significant costs that will be involved in rehabilitating or rebuilding municipal infrastructure and hiring new municipal staff that can manage recovery activities. Reducing the risk of underfunded mandates can be addressed by increasing central government transfers (e.g. block transfer), allocating a higher share of Personal Income Tax to municipalities or increasing the powers of municipalities to set the base and rate of own-source taxes, user charges and fees, as discussed earlier (see chapters 5 and 6) (OECD, 2019<sup>[8]</sup>).

### ***Increased public investment capacity contributes to municipal success***

Beyond the ability to generate own-source revenues, another factor for municipal success is investment capacity, both in terms of accessing investment financing and in terms of effective investment management. The latter will be particularly necessary given the large injection of funds that municipalities may be expected to manage—effectively and responsibly—as part of the reconstruction and recovery process. At the same time, it is important to ensure that all municipalities have a fair chance of accessing regional development funds, which can provide valuable financing for investment in local infrastructure projects and support subnational economic cohesion.

Only 50% of municipalities surveyed by the OECD in 2021 that had previously applied for funding from the flagship State Fund for Regional Development (SFRD) said they had received any funds through it, while 28% said they had not and an additional 22% were unsure whether they had (OECD, 2021<sup>[9]</sup>). These findings suggest that certain municipalities may be systematically missing out on a key source of investment financing, which could exacerbate territorial inequalities. This may be due to the fact that municipalities are required to provide co-financing to be able to compete for SFRD funding, which is problematic for poorer municipalities. Competitive financing arrangements also require high quality project proposals. This can pose a challenge for many smaller or disadvantaged municipalities, as they frequently lack the necessary expertise to develop project proposals of sufficient quality, and have neither the internal resources to fill this gap in capability nor the financial means to hire external consultants.

In the forthcoming post-war period, policy makers will need to ensure that all municipalities have equal opportunities to access public investment financing, in order to meet the significant reconstruction needs and contribute to increased territorial cohesion and resilience in the longer term. This could include measures to strengthen the capacity of poorer municipalities to apply for competitive funds, for instance by providing them with greater clarity on eligibility and boosting their technical skills to develop competitive proposals.

### ***Strategic planning capacity is essential for guiding municipal development***

The OECD assessment identified large variations in the institutional capacity of municipalities to design, implement and monitor local strategies, as well as manage public investment. For example, over 25% of surveyed municipalities suggested that they lacked the capacity to develop a strategy, while 40% indicated that they were unable to develop a realistic monitoring framework with clear objectives and indicators. There were also significant typological variations to this effect. For instance, 52% of rural municipalities indicated that they were able to develop a realistic monitoring framework, compared with 68% of urban municipalities (OECD, 2021<sup>[9]</sup>).

These perceived capacity gaps may be explained by the fact that, until 2021, legislation did not mandate municipalities to develop a local development strategy (Verkhovna Rada, 2015<sup>[10]</sup>). In fact, by the end of

2021, only about half of all municipalities had an approved strategy, which limited their ability to steer local development efforts (OECD, 2021<sup>[2]</sup>). OECD interviews with representatives of municipalities that had created a local development strategy indicated that this planning document enabled them to engage more effectively with citizens and the local private sector on the actions necessary to reach specific development targets. It also helped them formulate proposals for competitive regional and local development funds (OECD, 2021<sup>[2]</sup>).

There is a risk that gaps in municipal planning capacities could undermine territorial development efforts in the future. The scale of social, infrastructure and economic development that is and will continue to be required in municipalities across the country as part of the reconstruction and recovery process will necessitate extensive capacities for all the phases of the strategic planning cycle: from conducting accurate diagnostics of reconstruction needs, and defining development objectives, to designing realistic action plans and rigorous monitoring and evaluation systems. These capacities are essential for municipalities to be better able to develop and implement local reconstruction projects, absorb recovery funding, and monitor project results in order to support the rebuilding of their economies and to boost service delivery. Improved municipal strategic planning also requires a sustained investment in the ability of municipalities to access, generate, analyse and share data on a wide range of economic, social and demographic indicators, as well as on recovery funding and spending by sector and region.

### ***Inter-municipal co-operation can contribute to municipal success***

Inter-municipal co-operation can make a strong contribution to municipal success, as it can help create economies of scale and ensure more cost-efficient service delivery. Of the municipalities surveyed by the OECD, only a minority (29%) that did not formally co-operate with another municipality reported having the capacity to fulfil all their tasks and responsibilities effectively. By contrast, a majority of municipalities (56%) that did formally co-operate with another municipality indicated that they had the capacity to do so (OECD, 2021<sup>[9]</sup>)<sup>1</sup>.

Inter-municipal co-operation appears most beneficial in smaller municipalities that face administrative, human resource and infrastructure gaps hampering service delivery and may lack economies of scale. Among the three municipal typologies, the share of rural and settlement municipalities that reported that the decentralisation reforms had had a positive impact on their co-operation with other municipalities (48% and 52%, respectively) was significantly higher than that of urban municipalities (33%) (OECD, 2021<sup>[9]</sup>). Moreover, across typologies, municipalities indicate that inter-municipal co-operation is particularly beneficial in service delivery areas where large amounts of investment may be required to develop and maintain physical infrastructure, such as healthcare and waste management.

As Ukraine looks to recover from Russia's war, effective co-operation among municipalities will become even more important. First, during the reconstruction phase, inter-municipal co-operation can ensure that local public services continue to be delivered to municipalities where public infrastructure (e.g. schools, hospitals, etc.) has been severely damaged or even destroyed, and/or where human resources are very limited. Moreover, the population displacements caused by the war may leave some municipalities in greater need of inter-municipal co-operation than before 24 February 2022, owing to the corresponding changes in financial and human resource capacities and demands for public service delivery. Second, in the context of the additional constraints placed on local budgets by the war, cross-jurisdictional co-operation can help manage costs while ensuring similar levels of quality and access to local services.

The government could consider several policy interventions to boost the use of inter-municipal co-operation (see Chapter 6 and Chapter 7). These include investing in outreach to municipalities about the value of inter-municipal co-operation, as well as providing additional support materials (e.g. on relevant legislation, good practices, draft co-operation agreements, etc.) and training on how to set up and manage inter-municipal co-operation. The associations of local governments could also facilitate exchanges between municipalities interested in inter-municipal co-operation in specific service areas, such as

healthcare, and municipalities that have practical experience setting up and managing such cross-jurisdictional co-operation mechanisms. The government could also consider increasing financial and functional incentives for cross-municipal co-ordination (see Chapter 7). Financial incentives include granting a higher tax-share for delivering joint services. Functional incentives include establishing a condition of size for the delivery of different services, thereby encouraging inter-municipal co-operation between smaller municipalities (COE/UNDP/LGI, 2010<sup>[11]</sup>). Finally, as per the example of Greece, the government could also consider mandating smaller municipalities to collaborate in areas such as town planning (OECD/UCLG, 2018<sup>[12]</sup>).

***Other potential success factors underpinning municipal performance should be further explored***

The elements identified above do not represent an exhaustive list of factors determining why some Ukrainian municipalities performed better than others in the context of amalgamation. Other factors are likely at play as well. These include the extensive financial and technical support that some municipalities have received from one or more international development partners. In addition, the experience and skillset of municipal leaders during and after the amalgamation process, including their ability to understand the benefits of different territorial governance mechanisms, such as inter-municipal co-operation, and to attract and retain skilled staff play a role, as well. Further research, for example through in-depth interviews with municipal leaders and non-governmental representatives in ‘leading’ municipalities in the post-war period, would be needed to explore the extent to which such factors affect municipal performance. Other elements that likely also influence municipal performance include the level of public trust in local authorities, as well as local economic performance.

The geographic location of municipalities is another factor that is likely to have at least some influence on municipal performance. This is related to the fact that, as highlighted in earlier OECD studies (OECD, 2014<sup>[13]</sup>; OECD, 2018<sup>[14]</sup>) and Chapter 3, productivity levels, employment and education patterns, as well as economic specialisation, among other factors, vary significantly across regions. The OECD DEA assessment hinted at the relevance of a municipality’s geographic location with the finding that, on average, municipalities from *oblasts* in the west of Ukraine tended to be more efficient managers of local funding than their peers in other parts of the country. At the same time, however, in responses to the OECD project’s online survey, municipalities from the west of Ukraine were the least likely to indicate that they were already performing all their tasks and responsibilities effectively (OECD, 2021<sup>[9]</sup>). Further study based on objective data gathered in the post-war period will therefore be necessary to determine to what extent municipalities from a certain part of the country are more effective at delivering local services and promoting economic development, and to identify what specific factors could explain the variation. Such measures should be part of a sustained investment in setting up a robust municipal performance monitoring framework.

**A more robust performance measurement framework can support post-war recovery**

Establishing a comprehensive performance measurement framework is advisable for the post-war recovery period, as it will enable evidence-based decision making to best meet local reconstruction and recovery needs. In addition to efficiency indicators and performance self-assessments, it will be critical to have a more complete picture of the effectiveness and equity of local service delivery (Public Policy Forum, 2014<sup>[15]</sup>). A first step in this regard would be to conduct a baseline assessment of municipal performance and development, from which the progress of municipalities in meeting their local service delivery responsibilities can be monitored over time.

Data on policy outcomes, including information on access to and the quality of local public services, were already much-needed before February 2022 given that a large majority of municipalities surveyed by the OECD felt that they were not executing all their tasks and responsibilities effectively (OECD, 2021<sup>[9]</sup>). Moreover, data on outcomes are essential for policy makers to target policy and programming interventions and reinforce municipal capacity. The need for such data is much more important in the context of the war, given that the geographic concentration of Russian destruction in Ukraine has led to significant variations in the ability of municipalities to continue with day-to-day functions. This results in a need for tailored support in order to meet a range of divergent local needs. It will also be important to identify and disseminate good practices in municipal administration and service delivery—in fields such as strategic planning, project appraisal, investment management, public engagement, local data management, etc.—in the post-war period to improve performance across the board.

In addition to shedding light on the effectiveness of municipal performance, robust performance measurement frameworks can also support other goals. For example, performance measurement frameworks can aid national and subnational strategic planning by identifying clear benchmarks for meeting short-, medium- and long-term goals. They can also inform decision makers about the need to adjust multi-level governance arrangements or other mechanisms to improve policy and/or service delivery, efficiency, oversight, accountability and transparency. The latter will be particularly important in the aftermath of the war, as the design, implementation and monitoring of regional and local recovery initiatives will likely depend on effective co-ordination and co-operation among levels of government and with donors. Furthermore, publicly-accessible performance measurement frameworks can help to reinvigorate local accountability by providing residents with information on whether strategic priorities and objectives are being delivered by their elected municipal representatives.

### ***Recommendations to improve the quality of performance measurement at the municipal level in Ukraine***

In order to ensure that all municipalities are well-supported in the post-war recovery period, the government should develop a comprehensive monitoring and evaluation framework that enables cross-comparability of local government performance and can help to identify where capacity gaps exist. In this regard, it will be important for policy makers to develop indicators that can capture: a) outputs (e.g. to what extent formal or informal mechanisms, practices, rules, structures exist to help facilitate municipal performance) and b) outcomes (e.g. to what extent different municipalities are able to deliver on their objectives and responsibilities efficiently and effectively) (Ebinger, Grohs and Reiter, 2011<sup>[16]</sup>).

Output indicators that establish to what extent multi-level governance mechanisms have been created/exist to facilitate co-ordination and co-operation among levels of government would be valuable. They can help ascertain whether and to what extent various municipalities are working with other government actors to meet their service delivery responsibilities. This might include indicators establishing the existence and functioning of co-ordination bodies or contractual agreements and partnerships for delivering public investments across levels of government. With regard to horizontal co-ordination between municipalities, this might include indicators to clarify the existence and functioning of cross-jurisdictional investment partnerships, such as joint local investment authorities or co-ordinated investment strategies between municipalities (OECD, 2019<sup>[17]</sup>).

Output indicators can also include assessments of practices or structures established by municipalities to improve performance. With regard to strategic planning, which can help municipalities to identify needs, define development priorities and guide investment, relevant indicators could include whether local development strategies include an assessment of territorial needs, strengths and planned projects, and comprise a results framework with clear indicators and realistic targets (OECD, 2019<sup>[17]</sup>). Other relevant output indicators include the existence of Administrative Service Centres (ASCs) and *starostas* in municipalities, for which accurate data appears limited or even unavailable. Such indicators can help

ascertain whether structures are in place to support service delivery and local accountability. In addition, output indicators could include metrics that establish whether local information management systems (e.g. software for the collection, organisation and presentation of municipal statistics) are in place.

At the same time, outcome indicators are necessary to gain insights into municipal effectiveness. They capture the dimension that is expected to change as a result of an intervention (policy, programme, or project) (see Chapter 4). They show the real-world changes that practical outputs will produce (e.g. the share of people who receive mental healthcare are a result of the construction of a mental healthcare clinic). As such, outcome indicators can measure the extent to which municipalities are able to achieve policy objectives across different sectors for which they are responsible, such as education, healthcare, housing and utilities management. Examples of outcome indicators in the field of education include the number of students enrolled in different education institutions (e.g. kindergartens, primary and secondary schools, universities) or the share of a municipality's working age population that has a tertiary education. In the field of healthcare, indicators such as the number of doctors per 10 000 inhabitants or the number of people who receive mental healthcare support (for example to treat post-traumatic stress disorder) or hospital services for substance abuse could be considered. To measure municipal performance in utilities management, the government could use indicators such as wastewater treated (m<sup>3</sup>), the proportion of households covered by sewage collection or the share of households with access to electricity.

Outcome indicators are relatively hard to measure as concrete policy interventions, such as the construction of a school or hospital, take time to generate tangible results in the target population (e.g. improvements in education or healthcare outcomes). As such, output and outcome indicators are complementary. Both will be key to assessing municipal capacity to deliver services for local residents in the recovery period. They can also help national and subnational leaders to identify areas where additional financial and capacity building support may be required. International benchmarks and indicators, such as the OECD Infrastructure Governance Indicators (IGIs), could also serve as a useful basis for developing tools to assess and monitor municipal performance over time, particularly as Ukraine's regions and municipalities rebuild damaged or destroyed public infrastructure (OECD, 2021<sup>[18]</sup>).

*Municipal efficiency indicators can help to measure the cost-efficiency of local public expenditure*

Municipal efficiency indicators typically seek to measure the amount of public goods that each municipality is able to produce relative to their available resources (e.g. the ratio of inputs to outputs in service delivery). This reflects the Data Envelopment Analysis (DEA) approach applied by the OECD, which evaluated how relatively efficient different municipalities were at maintaining social infrastructure (e.g. hospitals, schools) given their local revenues.

With large-scale reconstruction needs and scarce resources confronting many of Ukraine's municipalities, measuring municipal efficiency will be particularly important in order to ensure that local reconstruction projects are not leading to cost overruns and an inefficient allocation of resources (Public Policy Forum, 2014<sup>[15]</sup>). Metrics that can help to evaluate municipal efficiency include revenues, expenditures and debt data, as well as information measuring how many social infrastructure facilities (e.g. primary healthcare, education facilities) have been built or rebuilt in each territory. A large amount of information are already available through the Ministry of Finance's Open Budget Portal, which enables governmental and non-governmental actors alike to obtain information on issues such as municipal dependence on intergovernmental grants or local taxes and spending profiles. Currently, however, such data do not control for differences or changes in population, which limits comparisons between municipalities. If the data from the Ministry of Finance are adequately linked to up-to-date statistics on the population of each municipality—using the unique codifiers developed by MinRegion—revenues and expenditures and debt per capita can be calculated, which would facilitate cross-municipal comparisons of fiscal health and targeted interventions to support weaker municipalities.

*Municipal effectiveness indicators can help to measure service quality and access*

With regard to municipal effectiveness, indicators typically measure the quality, equity and accessibility of local public services and infrastructure for a specific territory. In light of the widespread destruction resulting from the war, these metrics are also critical for supporting the post-war recovery. They can help evaluate to what extent local infrastructure damage or strained resources may have disrupted local service delivery, while also pinpointing areas where additional support is needed. Effectiveness indicators are often relative metrics that aim to objectively assess the efficacy of local service operations (Public Policy Forum, 2014<sup>[15]</sup>). For example, the number of cubic metres of drinking water supplied by a municipality and the proportion of households covered by drinking water supply are both metrics that can help determine the equity, quantity and quality of local water service provision in each territory. These kinds of operational metrics can be complemented by citizen satisfaction data, obtained through surveys, to determine how users experience public service delivery. Satisfaction data are generally faster and more inexpensive to collect, process and disseminate than objective measures of performance. This can make them an attractive option for Ukraine in the short term while it expands its capacity to generate, analyse and disseminate data on operation indicators.

In addition to measuring the efficiency and effectiveness of local service delivery, output indicators can also help to capture economic performance at the municipal level. Developing data to track local-level unemployment and GDP per capita will be particularly important in identifying which territorial economies have been hardest-hit by the war. It will also be crucial in tailoring support in order to be of greatest value to municipalities as they chart a place-based recovery grounded in local needs and capacities. The pertinence of economic development indicators is further enhanced when they exist alongside territorially-disaggregated population data, which can help to clarify the relationship between changes in the size of the population and shifts in economic performance at the local level. This is particularly salient given the significant demographic changes occurring as a result of the war.

Developing a framework that could gather reliable data on the aforementioned indicators would help to provide a comprehensive picture of municipal performance and local development challenges and strengths, improving the ability of all levels of government to assess the results of their initiatives and support informed decision making on future initiatives. This would, however, require continued investment in the capacity of the national and subnational governments to produce, analyse and share reliable data. In addition, the list of indicators for which territorially-disaggregated data are available needs to be expanded well beyond the indicators that are currently presented on the Hromada Performance Monitoring Platform. This would have to be coupled with measures to promote an institutional culture, at all levels of government, that is oriented towards the use of monitoring and evaluation results to inform decision making. Examples of the type of indicators that the government could consider collecting annually and share through a publicly accessible digital platform are highlighted in the table below, along with suggestions for which agency could manage the information (Table 8.1). Information obtained by using indicators such as these can help national-level policy makers to make evidence-based decisions on what legislative and regulatory reforms, amendments to the Budget Code and capacity building support may be needed to improve local service delivery and citizen well-being throughout the country, while boosting territorial cohesion. Data on indicators such as these can also provide municipalities with information on their own performance and inform the design of municipal development strategies.

Table 8.1. Examples of indicators for measuring municipal performance and development

Category	Sub-category	(Description of) indicator	Possible public institution to manage the information
General	Horizontal co-ordination	- Number of cross-jurisdictional municipal partnerships	MinRegion
	Strategic planning	- Number of approved local development strategies that include an assessment of territorial needs, strengths, planned projects, and have a results framework with clear indicators and targets	MinRegion
		- Number of publicly accessible local development strategy monitoring and evaluation reports	
	Starostas	- Number of <i>starostas</i> per municipality; number of municipalities with a least one <i>starosta</i>	MinRegion, supported by the All-Ukrainian Starostas Association
	Trust	- Share of the population who report having confidence in the mayor	MinRegion, supported by the different local government associations
		- Share of the population who report having confidence in the municipal council	
Socio-demographic and economic indicators	Population	- Total population	State Statistics Service
		- Population per square kilometre	
		- Share of working age population	
		- Share of population older than working age	
		- Share of population younger than working age	
	Economic development and labour	- GDP per capita	Ministry of Economic Development and Trade
		- (Un)employment rate	
Budgetary indicators	Revenues	- Total municipal revenues	Already gathered by the Ministry of Finance
		- Municipal revenues from transfers	
		- Municipal revenues from shared taxes	
		- Own-source municipal revenues	
	Expenditures	- Municipal expenditures (functional and economic classification)	
	Transfers	- Current transfers	
		- Capital transfers	
	Debt	- Net municipal debt	
Operational indicators	Human resources	- Number of full-time equivalent staff	MinRegion
	Administrative Service Centres (ASCs)	- Number of ASCs	National government / MinRegion, supported by the Association of Administrative Service Centres
		- Number of essential services provided by ASCs	
		- Number of passports issued per capita	
		- Average processing time for key administrative service requests (e.g. business registration)	
		- Share of the population who report being satisfied with access to and the quality of services provided by the ASC	
	Student enrolment	- Share of children of eligible age enrolled in preschool institutions	MinRegion, as well as line ministries responsible for education, social services, healthcare, etc.
		- Share of children of eligible age enrolled in primary education institutions	
		- Share of children of eligible age enrolled in secondary education institutions	
	Primary healthcare	- Share of the population with access to primary healthcare centres.	
		- Infant mortality rate	
		- Number of people with access to mental healthcare (or who are treated for mental disorders such as post-traumatic stress disorder)	
		- Share of the population who report being satisfied with the access to and quality of local healthcare services	
	Social services	- Share of workers paying social security contributions	
		- Share of the population who receive welfare subsistence	

		- Share of the population who report being satisfied with the access to and quality of local social services	
	Housing	- Share of social rental dwellings as a percentage of the total housing stock	
		- Share of the population who report being satisfied with access to and the quality of housing	
	Utilities	- Drinking water supplied (m <sup>3</sup> ); proportion of households covered by drinking water supply	
		- Wastewater treated (m <sup>3</sup> ) and proportion of households covered by sewage collection	
		- Share of the population who report being satisfied with access to and the quality of different utilities (e.g. energy, water, waste collection)	
	Other	- Share of municipal streets with street lighting	
		- Number of building permits issued per 100 000 inhabitants	
		- Urban parks and green spaces (km <sup>2</sup> )	
		- Number of grievous bodily harm with intent crimes per 100 000 inhabitants	
Political system indicators	Electoral participation	- Number of premeditated murders per 100 000 inhabitants	MinRegion and/or Ministry of Internal Affairs
		- Voter turnout as a percentage of registered voters	

Source: Author's elaboration.

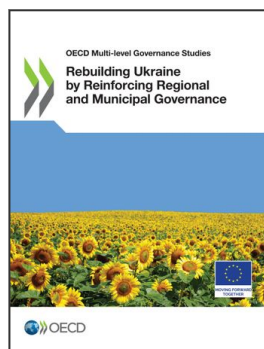
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## Note

<sup>1</sup> Of the 741 municipalities that completed the OECD survey, 57% indicated that they were formally co-operating with other municipalities to deliver one or more services, with healthcare and social services cited as the most common areas for co-operation (OECD, 2021<sup>[9]</sup>).



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