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Urban Service Delivery Assessment Framework



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Urban Service Delivery Assessment Framework

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Urban Service Delivery Assessment Framework

Preface

In countries around the world, local governments and other local public sector bodies are responsible for delivering the public services that people rely on day-to-day: schools for their children, public health services, access to clean water, clean streets, sanitation for the urban poor, and so on. Although these public services align with national priorities and global development objectives, the delivery of these public services is fundamentally local in nature.

The importance of local governments is especially relevant in an increasingly urbanizing world, with more than half of the world's population now living in urban areas. While there is widespread agreement that effective urban local governments (ULGs) play a critical role in achieving sustainable economic growth, stronger public services and inclusive governance, the role that ULGs play—whether as a catalyst for economic development or as a provider of public services—is often poorly understood.

The Assessment Framework for Urban Services analyzes the systems, processes and institutions that contribute to service delivery performance in urban areas. Drawing on an extensive and growing body of literature on decentralization, urbanization and public service delivery, it applies a local lens to analyzing the effectiveness of the local public sector in delivering public services in urban areas.

This Assessment Framework—issued in March 2014—has been developed as a contribution to the collective efforts of many stakeholders to assess and develop essential urban service delivery systems, by providing a common pool of information for measurement and monitoring of urban service delivery performance, and by providing a common platform for dialogue.¹

¹ The structure of this Assessment Framework draws considerably on the Public Financial Management Performance Measurement Framework (PEFA Secretariat, 2011).

List of Abbreviations

CFO	Chief Financial Officer
LCU	Local Currency Unit
LG	Local Government
PI	Performance Indicator
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
SDU	Service Delivery Unit
ULG	Urban Local Government
USD	Urban Service Delivery
USD-AR	Urban Service Delivery Assessment Report

1. Introduction and background

The degree of success with which a country harnesses the power of urbanization serves as an important bell-weather for inclusive and sustainable development. In countries around the world, urban areas form the engines of economic growth and provide spaces for social transformation and political inclusion. Millions of individuals recognize this every year by moving from the countryside to cities and towns. Urbanization continues unabatedly, especially in the developing regions of the world. For instance, Africa's urban population is expected to increase from 414 million to over 1.2 billion by 2050, while the urban population of Asia is projected to climb from 1.9 billion to 3.3 billion people.

Urbanization has traditionally been seen as giving rise to congestion and the concentration of poverty in urban slums. When the public sector is not managed well and urban areas are politically neglected or deprived of the freedom to manage their own affairs in an inclusive and accountable manner, or when cities are deprived of the finance resources necessary to provide for their infrastructure needs, cities can become centers for concentrated poverty, traffic congestion, decaying infrastructure, urban blight, and hotbeds for social tension.

At the same time, cities serve as centers of economic, social and political development. Urbanization further provides an opportunity to improve education and other public services and to achieve more sustainable development, as populations become more spatially concentrated and easier to reach. As such, the success of most countries to achieve sustainable economic growth, responsive governance, and social inclusion is often closely tied to the success of their urban areas. This has given rise to a new optimism in the realm of the global urban development agenda, with an increasing number of development actors supporting urban innovation in order to achieve more inclusive, smarter and more resilient cities.

An important question is why some urban areas are successful in attracting and creating economic opportunities and provide more efficient and equitable services to their residents while other urban areas lag behind in these areas. It is widely believed that interrelationships exist between the economic performance of a city and its ability to manage its affairs and deliver services to local residents and businesses: cities that provide better public services are more likely to attract more tax-paying households and businesses.

The answer to the question why some urban areas perform better in terms of service delivery is complex and invariably involves a wide range of factors. It is clear, however, that the performance of an urban area in this regard is determined in part by factors beyond the control of policy makers and urban leaders, such as its demographic composition, geographic location, and external economic factors. In addition, the service delivery performance of an urban area is influenced—to a lesser or greater extent—by the policy actions of the city's leaders. The impact of local leaders on urban service delivery outcomes is likely to depend considerably on the role or space that urban local authorities are allowed to play in the delivery of urban services: while some countries assign a leading role to urban local governments (ULGs) in delivering urban services, in other countries, central government agencies have significant control over the delivery of urban services.

A rudimentary analysis of urban service delivery outcomes might argue that the quantity and quality of urban services is primarily determined by the level of local spending on urban services. While higher local spending levels are possibly associated with better service delivery outcomes, this relationship is not necessarily evidence of a causal relationship between spending levels and service quality. After all,



when a local government provides urban services in an effective and responsive manner, this may cause local residents to be more willing to pay local taxes and fees. At the same time, more effective local leaders may be able to attract greater funding from higher government levels. As such, one should expect there to be a series of directional relationships between local government institutions within an urban area, local spending levels and urban service delivery outcomes.

Because urban service delivery performance is determined by the interaction of a complex set of institutional (as well as exogenous) factors, ***an assessment of urban services would be incomplete if it would merely measure the quantity and quality of service provision*** within an urban area, or the level of service delivery spending that is taking place. As a precondition for improving urban services, ***it is critical to understand and assess the systems, processes and institutions that underlie service delivery performance in an urban area***. This is the focus of the Urban Service Delivery Assessment Framework.

Accordingly, the Assessment Framework for Urban Services is designed to measure the performance of cities in delivering public services over time. The Assessment Framework includes, first, a set of performance indicators which quantify the systems, processes and institutions that contribute to delivering urban services and, second, an Urban Service Delivery Assessment Report (USD-AR) that provides a framework to report on urban service delivery performance as measured by the indicators.

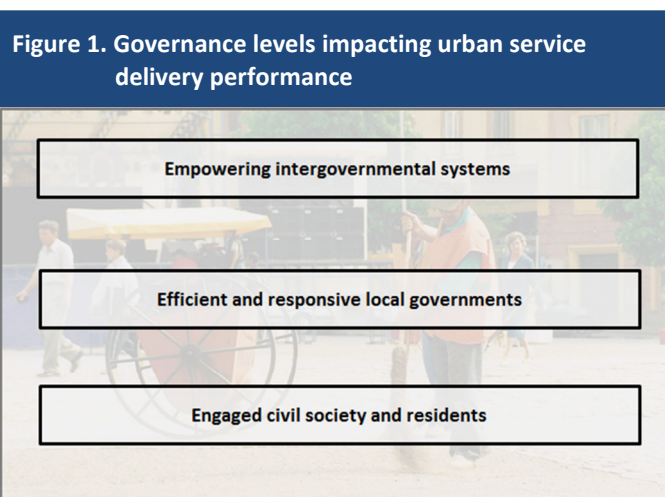
2. Scope and coverage of the framework

The exact role that the local public sector plays in achieving sustainable economic development, stronger urban public services and inclusive governance is poorly understood. The absence of consistent measures of urban performance and urban institutions has limited the ability of policy makers and researchers to understand the impact of specific urban institution and local policy decisions on urban performance.

Previous efforts have generally sought to capture the performance and institutions of urban areas in specific sectors or specific policy areas, such as urban economic competitiveness, urban governance, urban public financial management, or citizen participation. This framework supplements these existing efforts by providing a framework for assessing the factors that contribute to the ability of a local government to deliver urban services in an efficient, inclusive and responsive manner.

A first important focus of the performance framework is formed by the institutions at the local government level itself. After all, effective ULGs need capable planners, administrators, and financial managers. In addition, many observers have noted that efficient local governments are often led by dynamic, responsive and innovative local leaders.

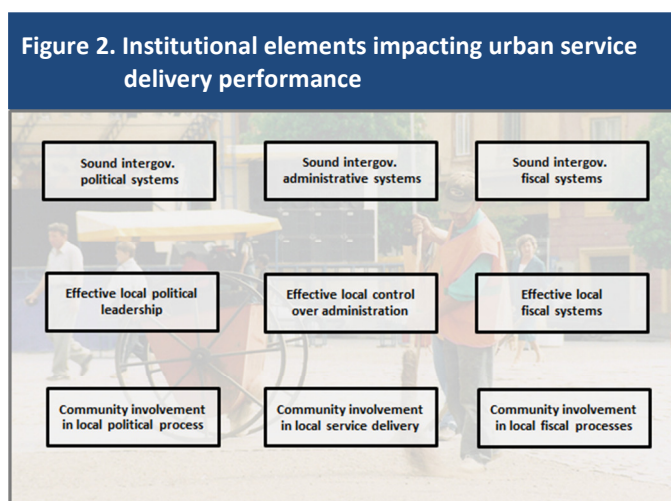
However, a well-performing urban area requires more than just effective local leadership and effective local administration (Figure 1). Two additional factors provide the institutional context



within which successful urban performance takes place (Boex and Yilmaz, 2010). First, high-performing cities need a sound and supportive intergovernmental (political, administrative and fiscal) framework that empowers cities and gives them the foundation for urban success. Second, successful cities need engaged civil society, residents, and local business community, who participate in urban affairs and hold urban leaders and officials accountable for their performance.

When the political, administrative and fiscal systems are considered at these three different levels of the intergovernmental system (i.e., central, local and community), the performance framework arrives at nine institutional elements that potentially impact a city's urban service delivery performance (Figure 2).

Within the context of the resulting three-by-three matrix, the Assessment Framework identifies the critical institutional dimensions of urban service delivery performance as follows (and shown in Figure 3):



A. Effective assignment of functions to the local level - Local governments are assigned the effective responsibility and authority to manage local affairs.

B. Dynamic local political leadership - The local political leadership is given the necessary political space and is effective in identifying and responding to the needs of its residents and the local business community.

C. Local control over administration and service delivery - The local political leadership is given the necessary control over the administration of local public services in order to respond to the service delivery needs of its residents and the local business community.

D. Local fiscal autonomy and local financial management – Local governments are assigned the appropriate mix of own source revenues and intergovernmental fiscal transfers; have adequate autonomy over their own source revenue instruments; and effectively administer their local finances.

E. Local participation and accountability mechanisms – Appropriate participation and accountability mechanisms are in place in order to ensure that local leaders and local officials are responsive to the need of local residents and businesses.

In addition to quantifying service delivery outcomes for key urban services and measuring the expenditures made in support of each service, the Assessment Framework will quantify or score each of these dimensions with a set of five performance indicators.

Figure 3. Institutional dimensions of urban service delivery performance



What is the purpose of the USD assessment? The main purpose of the USD assessment is for stakeholders—whether within an urban area, within a country, or in a global context—to evaluate the status of urban service delivery within one or more urban areas, and to assess the institutional factors contributing to the effective or ineffective delivery of urban services. To this end, the assessment framework provides a set of normative indicators of effective urban service delivery institutions.

What is the scope of the Assessment Framework? The assessment framework is designed to be applied to a single urban local government (ULG) at a time, but can also be applied to multiple ULGs within a country (or even across countries). The framework allows for the comparison of urban local government performance across different services as well as across different ULGs. In the case of larger metropolitan areas, the framework is typically applied to the central city or the main urban local government jurisdiction in the urban conglomeration. The framework applies to only formalized, public methods of service delivery and does not take into account private and/or informal service providers.

The Assessment Framework evaluates urban services from the perspective of the ULG. The assessment process may not fully capture all aspects of urban service delivery to the extent that urban services are delivered—in whole or in part—by service delivery units (SDUs) that are outside the scope of the ULG (for instance, centrally-controlled parastatal agencies). In such cases, additional information and analysis may be provided in the USD-AR.

Although many of the institutional issues captured in the Assessment Framework apply to local public services outside of urban areas, the framework is specifically directed towards the delivery of urban services in the urban context.

Which urban services does the framework assess? The specific functions assigned to ULGs differ between countries, and sometimes, even between different local governments within a country. This framework is specifically designed to focus on key urban services, such as solid waste management, urban water supply and urban sanitation (see Box).

Depending on the specific country and context, it may be possible to apply this framework to different local services and functions performed by ULGs, including (as appropriate) public education services and basic health services.

Box. Urban public services

The Classification of Functions of Government (COFOG) used by the IMF, OECD, UN and others does not specifically recognize certain services as being municipal services or urban services as separate from other public sector functions or services. However, services commonly considered to be urban public services include—but are not necessarily limited to—solid waste management (solid waste collection, processing and disposal, including landfills); construction and/or maintenance of roads, streets and drains; street lighting; urban water supply (piped and non-piped); urban sanitation (sewerage and non-sewer waste water management); fire protection; constructing and operating of markets and/or slaughterhouses; provision of public parks, community centers and recreation facilities; provision of urban public transportation; and traffic management.

Does the framework assess the legal (*de jure*) situation or the actual (*de facto*) situation? Unless otherwise indicated, the assessment should be based on the actual or *de facto* situation in an urban area, rather than merely describing the legal (or *de jure*) situation. However, if applicable, it is imperative to note the differences between the *de jure* and *de facto* as this can contribute to inefficiencies in service provision.

Is the framework an assessment of the performance of the urban local government entity or an assessment of the system? The Assessment Framework is intended to assess the functioning of the urban service delivery system as a whole. While weak local service delivery performance may be caused by weak local government leadership or poor local administration, the framework also seeks to assess whether the right intergovernmental systems are in place and whether the appropriate mechanisms for participation and local accountability are in place. As such, low scores on the performance indicators should not necessarily be seen as reflecting poor performance on behalf of the local government jurisdiction.

3. The set of institutional indicators

The five main institutional dimensions of urban service delivery performance reflected by this Assessment Framework are evaluated on the basis of 31 individual indicators of urban service delivery performance.

Each performance indicator seeks to assess the functioning of a key element of urban service delivery systems based on an ordinal indicator ranging from zero points to one point. In some cases, the maximum score for an indicator is half a point. For some indicators, fractions of points can be awarded.

The set of performance indicators is focused on the basic performance of the urban service delivery systems based on existing good international practices, rather than on setting a standard based on the latest innovation in decentralized service delivery. Guidance has been developed on what performance



would meet each score, for each of the indicators. The highest score (typically one) is warranted for an individual indicator if the criterion meets the relevant objective in a complete manner, whereas the lowest score indicates that an urban area has failed to meet the criteria.

Aggregate performance indicators are computed for each of the five institutional dimensions by aggregating the scores for the individual performance indicators in each category.

Annex 1 includes further information as well as detailed guidance on the scoring for each of the 31 indicators. In addition, the Annex provides guidance on collecting additional relevant information in evaluating service delivery performance in an urban local government.

4. The Urban Service Delivery Assessment Report

The objective of the Urban Service Delivery Assessment Report (USD-AR) is to provide an assessment of urban service delivery performance based on the indicator-led analysis in a concise and standardized manner. Information provided by the USD-AR would feed into the dialogue between the local government and its constituents, as well as into the dialogue between urban authorities with the central government and donor partners.

The USD-PR is a concise document, which has the following structure and content:

- A *summary assessment* (to be placed at the beginning of the report) uses the indicator-led analysis to provide an integrated assessment of the ULG's urban service delivery institutions. The summary assessment also discusses the likely impact of the observed weaknesses in urban service delivery systems on urban service delivery outcomes.
- An *introductory section* presents the context and the process of preparing the report and specifies the urban services captured by the report.
- A section presents *country-related information* that is necessary to understand the indicator-led and overall assessment of urban service delivery performance. It includes a brief review of the country's subnational governance systems; the city's geographic, demographic and economic conditions; and the organizational arrangements in place for the urban services being assessed.
- The *main body* of the report assesses the current performance of urban service delivery systems, processes and institutions, based on the indicators.
- A section on *reform processes* briefly summarizes recent and ongoing reform measures being implemented (either by the central government or by local authorities) and assesses the institutional factors that are likely to impact service delivery planning and implementation in the future.

As mentioned above, the report is a statement of current urban service delivery performance and does not include recommendations for reforms or action plans. In case the report was jointly prepared by different stakeholders (for instance, by community stakeholders and local government officials, or by central and local government officials) and different views are held by different stakeholders with regard to the findings of the report, the urban local government's opinion could be reflected in an annex of the report.

Annex 2 provides additional information and guidance on the USD-AR.



Selected Background Readings

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Annex 1

The Urban Service Delivery Performance Indicator Set



Annex 1: The Urban Service Delivery Performance Indicator Set

The table below provides an overview of the urban service delivery performance indicator set. Details for each of the individual performance indicators are provided later in this Annex.

P.I.	Performance Indicator	Max Score
A	Effective assignment of functions to the local level	
A1	According to the legal framework, is the ULG responsible for providing the service?	1
A2	In practice, is the ULG responsible for the recurrent provision of the service?	1
A3	In practice, is the ULG responsible for planning and procuring the capital infrastructure required for providing the service?	1
A4	Does the <i>de facto</i> assignment of functional authority match <i>de jure</i> responsibility?	1
A5	What is the organizational status of the local service delivery unit (SDU)?	1
B	Dynamic local political leadership	
B1	Is the Urban Local Government Executive directly elected?	1
B2	Are the ULG election system and ULG elections competitive?	1
B3	Does the ULG Executive have broad support from the ULG legislative council and ULG's administrative apparatus/staff?	1
B4	Does the ULG Executive recruit, appoint and hold human resource authority over the core local administration team?	1
B5	Is the ULG effective in achieving results in the service delivery areas that constituents care about?	1
C	Local control over administration and service delivery	
C1	Does the ULG (Executive or Council) appoint the head of the SDU?	1
C2	Does the ULG approve the budget of the SDU?	1
C3	Does the ULG determine its own organizational structure and staff establishment?	1
C4	Does the ULG have control over its human resource decisions?	1
C5	Does the ULG plan and manage the procurement of capital investments /infrastructure required for the service?	1
D	Local fiscal autonomy and local financial management	
D1	Does the ULG (or SDU) have an orderly and participatory annual budget process?	0.5
D2	Are the ULG's (or SDU's) expenditure out-turns (for the service at hand) consistent with the original approved budget?	0.5
D3	What is the quality and timeliness of annual financial statements?	0.5
D4	Is the ULG free to define its own local revenue instruments (e.g., specify user fees, adopt new revenue instruments, or modify existing local revenue instruments)?	0.5
D5	Does the ULG have the right to set the tax base or tax rate for all local revenue instruments?	0.5
D6	Does the ULG take into account full-cost recovery (including user cost of capital) when setting user fee rates or local tax rates?	0.5
D7	Does the ULG effectively and equitably administer the property tax?	0.5
D8	Does the ULG have access to borrowing from financial institutions to fund local capital infrastructure expenses?	0.5
D9	Does the ULG receive (conditional or unconditional) grants/transfers from a higher level government to support local administration and to provide services to the urban poor?	0.5
D10	Does the ULG receive formula-based grants/transfers from the higher level government in a complete and timely manner, without unnecessary administrative impediments?	0.5

P.I.	Performance Indicator (continued)	Max
E	Local participation and accountability mechanisms	
E1	Is a local performance framework in place and being applied for the service? (E.g., Service Charter?)	1
E2	Who monitors the performance of the service delivery unit?	1
E3	Are local budgets and finances (for the service at hand) managed in a participatory and transparent manner?	1
E4	Does the SDU have its own effective participatory planning / social accountability / oversight mechanisms?	0.5
E5	What is the frequency of public interaction between the SDU and citizens?	0.5
E6	Does the ULG (separate from SDU) have an effective mechanism in place to receive and resolve complaints about services?	1

For every institutional dimension (A-E) included in the Urban Service Delivery Performance Indicator Set, between five and ten detailed performance indicators (PIs) are provided. Each detailed PI should be assigned a score ranging from zero to one. For some indicators, the maximum score is half a point. Guidance is provided below on how to score each performance indicator. In some cases, half points and quarter points may be awarded.

An aggregate indicator for each institutional dimension is then computed as the sum of the score on the detailed performance indicators. To the degree that the performance indicators do not adequately capture issues, these issues can be addressed and discussed further in the USD-AR.

In addition, Section F of the assessment instrument seeks to capture standardized information about the urban local government jurisdictions, service delivery outcomes, and local government finances.

General Guidance on Scoring and Scoring Methodology

What is an urban local government (ULG)? The unit of observation for the USD assessment is the territorial jurisdiction of an Urban Local Government (ULG). Different countries base their definition of ULGs on different legal standards; often ULGs have a minimum population size, a minimum population density, and a local economy that is urban in nature. Different countries use different terms for ULGs, including City Councils, City Corporations, Municipalities, Town Councils, (Urban) Communes, or entities with similar designations. Larger metropolitan areas may be served by a single metropolitan local government or may be served by multiple local government jurisdictions. In the context of this framework, (urban) local government entities can be considered as all government entities below the central (or intermediate) government level which: (1) are corporate bodies; (2) perform general public functions² within an urban territorial jurisdiction; (3) have their own (often elected) political leadership; and (4) prepare, approve and implement their own budgets.

² Examples of public functions include the delivery of public services and infrastructure; the collection of taxes and other compulsory revenues; and the adoption and enforcement of binding decisions and regulations intended for the common good of the community.

In the case of larger metropolitan areas, the framework is typically applied to the central city or the main urban local government jurisdiction in the urban conglomeration.

The Assessment Framework considers the functioning of service delivery systems within the territorial area of the ULG. Although the ULG is often a central actor in the delivery of urban services, the assessment is not limited to assessing the performance of the ULG itself. Instead, the framework assesses the contribution of all the systems, processes and institutions that underlie service delivery performance in the urban area – inclusive of service delivery units or agencies that may not necessarily fall under the auspices of the ULG.

What is a Service Delivery Unit (SDU)? A Service Delivery Unit (SDU) is the organizational department or unit that is responsible for delivering or providing a service. In many cases, the SDU is an integral part of the ULG structure itself. For instance, in many ULGs, a municipal Solid Waste Department is responsible for ensuring the collection of solid waste within the urban local government. In other instances, the SDU has a different organizational or legal status. Urban services may be provided by semi-autonomous municipal corporations, which are fully (or majority) owned by the ULG (for instance, a municipal electricity corporation or the municipal water corporation). In this case, the SDU's budget may not be contained within the ULG's budget itself, but nonetheless, the management and oversight of the SDU should (directly or indirectly) fall under the authority of the ULG's political leadership.³

The SDU may also be an organization that is jointly managed by a number of ULGs; for instance, this is the case for many Metropolitan Transit Corporations. Similarly, the SDU may be jointly owned by the ULG and higher-level government agencies. In

In other instances, the SDU may be fully-owned and/or overseen by higher-level authorities. For instance, many urban water authorities are chartered, managed and overseen not by the ULG, but rather, by the central Ministry of Water. In selected cases, the SDU may be a central parastatal agency, or in fact, a line department within a central government ministry.

How does the role of ULGs vary across services? In some countries, the service delivery role of the ULG is similar for all urban services, with little variation in its contribution or mode of operation between different types of local services. In other countries, different urban services are delivered based on substantially different organizational models.

In assessing the role of the ULG in urban service delivery performance, some dimensions of the urban institutional framework will vary less from service to service. For instance, the political structure and leadership of the ULG may be the same regardless of the type of service under consideration. In contrast, the degree of administrative control or the nature of accountability mechanisms may vary more substantially from service to service.

Assessing institutional *de jure* versus *de facto* conditions. In some countries, there is a gap between the legal framework and actual practice with regard to urban governance and urban services. The intent of this assessment is to capture the actual or *de facto* situation in the jurisdiction of an urban local government, rather than necessarily capturing the legal (*de jure*) situation. As such, even if certain

³ In other (rarer) cases, the SDU may be a special-purpose local government entity, which is elected and operated completely separately from the general-purpose ULG.

conditions exist “on paper”, the assessment should generally only award points when these conditions exist in reality. Any gaps between the legal and actual situation could be clarified in the USD-AR.

Urban local government in federal versus unitary countries. This assessment framework is equally applicable to ULGs in unitary countries and federal countries. Note that the terms ‘higher-level government’ or ‘central government’ refer to the national-level government in unitary countries, while these same terms may refer to any higher-level government (either national-level government or intermediate / provincial /state government) in federal countries.

Underlying assumptions about urban services. There is no agreed-upon list of public services that are globally considered to be “urban services”. Similarly, the assignment of functional responsibilities to (urban) local governments differs from country to country, and the size and structure of urban local governments themselves may vary from country to country. This makes it difficult to provide uniform and detailed guidance about the structure and nature of urban service delivery.

This Assessment Framework should only be applied to services for which the delivery is considered a “local affair”. This assumes that—in accordance with the subsidiarity principle—ULGs are able to deliver the relevant services in an efficient manner.⁴

In determining whether a local body would be able to perform a certain function efficiently (in accordance with the subsidiarity principle), the framework should mainly focus on the minimum efficient scale for service provision, and discount institutional considerations that are the result of (central or local) policy choices. For instance, one could argue that an urban local government is “unable” to provide urban services efficiently when the existing political and social mechanisms fail to hold local leaders accountable for their performance. In reality, however, this urban local government *would* be able to deliver these services in an efficient manner if appropriate local governance mechanisms would be introduced.⁵

ULGs in most countries exceed the minimum efficient scale for delivering basic urban services, such as solid waste management, local water systems, sanitation, and local physical infrastructure.⁶ In fact, ULGs in most countries should be of a sufficient size and capacity to deliver (but typically not to regulate or fund) basic social services within their jurisdictions (basic education, primary health services, and so on).⁷

⁴ The subsidiarity principle states that functions should be performed by the lowest (or most local) level of organization that can perform this function efficiently. In accordance with the subsidiarity principle, it would therefore not be prudent to assign the responsibility for national defense to the local government level.

⁵ In this view, efficient public service delivery will only be achieved (i) when front-line public servants within the local public sector are given the necessary resources, discretion, and incentives to do their jobs well and (ii) when they are held accountable for their performance.

⁶ The minimum efficient scale for such services is determined by a combination of a city’s population size, population density, and the level of economic development/activity.

⁷ It should be noted that the ability of ULGs to efficiently deliver a public service should be judged under optimal administrative arrangements and accountability mechanisms. The ability of local governments to *deliver* these services does not imply that local governments should be in a position to *finance* these services. Nor does the assignment of the service delivery (provision) responsibility to the local level imply that the central government does not retain the responsibility for policy formulation and standard setting.

Note, that the performance indicator set generally concerns itself with the entity that is responsible for the *provision* or *delivery* of a service (in other words, which entity is responsible for making sure the service gets delivered?). These questions do not pertain to whether a higher-level government sets *policy standards*, *regulates* the service, or *provides financing* for the service (through intergovernmental fiscal transfers). It should be noted that the responsibility for *provision* of a service does not necessarily imply that the ULG or SDU *produced* the service, as the production of the service may be contracted out to a private sector provider.

Local government discretion versus local government capacity. The Assessment Framework seeks to capture the basic dimensions of the institutional framework within which urban services are delivered. This means that the performance indicator set needs to measure the amount of (political, administrative and fiscal) space that ULGs are given to operate within, in addition to measuring the effectiveness with which ULGs operate within the space available to them.

A majority of the performance indicators within each of the five institutional dimensions focus on the effectiveness of the intergovernmental framework. This choice was primarily driven by the fact that an empowering intergovernmental environment is a universal precondition for local government effectiveness. It also appears that the absence of an empowering intergovernmental framework is a binding constraint to urban service delivery performance in many countries.

In many countries, prior to careful analysis, weak performance of (urban) local governments is often attributed to the weak capacity of local governments. However, more careful observation may reveal that the weak performance of local governments is not necessary due to weak local capacity *per se*, but rather, due to the weak political incentives provided for dynamic local leadership; the limited local administrative control over urban services; weaknesses in the accountability mechanisms imposed on the local level; or due to the inadequacy of local financial resources or inadequate local fiscal discretion.⁸ As such, this Assessment Framework will be able to provide guidance whether intergovernmental constraints are important determinants of weak service delivery performance in urban areas, or whether weak urban service delivery performance is predominantly caused by local decisions and factors within the control of local authorities themselves.

Limitations of the performance indicators. The performance indicator set aims to provide objective measures for a wide range of institutional characteristics related to urban service delivery. However, the ability of performance indicators to capture all aspects of urban service delivery and governance in an objective and quantifiable way is limited. In some cases, it is noted that a PI may be more difficult to score based on pre-defined set of objective criteria. Nonetheless, guidance is given to arrive at a scoring that is as objective as possible. Further clarifications can be provided (as needed) in the Urban Service Delivery Assessment Report (USD-AR).

⁸ For instance, in many countries, the inability of ULGs to attract qualified professional staff is limited by the fact that local salary levels are determined by central authorities. This can result in many well-qualified job candidates preferring employment in the private sector or with the central government, rather than with the local government. Even when ULGs have control over their own HR management (including compensation schemes), ULGs may be limited in attracting sufficient qualified staff due to the inadequate assignment of local revenue sources and intergovernmental fiscal transfers (which are decisions within the purview of higher-level authorities). As such, the “capacity” of a local government to provide for effective and responsive local administration and service delivery is determined almost completely by the intergovernmental framework.

A. Effective assignment of functions to the local level

Local governments are assigned the effective responsibility and authority to manage local affairs.

PI	Performance Indicator	Scale	Clarification
A1	According to the legal framework, is the ULG responsible for providing or delivering the service (in accordance with the subsidiarity principle)?	<p>0 - The legislative framework is unclear about the legal assignment of functions</p> <p>0 – Inconsistent with the subsidiarity principle. The responsibility for service provision is assigned to the center (central ministry / central parastatal / local entity directed by central ministry)</p> <p>0.5 - The responsibility for service delivery is legally shared by the ULG and higher-level authorities</p> <p>1 – Yes, the ULG (or a SDU under ULG) is fully legally responsible for delivering the service in accordance with the subsidiarity principle</p>	<p>If the ULG is only legally responsible for part of the service delivery function (e.g., if the ULG is assigned the responsibility for the recurrent aspects of service provision but not for capital investments), please assign only half point.</p> <p>Note, the indicator asks which level is responsible for the <i>provision or delivery</i> of the service. The question does not pertain to whether higher levels set policy standards, regulate, or finance the service. The question also does not pertain to whether the service is <i>produced</i> by the ULG itself (for instance, the production of the service may be contracted out to a private sector provider).</p>
A2	In practice, is the ULG responsible for the recurrent provision of the service?	<p>0 - No, in practice, this responsibility is performed by a higher-level entity (e.g., central ministry / central parastatal / local entity not under ULG)</p> <p>0.5 - The responsibility for recurrent provision is <i>de facto</i> shared by center and ULG</p> <p>1 – Yes, in practice the recurrent provision of this service is done by the ULG (or SDU under ULG)</p>	<p>Recurrent provision includes human resources, operation, and maintenance.</p> <p>If the local government level in reality provides only part of the service delivery function, please assign half the points indicated.</p> <p>Again, the question also does not pertain to whether the service is <i>produced</i> by the ULG itself (for instance, the production of the service may be contracted out to a private sector provider).</p>
A3	In practice, is the ULG responsible for planning and procuring the capital infrastructure required for providing the service?	<p>0 – No, in practice, this responsibility is performed by a higher-level entity (e.g., central ministry / central parastatal / local entity not under ULG)</p> <p>0.5 - The responsibility for infrastructure planning and provision for the service is <i>de facto</i> shared by center and ULG</p> <p>1 – Yes, in practice, planning and procuring capital infrastructure is done by the ULG (or SDU under ULG)</p>	<p>The <i>de facto</i> situation is revealed by the extent to which central agencies (directly or indirectly) provide or control the capital infrastructure for the relevant urban service delivery function.</p> <p>If infrastructure investments are made through local accounts, but the ULG does not have meaningful control over planning and prioritization, please assign half of the points indicated.</p>



PI	Performance Indicator	Scale	Clarification
A4	Does the <i>de facto</i> assignment of functional authority match <i>de jure</i> responsibility (with regard to the service at hand)?	0 - The legislative framework is unclear or inconsistent, or not fully adhered to 1 – Yes, the legislative framework is clear and consistent, and fully adhered to	Receiving full points requires a clear and consistent legal framework (e.g., no contradictions with sector legislation) AND perfect correspondence between legal framework and actual practice (both for recurrent and capital functions). (No partial credit).
A5	What is the organizational status of the local service delivery unit (SDU)?	0 – The SDU is organizationally part of a central government entity or a corporate body controlled by a central government entity 0.5 – The SDU is a corporate body jointly controlled by ULG and higher-level government 1 – The SDU is part of the ULG organization (e.g., a municipal department), or a corporate body controlled by the ULG	The score for this question deals exclusively with the organizational / legal status of the local service delivery unit; the scoring of this question should not depend on the degree of functional control that the local entity/SDU has.

Discussion and clarifications:

- Rather than assessing the overall assignment of functional responsibilities, these performance indicators address the specific (urban) service under consideration.
- In some countries, urban services are not fully the responsibility (either *de jure* or *de facto*) of urban local governments. For instance, urban local governments may be assigned the legal responsibility to collect local waste, but a central government entity may be legally responsible for operating the local landfill. As another example, urban local government may be assigned the responsibility to construct and maintain local roads and infrastructure, while in reality a central government entity has taken responsibility for constructing and paving local roads. Other scenarios might involve local governments providing and maintaining the infrastructure required for a public service, while the central government retains the (either *de jure* or *de facto*) direct responsibility for staffing and operating the service delivery facilities.

B. Dynamic local political leadership

The local political leadership is given the necessary political space and is effective in identifying and responding to the needs of its residents and the local business community.

PI	Performance Indicator	Scale	Clarification
B1	Is the Urban Local Government Executive directly elected?	0 - The ULG Executive is not recruited through elections (e.g., appointed by center) 0.5 - The ULG Executive is elected or appointed by the local council 1 - The ULG Executive is elected in direct elections by the voting population	Direct election is a term describing a system of choosing political officeholders in which the voters directly cast ballots for the person, persons, or political party that they desire to see elected.
B2	Are the ULG election system and ULG elections competitive?	Add the points below if the following statements are correct: 0.25 – There is no ruling party dominance across LGs 0.25 – There is no central party dominance over the selection of local political candidates 0.25 – Between 35-60% of the total registered voting population participated in the last ULG elections 0.5 - At least 60% of the total registered voting population participated in the last ULG elections	A national ruling party has a dominant position at the local level if it is able to leverage its political strength in order to ensure that more than 75 percent of localities or locally elected positions are consistently won by ruling party candidates. Central party dominance over the selection of local political candidates exists when the central political party is able to select the party's candidates for local office. No such dominance exists if local chapters of the political party select local candidates without central party involvement, or if candidates are selected through an open primary election process.
B3	Does the ULG Executive have broad support from the ULG legislative council and ULG's administrative apparatus/staff?	0 – No; a cooperative relationship does not exist between executive on one hand and the council and local administrators/staff (or an oppositional relationship exists) 0.5 – Council and administrators/staff play their roles without prejudice to stance of the executive (e.g., council supports when it agrees; withholds support when it disagrees) 1 – ULG Executive has general / broad support from ULG legislative council and ULG's administrative apparatus/staff	Only half of the points indicated should be awarded if support is received from the Council but not from the administrative apparatus (or vice versa) It is noted that this PI may be more difficult to score based on pre-defined set of objective criteria. The baseline for scoring this question should be 0.5; scores up or down (by quarter points) should be justified based on concrete examples of support or lack thereof.
B4	Does the ULG Executive recruit, appoint and holds authority over the core local administration team (chief	0 – No, ULGs do not hold the power to recruit, appoint nor management authority over core local admin team or administrators of service delivery agencies	This PI is not limited to the specific service under consideration

PI	Performance Indicator	Scale	Clarification
	administrative officer, CFO, etc.) and the head administrators of local service delivery agencies?	0.25 – One or more local administrators / department heads are appointed by higher level government 0.5- ULGs have the power to recruit or exercise HR authority, but only with oversight/approval from the central/state government 0.75 – The ULG Executive can recruit/appoint/hold authority over the core admin team, but subject to confirmation by local council 1 – ULG Executives holds the power to recruit and exercise authority over administrators of service delivery departments / agencies	
B5	Is the ULG focused on achieving results in the service delivery areas that constituents care about?	0 – No, ULG priorities and actions generally do not reflect the priorities of local constituents (residents and the local business community) 0.5 – The ULG's priorities and actions partially reflect the priorities of local constituents (residents and the local business community) 1 – Yes, within its constraints, the ULG's leadership makes focused efforts to identify and address the service delivery priorities of its constituents (residents and the local business community).	This PI deals with whether the ULG's efforts are focused on service delivery issues that are priorities for their constituents. This requires that the ULG not only <i>engages</i> in (formal or informal) consultations with its constituent, but also that it <i>acts</i> on the service delivery priorities identified by the constituents. It is difficult to score this PI based on pre-defined set of objective criteria, especially since the ULG may be constrained in <i>achieving</i> effective results by various (political, administrative, or fiscal) factors beyond their control. Partial scores (quarter points) can be awarded as appropriate.

Discussion and clarifications:

- Unlike some of the other institutional dimensions included in the Assessment Framework, the score on dynamic local political leadership in principle does not apply to any specific service, and may not vary much (if at all) across different urban services.
- It should be noted that this performance dimension focuses on the preconditions for dynamic local political leadership and on whether dynamic local political leadership is supplied, and not on the demand side for effective local political leadership.
- The performance indicators included in this performance dimension focus considerably on identifying whether the local political leadership is given the necessary political space to make local decisions. This is viewed as a critical precondition for effective local political leadership. After all, local political leaders will only respond to the service delivery needs of their residents and the local business community when they have the political autonomy (discretion) and the political incentives



to do so. In addition, as measured by other performance dimensions in the assessment framework, the local political leadership needs local administrative control over service delivery as well as adequate local fiscal discretion before it is able to respond effectively the service delivery needs of their constituents.

- In part, this performance dimension tries to measure whether the local political leadership (ULG Executive) is effective in working together with the ULG legislative council and the ULG's administrative apparatus/staff (B3). In addition, in order for a ULG to have dynamic local political leadership, the ULG should focus its efforts on identifying and responding to the service delivery areas that constituents (residents and the local business community) care about (B5). It is noted that, in many cases, it is difficult to objectively measure the degree of responsiveness and effectiveness of local authorities.
- In some cases, the responsiveness of the local political leadership is constrained by strong top-down political incentives to secure political support from the central political leadership, which may place local leaders at odds with the priorities expressed by their local constituents. In other cases, the effectiveness of local leaders is constraint by the absence of control over local administrative or fiscal mechanisms. Beyond the performance scores identified here, the USD-AR provides the opportunity to present a more nuanced discussion and assessment of these issues.
- In some countries, dynamic local leadership is equated with local leaders who are successful in securing additional resources from the central (higher-level) government budget. Even though support from central political leaders may be seen as an important element of a dynamic local leader, the performance framework emphasizes the importance of local executives to secure support from the ULG's council, the ULG's bureaucrats and staff, and its local constituents (both residents and the local business community). To the extent that a local government's ability to secure the funding necessary to deliver urban local services is dependent on personal access to central government decision-makers, this may in fact be seen as a weakness of the local government system.

C. Local control over administration and service delivery

The local political leadership is given the necessary control over the administration of local public services in order to respond to the service delivery needs of its residents and the local business community.

PI	Performance Indicator	Scale	Clarification
C1	Does the ULG (Executive or Council) appoint the head of the SDU?	0 - No, a higher-level authority (e.g., central ministry / central parastatal / local entity not under ULG) appoints SDU head 0.5 – The ULG appoints the head of the SDU, but requires approval from higher-level authorities 1 – The SDU head is appointed by the ULG (either ULG Executive or ULG Council) without central involvement or approval	
C2	Does the ULG approve and manage the budget of the SDU?	0 – No, a higher-level authority (e.g., central ministry / central parastatal/ local entity under central control) approves and/or manages the SDU's budget 1 – Yes, the ULG approves and manages the budget of the SDU	If the financial resources for capital infrastructure are not included in the SDU budget (but instead, are determined centrally), please reduce the score in half. Partial scores (half or quarter points) can be awarded as appropriate.
C3	Does the ULG determine its own organizational structure and staff establishment (for the service at hand)?	0 - No: a higher-level authority (e.g., central ministry / central parastatal / local entity not under ULG) controls the ULG (or SDU's) organizational structure and staff establishments 0.5 - The ULG (or SDU under ULG) has partial control over the organizational structure (or requires central approval) 1 - Yes: The ULG (or SDU under ULG) has full control over organization structure and staff establishment	Full control over its organizational structure requires ULG to be able to determine its own establishments (staff organization) without higher-level approval. Partial credit may be awarded if a ULG falls between categories, or when it has a higher degree of control over some (but not all) of the organizational/staffing structure for the service at hand.
C4	Does the ULG have control over its human resource decisions (for the service at hand)?	0 - No: a higher-level authority (e.g., central ministry / central parastatal / local entity not under ULG) has control over the human resources (for the service at hand) 0.5 - The ULG (or SDU under ULG) has only partial control over its human resources (or requires central approval) 1 - Yes: The ULG (or SDU under ULG) has full control over its own human resource decisions	Full control over HR decisions requires ULG to be able to set its own wage levels, and implies the power to hire/ fire/ promote all local staff; all without central government approval. Partial credit may be awarded if a ULG falls between categories, or when it has a higher degree of control over some (but not all) of its own staff for the service at hand.

PI	Performance Indicator	Scale	Clarification
C5	Does the ULG plan and manage the procurement of capital investments /infrastructure required for the service?	<p>0 - No: a higher-level authority plans and manages the procurement of capital investments /infrastructure required for the service</p> <p>0.5 - The ULG (or SDU under ULG) has partial control over infrastructure planning and procurement</p> <p>1 - The ULG (or SDU under ULG) has full control over infrastructure planning and procurement</p>	<p>In order for full credit to be awarded, the ULG must both <u>plan</u> and <u>procure</u> its capital investments for the relevant service.</p> <p>Partial credit may be awarded if a ULG is felt to fall between categories, or when it has a higher degree of control over some (but not all) procurements</p>

Discussion and clarifications:

- The current institutional dimension focuses considerably on identifying whether the ULG has control over local administrative systems and mechanisms for the service under consideration (including the appointment of the SDU head; control over the allocation and management of the SDU's financial resources; management control over the human resources that deliver the service; and control over service delivery related planning and procurement). When a service delivery responsibility is assigned to the local level, local control over the relevant administrative and service delivery mechanisms should be viewed as a critical precondition for effective local service delivery. In turn, this performance dimension may somewhat downplay the manner in which local officials execute the administrative responsibilities that they actually have.
- It should be noted, however, that providing local officials with considerable control over local administrative mechanisms is necessary, but not a sufficient, condition for effective and inclusive local service delivery. In addition to administrative control, local officials need to be given incentives to perform well; they need the financial resources, skills and tools to effectively deliver the services which they are tasked to provide; they need strong local political oversight (e.g., council monitoring of service delivery efforts); top-down monitoring of local government performance, as well as strong bottom-up accountability mechanisms in order for local officials to be held accountable for their performance. Some of these aspects are measured by other performance indicators contained in the assessment framework.
- Effective local control over local administration and service delivery requires local government not only to serve as a reactive administrator of local services, but rather, to act as a pro-active manner of urban local services. For instance, in some countries, infrastructure plans for urban services are developed centrally (either by central government agencies themselves, or by technical experts contracted by central authorities) and "parachuted in" at the local level. In these cases, the actual involvement of the ULG may be limited to the signature of the ULG executive or SDU head on the final plan and/or on the procurement document. This lack over true ownership over urban service delivery planning is not likely to produce the same service delivery outcomes as more robust ownership over local service delivery planning.

D. Local fiscal autonomy and local financial management

Local governments are assigned the appropriate mix of own source revenues and intergovernmental fiscal transfers; have adequate autonomy over their own source revenue instruments; and effectively administer their local finances.

PI	Performance Indicator	Scale	Clarification
D1	Does the ULG (or SDU) have an orderly and participatory annual budget process?	Add the points below if the following statements are correct: 0.25 - Existence of and adherence to a fixed budget calendar 0.25 - Comprehensiveness of local political involvement in the preparation of the budget, resulting in timely budget approval by the local council	Based on most recently completed financial year. See <i>Discussion and Clarification</i> section below for a detailed clarification on the scoring of this performance indicator
D2	Are the ULG's (or SDU's) expenditure out-turns (for the service at hand) consistent with the original approved budget?	0 – No; actual expenditures for the service at hand deviate more than 15% from the budgeted expenditure 0.25 - The actual expenditure for the service at hand (or for the SDU) deviated from budgeted expenditures by an amount equivalent to between 5% and 15% of budgeted expenditure 0.5 - The actual expenditure for the service at hand (or for the SDU) deviated from budgeted expenditures by an amount equivalent to no more than 5% of budgeted expenditure	This PI is based on total (recurrent plus development) expenditures for the service at hand, and should be based on the most recently completed financial year for which budget data are available. (Note: this PI is based on PEFA PI-1)
D3	What is the quality and timeliness of annual financial statements?	Add the points below if the following statements are correct: 0.25 – Annual financial statements are prepared in a complete manner; submitted within 6 months of the financial year; in accordance with national or international accounting standards. 0.25 – The ULG received a clean (unqualified) audit report	Based on most recently completed financial year for which data are available. (Note: this PI is based on PEFA PI-25)
D4	Is the ULG free to define its own local revenue instruments (e.g., specify user fees, adopt new revenue instruments, or modify existing local revenue instruments)?	0 – No: ULGs depend on the central/state government for revenue decisions (“closed list approach”) 0.25 – Partial: ULGs have some discretion, but only with approval from the central/state government 0.5 – Yes: ULGs have considerable authority to define their own	The scoring of this PI is not limited to (revenues related to) the specific service under consideration.



PI	Performance Indicator	Scale	Clarification
		revenue instruments (within reasonable constitutional or legislative constraints)	
D5	Does the ULG have the right to set the tax base or tax rate for all local revenue instruments?	<p>0 – No, the ULG generally does not have control over local tax/fee rates</p> <p>0 – The ULG has meaningful control over non-tax instruments (fees and charges), but limited or no control over local tax rates (or bases)</p> <p>0.25 – In addition to discretion over non-tax instruments, ULG has meaningful (<i>de facto</i>) control over some local tax rates (or bases)</p> <p>0.5 – Yes, ULG has substantial discretion over the rates (or bases) for all local revenue instruments</p>	
D6	Does the ULG take into account full-cost recovery (including the user cost of capital) when setting user fee rates or local tax rates for the service at hand?	<p>0 – No, the user fee (or designated local tax or revenue source) only covers the recurrent cost of service provision (or is not even adequate to cover recurrent costs)</p> <p>0.25 - The user fee (or designated local tax or revenue source) only partially covers the user cost of capital (in addition to recurrent/operational costs).</p> <p>0.5- Yes, the user fee (or designated local tax or revenue source) is adequate to cover recurrent as well as capital expenditures</p>	<p>If the service is funded from general revenues (instead of a user fee or earmarked revenue source), the <i>de facto</i> adequacy of local tax rates should be assessed based on whether—after covering recurrent expenditures—sufficient financial resources are available for the regular replacement of existing capital infrastructure</p> <p>This PI implicitly also considers the ULG’s enforcement effort, as the <i>de facto</i> tax rate for a fee/tax that is not collected equals zero.</p>
D7	Does the ULG effectively and equitably administer the property tax?	<p>0 – No. Adequate property taxes are collected for 50% or fewer of taxable properties</p> <p>0.25 – Adequate property are collected for 50-90% of taxable properties</p> <p>0.5 – Yes, adequate property taxes are paid for 90% or more of taxable properties</p>	<p>This PI deals with the local property tax (or the main general-purpose revenue source, if the ULG does not collect a property tax) irrespective of whether this tax funds the service at hand.</p> <p>Subtract 0.25 points if collection rates exceed 50%, but consistent discrepancies exist between the amount of tax collected and the tax amount legally due</p> <p>Taxable properties include all properties that ought to be included in the tax base (not necessarily just those included on the cadaster/tax roll)</p>
D8	Does the ULG have access to borrowing from the private sector (e.g., from financial institutions or	<p>0- No</p> <p>0.25 – The ULG can only borrow from a central lending institution or only with specific central</p>	Without loss of points, ULGs may need to comply objective (norm-based) criteria established for borrowing

PI	Performance Indicator	Scale	Clarification
	bonds) to fund local capital infrastructure expenses for the service at hand?	government approval 0.50 – Yes; the ULG has access to borrowing without specific approval from the center	
D9	Does the ULG receive adequate (conditional or unconditional) grants/transfers from a higher level government to support local administration and to provide services to the urban poor (for the service at hand)?	0 - The ULG receives no (or completely inadequate) transfer funding to support local administration or to provide services for the urban poor 0.25 - The ULG receives some (but not adequate) transfer funding to support local administration and to provide services for the urban poor 0.5 - The ULG receives meaningful transfer funding to support local administration and to provide services for the urban poor	It is difficult to objectively define the adequacy of resources with respect to this PI. “Meaningful funding” suggests that grant support covers 50% or more of local administration costs and the cost of delivering basic services to the urban poor
D10	Does the ULG receive formula-based grants/transfers (for the service at hand) from the higher level government in a complete and timely manner, without unnecessary administrative impediments?	Add the points below if the following statements are correct: 0.25 – Formula-based grants are provided without administrative impediments 0.25 – Grants are provided in a complete and timely manner. (The score is zero if no grants are provided).	In order to receive full score on each of the two respective elements, the ULG must receive its grants/transfers from the higher level—for the first element—in a formula-based manner AND without unnecessary administrative impediments—and for the second element—in a complete AND timely manner. ⁹

Discussion and clarifications:

- Given the importance of local fiscal autonomy and sound local financial management in achieving effect urban services, this performance dimension contains ten individual performance indicators, each of which can be awarded a maximum score of half a point. The performance indicators cover a wide range of intergovernmental fiscal systems and local public financial management practices, including local planning, budgeting and expenditure processes; revenue assignments and local revenue collections; intergovernmental fiscal transfers; and local government borrowing. For a more comprehensive assessment of local public finances, consider conducting an assessment using the PEFA Public Financial Management Performance Measurement Framework.
- Like some of the previous performance dimensions, it should be noted that many of the performance indicators within the current dimension focus on the existence of local fiscal discretion and the preconditions for effective local revenue administration. After all, ULGs will only be able to

⁹ The clause “without administrative impediment” means that grants are disbursed “on standing order.” In other words, grants are disbursed regularly without any further administrative action: no administrative conditions have to be fulfilled during the budget year to trigger any subsequent disbursement. In order for grant disbursements to be complete, at least 95% of the budgeted grant amount was released. Timeliness of grant disbursements is relative to the higher-level authorities disbursement plan. If grants are not released against a formal grant disbursement plan, the ULG should receive at least 25% of its resources prior to the end of Q1; 50% prior to the end of Q2; and 75% prior to the end of Q3.



respond to the service delivery needs of their constituents when they have access to the necessary financial resources to do so.

- Several other performance indicators within the current performance dimension focus on the degree to which urban local authorities adhere to good PFM practices and effectively use their local fiscal space. Although it is common to attribute a local government's failure to fully use its fiscal space (e.g., its failure to fully exploit its local property tax) to a lack of capacity, it is not unusual for local governments to be constrained by (central or local) political incentives in adhering to good PFM practices at the local level.
- For instance, although greater reliance on own source revenues is typically a sign of greater local fiscal autonomy and effective local revenue administration, it is not necessarily the case that limited own source revenue collections are indicative of weak local revenue administration. Instead, limited local revenue collections are often the result of weak revenue assignments to the local level as well as potential difficulties faced by local political leaders in collecting local revenues from local constituents. In addition, local leaders may face political pressure from higher-level authorities or other incentives not to maximize local revenue collections or to pursue other good PFM practices (e.g., intergovernmental fiscal transfers may discourage the collection of own source revenues). It should further be noted that, in many cases, it is difficult to objectively measure the degree to which urban local authorities are effective in using the revenue space available to them.
- In order for the ULG to devote all of its own source revenues to local public services (which establishes a strong link between the benefits of local services and the cost to local taxpayers), it is appropriate for the higher-level government to provide grant funding to support the general cost of local administration. Likewise, in some countries, local governments are expected to cross-subsidize the provision of public services to poor residents by imposing higher taxes or fees on wealthier residents in order to provide free or reduced-cost services to the urban poor. There is a strong consensus with the literature on local public finance that the role of local governments in such *de facto* income redistribution should be limited, and that the central government is in the best position to finance such redistributive programs through (equalizing or pro-poor) intergovernmental fiscal transfers.
- As needed, the USD-AR provides the opportunity to present a more nuanced discussion and assessment of issues related to local fiscal discretion and local public financial management.

Clarifications for Performance Indicator D1:

- An orderly local budget process requires the existence of—and adherence to—a fixed budget calendar, by both central and local authorities.¹⁰ This guidance may come in the form of legislative guidance (e.g., from the Local Government Act), but additional details may need to be provided in the form of budget regulations and/or circulars. For instance, in order for a ULG to prepare its budget, it needs to be informed in a timely manner of the expected level of intergovernmental fiscal transfers (which is commonly done as part of a budget circular or as part of Local Government Budget Guidelines). Please assign 0.25 points to Performance Indicator D1 if (a) there is a fixed budget calendar that guides the preparation of the (urban) local government budgets and (b) this local budget calendar is adhered to by central authorities. Both criteria need to be satisfied in order to award the points and no partial credit can be given.
- In addition to the points above, an addition 0.25 points may be awarded if both the ULG Executive as well as the ULG legislative council are comprehensively involved in the preparation of the local budget, and the local budget is approved by the local council in a timely manner.

¹⁰ See PEFA, 2011: PI-11 for a further discussion of this issue.

E. Local participation and accountability mechanisms

Appropriate participation and accountability mechanisms are needed in order to ensure that local leaders and local officials are responsive to the need of local residents and businesses.

PI	Performance Indicator	Scale	Clarification
E1	Is a local performance framework in place and being applied for the service? (E.g., Service Charter?)	0 - No performance framework is in place 0.25 – A performance framework is in place but is produced (or requires approval) by higher-level government 1 – Yes, a performance framework is in place and approved by ULG	Scoring should reflect the <i>de facto</i> situation: a positive response implies not just that a performance framework is in place (i.e., a paper exercise), but that the performance framework is actually being followed or applied (in other words, meaningful efforts are made to apply or follow the performance framework)
E2	Who monitors the performance of the service delivery unit?	0 - The ULG is not meaningfully involved in the monitoring of the SDU 0.5 – The ULG formally monitors the performance of the SDU, but does not do so in a transparent or participatory manner 1 - The ULG effectively monitors the performance of the SDU (e.g., standing committee of council)	Meaningful and effective monitoring of the performance of a SDU requires more than a paper exercise. It requires transparency (e.g., the release of information regarding the SDU's performance against its performance framework) and the opportunity for residents and local stakeholders to participate in the assessment process (e.g., through a public hearing)
E3	Are local budgets and finances (for the service at hand) managed in a participatory and transparent manner?	Add the points below if the following statements are correct: 0.25 - Open planning/budget hearings are required and practiced 0.25 - Local budget documents and financial statements are readily available to average citizens	See <i>Discussion and Clarification</i> section below for a detailed clarification on the scoring of this performance indicator
E4	Does the SDU have its own effective participatory planning / social accountability / oversight mechanisms (e.g., interact with community groups, etc.)?	0 - No (or Yes, but ineffective) 0.25 - Yes, but only partially effective 0.5 – Yes, the SDU has effective participatory planning / social accountability / oversight mechanisms	The scoring of this question requires SDU leadership or senior staff itself (rather than the ULG/council) to have direct, meaningful interaction with community groups / service users.
E5	What is the frequency of public interaction between the SDU and residents?	0 - No formal interaction exists between the SDU and residents 0.25 – Interaction takes place quarterly or annual 0.5 – Interaction takes place more frequent than quarterly (e.g., monthly, weekly)	The scoring of this question aims at direct and meaningful interaction between the SDU leadership (or senior staff) and residents. It is recognized that the judging the depth of interaction may be difficult to establish in an objective manner.

PI	Performance Indicator	Scale	Clarification
E6	Does the ULG (separate from SDU) have an effective mechanism in place to receive and resolve complaints about the service at hand?	0 - No (or Yes, but ineffective) 0.5 - Yes, but only partially effective 1 – Yes, the ULG's complaint mechanism is effective and responsive	An effective complaint mechanism means that the ULG not only receives complaints, but also follows up with SDU to ensure that they are addressed/resolved.

Discussion and clarifications:

- Effective local participation and accountability requires that local governments involve the community in the prioritization of expenditures; clearly state the service delivery standards that residents can expect; provide their citizens with relevant and timely information about service provision and budget execution; and that mechanisms are in place that allow residents to voice their concerns when problems arise.
- Unless otherwise noted, the assessment of the PIs included in the current institutional dimension focuses on the specific service (and specific SDU) under consideration.
- A transparent and accountable local budget process is an important element of an accountable local government system. An open local government budget process ensures (1) Timely availability of budget information to the subnational public; (2) Clarity and relevance of the information contained in the main budget reports available to subnational citizens; (3) Effective mechanisms are used to disseminate budget information among citizens; (4) Effective channels are established for participation of citizenship in the review and monitoring of the budget documents. Even though many countries have open document laws or freedom of information legislation that are applicable to local governments, in practice, public access to local government budget information is often quite limited (International Budget Partnership, 2013).
- It should be noted that the responses to the Performance Indicator set should reflect actual practice, rather than the legal requirement.

Clarifications for Performance Indicator E3:

- Performance Indicator E3 should be awarded 0.25 points when the budget formulation process in the ULG is open and participatory in nature. This requires that a regular, annual mechanism is used to identify the public's perspective on budget priorities.
- An additional 0.25 points should be awarded to Performance Indicator E3 if (and only if) the following four local budget documents are available to any member of the public, either online or on demand: (1) Executive Budget Proposal; (2) Enacted Budget; (3) Year End Report on budget execution; (4) Annual Audit Reports.
- If the SDU for the service at hand is part of the regular ULG budget, the indicator may be assessed based on the budget process for the entire (regular) ULG budget. If the SDU for the service at hand is not an integral part of the regular ULG budget (e.g., a municipal corporation of metropolitan authority), please assess this indicator specifically for the SDU.

F. Urban service delivery characteristics: population, expenditures, infrastructure, and outcomes

Although not part of the core Urban Service Delivery Performance Indicator Set, the following variables are captured as part of the completion of the Assessment Framework. They provide context for the discussion and analysis of the five performance dimensions that are the main focus of the assessment framework.

	Variables Description	Scale	Clarification
I	Demographic / Geographic		
1	Area (sq. Km)	Square kilometers	Land area of the core urban jurisdiction (excluding peri-urban areas outside the ULG's jurisdiction)
2	Population	Number	Population of the core urban jurisdiction (i.e., not 'daytime population' or metropolitan population including peri-urban areas outside main urban jurisdiction)
3	Total number of Household	Number	
4	Poverty rate	Percent of population	
II	Total ULG Budget (not limited to the service at hand)	Total, in local currency unit	ULG budget figures for most recent budget year available
1	Total ULG expenditures (budgeted)	Local currency unit	As noted above
2	Total ULG expenditures (actual)	Local currency unit	As noted above
3	Total ULG wage expenditure (actual)	Local currency unit	As noted above
4	Total ULG non-wage recurrent expenditure (actual)	Local currency unit	As noted above
5	Total ULG capital expenditure (actual)	Local currency unit	As noted above
6	Total ULG revenues (actual)	Local currency unit	As noted above
7	Total ULG own source tax revenues (actual)	Local currency unit	As noted above
8	Total ULG own source non-tax revenues (actual)	Local currency unit	As noted above
9	Total ULG revenues from intergovernmental transfers (actual)	Local currency unit	As noted above

	Variables Description	Scale	Clarification
III	Service Delivery Outcomes		Collect only the indicators relevant to the services under consideration
1	Tons of solid waste collected weekly	Tons per week	Volume of solid waste collected and disposed (typically at local land fill)
2	Piped water access (% total population)	Percent of population	Piped-water access includes water piped inside house or piped communal tap.
3	Non-piped water access (% total population)	Percent of population	
4	Access to sewerage systems (% total population)	Percent of population	
5	Access to improved sanitation (non-sewerage)	Percent of population	Includes improved private and well as public / communal sanitation access
6	Total municipal roads (km)	Kilometers	Only includes roads under the management of the ULG (e.g., excludes national roads running through authority)
7	Total municipal roads, Paved only (km)	Kilometers	Only includes paved roads under the management of the ULG (e.g., excludes national roads running through authority)
8	Average daily ridership for public transport	Numbers of passenger trips per day	The average daily number of passenger trips on local buses, light rail and other modes of mass transit within the urban area
9	Other service delivery outcome measures (TBD)		
IV	Service Delivery Expenditures (in local currency)	Total, in local currency unit	Budgeted and actual expenditures (executed budget) for most recent budget year available.
1	Recurrent expenditure on relevant service/ SDU (budgeted)	Local currency unit	As noted above
2	Recurrent expenditure on relevant service/ SDU (actual)	Local currency unit	As noted above
3	Capital expenditure (budgeted) on relevant service/ SDU	Local currency unit	As noted above
4	Capital expenditure (actual) on relevant service/ SDU	Local currency unit	As noted above
5	User fee revenues collected by SDU	Local currency unit	(If relevant)

Annex 2

The Urban Service Delivery Assessment Report (USD-AR)



Annex 2: The Urban Service Delivery Assessment Report (USD-AR)

This annex provides guidance regarding the preparation of the Urban Service Delivery Assessment Report (USD-AR). It provides a description of the information provided by the report and how this information is recorded. It is complementary to Annex 1, which describes the set of urban service delivery performance indicators.

The USD-PR aims to provide a comprehensive and integrated assessment of urban service delivery performance of an urban area, based in particular on an indicator-led analysis of the key institutions underlying urban service delivery performance. The structure of the report is the following:

STRUCTURE OF THE URBAN SERVICE DELIVERY – ASSESSMENT REPORT
Summary assessment
1. Introduction
2. Country background information
2.1. Description of the Country and Subnational Governance Systems
2.2. Description of Geographic, Demographic and Economic Conditions
2.3. Description of the Organizational Arrangements in Place for Urban Service Delivery
3. Assessment of the urban service delivery systems, processes and institutions
3.1. Effective assignment of functions to the local level
3.2. Dynamic local political leadership
3.3. Local control over administration and service delivery
3.4. Local fiscal autonomy and local financial management
3.5. Local participation and accountability mechanisms
3.6. Country/city specific issues and donor practices (if necessary)
4. Urban service delivery reform processes
4.1. Description of recent and on-going reforms
4.2. Institutional factors supporting reform planning and implementation
Annex 1: Performance Indicators Summary
Annex 2: Sources of information

The rest of this annex gives indications on the information provided by the report and how it is reported in the document. It follows the structure of the USD-AR.

Summary Assessment

This section aims to provide an integrated and strategic picture of urban service delivery performance. The summary assessment (at the beginning of the report) uses the aggregate score for each of the five institutional dimensions to provide an integrated assessment of the ULG's urban service delivery institutions. The summary assessment also discusses the likely impact of the observed weaknesses in



urban service delivery systems on urban service delivery outcomes. The indicative length of this section is three to four pages.

The summary assessment provides the following information:

(i) Integrated assessment of USD performance

The indicator-led assessment is summarized along the five core dimensions of urban service delivery performance identified in the Assessment Framework:

- A. **Effective assignment of functions to the local level** - Local governments are assigned the effective responsibility and authority to manage local affairs.
- B. **Dynamic local political leadership** - The local political leadership is given the necessary political space and is effective in identifying and responding to the needs of its residents and the local business community.
- C. **Local control over administration and service delivery** - The local political leadership is given the necessary control over the administration of local public services in order to respond to the service delivery needs of its residents and the local business community.
- D. **Local fiscal autonomy and local financial management** – Local governments are assigned the appropriate mix of own source revenues and intergovernmental fiscal transfers; have adequate autonomy over their own source revenue instruments; and effectively administer their local finances.
- E. **Local participation and accountability mechanisms** – Appropriate participation and accountability mechanisms are in place in order to ensure that local leaders and local officials are responsive to the need of local residents and businesses.

If urban service delivery performance is being assessed in more than one urban area at the same time, a comparative table should be prepared allowing for the comparison of the performance of the institutional dimensions in different urban areas. Similarly, if more than one urban service is being assessed (in one or more urban areas), this table should present a comparison of different urban services.¹¹ In addition to a comparative table, a radar diagram can also be used visually present the assessment data.

In synthesizing the performance of the urban service delivery systems, the analysis aims at identifying the main weaknesses of urban service delivery systems and does not simply repeat the detailed list of weaknesses identified in section 3. The analysis captures in particular the interdependence between the different dimensions, i.e. the extent to which poor performance in one of the core dimensions is likely to influence the performance of urban service delivery systems in relation to the other dimensions.

(ii) Assessment of the impact of USD weaknesses

This part analyzes the extent to which the performance of the assessed USD institutions appears to be supporting or affecting the overall achievement of service delivery outcomes. In other words, it provides an understanding of why the weaknesses identified in service delivery performance matter for this urban area. The assessment does not examine the extent to which service delivery outcomes are

¹¹ The rows in the table should present the aggregate performance scores for each of the five dimensions (A-E); columns should be used to represent the different urban areas and/or different services. Additional rows may be added at the bottom of the table reflecting (per capita) service delivery expenditures and service delivery outcomes.



achieved *per se*, but rather uses information from the foregoing analysis of the aggregate performance indicators and the situation analysis (as captured in the section 2 of the report) to assess the extent to which the USD systems contribute (or fail to contribute) to an enabling environment for achieving the desired urban service delivery outcomes.

(iii) Prospects for reform planning and implementation

This part assesses the extent to which institutional arrangements are in place (both within the urban local government itself, and within the higher-level government) to support the planning and implementation process of institutional reforms to strengthen urban services. In addition, for aid-dependent countries, a statement is included on existing donor practices and on the extent to which donor interventions affect urban service delivery performance.

Section 1: Introduction

The objective of the introductory section is to understand the context and the process by which the USD-AR was prepared and to outline the scope of the USD assessment. The indicative length of this section is one page. The introduction includes the following:

- **Objective of the USD-AR**, including why it has been undertaken at this time and its contribution to on-going urban reform activities.
- **Process of preparing the USD-AR**, including the organization(s) associated in the preparation of the report (with a description of their role and contribution) and an indication of the involvement of (central and local) government in the preparation of the report.
- **The methodology for the preparation of the report**, such as reliance on information sources, interviews, etc.
- **The scope of the assessment as provided by the USD-AR**, including the services that are covered by this report as well as the urban local governments being assessed (if more than one ULG is being covered).

Section 2: Country Background Information

The objective of this section is to provide information on the city (or cities) whose urban service delivery systems are being assessed, to allow for sufficient understanding of the wider context of urbanization and urban services in that city and country. It includes a brief review of the country's subnational governance systems; the city's geographic, demographic and economic conditions; and the organizational arrangements in place for the urban services being assessed.

The indicative length of this section is four to five pages. The section is structured along the following lines and provides the following information:

Sub-Section 2.1: Description of the Country and Subnational Governance Systems

- Country context, including population, income level, percentage of population living below the poverty line, economic growth rate, economic structure and main challenges for development.
- Brief overview of the country's subnational (or administrative-territorial) governance structure. Discuss the number of (urban) local governments and the average population size (and population range) of ULGs.



- Brief description of the legal framework establishing (urban) local governments and the legislation guiding (urban) local government finances, administration and operations. This description may include the Local Government Act and/or the Local Government Finance Act, but also, as relevant, the Public Finance Act, the Public Service Act, the Procurement Act, or similar legislation.
- Summary of main (legal and *de facto*) functional authorities and responsibilities assigned to urban local governments.
- Brief overview of the general organizational structure of (urban) local government bodies (e.g., ULG Executive, ULG legislative council, and ULG service delivery departments).
- Brief overview of the electoral system for urban local governments.
- Brief overview of local planning and budget formulation process and local public financial management systems.
- Brief overview of local human resource arrangements and the degree of local control over local human resource management.
- Brief overview of procurement arrangements.

The description should reflect the actual (*de facto*) situation. Any gaps between the legal framework and the *de facto* situation should be noted.

Sub-Section 2.2: Description of Geographic, Demographic and Economic Conditions

This sub-section provides an overview of the city or cities included in the USD assessment, including the city's geographic, demographic and economic conditions. The information for this sub-section is drawn from Section F (Part I and Part II) of the Urban Service Delivery Performance Indicator Set (see Annex 1) or other relevant sources.

Sub-Section 2.3: Description of the Organizational Arrangements in Place for Urban Service Delivery

This sub-section provides a description of the organizational arrangements in place for the delivery of the urban service that is (or the urban services that are) the focus of this report.

For each service, the report describes the organizational or legal nature of the entity responsible for *delivering* or *providing* the service (e.g., is the service delivery unit (SDU) a department which is an integral part of the ULG; a municipally-owned corporation; a metropolitan authority which is managed by several ULGs; or an entity which is directed or managed by a higher-level government). The report further describes which entity *actual produces* each service: for instance, is the service produced by the SDU itself, is the production of the service outsourced to a private company or a community-based organization, or does a higher-level government entity actually provide the service? In addition, the report describes the basic *financing arrangements* for each service (e.g., user fees, general local revenues, earmarked grants) as well as the degree of *higher-level involvement in priority-setting and regulation*.

Recent changes in responsibilities can be mentioned, including trends in the intergovernmental context of service delivery (e.g., trends in the centralization or decentralization of expenditures and powers).

The information in this sub-section is intended as descriptive. The description should reflect the actual (*de facto*) situation. Any gaps between the legal framework and the *de facto* situation should be noted. The description does not intend to make a statement on compliance with existing rules or the

adherence to good practices. Such issues are captured in the detailed assessment of the USD systems (section 3).

Section 3: Assessment of urban service delivery systems, processes and institutions

The main body of the report assesses the current performance of urban service delivery systems, processes and institutions, as captured by the detailed performance indicators. As relevant, this section also reports on progress made in improving urban services and service delivery institutions over time. The structure of the section is the following:

- 3.1. Effective assignment of functions to the local level
- 3.2. Dynamic local political leadership
- 3.3. Local control over administration and service delivery
- 3.4. Local fiscal autonomy and local financial management
- 3.5. Local participation and accountability mechanisms
- 3.6. Country specific issues and donor practices (if necessary)

The indicative length of this section is about eighteen to twenty pages.

Sub-Sections 3.1 To 3.5

Each sub-section discusses the relevant performance indicators contained in each institutional dimension. Reporting reflects the order of the indicators.

Box: Reporting the indicator-led analysis

Reporting on the indicator-led analysis is undertaken in the following manner :

- The text gives a clear understanding of the actual performance of each of the USD dimensions captured by the indicators and the rationale for its scoring. Each dimension of the indicator is discussed in the text and addressed in a way that enables understanding of the specific score assigned for each indicator.
- The report indicates the factual evidence (including quantitative data), which has been used to substantiate the assessment. The information is specific wherever possible (e.g. in terms of quantities, dates and time spans).
- Any issues of timeliness or reliability of data or evidence is noted.
- If no information exists either for a whole indicator or one of its dimensions, the text explicitly mentions it. If it is felt that scoring is still possible despite a lack of information for one of the dimension, the rationale for the scoring is made explicit.

The discussion of each of the indicators focuses on the assessment of the present situation (the indicator-led analysis). To the extent that an identified weakness is already being address by specific interventions or reforms, a separate paragraph will describe these reform measures. The assessment based on the indicator and the reporting on progress are separated in two different paragraphs, in order to avoid confusion between what the situation is and what is happening in terms of reforms.

Sub-Section 3.8: Country/city specific issues and donor practices (if necessary)

The USD-AR provides information on country- or city-specific issues that are essential for a comprehensive picture of USD performance and that are not fully captured by the indicators. This may



include a discussion of the impact of major changes in local economic conditions, or the impact of central government reforms or donor interventions on urban service delivery performance.

Section 4: Urban service delivery reform processes

The report's final section briefly summarizes recent and ongoing interventions and reform measures being pursued or implemented (either by local authorities, central government or donor partners) to improve urban services. This section further assesses the institutional factors that are likely to impact service delivery planning and implementation in the future. These discussions are captured in two sub-sections: a description of recent and on-going reforms (sub-section 4.1) and a discussion of institutional factors supporting reform planning and implementation (sub-section 4.2).

It should be noted that the Urban Service Delivery Assessment Report is a statement of current urban service delivery performance and does not include recommendations for reforms or action plans.

In case the report was jointly prepared by different stakeholders (for instance, by community stakeholders and local government officials, or by central and local government officials) and different views are held by different stakeholders with regard to the findings of the report, the urban local government's opinion could be reflected in an annex of the report.

