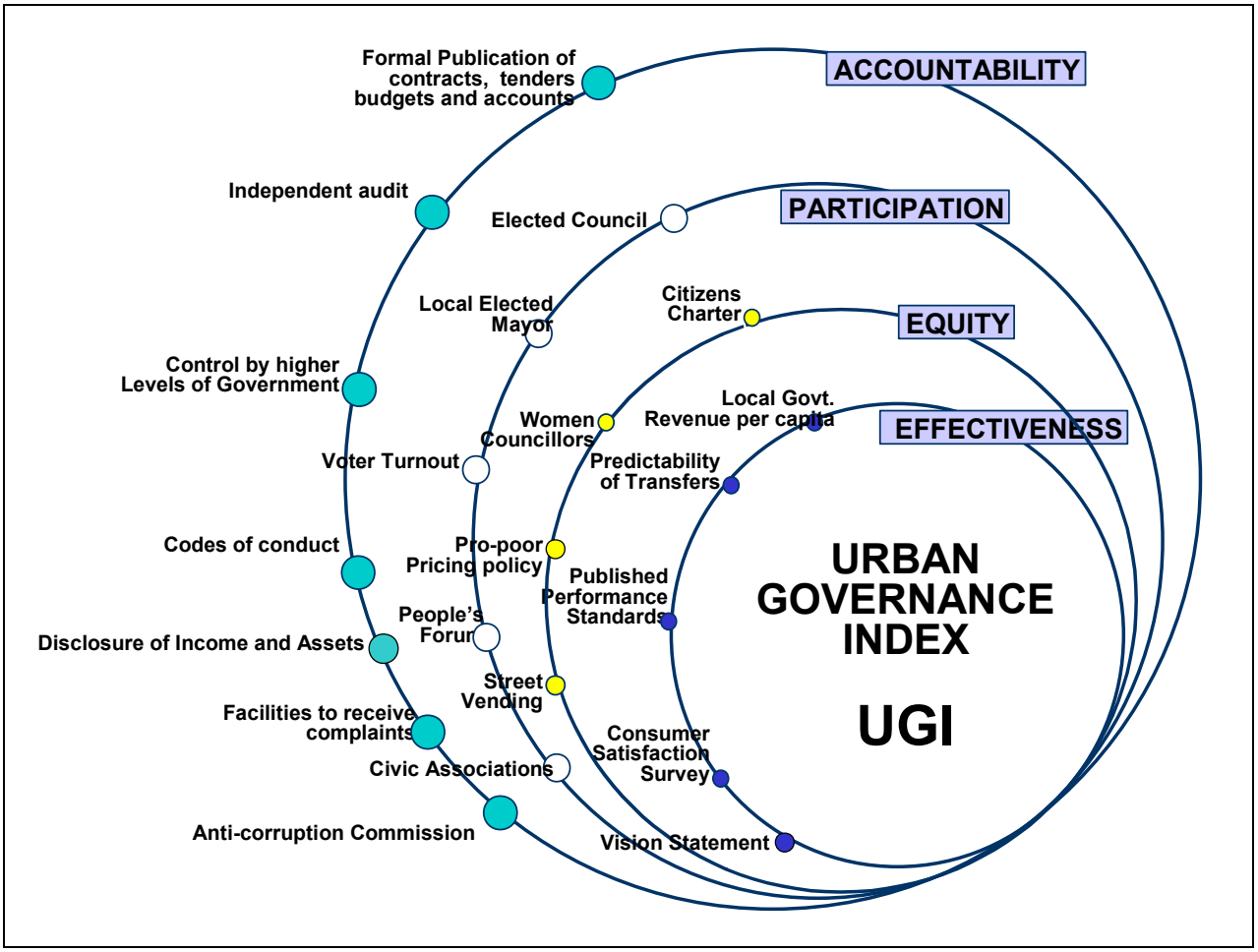
Urban Governance Index

Conceptual Foundation and Field Test Report



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UN-HABITAT

Global Campaign on Urban Governance
Global Urban Observatory

Acknowledgement

The Global Campaign on Urban Governance and the Global Urban Observatory (GUO) are developing an Urban Governance Index (UGI) as one of the Campaign's "flagship products" and a core tool of the GUO to be used as part of its Support to Policy Formulation Function. A meeting was held during the World Urban Forum, 2002 to the review progress in developing the Urban Governance Index. A Sourcebook that illustrates the methodology for arriving at the Urban Governance Index involving other partners, was presented during the Expert Group meeting on the Urban Governance Index, 2002 to receive feedback regarding the structure, selection of indicators and the field-test process. Valuable comments were also received from members of the Global Steering Group Meeting of the Campaign.

It was decided to field test the select indicators in the UN-HABITAT partner cities. The field test was conducted in two stages in 24 cities. Its main was to evaluate the select indicators and assess the credibility of the tool.
The exercise was very challenging given the limited resources and it would not have been possible without the commitment and support of these cities. We sincerely thank the people involved in compiling information and completing the worksheets within a limited time framework and providing valuable feedback regarding the indicators and the indices. We consider this a key contribution to the further development of the Global Campaign on Urban Governance. We are indebted to the following persons from the 24 cities.

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Executive Summary

1. Background

UN-HABITAT launched the Global Campaign on Urban Governance in 1999 to support the implementation of the Habitat Agenda and contribute to the eradication of poverty through improved urban governance. The Urban Governance Index (UGI) is being developed in line with the campaign's advocacy and capacity building strategies with a two-fold purpose. At the *global level*, the index will be used to demonstrate the importance of good urban governance in achieving broad development objectives, such as the Millennium Development Goals and those in the Habitat Agenda. At the *local level*, the index is expected to catalyze local action to improve the quality of urban governance.

This report synthesizes the important findings and recommendations from various campaign events on developing the UGI, field test results, the suggestions and feedback from participating and partner cities and the experience of the Global Campaign on Urban Governance and the Global Urban Observatory. It also draws upon the earlier work done by UN-HABITAT to prepare the draft Sourcebook[1].

A two-staged field test was conducted in 24 cities for the selection of indicators. The main objective was to assess the credibility of the tool, and not to rank cities according to their performance.

Limitations of this report

The proposed urban governance index is **work in progress** and primarily presents a conceptual basis and the results of the field test to identify most appropriate indicators. The test presented in this document can only assess the level of universality, acceptance, relevance, ease of collection, credibility of the UGI indicators components.

The UGI will be finally valid when data is collected from **larger sample of cities** and principal component analysis is performed and applied to establish the relevant components.

Given the complex nature of governance, it has been difficult to pursue and achieve at the same time our global and local objectives with the index. We encourage you to use the index as presented as a **starting point for local adaptation and development**.

Using the select indicators without respecting the system of sub-indices may lead to **incomplete assessments** of the state of urban governance.

The city data presented in this report is primarily for **applied research** and **tool development purposes** and should not be considered as official data, nor should the data be used for any further dissemination or publication.[2]

The city data **does not differentiate between urban agglomeration, metropolitan and municipal areas**. However, it is important to include an adapted version for a metropolitan area with constituent municipalities, because in such cases there is a very specific governance issue in the relationship between the metropolitan authority and the municipalities

[1] UN-HABITAT (2002) Urban Governance Indicators: A Sourcebook, Nairobi, Kenya.

[2] The analysis, conclusions and recommendations of this report do not necessarily reflect the views of the United Nations Human Settlements Programme, the Governing Council of the United Nations Human Settlements Programme or its Member States.

2. Approach for developing the UGI

Both a top-down and bottom-up approach is applied for developing the index. Five principles of good urban governance, i.e. effectiveness, equity, participation, accountability and security that were adopted in the UN-Inter-Agency meeting in 2001, formed the framework for developing indicators for the UGI. Given the Campaign's emphasis on the actors, mechanisms, processes and institutions (i.e., a governance approach) to create more inclusive or exclusionary cities, an attempt is made to carefully develop the UGI that emphasizes on process indicators. The following tasks were undertaken during the development of the UGI:

- Propose measurable definition for the 5 principles
- First list of 66 indicators proposed
- Selection of 26 indicators by desk study for field-testing
- Field test undertaken in two stages to recommend changes for improving indicators and quality of sub-indices.
- Propose a set of indicators, assign loadings and propose alternatives and tentative UGI formulae.
- Undertake cross-country e-discussion and present results at international forums.
- Initiate a larger sample data collection to finalize the UGI

3. Developing Indicators

Definitions of the sub-indices have been proposed as response to the recommendations during the Expert Group Meeting on UGI, 2002. The definitions presented for the five sub-indices justify the selection of indicators by providing its linkage to policy objectives and its significance to the principle of governance.

- *"**Effectiveness** of governance measures the existing mechanisms and the socio-political environment for institutional efficiency (through subsidiarity and effective predictability) in financial management and planning, delivery of services and response to civil society concerns".*
- *"**Equity** implies inclusiveness with unbiased access (be it for economically weaker sections, women, children or elderly, religious or ethnic minorities or the physically disabled) to basic necessities (nutrition, education, employment and livelihood, health care, shelter, safe drinking water, sanitation and others) of urban life, with institutional priorities focusing on pro-poor policies and an established mechanism for responding to the basic services."*
- *"**Participation** in governance implies mechanisms that promote strong local representative democracies through inclusive, free and fair municipal elections. It also includes participatory decision-making processes, where the civic capital, especially of the poor is recognized and there exists consensus orientation and citizenship".*
- *"**Accountability** implies that mechanisms are present and effective for transparency in the operational functions of the local government; responsiveness towards the higher level of the local government; local population and civic grievances; standards for professional and personal integrity and rule of law and public policies are applied in transparent and predictable manner".*
- *"**Security** of governance implies that there are adequate mechanisms/process/systems for citizens' security, health and environmental safety. It also signifies there are adequate conflict resolution mechanisms through the development and implementation of appropriate local policies on environment, health and security for the urban areas."*

A list of 66 indicators was identified on the basis of the recommendations from the EGM on the UGI, 2002 and the drafting of measurable definition. Inclusiveness has been the central issue for selecting indicators. A number of indicators addressing gender bias have been selected under the principles of Equity, Participation and Security. Though various other process indicators addressing women and other disadvantaged groups were identified in the initial list of indicators, difficulty in collection level limits their inclusion. However, using the current methodology framework, it is vital that further gender disaggregation is encouraged when expanding and locally adapting the index.

As it was not feasible to use all the 66 indicators for the field test, a structured evaluation exercise was undertaken to reduce the list. Five factors were considered; a) consistency with campaign goal, theme and principles, b) ease of collection, c) credibility, d) comparability across countries and e) media appeal. After this evaluation, 26 indicators were short-listed to be field-tested in two stages**.**

4. Field test and evaluation of indicators

The first stage evaluated the indicators and proposed recommendations to rectify anomalies and improve the quality of sub-indices. The second stage was undertaken to refine the data submitted by the participating cities and enhance the credibility of recommendations towards the Index.

The evaluation process included, a) independent evaluation of the indicators; b) ranking of the indicators and the representation of sub-indices. Four factors that were considered for the evaluation of the indicators include, a) Ease of collection; b) Universality; c) Relevance, and d) Credibility.

- **Effectiveness sub-index**: In the first stage field test, the sub-index provided a good representation[3] with recommendations to retain all indicators with modifications to some. The findings from the evaluation in the second stage present encouraging results, especially towards addressing universality and relevance. The sub-index provided a good representation in addressing the effectiveness principle.
- **Equity sub-index**: The sub-index limitations adequately addressing the equity principle and recommendations were made to modify most indicators, especially to improve their universality and credibility. Finding from the second stage of field-test presents encouraging improvement in the overall ranking of the sub-index as three of the total four indicators improved their ranking. The sub-index provided a good representations in addressing the principles of equity
- **Participation sub-index**: In the first stage of the field test, though the sub-index provided a good representation in addressing participation, there were weaknesses in some indicators. The indicators were rectified and in the second stage field test improvement were observed in the overall ranking of the sub-index. The sub-index provides a good representation in addressing the principles of participation.
- **Accountability sub-index**: Evaluation of the indicators, during the first stage field test, reported that the sub-index provided a good representation in addressing accountability principles. All indicators were proposed to be retained, with consolidation of two indicators, and minor revisions to few. Second stage evaluation presents encouraging improvement in the overall ranking of the sub-index.
- **Security sub-index**: In the first stage test evaluation, indicators provided a weak representation in addressing the security principle, due to major weaknesses in the sub-index. It was difficult to identify indicators that would address the ‘process and institutions’ addressing security. The second stage evaluation presents only mild improvement in the overall score of the sub-index. The sub-index still provides a weak representation in addressing the principles of security and was eventually **not recommended** to be part of the index.

[3] In this field test, representation is measured by the level of 'response' and 'acceptance' by the participating cities

5. Aggregating sub-indices

The methodology for aggregating the indicators follows a standard procedure of selecting, normalizing and providing weighting to the different variables. To arrive at the UGI, one of the fundamental issues was to identify what indicators should be included and what loadings should be assigned to the selected indicators.

Due to the small sample size, statistical results from the principal component analyses (PCA) were not used as the basis to determine most significant indicators and the value of loadings. Therefore, "ranking of the indicators" is currently used as the factor for selecting indicators. Subsequently, two alternative sets of indicators have been proposed for further consideration and finalization of the UGI formulae.

- Only indicators that received **high ranking**
- Indicators that received **high ranking** and some indicators with **moderate ranking**

Table 1: Selected indicators for the two alternatives

Principle	Alternative 1: Only High ranking	Alternative 2: High and selected moderate ranking
Effectiveness sub-index	1. Local government revenue per capita 2. Local Government transfers 3. Ration of mandates to actual tax collection 4. Published performance standards	1. Local government revenue per capita 2. Ratio of actual recurrent and capital budget 3. Local Government transfers 4. Ratio of mandates to actual tax collection 5. Predictability of transfers 6. Published performance standards 7. Customer satisfaction survey 8. Vision statement
Equity sub-index	5. Citizens charter 6. Proportion of women councilors 7. Proportion of women in key positions 8. Pro-poor pricing policy	9. Citizens charter 10. Proportion of women councilors 11. Proportion of women in key positions 12. Pro-poor pricing policy 13. Street Vending
Participation sub-index	9. Elected council 10. Election of Mayor 11. Voter turnout 12. People's forum 13. Civic Associations (per 10,000)	14. Elected council 15. Election of Mayor 16. Voter turnout 17. People's forum 18. Civic Associations (per 10,000)
Accountability sub-index	14. Formal publication of contracts, tenders, budget and accounts 15. Control by higher levels of government 16. Anti-corruption commission 17. Disclosure of personal income and assets 18. Regular independent audit	19. Formal publication of contracts, tenders, budget and accounts 20. Control by higher levels of government 21. Codes of conduct 22. Facility to receive complaints 23. Anti-corruption commission 24. Disclosure of personal income and assets 25. Regular independent audit

To assign the loadings, 'rank of the indicator' and the 'number of indicators addressing the significance' to a specific policy objective have been considered. After arriving at the sub-indices for each principle, the UGI is then calculated after applying equal weights to the each sub-index**.**

The formulae presented in the report are **tentative.** They require further consideration after receiving data from a larger number of cities in order to provide a more robust statistical basis for recommending a non-arbitrary method of selecting indicators and assigning loadings

5. Dissemination and data collection approach

Dissemination of the tool could be in 2 phases; the first one during the finalization stage of the tool, where the field test results are shared and the second phase after the tool has been finalized and where the aim is to reach a wider range of partners.

Table 2: Selected dissemination actors at the global and regional level

Objectives	Actors	Event / output
Finalizing of the UGI	Field test participating cities UN-HABITAT regional offices UNDP UCLG SCP/UMP	Cross-country Internet based discussion
Disseminate the importance of UGI	Global Campaign on Urban Governance, GUO, FCM, UNDP, CLGF	World Urban Forum, Sept 2004
Synergy with GUO's work on urban indicators (comparison with CDI)	GUO	Relationship of state of governance and effectiveness of governance
Correlation with the HDI and the dissemination of the tool in different countries	UNDP	UNDP source book
Identify synergies in consolidating efforts for UGI dissemination and collection	OECD (public management and governance section)	-

Key underlining approaches in proposing **data collection strategy** are:

- Using the international forums and advocacy platforms to generate interest amongst relevant international organizations collecting indicators.
- Sharing information regarding the list of indicators, field test reports and methodology and identify common ground, overlaps and mutually beneficial data or indicators.
- Initiating efforts in partnering with interested organizations. Partnering could focus on sharing of information, e-discussion, joint hosting of events on indicators and governance, documentation of good practices on governance and data collection.
- After the selection of cities has been undertaken, identifing the existing capacity for data collection and if required sensitize and/or integrate data collection and improvement modules within the larger capacity building ongoing programmes.
- As far as possible including indicators collection and data improvement components in capacity building programmes
- Establishing linkages with the proposed Global Observatory of Local Democracy and Decentralization (GOLD) to serve as an anchor for data collection of the UGI
- Exploring the establishment of an award system to provide incentives to cities showing progress towards meeting the benchmarks. This would recognize efforts by cities in moving towards good governance and provide incentives to other cities to do the same.

6. Main Conclusion and Way Forward

- Development of index has **made progress** after modification, inclusion and exclusion of indicators, has **significantly improved the performance of most indicators**, which better address the four criteria, and the principles of governance.
- A significant **proportion of the 26 indicators** selected for the field test are valid and many have been revised and verified during the field test to better address the principles of governance.
- Specific indicators that have proven problematic have been excluded or consolidated with other indicators. As only one indicator receive high ranking in **Security sub-index**, **its exclusion is recommended** to improve the overall quality of Urban Governance Index.
- The indicators that were **not universally understood** and whose definitions were made presented **improvements** with better ranking of the respective indicators.
- Weakness in the **credibility** of indicators was mainly attributed to their weakness in measuring the progress or the performance of the mechanisms in place.
- Indicators had also been revised to **reduce the local government bias** in defining governance and the selection of indicators during the field test.
- **Binary indicators** presented some limitations in accurately addressing the governance principle and importantly measuring the progress over time. However, their consolidation with a number of **binary data sets** and provision of **balanced loading (weights)** has **improved their credibility**.
- The methodology in arriving at the UGI has been **participatory** with feedback from participating cities as one of the most important elements to propose changes in defining indicators and improving the quality of the UGI.
- During the process of evaluation, the **emphasis has been on the performance of respective sub-index**, rather than only the aggregation of the UGI.
- The dissemination of the tool could be **in 2 phases**; the first one during the finalization stage of the tool, where the field test results are shared and the second phase after the tool has been finalized and where the aim is to reach the wider partners and international organizations.
- The Global Observatory of Local Democracy and Decentralization **(GOLD)** could serve as an anchor (proposed jointly established by UCLG and UN-HABITAT) for dissemination and data collection of the UGI. At the same time it would be useful to explore other projects and capitalise on their respective data collection efforts.
- To monitor the performance of the cities and to provide incentives to the cities showing progress towards meeting the benchmarks, an **award system** could be established.
- It would be prudent to follow a more **step-by-step approach** for a sustained application of UGI in urban management. It would be ideal to first select a cluster of committed cities in a region and directly involve actors/councilors/projects and programmes and spread the initiative in phases by region through training /sensitization seminars.

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1. Background

UN-HABITAT launched the Global Campaign on Urban Governance in 1999 to support the implementation of the Habitat Agenda goal of "sustainable human settlements development in an urbanizing world." The Campaign's goal is to contribute to the eradication of poverty through improved urban governance. It aims to increase the capacity of local governments and other stakeholders to practice good urban governance and to raise awareness of and advocate for good urban governance around the world.[4] The campaign is implemented through four principle strategies: normative debate, advocacy, capacity building and knowledge management. The development of the index supports the Campaign's advocacy and capacity-building strategies.

The index is being developed with a two-fold purpose. At the *global level*, the index will be used to demonstrate the importance of good urban governance in achieving broad development objectives, such as the Millennium Development Goals and those in the Habitat Agenda. Organizations such as UN-HABITAT, UNDP and the World Bank have long advocated for increased investments in urban development based on a common argument: the world is increasingly urbanizing, and cities, through their concentrations of population and resources, represent the best entry point for the efficient and effective use of scarce development resources. Research at the national level has demonstrated that good governance correlates with positive development outcomes.[5] A survey on governance in 165 countries reported that a one standard deviation increase in any one of 6 governance indicators causes a $2^{1/2}$ fold increase in the income, a 4 fold decrease in infant mortality and a 15 to 25 percent increase in literacy, thus establishing a clear relationship between governance and human development[6]. As the survey concluded:

"The result of good governance is development that 'gives priority to poor, advances the cause of women, sustains the environment, and creates needed opportunities for employment and other livelihood [7]"

The index expects to demonstrate that good urban governance is vital to improving the quality of life in cities. At the global and regional level, the index is expected to facilitate comparison of cities based on the quality of their urban governance. At the *local level*, the index is expected to catalyze local action to improve the quality of urban governance by developing indicators that respond directly to their unique contexts and needs.

A meeting was held during the World Urban Forum, 2002[8] to the review progress in developing the Urban Governance Index.[9] Following the meeting it was agreed to involve other partners, namely UNDP, the World Bank and Transparency International, in the development of the Urban Governance Index (UGI) and its companion Sourcebook. The Sourcebook that illustrates the methodology for arriving at the Urban Governance Index involving other partners, was presented during the Expert Group meeting on the Urban Governance Index, 2002[10] to receive feedback regarding the structure

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[4] For more information, please refer to UN-HABITAT (2002) *Global Campaign on Urban Governance: Concept Paper* 2nd Edition, Nairobi, Kenya at http://www.unhabitat.org/governance

[5] See for example, D. Kaufmann, A. Kraay and P. Zoido-Lobaton (August 1998), "Governance Matters." World Bank, Washington, DC. and the follow-up study, "Governance Matters II," (2002).

[6] Wescott. Clay (2000); Measuring Governance in Developing Asia, Asian Development Bank, Manila. See also D.Kaufmann, A.Kraay, and P.Zoid-Lobaton (1999); Governance matters, Washington, DC, World Bank

[7] Re-conceptualizing Governance, UNDP, 1997. Pg. 1

[8] World Urban Forum, 29 April – 3 May 2002, Nairobi

[9] See UN-HABITAT Global Campaign on Urban Governance, "Urban Governance Index: Summary of World Urban Forum Consultation," 3 May 2002 at http://www.unhabitat.org/governance

[10] Urban Governance Index, Expert Group Meeting, 31 October - 1 November, 2002

(five core principles of good urban governance), selection of indicators and the field-test process. Subsequently, a two-staged field test was conducted in 24 cities for the selection of indicators.

The report attempts to integrate the findings from the field test, the suggestions and feedback from participating and partner cities and the experience of the Global Campaign on Urban Governance and the Global Urban Observatory. It nevertheless draws upon the earlier work done by UN-HABITAT to prepare the draft Sourcebook[11]. The following events have been critical in providing the direction to the report:

- Stakeholders meeting, 19th Session of the UN-HABITAT Governing Council, 7 May, 2003
- UN-HABITAT learning Event, Twelfth session of Commission on Sustainable Development (CSD-12), New York, 21st April 2004
- Seventh Global Steering Group Meeting of the Global Campaign on Urban Governance, 3rd May 2004, Paris[12]

This report is structured as follows:

Chapter 2: Defines good urban governance, discusses some key issues related to measuring urban governance and the various possible frameworks for the index and indicators.

Chapter 3: Summarizes past initiatives, the process of identifying and short-listing indicators for the respective principle.

Chapter 4: Describes the evaluation of select indicators and sub-indices on the basis of the field test and presents the Urban Governance Index of the participating cities.

Chapter 5: Presents a tentative strategy for UGI dissemination and data collection

Chapter 6: Synthesizes the key conclusions of the report and presents the way forward

Annexes: Presents a list of indicators selected during the Expert Group Meeting on UGI, 2002; the evaluation matrix of indicators for the field test; two alternatives on the final list of indicators, method of assigning loadings on the variables; an example of calculating an Urban Governance Index for a given city, results of the participating cities and the results of Principal Component Analyses.

[11] UN-HABITAT (2002) Urban Governance Indicators: A Sourcebook, Nairobi, Kenya.

[12] Chaired by United Cities and Local Governments (UCLG) and includes the Commonwealth Local Government Forum (CLGF), Eurocities, the European Forum for Urban Safety (EFUS), the Habitat International Coalition (HIC), the Huairou Commission, the International City/County Management Association (ICMA), the International Council for Local Environment Initiatives (ICLEI), the Local Authorities Confronting Disasters and Emergencies (LACDE), a media representative, the Network Association of European Researchers on Urbanization in the South (N-AERUS), Transparency International (TI), UNDP, The Urban Governance Initiative of UNDP (UNDP-TUGI), the UNESCO-MOST Programme, UNICEF, the United Nations Advisory Committee of Local Authorities (UNACLA), UN-HABITAT's three Regional Offices and the chairs of the three Regional Steering Groups.

2. Issues in Developing a Good Urban Governance Index

2.1 Governance

The United Nations Development Programme (UNDP) has defined governance as:

"The exercise of political, economic and administrative authority in the management of a country's affairs at all levels. It comprises the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences."[13]

Four aspects of the above definition are relevant and important for the development of an urban governance index.

First, that governance is conceptually *broader than government*. It recognizes that power exists inside and outside the formal authority and institutions of government. Most formulations of governance recognize government, civil society and the private sector as the key actors. At the local level, these groups can be further specified to include: Central Government, state or provincial government (where applicable), local authorities, non-governmental organisations (NGOs), community-based organisations (CBOs), and the private sector.

Second, governance is *broader than management*, and tends to focus on the mechanism and process of administration, management and implementation.

A third and related point is that governance *emphasizes process*. The concept recognizes that decisions are made based on complex relationships between many actors with different priorities. The process focuses on progress in decision-making, decision taking and implementation. It can be perceived as an environment in which civil organisations, business community, private citizens and other institutions can assume ownership of the process of city development and the management of their own communities.

Finally, governance is a *neutral concept*. The actors, mechanisms, processes and institutions can produce positive or negative results, hence the notion of "good urban governance". As stated in the UNDP policy document, good governance is a necessary ingredient to achieve equitable and sustainable growth and development.

By promoting *good* urban governance, the UN-HABITAT campaign adopts an explicitly normative position. From the campaign's perspective good urban governance means that the actors, mechanisms, processes and institutions must contribute to urban poverty reduction and to promoting social inclusion. Inclusion is regarded as vital for:

- Ensuring that the benefits of economic growth are shared more equitably;
- Capitalizing on the productivity of diversity, particularly creativity and social capital;
- Increasing local ownership of development processes and programmes.

The concept of social inclusion is the key to the campaign's approach to urban poverty reduction. Conceptually, social exclusion is broader and more dynamic than poverty, which tends to be regarded as a static state of income poverty. In any city in the world, one can ask *who* is excluded from *what* and *how*? These questions immediately raise issues regarding the quality of urban governance. What

[13] UNDP (1997) *Governance for Sustainable Human Development*, UNDP, New York, pp. 2-3. See also the draft Working Consensus Definition of Governance presented to the U.N. Consultative Committee on Programme and Operational Questions (ACC/2000/POQ/CRP.20 of 14 September 2000).

actors, institutions, processes and mechanisms exclude people from the benefits of urban life or enable them to be full citizens?

2.2 Key issues in measuring good urban governance

2.2.1 Issues considered while designing the Urban Governance Index

The aim of measuring urban governance is to synthesize complex concepts of urban governance by a simplified summary measure. The Urban Governance Index (UGI) will measure the quality of governance mechanisms, institutions and processes[14]. It will include the process indicators and will be compared with other result oriented indices (such as the CDI), identify gaps, priority and future local level research.

The following factors determine the course of designing the Urban Governance Index:

Principles of Good Urban Governance

A UN Inter-Agency meeting in June 2001 reviewed seven principles of sustainability, subsidiarity, equity, efficiency, transparency and accountability, civic engagement and security and finally recommended the adoption of five UN principles of Good Urban Governance[15]:

- **Effectiveness** (includes efficiency, subsidiarity and strategic vision)
- **Equity** (includes sustainability, gender equality and intergenerational equity)
- **Accountability** (includes transparency, rule of law and responsiveness)
- **Participation** (includes citizenship, consensus orientation and civic engagement)
- **Security** (includes conflict resolution, human security and environmental safety

These principles are the framework for the Urban Governance Index[16].

Target audience and level of application

Identifying target audience largely depends on the level of UGI application, the mandates and the interest of the respective target audience. The following 3 categories of target audience are identified[17].

Table 2.1: Target audience and their tasks for applying the Urban Governance Index

Target Audience	Task	Objective of the index
Local authorities and their partners	Promoting policy dialogue and change	Catalyse local action to improve quality of urban governance
National governments	Accountability and efficiency in resource use	
Development professionals/ academics	Advocacy and comparison	Demonstrate importance of good urban governance, to achieve MDG

[14] As discussed in the Expert Group Meeting, Urban Governance Indicators, Nov. 2002

[15] See UN-HABITAT Global Campaign on Urban Governance *Minutes of Inter-Agency Meeting on the Principles of Good Urban Governance*, June 2001 at http://www.unhabitat.org/governance/

[16] These five urban governance principles could be linked to Amartya Sen's five measures of freedom. For *Economic Facilities*, one would measure the *effectiveness* of production and exchange as perceived by the people locally. For *Social Opportunities* one would consider the degree of *equity* in the make up of the fabric of society. For *Political Freedom*, one would measure the degree of *participation*. For *Transparency Guarantees*, one would use a local system of *Accountability*. For *Protective Security*, one would use a *security* assessment. Further work may explore these linkages between urban governance indicators and measures of freedom as complementary assessment criteria at the local level.

[17] See Westfall and de Villa, eds. (2001) *ibid*. *Urban Indicators for Managing Cities*, Asian Development Bank, Manila, The Philippines, p. 19.

The Urban Governance Index (UGI) can support applications at different levels, including global, national and city. Given the close relationship between governance and quality of life indicators, stakeholders at the local level will be interested in assessing and improving the quality of their governance arrangements. The index is expected to catalyze local action to improve the quality of urban governance. Local indicators, however, must be selected based on an assessment of the key barriers to good urban governance, which will vary from city to city. The index will also highlight the importance of monitoring local conditions and may lead to the development of more comprehensive, and more city specific, indicators systems. A set of extensive indicators accompanied by tools and methods, will be used to support indicators work at the city level, where local contexts require a bottom-up, participatory approach to indicators design

Indicator systems have been used at the state/provincial and national level for performance measurement, but this specific application will not be pursued here.[18] However, national governments will be able to use the index to promote the identification and exchange of best practice in urban governance, both nationally and internationally. It could also assist to identify national capacity-building and policy priorities.

Development professionals, academia and international institutions would seek to compare the performance of cities and undertaker detailed analyses to provide 'leads' for corrective or constructive action. With the initial database created on urban governance, every subsequent application of the indicators will not only provide the current status, but also help plot the change of status from the point and time last measured.

The global index aims to respond to the Campaign's advocacy objectives, including the identification of best practices. The index will demonstrate the importance of good urban governance in achieving broad development objectives, such as the Millennium Development Goals and those in the Habitat Agenda. More importantly, the Campaign also intends to use the global index as a catalyst for dialogue and action at the city level. The global index will naturally favour indicators that facilitate global comparison and serve advocacy objectives.

Approaches in Indicators development

In the past international initiatives to develop indicators, two main approaches have been undertaken- *a policy based approach* which has its roots in the social indicators movement of the late 1960's, subsequently modified by the World Bank / UN-HABITAT and the *systems approach* originally promoted by the OECD and used widely in support of Agenda 21 State of the Environment Reporting[19]. The general approach is to develop policy aims with respect to the concerns, and integrate the indicators with the process of policy development, monitoring and revisions. Each indicator is attached to a policy or a norm and each policy should have indicators attached. The number of indicators should be reduced to minimize complexity and maximize the impact of changes in the individual indicator.

Type of Indicators

Four types of indicator are commonly used to measure performance.[20]

[18] See examples from Australia, The Philippines, Thailand, and the U.K. referenced in Philippines-Australia Governance Facility (2001) *op cit*.

[19] Flood, Joe (1999); Urban Indicators for Thailand, Discussion paper, National Economic and Social Development Board, Asian Development Bank, Thailand

[20] Taken from Philippines-Australia Governance Facility (2001), *op cit*, pp. 54-55.

Input indicators measure the resources required to produce outputs, and the institutional environment in which the organization functions. These include such things as budget allocations, human resources, time required to produce outputs and institutional constraints.

Process indicators include the actions necessary within an organisation to achieve the results. These can include the quality of administrative systems, procedures, policies and plans.

Output indicators show the externally visible results of the inputs and processes. These include goods and services that satisfy citizen needs, for example, water stand-pipes installed, information counters, number of permits processed, etc. Finally, *outcome indicators* measure the long-term goals or benefits derived from a process, usually in the form of satisfied needs or changes in behaviour.

Emphasis on process indicators

Governance is about 'how things are done' and not 'what the result is'. Measuring governance implies that one needs to measure the mechanisms, processes and institutions, through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences. It is important to measure how decisions are made based on complex relationships between many actors with different priorities and what is the level of progress in decision-making, decision taking and implementation. Therefore, in developing indicators the focus is primarily on process indicators.

Quantitative versus Qualitative Data

Data can be broadly divided into quantitative and qualitative measures. Quantitative data are those generally collected by national statistics offices or by cities themselves to measure performance. The public and/or experts usually obtain qualitative data through either surveys or evaluations. The Campaign proposes to focus on quantitative data collected at the city level, with comparison possibilities at the national, regional and global levels. The Campaign foresees the possibility to complement the core set of quantitative data with qualitative surveys for self-assessment to be used at the city level.[21] Regardless of whether objective or subjective methods are used, the campaign will advocate the use of participatory methods for the identification, collection and analysis of indicators at the local level

Data Comparability, Availability, Proxies and Causality

Comparability of urban data is an issue, not least because different countries have different definitions of a city or an urban area. Comparing governance is further complicated by cultural and political sensitivities. Policy recommendations based on the indicators may not be universally appropriate and thus not advisable.

The *limited availability* of global urban data-sets is also a limitation. One of the best global sources is the UN-HABITAT Global Urban Indicators Database.[22] Despite its wide coverage, certain desirable governance indicators were not available. This, combined with the fact that many governance issues are difficult to measure has necessitated the use of *proxy indicators*.[23] There also exists large variation in the local government mandates across cities and thus to measure governance it becomes useful to use proxy indicators. A good proxy indicator should be relevant, and permit regular observation and reasonably objective interpretation to determine the change in its value or status[24].

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[21] An interesting recent effort combining hard data with polling information is the "Personal Security Index" developed by the Canadian Council on Social Development. See http://www.ccsd.ca

[22] See the 2001 Global Urban Indicators database at: http://www.unhabitat.org/guo/gui/index.html

[23] One option considered but not applied in this version of the index was the use of national level data as proxies for local data, for example, use of Transparency International's Corruption Perception Index based on the argument that corruption is a predominantly urban phenomenon.

[24] See Wescott, Clay (2000) *Measuring Governance in Developing Asia*, Asian Development Bank, Manila, The Philippines, p. 9.

Even a good proxy indicator, however, runs risks of measurement errors and biased estimates. Unconfirmed *causality* introduces yet another methodological problem. For example, does the existence of a disaster management plan lead to effective disaster management?

The Campaign's response is to make the best of a difficult situation: rely on global norms to establish a globally relevant understanding of good urban governance, recognize data and methodological limitations, be open and forthright about the inferences made from the selected indicators, and work with partners with recognized expertise to develop the best possible set of global indicators. The campaign is also developing tools to support local indicator development and collection to improve the quality of urban information.

Single versus Binary data

Both single numbers (being averages, means, rations, percentages) as well as a large number of indicators using binary variables are useful to arrive at indices. However, the application of statistical techniques (Principle Component Analyses) to deduce most relevant indicators and determine loadings to the variables is more credible when single numbers indicators are analyzed. The field tests include process indicators, majority of which are binary in nature. The main problem with binary variables, resides in the fact that have limitations in measuring differences between cities and trend over time.

Aggregation of indicators and comparability

Aggregation of indicators into indices are means to simplify numerous results and provide a more precise measure of urban governance than any individual variable, permitting the comparison of level of urban governance across cities or countries. It provides a consistent framework for placing data from various sources into common units.

The five principles of good urban governance are the basis for the selection of indicators. Enough indicators need to be selected to address key issues, focus and emphasize on urban governance and also improve accuracy of the final product. However, at the same time too many indicators risk diluting the impact of changes to any individual indicator. The number of indicators would be reduced to minimize complexity and maximize the impact of changes in the individual indicator. A rational approach would be to apply differential weighting of indicators and narrow down the number of indicators to the most relevant that address the emphasis on the Campaign. The index will be a composite of sub-indices each consisting of several indicators, raising issues of aggregation.

The UGI provides a unique aggregate of quality of governance that is process centric and it could be useful to compare it with other city level indices that focus on output indicator, like the City Development Index (CDI). The CDI is a single measure of level of development (well being and access to urban facilities) and constitutes 5 sub-indices of city product, infrastructure, waste, health and education. Other indices that could be compared include the Human Development Index (at the city level) and/or the Transparency Index (TI).

2.3. Good Urban Governance Frameworks and Indicators

There are two common approaches to developing an index framework or indicator systems: *top-down and bottom-up*.[25] The top down approach involves the design of a conceptual framework and the identification of indicators that fit. The dangers of such an approach are that it can oversimplify reality, identify irrelevant or impractical indicators, be difficult to sustain, and be uninspiring to work with locally. A modified top-down approach involves manipulating a comprehensive data-set: combining and recombining individual indicators to determine which combination most accurately

[25] See Philippines Australian Governance Facility (2001), *op cit,* pp. 57-59, for a good discussion of these issues and a model of the bottom-up process applied nationally in the Philippines.

predicts the quality of governance. The bottom-up approach is the one promoted by the UN-HABITAT Global Urban Observatory for local indicator monitoring. It promotes stakeholder participation and local ownership of the process to help ensure the data collected are locally relevant and used in decision-making.[26]

The campaign has elected to employ both a top-down and bottom-up approach for the development of the index. The first attempt to arrive at the index of good governance was limited to a desk study. Some of the indicators identified for the desk study provided a valuable measure of the quality of urban governance and had been retained. In the second attempt a large number of indicators have been produced after an Expert Group Meeting on the Urban Governance Index,2002. Two rounds of field test for 26 indicators have been undertaken in 24 cities altogether. Both the rounds adopted a bottom up approach with participatory collection and evaluation exercise involving local partners.

UN-HABITAT reviewed several different frameworks to measure the quality of urban governance. Some of these options are discussed below.

Explicit Thematic Focus

The index could explicitly focus on any one or combination of the Campaign goal and theme. For example, an Urban Poverty Index, possibly using a livelihoods approach that develops key indicators for physical, natural, financial, human and social capital. The index could also become the Inclusive Cities Index or Inclusive Governance Index. A third option considered is an explicit focus on the municipal budget. This last option would measure the priorities, efficiency, equity and degree of participation in the municipal budget, but would still require output and outcome indicators to measure implementation and impact.

Local Government Performance

This involves focusing on the quality of local government service delivery. This would allow for a clear focus on poverty reduction, but might suffer as local authority responsibilities can vary widely from country to country. One option would be to use the results of a recent survey of mayors to identify key issues from their perspective, for example, the 1997 Mayors Survey by UNDP. However, this framework is excluded from the methodology in developing the UGI since urban governance does not only focus on the local government performance.

Principles Framework

This approach involves using the 5 principles of good urban governance recommended by the UN Inter-agency Meeting on Urban Governance and linking them with the indicators selected. This approach would allow cities to identify principles that are in hand, at the same time identify gaps for future intervention. It would not necessarily need to be linked to the functions of local government but emphasis on the quality of relationships and processes between key stakeholders at the local level. As such it would be consistent with a governance approach. A similar framework that was reviewed was the World Bank's Sustainable Cities framework that proposes four broad domains: livability, competitiveness, good governance and management and bank ability.[27] This approach has been adopted by the Expert Group Meeting and the Stakeholders Meeting.

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[26] See UN-HABITAT (2000) *The Global Urban Observatory's Training Manual*, Nairobi.

[27] World Bank (2000) *Cities in Transition: World Bank Urban and Local Government Strategy*, Washington, DC.

3. Proposed Urban Governance Index

3.1 Past initiatives and methodologies for arriving at indices

Various indicator studies have concentrated on combining indicators to produce indices which represent in a single number, performance over a whole range of outcomes, and which permit comparisons of cities or countries. These indices include the Human Development Index (HDI) of the UNDP, various "liveability" indices produced for cities, and common indices such as the Consumer Price Index. At the urban level, the two most useful urban indicators have been the City Product per person, which is analogous to the GDP at the city level and gives the economic output of the city and the City Development Index (CDI), which is a measure of average well being and access to urban facilities by individuals.

The past methodologies for aggregating indicators follow a standard procedure of **selecting, normalization** and providing **weighting** to the different **variables**.

Statistical techniques provide important indications regarding what variables should form part of the indices. Principal component analyses (PCA) of a set of variables extracts statistically significant linear combinations of the underlying variables that are most significant and also explain the most variance in the data. However, successful application of PCA and other advanced statistical techniques depends on the sample size and the nature of variables (binary or quantitative). PCA is usually undertaken when the variables are easily available for all cities under consideration and which reflect aspects of the aggregate phenomenon to be studied. For example, the City Development Index (CDI) uses City Product Per Person; Infrastructure etc. while Human Development Index (HDI) uses GDP, life expectancy and educational attainment.

Transformation of variables counter saturation effects or extreme values while their **normalization** ensures that that the scales of the different variables are similar. An "income saturation" effect is apparent for many income related variables, including most "human development" indicators. Higher incomes result in a less than proportional increase in most infrastructure, health and education measures. For comparison with these variables, it is preferable to use a transformation, which compresses higher values, such as the logarithm or square root, as the UNDP Human Development Index does. For example, the HDI takes a square root of income above a threshold level so that the effects of very high national incomes will be limited, because it is considered that higher incomes add less than proportionally to human welfare. Then the variables are normalized as a percentage along the range between the maximum and minimum values, so that the minimum value becomes 0, the maximum 100, and intermediate values are spaced accordingly.

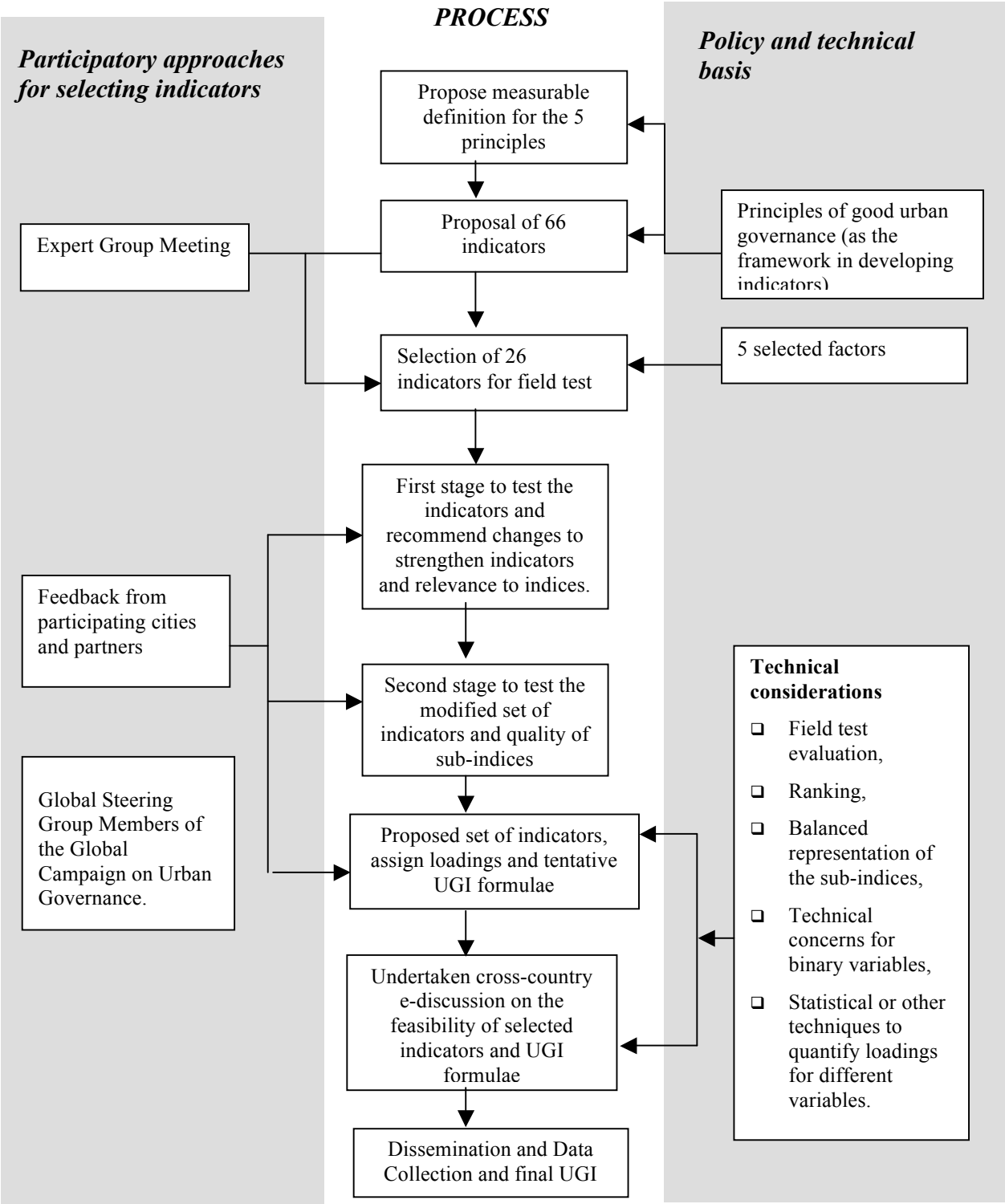
Weighting of variables may be done in different ways and depends on the type of data and the objective of developing the index. PCA determine the variables with greatest statistical significance and therefore assist in recommending loadings on different variables. The Human Development Index gives equal weighting to each of its three normalized components, while another common index, the Consumer Price Index, weights items according to their importance in the average household budget. However, in the absence of quantitative variables, in the presence of large number of binary variables, PCA should be avoided[28].

[28] Jae-On Kim and Charles W. Mueller, "Factor Analysis: Statistical Methods and Practical Issues", Sage Publictions

3.2 Methodology for selecting indicators and field test

The fundamental approach for selecting indicators is multi-dimensional. Foundation for the selection of indicators is the Principles framework that includes 5 principles of good urban governance. Please find below the flow chart illustrating the approach undertaken.

Figure 3.1: Proposed methodology for arriving at the UGI



3.3 Developing indicators

This section describes the measurable definition of the five sub-indices and justifies the selection of indicators by providing its linkage to policy objectives and its significance to the principle of governance. The definition used in the draft Sourcebook was used as the basis for discussion in arriving at a measurable definition of the 5 principles of good urban governance. Consensus to reduce local government bias in the definition was recommended.

3.3.1 Effectiveness

The Expert Group Meeting on Urban Governance Index, 2002, proposed that effectiveness of governance should also focus on the predictability of process and institutions. Following the recommendations from the Expert Group Meeting, the revised definition is presented:

"Effectiveness of governance measures the existing mechanisms and the socio-political environment for institutional efficiency (through subsidiarity and effective predictability) in financial management and planning, delivery of services and response to civil society concerns[29]".

Institutional efficiency includes subsidiarity of authority, sufficient resources and autonomy to meet responsibilities and management of revenue resources. Considering the importance of "governance process", effectiveness emphasizes on the mechanisms in place for effective delivery of public services and responsiveness to the society. Mechanisms include policies, standards, survey instruments, quality of administration etc.

There were 14 indicators for the principle of effectiveness that were selected. Its linkages with the policy objectives and their significance to governance are briefly presented in Annex 1, Table A.

3.3.2 Equity

The Expert Group Meeting on Urban Governance Index, 2002, proposed that equity of governance should focus on the policies, process, tools or mechanisms present for access to basic services. It was also decided to use "equity in decision making" under the principle of participatory governance. Following the recommendations from the Expert Group Meeting, the revised definition is presented:

"Equity implies inclusiveness with unbiased access (be it for economically weaker sections, women, children or elderly, religious or ethnic minorities or the physically disabled) to basic necessities (nutrition, education, employment and livelihood, health care, shelter, safe drinking water, sanitation and others) of urban life, with institutional priorities focusing on pro-poor policies and an established mechanism for responding to the basic services[30]."

Equity in governance also includes sustainable management of urban areas. Cities must attempt to balance the social, economic and environmental needs of present and future generations and develop long-term and strategic vision. There were 7 indicators identified for equity principle, details of which are presented in Table B, Annex 1.

[29] Definition proposed as result of the recommendations of the EGM on UGI, 2002. The meeting recommended the inclusion of concepts of mandate and subsidiarity and less emphasis on local government and finance in the definition.
[30] The EGM on UGI, 2002 recommended that the emphasis of the definition should be on the institutional mechanism and efforts that promote pro-poor policies.

3.3.3 Participation

The Expert Group Meeting proposed to organise indicators for participation along two lines; representative democracy and participative democracy indicators. On the basis of the discussions the following definition is propose:

> *"Participation in governance implies mechanisms that promote strong local representative democracies through inclusive, free and fair municipal elections. It also includes participatory decision-making processes, where the civic capital, especially of the poor is recognized and there exists consensus orientation and citizenship[31]".*

Representative democracy

In representative democracy competitive elections based on universal suffrage and secret ballots are used to achieve political representation. Elected representatives have political authority and their legitimacy comes from the consent/mandate of the electorate. Elections confer a new mandate for a given period of time, where elected politicians then act on behalf of and are accountable to the general public.

Regular local elections or electoral accountability are at the heart of this process. Participatory governance, which may rely on mechanisms such as interest group meetings, hearings, and community involvement in budgeting and planning, is becoming customary. The local public, including the news media, has ready access to documents. Citizens are generally informed and provide input into key local decisions directly at public meetings, perhaps through surveys, occasional referenda, or other means. Civil society groups reflecting the composition of the community, interact regularly with local authorities. Residents tend to participate voluntarily in neighborhood improvements. In short, citizens generally participate in decisions that affect their quality of life[32].

Participative democracy

A vibrant community life is a measure of civic engagement. People are the principal wealth of cities; they are both the object and the means of sustainable human development. Civic engagement implies that living together is not a passive exercise: in cities, people must actively contribute to the common good. Citizens, especially women, must be empowered to participate effectively in decision-making processes.

Where local governance is democratizing, local governments are increasingly responsive to and interactive with the community. They are more participatory, transparent, and accountable to local residents. Services are increasingly provided in response to citizen demand and priorities.

It is important to note that good participation may not always have positive results and outcomes. However, the level and quality of participation determines the quality of governance. The impact of good governance is in the sense of ownership of the decisions of the citizens, in the inclusiveness of the decision making process and of the result. (i.e. equity, improving living conditions of all, including minorities, not just to gain votes). There are cities where the results or outputs (e.g. services) are high, however the level of participation is low. The absence of a direct relationship between participation and results exemplified by the complexities in handling process and result (composite) information has resulted in debates about whether to disaggregate process and results in arriving at indices.

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[31] Definition proposed as result of the recommendations of The Expert Group Meeting on Urban Governance Index, 2002. The meeting recommended the inclusion of key words, local democracy, role of national government, civic capital and segregating representative and participative democracy. The indicators for private sector participation were not detailed out due to the complexities in measurement.

[32] See Centre of Governance and Democracy (2000); Decentralisation and Democratic Local Governance Programming Handbook, Technical Publication Series, Washington

There were 13 indicators for the principle of participation that were selected, its linkages with the policy objectives and the significance is briefly drafted in Annex 1, Table C.

3.3.4 Accountability: Identifying indicators

Accountability is a fundamental tenet of good governance. Not only the governmental institutions but also the private sector and civil society organizations must be accountable to the public and to their institutional stakeholders. Who is accountable to whom varies depending on whether decisions or actions taken are internal or external to an organization or institution. In general an organization or an institution is accountable to those who will be affected by its decisions or actions. An accountable local government can operate relatively confidently through an open process in all operations and projects and obtain the confidence of its residents in return.

The Expert Group Meeting on Urban Governance Index, 2002 recommended that the definition should emphasis on accountability of the local government to civil society and the segregation of transparency, responsiveness and integrity in presenting the indicators. Following measurable definition is proposed:

"Mechanisms are present and effective for transparency in the operational functions of the local government; responsiveness towards the higher level of the local government; local population and civic grievances; standards for professional and personal integrity and rule of law and public policies are applied in transparent and predictable manner".

<u>Transparency</u>
Transparency implies information is freely available and directly accessible to those who will be affected by such decisions and their enforcement. Decisions taken and their enforcement are done in a manner that follows rules and regulations. It also implies that enough and easily understandable information is provided. Processes, institutions and information are directly accessible to those concerned with them.

Measuring the quality of transparency includes the level of regular, organized and open consultations of citizens on city financial matters and other important issues, through mechanisms such as the participatory budget; transparent tendering and procurement procedures and the use of integrity pacts and monitoring mechanisms in the process.

<u>Integrity</u>
Elected and appointed officials and other civil servant leaders need to set examples of high standards in professional and personal integrity. Provision for the regular disclosure of assets of public officials is one way of disclosing integrity. Mechanisms to assess the integrity may include, checking corruption of local government, regular independent audits and independently executed programmes to test public officials integrity. It is also important to measure the progress towards integrity of the local government. E.g. removing administrative and procedural incentives for corruption, including simplifying local taxation systems and the reduction of administrative discretion in permit processing.

<u>Responsiveness</u>
Good governance requires that institutions and processes try to serve all stakeholders within a reasonable timeframe. This can be achieved by creating public feedback mechanisms such as an ombudsman, hotlines, complaint offices and procedures, citizen report cards and procedures for public petitioning and/or public interest litigation. It is also important to measure the responsiveness of the local government towards the higher levels of government.

There were 19 indicators selected, under this sub-index, its linkages with the policy objectives and significance is briefly elaborated in Annex 1, Table D.

3.3.5 Security: Identifying indicators

Every individual has the inalienable right to life, liberty and the security of person. Insecurity has a disproportionate impact in further marginalizing poor communities. Cities must strive to avoid damage from human conflicts and natural disasters by involving all stakeholders in crime and conflict prevention and disaster preparedness. Security also implies freedom from persecution, forced evictions and provides for security of tenure. Cities should also work with social mediation and conflict reduction agencies and encourage the cooperation between enforcement agencies and other social service providers (health, education and housing).

The Expert Group Meeting on Urban Governance Index 2002 identified the following dimensions of security: crime, natural disasters, health, environment or security of tenure and conflict resolution. There were concerns for its inclusion in the index. While conflict resolution was felt to be a central dimension, it was felt difficult to measure in global scale. On the basis of the discussion, the following definition is proposed:

"Security of governance implies that there are adequate mechanisms/process/systems for citizens' security, health and environmental safety. It also signifies there are adequate conflict resolution mechanisms through the development and implementation of appropriate local policies on environment, health and security for the urban areas."

At the local level perception surveys measure the level of security in different parts of the city. This technique is important since even a high provision of inputs like number of policemen or their capacity, would not necessarily mean a higher level of security. It depends on the perception of people. Even the presence of a conflict resolution process (mediation, adjudication or arbitration) may not signify a higher level of security. However, the fact that efficient conflict resolution mechanisms are in place signifies a positive approach to improving security. Its important to note, that its not exactly the crime rate that measures the level of urban governance, but the fairness in enforcing laws and distribution of equity in security. Thirteen indicators were identified for Security Principle. Please refer the Annex 1, Table E, for its linkage to policy objectives.

3.4 Indicators for gender inclusion

Disaggregation of indicators by gender has been perceived important since substantial evidence of bias have been reported in various countries, especially that takes the form of access to services, employment and income generation. A number of indicators addressing gender bias have been selected under the principles of Equity, Participation and Security. They include percentage of women councilors, voter participation disaggregated by sex and violence against women policy. Though various other process indicators addressing women and other disadvantaged groups were identified in the initial list of 66 indicators, difficulty in collection level limits their inclusion.

The Human Development Index (HDI) is particularly well suited to examine gender inequalities. The consequences of female disadvantages and gender bias, both intra and extra household will be reflected in the achievements in terms of life expectancy, literacy etc. As the UGI focuses on the policies, mechanism, arrangements or tools that are present for access to services, it is not very well suited to examine the impacts of inequalities, apart from the indicators mentioned above. However, using the current methodology framework, it is vital that further gender disaggregation is encouraged when expanding and locally adapting the index.

3.5. Evaluation of proposed indicators

Considering the fact that an index needs to have few but very relevant indicators to measure urban governance, a short-listing process for the proposed indicators was undertaken. One of the important considerations while selecting indicators was to ensure that they are *process* in nature[33]. The indicators were evaluated based on the following 5 criteria[34]:

1. Consistency with Campaign goal, theme and principles
2. Ease of collection
3. Credibility
4. Comparability across countries
5. Media appeal

The original list of 11 criteria[35] proposed during the Expert Group Meeting, 2002 was reduced to 5, as there were many overlaps in the criteria. For example, *consistency with campaign principles* absorbed *urban poverty reduction* and *social inclusion*, while *sensitivity to changes* in short-term and *measurement over time* were subsumed under *comparability.*

Selection of indicators from the list of 66 included the process of assigning a score from 1 (low relevance to the criteria) to 5 (high relevance to the criteria) with respect to each of the 5 criteria. The scores assigned, were averages of the independent scoring done by the staff members independently from the UN-HABITAT Flex team. The total score for each indicator was averaged (divided by 5, the number of criteria) and ranking for each indicator was arrived[36]. It was decided to include about 25 to 30 indicators for the field test and look for evidence of high correlation between selected indicators and quality of governance.

List of 26 indicators finally short-listed for the field test are presented below.

A. Effectiveness

1. Major sources of income
2. Predictability of transfers in local government budget
3. Published performance delivery standards
4. Consumer Satisfaction
5. Existence of a vision statement

B. Equity

6. Citizens' Charter: right of access to basic services
7. Percentage of women councilors in local authorities
8. Pro-poor pricing policies for basic services
9. Street vending permitted in central retail areas

C. Participation

10. Elected Council
11. Election of Mayor
12. Voter Participation by Sex
13. Referenda

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[33] As one of the important considerations of the EGM on UGI, Nov. 2002

[34] The criteria was further consolidated to four in the field test i.e. Ease of collection, Universality, Relevance and Credibility

[35] The eleven criteria included, Urban poverty reduction, Social inclusion, Consistency with campaign, Ease of collection, Credibility, Comparability, Sensitivity to change, Suitability to measure over time, Responsiveness, Sensitivity to target audience and objectives and Media appeal.

[36] Due to no or limited data available for different variables, participatory and consultative process of scoring and assigning weights were undertaken.

14. People's Councils
15. Civic Associations per 10,000 population

D. Accountability

16. Formal Publication (of contracts/tenders, budgets & accounts)
17. Control by higher levels of Government
18. Codes of conduct
19. Ombudsman's Office
20. Hotline
21. Anti-corruption Commission
22. Disclosure of income/ assets
23. Independent audit

E. Security

24. Crime Prevention
25. Violence against Women Policies
26. HIV/AIDS Policy

4. Field test

Field test of the Urban Governance Index was conducted in two stages, the first between March and May 2003 and the second between January and March 2004. The main purpose of the field test was to test the 26 indicators short-listed, and therefore the focus was to assess the credibility of the tool, and not to rank cities according to their performance.

It was important to take the field test in two stages; the first stage evaluated the indicators and proposed recommendations to rectify anomalies and improve the quality of sub-indices. This provided the framework for the second stage. It was undertaken for two reasons. First, to "refine the data" submitted by the participating cities to come with a more complete data set to better evaluate the Index. This was possible after collecting the data for the "modified set of indicators' recommended in the field stage. The second reason was that increase in the number of responses (participating cities) would greatly enhance the credibility of recommendations towards the Index.

Limited time, resources and volunteer effort made the exercise very challenging and difficult for few cities to collect some of the quantitative data. Nevertheless, the first stage provided valuable insights on specific indicators as well as regarding the overall design of the index, while the second stage significantly assisted in clarifying expectations for specific indicators as recommended in the first stage and proposing a final draft set of indicators composing the urban governance index. The second stage also provided an opportunity for other partner cities that were not able to complete the worksheet in the first stage to participate

4.1 Sample size

There were approximately 30 cities identified for the field test. City selection was based on the existing UN-HABITAT partner cities around the world. It was attempted to ensure a variety in the city sample (taking into account geography, socio-economic status, political system and population size). An encouraging 24 cities participated in the field test.

The sample cities had significant variation in their size and population. Matale (M.C[37]), Sri Lanka[38] was least populated with 0.036 million inhabitants, while Guadalajara City, Mexico, Sri Lanka reported 3.9 million inhabitants.

The Latin America and Caribbean region reported most representative sample, as all five cities that participated were from different countries. Asia and the Pacific reported the largest sample of cities, however all cities, except for Naga City in Philippines were from Sri Lanka. Africa reported encouraging participation of six cities from three countries, Arab region was represented by three cities from two countries while Europe reported the lowest representation with only participation from Pristina, Kosovo.

Please note that population data mentioned in the table does not differentiate between urban agglomeration, metropolitan and municipal areas. However, it is important to include an adapted version for a metropolitan area with constituent municipalities, because in such cases there is a very specific governance issue in the relationship between the metropolitan authority and the municipalities.

[37] M.C: Municipal Council
[38] Population data on Sri Lanka cities: http://www.statistics.gov.lk/census2001/population/district/t002a.htm

Table 4.1: Sample cities by region

Cities	Country	Region	Population[i] (millions)
Douala	Cameroon	Africa	2.50
Yaounde*			2.00
Louga	Senegal		0.10
Dakar			2.16
Ibadan	Nigeria		1.44
Enugu			0.62
Amman	Jordan	Arab States	1.62
Tanta	Egypt		0.27
Ismalia			0.26
Naga City*	Philippines	Asia & Pacific	0.14
Colombo (6 M.C)	Sri Lanka		1.22
Moratuwa (M.C)			0.17
Negombo (M.C)			0.14
Matale (1 M.C)			0.03
Kandy (3 M.C)			0.15
Kotte (M.C)			0.11
Pristina	Kosovo	Europe	0.20
Montreal	Canada	North America	3.42
Vancouver			1.80
Montevideo*	Uruguay	Latin America & Caribbean	1.50
Guadalajara City	Mexico		3.99
Quito	Ecuador		1.82
Santo Andre	Brazil		0.65
Bayamo	Cuba		0.15

Participated in the first stage field test but could not participate in the second stage.

Source: Field Test 2003-04

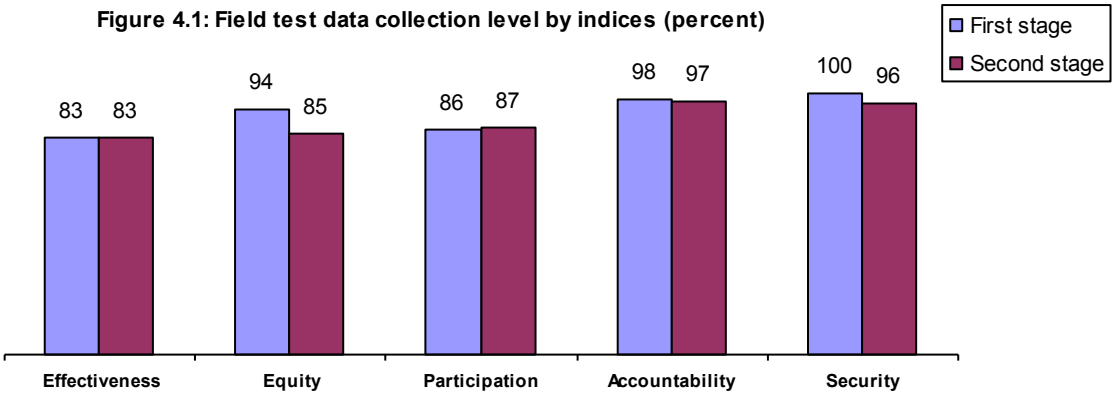
4.2 Data Collection

The 26 short listed indicators consisted of 29 variables[39] that were required to be completed during the field test. The total collection level for the first and second stage of the field test was 93 percent[40] and 89 percent[41] respectively. Lowest collection level was reported for indicators falling under the Effectiveness, Equity and Participation sub-index, perhaps because the quantitative nature of the proposed new indicators required more time than was available for collection. Indicators for Security, Accountability and Equity reported a very high collection level, as most of the variables were binary (Yes/No questions).

[39] The first indicator, Major Sources of Income was sub-divided into four indicators for the convenience of the field test i.e. Local Government Revenue Per Capita, Ratio of Recurrent and Capital Budget, Total Income Actually Collected and Ratio of mandates to actual tax collection.

[40] Calculated as "a percentage of "total data sets answered" to the "total data sets presented".

[41] Calculated as "a percentage of "total data sets answered" to the "total data sets presented".



4.3 Evaluation methodology

The evaluation process includes a) independent evaluation of the indicators; b) ranking of the indicators and the representation of sub-indices. Efforts to make this exercise participatory have been given the priority, exemplified by evaluation based on feedback from participating cities and 'stakeholders meeting' held during the 19th session of the UN-HABITAT Governing Council[42], field test results, feedback received on the ease of collection.

The report was distributed to the participating cities and partners to receive feedback and an electronic discussion on the credibility, relevance and universality of the indicators and the index is envisaged.

4.3.1 Evaluating Indicators

Four factors are considered for the evaluation of the indicators. They include *a) Ease of collection; b) Universality; c) Relevance, and d) Credibility.* A simple "Yes" or "No" illustrates the evaluation of the indicators against the four factors. "Yes" is assigned when indicators adequately address the respective principle while "No" is assigned when they fail to address the factor adequately.

Ease of collection: Considers whether the indicator can be collected with reasonable effort and time. As the duration of field survey was short, "the percentage of sample cities" that were able to send completed data sets provided one of the key factors to address ease of collection. Response from participating cities was an added criterion to determine ease of collection. To measure ease of collection, three scales (low, medium and high) are assigned to each indicator. The indicator receives a "Low" ranking if less than 50% of the cities reported data, "Moderate", when 50-75% of the cities reported data and "High" when more than 75% of the cities reported data. Indicators with 'Moderate' and 'High' level of collection are assigned "Yes" for ease of collection, while the indicators with 'Low' are assigned 'No'.

Universality: Given the expected global application of the index it is important to consider the validity of the indicators for cities in the North as well as in the South, and for any constitutional context (e.g. federal states or unitary states). "Yes" is assigned to the indicator when it addresses both the criteria, i.e. variation of the cities in the North and the South and the constitutional context. Failure of the indicator to comply with any one of the criteria results in assigning "No".

Relevance: Considers whether the indicator focuses on key urban governance institution, relationship, process or policy. The urban governance institution includes the civil society, local government and the private sector. In terms of relationship, the indicators should address the community or government concern. The indicator should also be able to address issues around which policies are

[42] As the objective is to test the Index as a tool, ranking of cities on the basis of their performance is not considered for evaluation.

formulated, as they largely determine the way things are done, which is what governance is all about. If the indicator adequately addresses all the above criteria of relevance, it is assigned "Yes". Partial fulfillment of the relevance criteria would result in "No".

It is important to know at what institutional level (national, state, provincial or local) is the indicator more relevant. Some indicators are found to be more relevant at higher institutional level, For example, the indicator "Referenda" addresses issues at the national level. On the other hand, information for some indicators might only be available at the higher institutional level, but applied and relevant at the local level. As an example, 'Codes of conduct' are often incorporated into the local government regulation at the state/provincial or national level.

Credibility: As relevance to policy alone does not determine the robustness of the indicator, credibility[43] of the indicator is an important evaluation factor. It considers whether the indicator offers a convincing measure of quality of the institution, relationship, process or policy. As urban governance is about "how things are done", the indicators should adequately address the existing mechanisms and attempt to measure the progress of such mechanisms over time. "Yes' is assigned to the indicator when it addresses the existing mechanisms and attempts to measure progress over time, while a "No" when it fails to meet both the criteria.

4.3.2 Ranking indicators and indices

After the evaluation of the indicators against the four factors, they are ranked as "High", "Moderate" and "Low". To arrive at a measurable ranking of the indicators, a point system is applied. When the indicator adequately addresses one factor, it gets 25 points. Thus, each indicator receives a score of "0 to 100" depending on the number of factors the indicator addresses. The following ranking criteria is applied to individual indicators:

- High: "Yes" response to all four factors (100 points)
- Moderate: "Yes" response to three of the four factors (75 points)
- Low: "Yes" response to less than three factors (50 or less points)

After ranking and scoring each indicators, average score of individual sub-indices is arrived, that assists in assigning representation of sub-indices as "Good", "Fair" and "Weak". The following ranking criteria are applied to the indices.

- Good: A score of more than 75 where most of the indicators have a high or moderate ranking
- Fair: A score between 60 to 75 where about half the indicators have a high or moderate ranking.
- Weak: A score less than 60 where most of the indicators have received a low ranking.

4.4 Evaluation of sub-indices [44]

Like the field test, the evaluation of the indices was done in two stages. The first stage tested in 12 cities, provided valuable insights into each indicator, and recommended the appropriate action, either to exclude them or to improve their ranking in order to secure a place in the respective sub-indices. The second stage tested in 20 cities, followed the recommendations from the first stage, to test the modified or improvised indicators and propose a final set of selected indicators.

[43] Discussions during the Urban Governance Index, World Urban Forum Consultation, May 2002 concluded that credibility should be one of the most important factor for developing governance indicators.

[44] Please note that the city data presented in this report are primarily for applied research and tool development purposes and should not be considered for any further dissemination or publication

Description of the evaluation of indicators and sub-indices is presented as follows:

1. Short description of the quality of representation in first and second stages.
2. Presentation of indicators with brief explanation of key issues (strength or weakness)
3. Summary table presenting the progress of indices in the two stages, with respect to the four factors, Ease of collection, Universality, Relevance and Credibility.
4. A matrix presenting evaluation of each indicator for the first and second stages with ranking and final recommendations (This is presented in the Annex 2)

4.4.1 Effectiveness sub-index

Though the evaluation of the indicators, during the first stage of the test, based on the four factors indicated that effectiveness sub-index provided a good representation**,** its recommendations suggests retaining all indicators with modifications to some. There were also two new indicators added i.e. ratio of mandated recurrent and capital budget and ratio of mandated and actual recurrent budget. The purpose of adding these was to identify the most appropriate (collection level and correlation) indicator for effectiveness of the government.

The findings from the evaluation in the second stage presents encouraging results, especially towards addressing universality and relevance. The sub-index provides a **good representation**[45] (as all the indicators have received a high or moderate ranking) in addressing the effectiveness principle.

The following paragraphs provide a brief explanation of key issues and limitations related to the indicators. A detailed structured evaluation of each indicator is presented in Annex 2

Local government revenue per capita: Though the indicator was normalized using the maximum and minimum known values, recommendation in the first stage suggested normalization since the "effective value of revenue collected" would differ from one city to city[46]. Purchasing power parity (PPP) was considered for normalization, but its focus to primarily eliminate the differences in price levels (OECD[47]), between countries renders it less effective in applying revenue per capita for normalization. Therefore, the former method of normalization is retained.

Though the field test demonstrates some limitation in data reporting its successful collection history since the first round of indicator collection in 1993 and high overall ranking supports its inclusion in the final list of indicators.

Ratio of mandated recurrent and capital budget: The indicator measures the estimated balance between the various budget sources (recurrent and capital). It reported a low level of collection, was universally accepted and relevant to local government institutions as it provides a measure of financial sustainability. However, enhanced credibility of the indicator would require its measurement against the actual recurrent and capital budget. The field test results show limitations in its data collection (for mandated) and it is therefore recommended to exclude the indicators in favor of 'ratio of actual recurrent to capital actual budget'.

Ratio of actual recurrent to capital budget: The indicator provides a more credible measure of financial sustainability, as it assesses the existing distribution of local government budget sources that has direct implications on the financial sustainability. After providing more time for its collection in

[45] In this field test, representation is measured by the level of 'response' and 'acceptance' by the participating cities.
[46] E.g. The cost of providing infrastructure and basic services (therefore the output efficiency of local government) would differ from country to country.
[47] Refer Annex for more details.

the second stage, significant improvement in the collection level was reported (75%). However, some cities reported limitation in data collection for the capital budget due to their irregular approvals of sources of revenue.

Major sources of income: This indicator addresses two key issues; a) a balance between the sources of income provides an indication of viability, independence and control over resources, and b) actual income collection addressed the efficiency of financial management.

During the first stage, limitations on some of the variables were raised. Some respondents felt that data on the "proportion of revenue" allotted for development work would have high discrepancies since some northern cities (with already developed infrastructure) or cities where private sector plays an important role in development work would reflect low results. One respondent noted that the complete collection of all mandated revenue could actually lead to social and political instability. Feedback from the participants reflects that the "actual use of local revenue" might be a more important indicator than the revenue collected. However, it offered limitations on its availability and ease of collection.

The first stage of testing had limitations in completing information due to the large number of variables involved within this indicator and it was recommended to concentrate on few key variables. After a review of various possibilities, the following indicators are proposed:

Percentage of local Government revenue in transfers: This indicator addresses viability and independence over financial resources. However, it demonstrates weakness towards credibility[48]..

The results from these two stages of field test did not demonstrate any unexpected reporting, it is however, recommended to incorporate appropriate range for local government revenue to take care of unexpected reporting. Therefore, the following range is proposed:

Percentage transfer	Score
0 - 25	1.00
25 - 50	0.75
50 - 75	0.50
75 - 100	0.25

There had been some limitations in reporting of this indicator, but feedback from the participating cities show that given more time the data is possible to be collected.

Ratio of mandated to actual tax collected: The indicator addresses effectiveness in financial management and to some extent is a proxy to, 'willingness of citizens' to pay taxes', which had been perceived as an important indicator[49] to widen the principle of effectiveness and reduce its local government bias. There were some limitations in the collection of the indicator, but like the last indicator, more time is expected to enable its reporting.

The feedback from the participating cities presents the need for clarity in the actual tax collected. In some cities, though the tax income was fixed the actual revenue income varied, resulting in higher proportion of tax collected than mandated. An example for proposed clarification:

Mandated tax collected = 50$; Actual tax collected = 45$; Ratio of mandated to actual tax collection = 50/45 = 0.9 (Clarifications is detailed in the guidelines for indicator collection)

[48] As per the desk study in the Source Book, Bamako reported 0% transfers, while Amsterdam reported 95% transfers of the total local government income. As one can comprehend, in the case of Bamako, nil transfers is not necessarily a sign of effectiveness, while in reverse, Amsterdam, with 95% transfer is surely not a credible sign of effectiveness.

[49] Few participants asked for its inclusion in the 'Stakeholders meeting'.

There had also been some limitations in harmonizing the value for tax estimated and actually collected. This was due to the different heads for tax requirements. An alternative as discussed initially was to retrieve data on total income actually collected. Variations in tax heads were expected in the data collection, because data in some cities on tax is collected with different heads. However, what is more important is the proportion of tax actually collected, and sensitivity in variation would not deter its credibility.

Predictability of transfers: The indicator addresses quality of the relevant institutions by measuring whether the procedures exist that enables the local government to know the funds to be transferred in advance (intergovernmental fiscal transfers). During the field test, some cities reported inadequacy of mechanisms where even the central government is not aware of their own budgets in advance. In other cases where clear procedures of transferring funds are present, funds are still not transferred. The first stage test reported limitations in measuring the performance and progress of the procedures in the predictability of transfers. Therefore, a quantitative data set, "Ratio of variation in transfers over the past 5 years" and a simple information set "whether there is a basis for transfers" were tested. The field test clearly reflected that it was practically not possible for most cities to collect the information for the former data set. However, an important finding was that in wherever city there was a basis for transfer, the amount of budget could be predicted. The data set provides a useful proxy, at the same time consolidates and improves the credibility of the absolute answer for the primary data set, "Is the amount to be transferred known in advance?" The results from the field tests reported easy collection. The indicator received a "moderate ranking" in the first stage and after the successful application of this proxy indicator, mild improvement in its level of credibility are reported.

Published performance standards for basic services (PPS): The indicator addresses the quality of institution by measuring the existing mechanisms for efficient delivery of various basic services. Though the indicator received high ranking in the first stage, recommendations to the indicators included inclusion of wider hierarchies of government, as it was more important to assess whether the standards for basic services are applied at the local level or to the local councilors. In spite of its binary nature, the presence of 'intermediate scores' improves its credibility and possibilities of monitoring progress over time.

Customer Satisfaction Survey (CSS): The indicator addresses the "mechanism in place" that integrates civil concerns in improving service delivery, fostering effective governance. Similar to the last indicator, recommendations made to this indicator also included inclusion of wider hierarchies of government. Though the indicator offered limitations in identifying whether the CSS are actually used for future planning, it was difficult to identify appropriate variables to address the same. The previous indicator (PPS) focuses on the local government, while this indicator addresses the inclusion of citizens perception coherent to the efforts to dilute local government bias in selecting indicators within the "Effectiveness" principle.

Vision Statement: The indicator addresses the mechanisms in place for effective articulation of a city's goal. The findings from the first stage test show that the indicator provided limitations in addressing credibility, as it failed to measure the progress in realizing the vision statement (i.e. implementation behind or ahead of schedule). A simple variable that measures the "state" or "progress" of the vision statement is difficult to identify. However, it is encouraging that the indicator also measures the participation level providing "intermediate scores" to the binary variable. Considering one of the policy goals that mentions "the commitment of the cities progress through participatory process" the indicator is recommended for inclusion.

Table 4.2: Evaluation of EFFECTIVESS indicators in first and second stage of field test

Factors	First stage	Second Stage
Ease of collection	With the exception of the few quantitative variables, most indicators reported easy collection levels. Response from participating cities suggest that 'recurrent budget' was easier to report than the 'capital budget', due to irregular approval of sources of revenue in different cities[50]. Data on various 'sources of income' was also not easily available and some cities had limitation in providing data on the development budget.	As recommended after the first stage testing, more time for the collection of data 'ratio of actual and to capital budget' was recommended and significant improvements were reported, though like in the first stage, there were some limitations in the collection of capital budget. A new indicator 'ratio of mandated to actual recurrent budget' reflected difficulty in collection due to its mandated values. In response to improving the performance of indicator predictability of transfer, the new quantitative data set 'ratio of variation in transfers over the past 5 years' was practically not possible to collect.
Universality	Majority of indicators were valid for cities in the North and South, and for any constitutional context. The proposed indicators also adequately respond to cities with new and emerging governance process (e.g. Pristina). However, it was realized that for 'local government revenue per capita', normalization of the values across different countries (according to the socio-economic conditions) could better address universality.	All indicators complied with the universality nature with the limitation of 'local government revenue per capita' that could not apply any new appropriate technique to normalize the socio-economic variations. Therefore, the log factor is applied as the normalization technique.
Relevance	The indicators were relevant to civil and government concerns and address issues around which the policies for financial management, inter-governmental relationship, strategy planning and citizen and private sector involvement are governed. Most indicators are likely to be found at the local level. However, evaluation of the indicators 'published performance standards for key services', 'customer satisfaction survey' and 'vision statement' show that some cities followed standards, conducted surveys or had a vision statement at the state/provincial level.	Indicators that were recommended to include a wider hierarchy of government performed well, as in many cities standards or surveys followed at the state or national level, were applied to local level.
Credibility	Most indicators offer a credible measure for quality of the institutions, relationship and process. The indicators adequately address the financial management and capacity of institutions, the procedures for intergovernmental transfers, and existing mechanisms for efficient delivery of basic services. However, 'predictability of transfers', 'customer satisfaction survey' and 'vision statement' had limitation in providing a convincing measure of quality of institution and the process. Credibility of these indicators relies on improvements in the inter-fiscal transfers, the integration of the survey, and progress in realizing the vision statement, respectively.	Though mild improvements were recorded after the second stage, credibility was still an issue for 'predictability of transfers' 'customer satisfaction surveys' and 'vision statement' as they had limitations in providing a convincing measure of quality of institution and progress over time.

[50] . In some cities the capital budget is not approved annually, but rather at the end of the council cycle as most major borrowing must be approved by popular vote.

4.4.2 Equity Sub-index

During the first stage of the field test, equity sub-index provided a fair representation (as half of the indicators have received high or moderate ranking) in addressing the equity principle and recommendations were made to modify most indicators, especially to improve their universality and credibility. Finding from the second stage of field-test presents encouraging improvement in the overall ranking of the sub-index as three of the total four indicators improved their ranking.

The sub-index provides a **good representations** (as indicators have received high or moderate ranking) in addressing the principles of equity.

The following paragraphs provide a brief evaluation of key issues and limitations related to the indicators. A detailed structured evaluation of each indicator is also presented in the Annex 2 Table B.

Citizens charter, right of access to basic services: The indicator addresses institutional accountability towards citizens in providing equitable access to services. During the first stage testing, many cities reported mechanism similar to the citizen charter that addressed institutional accountability towards citizens, but due to different names were not included. In some cities, such mechanisms are anchored at the state level and applied at the local level. Responding to these anomalies, the indicator was modified in the second stage to include similar mechanisms and accommodate wider hierarchy of the government. Significant improvement by the indicators towards universality and relevance were reported.

Proportion of women councilors: The indicator addresses gender equity in representation of women involved in local government decision-making. However, limitations in its credibility were identified in the first stage of the field test, as it failed to provide an adequate measure of the actual influence of women on local decision-making and reported weak success rate of women being elected. Responding to these weaknesses, two more variables were proposed for second stage test i.e. 'proportion of women candidates elected' and the 'proportion of key positions occupied by women councilors'. There were problems in the level of collection for the former one, where data was not present in most cases. Information on the latter indicator was relatively easier to collected, and it was recommended to include two variables, 'proportion of women councilors' (with higher loading, 0.75) and 'proportion of women councilors in key positions' to address this indicator.

Pro-poor pricing policy: In the first stage test, the indicator reported limitations in its universality; ease of collection and to some extent the credibility. Measuring the mere existence of the pro-poor policy towards water provided skewed results, as in some cities (especially of the North) either water is not the responsibility of the local government or all residents have complete access to water, or there is no record of informal or poor settlements. As the focus of selecting indicators is on process and institutions, it is valuable to identify whether there is a policy that takes into account the needs of the poor households, translated into lower rates for them compared to the other residents or business or industrial consumption.

In some cities of the North, though there is not subsidy or specific pro-poor policies for residents, there is a flat rate for one year to access water (included with other taxes), while in commercial and industrial sector water rates are charged per unit. In cities with such institutional arrangement, citizen satisfaction surveys on access to water and their affordability would provide appropriate measures of equity.

In various informal settlements, there is no water supply and the dwellers have to buy expensive drinking water from water containers or from the informal market. Considering this existing inequity, one can measure to what extent policies are pro-poor by asking to what extent water is provided. If it is not provided, whatever the pricing policy is, poor will not benefit. Though the 'proportion of households with access to water' is an output indicator, it provides a proxy to the affordability and level of accessibility for such cities.

Considering the above explanation, it is difficult to arrive at one most convincing indicator to measure equity towards pricing policy. Thus, a combination of information is required to measure equitable access to water, subsidized water, water consumption slabs and comparison of residential water price to commercial or industrial sector.

Proportion of improvement in households access to water in the last 5 or 10 years, would have provided a good indicator that measures governance in equitable access to water. A desk study was conducted to measure the progress by comparing the data in 1993, 1998 GUID. The variation in the sources collecting data on water access resulted in skewed results and it was not considered prudent to measure the trend for this particular data. In some cases there was significant difference and cannot be considered appropriate for comparison. Therefore the following indicator are recommended to pro-poor water policies:

- Proportion of households with direct access to water (piped connection).
- Is there a water pricing policy taking (yes/no)
- Is the metered price of water per litre lower for households below the poverty line (yes/no)

Street vending: The indicator addresses the efforts of government to provide opportunities for informal business. The results of the first stage test demonstrate limitation in addressing similar incentives for informal business. Considering its limitation in addressing universality and credibility, it was modified to be more accommodating of other incentives provided for street vendors. It was renamed "Incentives for informal business" for the second stage of field test.

For the second field test, two variables were tested, i.e. street vending restrictions, incentives like information public markets, municipal fairs and number of protests or confrontations regarding street vending. However, information for the latter one was not available from most cities. The results of the second stage test also demonstrate that almost all cities provide incentives for informal business, except for cities with new government structure in a post conflict situation. All results were absolute values, due to the availability of one variable, providing limitation in measuring the extent or the intensity of the process in providing for information business. However, considering the importance of measuring the existence of bye-laws and economic development policies that support the informal sector and poor, the indicator could be retained, with low loading due to its limitation in credibility.

Table 4.3: Evaluation of EQUITY indicators in first and second stage of field test

Factors	First stage	Second stage
Ease of collection	The sub-index was calculated for 11 of the 12 cities, due to the ease in data collection (many of the indicators were of a binary nature – "Yes/No" questions). However, some respondents experienced limitations in reporting water prices in the residential and informal sector.	Data for most indicators was easy to collect. An encouraging 94% collection level was reported. However, there were still limitations in reporting water price for the residents and the informal sector.
Universality	Except for 'proportion of women councilor' the other three indicators, 'citizens charter', 'pro-poor water policy' and 'street vending' did not meet the universality criteria. In some cities, there was no citizens' charter but other similar mechanisms where citizens had the right to address the government on the provision of services and	Universality, which was the main limitation for 'citizen charter', and 'street vending' was rectified by accommodating similar mechanisms. However, for improving the indicator, 'Pro-poor water policy' was complex and a combination of qualitative and quantitative variables are considered

	conformance of living standards. 'Pro-poor water policy' had limitations in its universality since in some cities (especially of the North) water is not the responsibility of local government (or it is privatized) and often does not address the priorities of the poor. 'Street vending' had limited relevance for cities in the North, where such informal businesses are often formalized in the form of fairs and other incentives. However, 'street vending' could imply the endorsement of an informal "parallel" economy by the state.	appropriate.
Relevance	All indicators were relevant to the principles of equity, as they addressed the concerns of civil society, minority and gender sensitivity. There were some limitations with 'citizens charter' to accommodate mandate of provincial/state governments.	All indicators were relevant to the principles of equity as 'citizens charter' was modified to include mandates of states/provinces
Credibility	Credibility was one of the main weaknesses reflected by three of the four indicators. Only 'citizens charter' offered credibility by addressing institutional accountability towards citizens in providing equitable access to services. The other indicators only met the credibility criteria to a limited extent.	Weakness in the indicators was successfully addressed for two indicators by including additional and combined variables for 'women councilor' and 'pro-poor policies'. Credibility for street vending was still limited due to its inability in measuring the extent of incentives and the progress over time. It is a classic example of trade off between universality and credibility. Widening the understanding of the indicator, though makes it more accommodating, also makes it vulnerable due to the 'general' nature with sometimes obvious answers expected. Binary variables with absolute values (0 or 1) provide further limitation in measuring the progress over time.

4.4.3 Participation Sub-index

In the first stage of the field test, though the sub-index provided a good representation in addressing participation, there were weaknesses in some indicators. Recommendations included exclusion of one indicator (Referenda) and revisions to four others.

The evaluation from the second stage field test, present encouraging improvement in the overall ranking of the sub-index, where in all indicators have received high ranking. The sub-index provides a **good representation** in addressing the principles of participation.

The following paragraphs provide a brief description of key issues and limitations related to the indicators. A detailed structured evaluation of individual indicator is presented in the Annex 2, Table C.

Elected council: The indicator provides a robust measure of representative democracy. The indicator received a high ranking in the first stage field test, however, modifications were suggested to accommodate both "elected" and "appointed" nature of local democracy. The response was received in absolute value '0' or '1', except for one city where only half the councilors are elected. Though the indicator might have limitations in addressing, progress over time, measuring local representative democracies through unbiased, free and fair municipal elections is fundamental to governance process.

Election of Mayor: The indicator addresses representative decision-making and no changes were recommended in the first stage field test as it adequately addressed the four factors. Considering that the Mayor is the head of local government chosen by the local people, the indicator is relevant to governance institutions and addresses representative democracy.

However, to avoid penalization of systems where the Mayor is not directly elected, it was advisable to have intermediate scores for this indicator.

Method of Mayor Selection	Score
Directly Elected	1.00
Elected amongst councilors	0.75
Appointed	0.50

Voter participation by gender: The indicator is very important as it addresses peoples' involvement disaggregated by gender for representative democracy. However, there were limitation during the first stage of data collection[51] and in some cities, the information was not documented. Participating cities recommended replacement of this indicator to 'percentage voter turnout', as a simple measure of representative democracy. The indicator was well received by most cities and a significant improvement in collection level was reported[52].

Referenda: The first stage test reported major weaknesses in this indicator. It was not universally understood and in many countries, there are similar initiatives addressing participatory democracy or they are often infrequently applied. 'Referenda' was more relevant at the national level and had limitations in addressing whether it was citizen initiated. Considering its low ranking in the first stage and limitations of improvement, the indicator was excluded and not tested in the second stage.

Peoples' council: The indicator measures the existence of a mechanism to facilitate participatory planning. In the first stage test, the indicator had received moderate ranking, due to its limitations in addressing universality. For the second stage test, the indicator was improved to include similar participatory mechanisms or alternate forms of People's Council, thus making the definition more generic to accommodate contextual variations. The results from the field test were encouraging as all cities responded with the description of various types of public forums e.g. public neighborhood committee, city consultations, people's assembly.

Civic Association per 10,000 people: The indicator addresses vibrancy of civic life in cities and it received high ranking in the first stage test. However, for more reliable monitoring of the data, it was felt appropriate to include specifically the "registered civic associations". The indicator provides better credibility and its quantitative nature assures measuring progress of over time.

Table 4.4: Evaluation of PARTICIPATION indicators in first and second stage of field test

Factor	First	Second
Ease of collection	Except for the indicator, 'voter participation by gender'[53], the rest of the indicators were easy to collect within a reasonable time and effort, as most of them were of binary nature-"Yes/No" questions).	Data for most indicators was easy to collect as 87% collection level was reported. The major limitations in data collection that had been reported for 'voter participation by gender' in the first stage, was replaced by 'voter turnout'. Though there were two quantitative indicators, 'voter turnout' and the 'civic associations', there were no major limitations in collection level as they receive a high ranking.
Universality	All indicators of representative democracy i.e. 'elected council', 'mayor selection' and 'voter	Two indicators of participatory democracy, 'referenda' and 'peoples council', that did not

[51] Only four out of twelve cities reported data.
[52] Of the total twenty cities, thirteen were able to collect data.
[53] Eight cities were not able to report on voter participation disaggregated data by gender.

	participation' were universally understood and valid for the different constitutional context. Indicators of participatory democracy, i.e. 'referenda', 'people's council' were not universally understood. This was primarily because the definition of indicators was not generic and had limitations in accommodating similar forums or initiatives existing in different cities.	meet the criteria of universality in the first stage, were recommended to be excluded and modified, respectively. 'People's council' was renamed, 'Public forum', and received high ranking in the second stage since it could accommodate similar participatory mechanisms or any other alternative form of peoples' council. For 'election of mayor' it was desirable to develop a stepped approach, with various forms of appointment or election of the mayor representing different incremental steps.
Relevance	Most of the indicators were relevant to the participation principle as they focused on civic concerns and the local governance institution. The institutional level at which the indicators were more relevant varied from local to national. Within the local level, few cities reported relevance at the neighborhood level. Response on 'referenda' and to some extent, the 'civic associations' was more likely to be found at the national level.	With the exception of 'Referenda', all indicators were relevant to the principles of representative and participatory democracy, as they very much focused on civic concerns and local government institutions.
Credibility	With the exception of 'referenda', all other indicators provided a credible measure of representative decision-making, degree of peoples' involvement for local democracy, existence of mechanism to facilitate participation and vibrancy of associational life. However, 'referenda' provided a measure of formal process for receiving public opinion, it had limitations in addressing whether it was citizen initiated.	All indicators field-tested provided a credible measure of representative decision-making, degree of peoples' involvement for local democracy, existence of mechanism to facilitate participation and vibrancy of association life.

4.4.4 Accountability

Evaluation of the indicators, during the first stage field test, reported that the sub-index provided a good representation in addressing accountability principles. All indicators were proposed to be retained, with consolidation of two indicators, 'ombudsman's office' and 'hotline' and minor revisions to few.

Findings from the second stage evaluation present encouraging improvement in the overall ranking of the sub-index, and significant improvement in the overall ranking score. The sub-index provides a **good representation** in addressing the accountability principles.

The following paragraphs provide a brief description of key issues and limitations related to the indicators. A detailed structured evaluation of the individual indicators is presented in the Annex 2, Table D.

Formal publication of contracts, tenders, budget and accounts: The indicator measures the procedures that foster transparency in the local government operations. It received high ranking in the first stage test and was retained. All cities were able to respond to the four variables presented in the worksheet. Even though the indicator is binary in nature, the inclusion of four variables resulted in arriving at intermediate scores and not just absolute values, increasing its potential for comparison and monitoring trends.

Control by higher levels of government: The indicator measures responsiveness in local governance. It received high ranking in the first stage test and was retained with minor modification. An additional variable, 'process for removal of the local councilors' was included for the second stage test. The indicator received better clarity from the participating cities, especially for the ones where a process of removing local councilors was evident.

Codes of conduct: The indicator addresses governments' commitment towards integrity of officials. Codes of conduct *per se* are often incorporated into the local government regulations at the state/provincial or national level and not always as a stand-alone formal document. However, it is more important to document whether the codes are applied to the local councilors. In the second stage test, the indicator was modified to measure the application of codes at the local level and was found to be more accommodating of variation in the different institutional arrangements.

Facilities to receive complaints: The first stage tested the two indicators, 'Ombudsman's office' and 'Hotline'. They had limitations in addressing universality, especially for the cities in the south, where such terms were not in use. Therefore, for the second stage, the indicators were consolidated to one indicator 'Facilities to receive complaints'. To enhance its credibility, a quantitative variable, 'ratio of total number of complaints addressed to total number of complaints' was also recommended for the second stage test. However, there were limitations in its collection, and thus its credibility. However, there was minor improvement in the overall ranking of the indicators, as it could address similar mechanisms.

Anti-corruption commission and Disclosure of personal income and assets: The indicators address integrity of the local government. There were no changes to the indicator proposed in the first stage and all the cities were able to report the data.

Regular independent audit: The indicator measures accountability of the local government towards the tax payers. After the first stage field test, the only change proposed was to include whether the audits are external or internal. The indicator responded well to the modification and like the last indicator received complete data from all cities.

Table 4.5: Evaluation of ACCOUNTABILITY indicators in first and second stage of field test

Factors	First	Second
Ease of collection	With the exception of one, all cities reported easy collection. An overwhelming 98% response rate was received, primarily because many of the indicators were of a binary nature-"Yes/No" questions).	Only two cities could not report the data. As all the indicators are of binary nature, the sub-index received the highest level of response with 97% variables been answered.
Universality	Most indicators (6 of 8) were valid for cities in the North as well as in the South in different constitutional contexts. Indicator, 'Ombudsman's Office' and 'Hotline' offered limited universal understanding because either some cities in the South did not have that specific term or it failed to include similar mechanisms that addressed responsiveness. Response from the participating cities shows that the nature and title of these "mechanisms" of responsiveness varies from country to country.	Including a generic term i.e. 'facility to receive complaints' improved the reporting of the two indicators, 'ombudsman's office' and 'hotline' that had limitations in their universal understanding.
Relevance	All the indicators are relevant to the key urban governance institutions and addressed transparency, responsiveness, integrity and corruption. Willingness of the institutions to be transparent in its activities and accountable for decisions, address all tiers of government and the civil society, governments commitment towards integrity of officials, public feedback, complaints mechanisms and corruption.	No changes were made to improve relevance and as in the first stage, the indicators are relevant to the key urban governance institutions and addressed transparency, responsiveness, integrity and corruption.

Credibility	Most of the indicators provide a credible measure of transparency, responsiveness, integrity and corruption. Though most of the indicators are binary in nature, a large number of binary variables grouped together provide higher credibility to the information and a possibility of measuring progress over time. 'Formal publication of contracts, tenders, budget and accounts, "Control by local government' and 'Disclosure of income and assets' comprise of at least 4 binary variables, making it possible to arrive at intermediate score (not absolute "0" or "1"). Control by local government provides a credible measure to a limited extent as it undermines the process of removal of local councilor. A legal process could actually improve responsiveness. Indicators on corruption are quite robust as they are addresses specific issues/areas and whose binary nature is adequate. However, for indicator 'regular independent audit' it is important to determine whether the audits are external or internal.	Addressing the concerns raised during the first stage field test strengthened the credibility of the indicators. They included inclusion of process of removal of local councilors within 'control by local government' and the type of audit (external or internal) within the indicator, 'regular independent audit'. A general observation for most indicators was that though they measure the mechanisms in place for transparency, responsiveness and integrity, they have limitations in measuring the extent to which the mechanisms are followed, which is very important to arrive at a credible information. Thus, a potential for comparison of such indicators with the performance based indices like transparency index and city development index, wherever applicable could be explored.

4.4.5 Security Sub-index

In the first stage test evaluation, indicators provided a **weak representation** in addressing the security principle, due to major weaknesses in the sub-index. It was difficult to identify indicators that would address the 'process and institutions' addressing security. It was recommended to exclude most of the indicators, and review other potential indicators for inclusion in the second stage of the field test.

Two new indicators, 'Police staff per 10,000 people' and 'communities involvement in conflict resolution' were proposed for testing in the second stage. The former was selected as it demonstrates a proactive role of the government for enhancing citizens' security and due its quantitative nature, which addresses the concern of measuring progress. The latter was selected as it addresses inclusion of citizens in enhancing security.

The findings from the second stage evaluation presents only mild improvement in the overall score of the sub-index, where three indicators received low ranking, two moderate and only one received high ranking. The sub-index still provides a **weak representation** in addressing the principles of security. Security sub-index remains weak and it was eventually not recommended to be part of the index.

Crime prevention policy and surveys: The indicator measures the role of the local authorities to improve social security. However, the indicator does not address the crime prevention efforts, as mere existence of policy is not a credible indication of crime prevention. Improving its credibility would imply measuring progress and effectiveness of crime prevention policy. A variable 'Percent change of crime rate in the last 5 years' could address this concern but its difficulty in collection, reliability of time series data and its nature as an outcome indicator, makes it inappropriate to be included. The recommendation from the first stage test was to exclude it and the existence of 'crime prevention surveys' was proposed. However, the variable is apt at the local level where findings from the crime prevention surveys could be used as indicators of governance. Another limitation was that the indicator could not elaborate whether crime prevention surveys are integrated in formulating crime prevention policies. Therefore, it is highly recommended to exclude the indicator.

Police service staff (per 100,000): After the first stage test, it was realized that there is a need for at least one indicator, with intermediate values, and not absolute values. This was felt important to provide adequate credibility to the sub-index. Inclusion of various indicators was explored and this

indicator was proposed for testing in the second stage. However, there were limitations in its data collection as only few cities could report the data and the indicator lacked credibility since it could not measure the quality of policy security. It is recommended to exclude this indicator.

Communities in conflict resolution: This new indicator was recommended after the first stage of field test. The indicator addresses creation safety and security through a participatory process. All cities reported the information and provided a direct response to the governance policy objective, 'Creating safety and security through consultative processes based on rule of law, solidarity and prevention, and supporting appropriate indigenous institutions that promote security'. The indicator addressed the four factors and received high ranking.

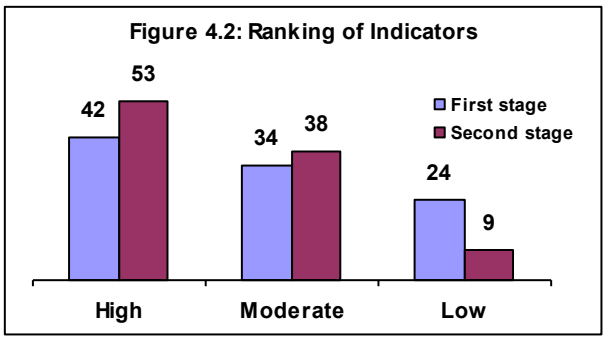
Table 4.6: Evaluation of SECURITY indicators in first and second stage of field test

Factors	First stage	Second stage
Ease of collection	The sub-index was calculated for all the cities, due to ease in data collection (all indicators were of a binary nature-"Yes/No" questions).	Data for all the indicators was easily to collect except for the indicator, 'Police staff per 10,000 people', due to its quantitative nature
Universality	All the indicators were universally understood in cities of the North and South and for varying constitutional context	All the indicators were universally understood in cities of the North and South and for varying constitutional context
Relevance	They are relevant to the governance institutions and address the proactive role of authorities to enhance citizen's security, regard towards specific women and health issues. However, city priorities vary, some cities that report very low crime rate and incidence of HIV/AIDS may not give priority in developing respective policies. Thus, 2 of the 3 indicators did not meet the criteria of relevance to policies universally.	The main limitation of the indicators as presented after the first field was the lack of relevance in some cities, especially for indicators dealing with policies, i.e. HIV/AIDS and Crime prevention
Credibility	Addressing the mere existence of policies on crime prevention, violence against women and HIV/AIDS does not provide a credible measure of accountability. The indicators need to address the progress and/or effectiveness of these policies. However, indicators of effectives for the principles are outcome and not process indicators	Except of indicator, 'communities in conflict resolution', all other indicators did not address the quality of security, progress and/or effectiveness. However, some of these indicators are to a certain extent implicitly included in the sub-indices of Equity and Participation.

4.5 Summary of results

4.5.1 Indicators and sub-indices

The evaluation of the indicators and the indices is based on the criteria presented in Section 4.3[54]. In the first stage of the field test, the main objective of ranking was to identify type of anomalies (towards a factor) that could be addressed in the second round. Indicators that received "High" ranking were proposed to either be retained or undertake minor revisions. Indicators with "Moderate" ranking either required more time for collection, or a revised indicator was proposed that was more accommodating to the various hierarchies of government and/or the similar mechanisms or initiatives. Indicators with "Low" ranking were mostly excluded, or consolidated with other indicators to better address the issues.

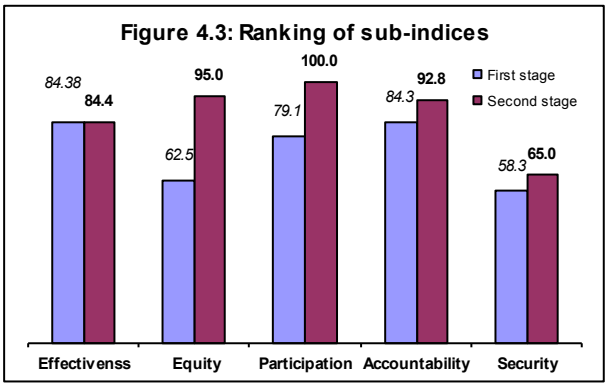


In the second stage, there has been a significant improvement in the ranking of respective indicators and indices, as illustrated by the average score of respective indices. Indicators have been accommodating to the various hierarchies of government and/or the similar mechanisms or initiative. In some cases, indicators that were consolidated reported better results.

In the first stage test, Effectiveness, Accountability and Participation provided a *good representation* (as they received an average score of more than 75) in addressing their respective principles. Their performance in the second stage is summarized below:

Effectiveness sub-index reflects **mild improvement** with the inclusion of one new indicator and two indicators (predictability of transfer and customer satisfaction surveys) reported improvement in their credibility.

Participation sub-index reported **significant improvement** due to the easier collection levels experienced with "percent voter turnout" as compared to "voter participation by gender". The modification of "People's Council" to "Public forum" also provided improvement in its universal understanding.



Accountability sub-index reported **significant improvement** due to consolidation of very specific indicators (ombudsman's office and hotline) and minor modifications in other indicators.

In the first stage, Equity sub-index provided a *fair representation*, while Security sub-index provided a *weak representation* of their respective principles. Their performance is summarized as follows:

[54] When the indicator adequately addresses a factor, it gets 25 points. Thus, each indicator receives a score of "0' to "100" depending on the number of factors that the indicator meets (High=100 and above; Moderate= 75 and Low = 50 and less). Average score of indices is used to assign "Good", "Moderate" or "Weak".

Equity sub-index reported **significant improvement,** due to the increased universality factor for "citizens charter" and a more credible information on the "women councilor". The application of combined variables (binary and quantitative) under the indicator, "Pro-poor policy" also reported mild improvement. Indicator, "street vending" was modified to be more accommodating, by renaming it as "incentives for informal incentives". It reported better universal understanding but severe limitations in credibility were reported.

Security sub-index was still the weakest with only **mild improvements** after various modified indicators were tested. The sub-index was eventually not recommended to be part of the index.

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Table 4.7: Evaluation of indicators

Ranking of indicators (High=100 and above; Moderate= 75 and Low = 50 and less)	Ease of collection	Universal-ity	Relevance	Credibility	Overall ranking of the indicator	Scores (Indicator meeting each factors is awarded 25 points)
Indicators of Effectiveness						
Local government revenue per capita	Y	Y	Y	Y	High	100
Ratio of mandated recurrent & capital budget*	N	Y	Y	N	Low	50
Ratio of actual recurrent and capital budget	N	Y	Y	Y	Moderate	75
Ratio of mandated to actual recurrent budget*	Y	Y	Y	N	Moderate	75
Local Government transfers*	Y	Y	Y	Y	High	100
Ratio of mandates to actual tax collection	Y	Y	Y	Y	High	100
Predictability of transfers	Y	Y	Y	N	Moderate	75
Published performance standards	Y	Y	Y	Y	High	100
Customer satisfaction survey	Y	Y	Y	N	Moderate	75
Vision statement	Y	Y	Y	N	Moderate	75
					Average score	**82.54**
Indicators of Equity						
Citizens charter	Y	Y	Y	Y	High	100
Proportion of women councilors	Y	Y	Y	Y	High	100
Proportion of women in key positions*	Y	Y	Y	Y	High	100
Pro-poor pricing policy	Y	Y	Y	Y	High	100
Street Vending	Y	Y	Y	N	Moderate	75
					Average score	**95.0**
Indicators of Participation						
Elected council	Y	Y	Y	Y	High	100
Mayor Selection*	Y	Y	Y	Y	High	100
Voter turnout	Y	Y	Y	Y	High	100
People's forum	Y	Y	Y	Y	High	100
Civic Associations (per 10,000)	Y	Y	Y	Y	High	100
					Average score	**100**
Indicators of Accountability						
Formal publication of contracts, tenders, budget and accounts	Y	Y	Y	Y	High	100
Control by local government	Y	Y	Y	Y	High	100
Codes of conduct	Y	Y	Y	N	Moderate	75
Facility to receive complaints	Y	Y	Y	N	Moderate	75
Anti-corruption commission	Y	Y	Y	Y	High	100
Disclosure of personal income and assets	Y	Y	Y	Y	High	100
Regular independent audit	Y	Y	Y	Y	High	100
					Average score	**92.8**
Indicators of Security						
Crime prevention policy	Y	Y	N	N	Low	50
Crime prevention surveys*	Y	Y	N	N	Low	50
Violence against women	Y	Y	Y	N	Moderate	75
Police staff per 10,000 people*	N	Y	Y	N	Low	50
Communities in conflict resolution*	Y	Y	Y	Y	High	100
HIV/AIDS policy	Y	Y	N	N	Low	50
					Average score	**65.0**

*** These indicators are not in the initial list of 26 short-listed indicators. They are for the second stage test.**

4.6 Urban Governance Index

Aggregating sub-indices requires assigning score to the indicators and undertaking techniques for selecting and providing loadings to the indicator.

4.6.1 Scoring

The indicator score is expressed as values ranging from "0" to "1", where "1" means excellent performance and "0" means poor performance. This type of scoring is appropriate for quantitative indicators. However, as a significant number of indicators were binary in nature, values were either "0" meaning poor performance or "1", excellent performance. This is one of the most fundamental problems of using binary variables, since absence of *intermediate scores* limits in adequately addressing the principles of governance and progress over time. It was also one of the concerns during the World Urban Forum, 2002 consultation as the zero-sum measures (yes/no questions) could skew the index.

Considering the limitation of absolute scoring two interventions are proposed; 1) Incorporate a large number of binary variables (or zero-sum measures) to even out the result and 2) Add intermediate scores within the binary variables.

Variables are assessed using the following techniques to come up at a score for each indicator:

1. Binary response in Yes or No were transformed to '0' or '1'. E.g. Is there any agency to investigate and report cases of corruption at the local level? No = 0 and Yes = 1. Most indicators of binary nature in the second stage consisted of more than one zero-sum measures.
2. Variables were transformed and normalized using the maximum and minimum known values (from the field test).
    a. E.g. Local Government revenue per capita = (log actual revenue – log minimum value)/(log maximum value – log minimum value) = (log actual revenue– log 0.9)/ (log 5450 – log 0.9)
3. Percentage expressed in values from "0" to "1".

4.6.2 Selection criteria and weighting

One of the fundamental issues in arriving at aggregated indices is to identify what indicators should be included and what loadings should be assigned to the selected indicators.

Advanced statistical techniques such as principal component analyses (PCA) on a set of most probable variables can be undertaken to select indicators with most statistical significance. PCA on a set of variables extracts statistically significant linear combinations of the underlying variables that are most significant and also explain the most variance in the data[55]. It also provides the most credible non-arbitrary method of assigning loadings to the variable.

However, its successful application requires a uniform definition, quantitative variables and a significant sample size as demonstrated in the success during the development of the City Development Index (CDI). In this field test, due to the presence of large number of binary variables, it was feasible to conduct PCA only on the 17 (of the total 26) quantitative variables. However, due to the small sample size, it is avoidable to use results as the basis to determine indicators that extract statistically significant factors/variables with high level of variance. This holds true as presented in section 3.1, i.e. application of PCA should be

[55] UNCHS (1997); "Analyses of data and global urban indicators database", Urban Indicators Programme, 1994-96, Nairobi, Kenya

avoided when large number of binary variables are present[56]. Please refer the Annex 8 for results.

In the absence of a credible statistical technique, the ranking of the indicators is considered the most important factor for selecting indicators. Two criteria for selecting indicators to be included as part of the UGI is proposed:

1. Only indicators that received **high ranking**
2. Indicators that received **high** ranking and some indicators with **moderate** ranking

Table 4.8: Selected indicators for the two alternatives

Principle	Alternative 1: Only High ranking	Alternative 2: High and selected moderate ranking
Effectiveness sub-index	1. Local government revenue per capita 2. Local Government transfers 3. Ration of mandates to actual tax collection 4. Published performance standards	1. Local government revenue per capita 2. Ratio of actual recurrent and capital budget 3. Local Government transfers 4. Ratio of mandates to actual tax collection 5. Predictability of transfers 6. Published performance standards 7. Customer satisfaction survey 8. Vision statement
Equity sub-index	5. Citizens charter 6. Proportion of women councilors 7. Proportion of women in key positions 8. Pro-poor pricing policy	9. Citizens charter 10. Proportion of women councilors 11. Proportion of women in key positions 12. Pro-poor pricing policy 13. Street Vending
Participation sub-index	9. Elected council 10. Election of Mayor 11. Voter turnout 12. People's forum 13. Civic Associations (per 10,000)	14. Elected council 15. Election of Mayor 16. Voter turnout 17. People's forum 18. Civic Associations (per 10,000)
Accountability sub-index	14. Formal publication of contracts, tenders, budget and accounts 15. Control by higher levels of government 16. Anti-corruption commission 17. Disclosure of personal income and assets 18. Regular independent audit	19. Formal publication of contracts, tenders, budget and accounts 20. Control by higher levels of government 21. Codes of conduct 22. Facility to receive complaints 23. Anti-corruption commission 24. Disclosure of personal income and assets 25. Regular independent audit

[56] Jae-On Kim and Charles W. Mueller, "Factor Analysis: Statistical Methods and Practical Issues", Sage Publictions

Table 4.9: Brief assessment of two options for indicators in the UGI

Alternative	Characteristics	Structural assessment	Statistical Limitation
Alt. 1: Only indicators that received high ranking	Smaller group of indicators (18) Relatively less and simplified index calculation. Higher monitoring success towards quality of governance	Risk that only high rank indicators could skew the result towards a particular 'policy objective', under the framework of the Global Campaign on Urban Governance. E.g. Under effectiveness sub-index, that consists of 8 indicators that were evaluated, 4 of the total 5 indicators that have received high ranking address only one policy objective[57] (of the possible 6-7).	Due to the lack of adequate sample size, the indicators that received high ranking may not necessarily be statistically significant demonstrating high level of variance
Alt. 2: All indicators that received "High" ranking and some indicators with "Moderate" ranking	Much larger group of indicators (25) Relatively complex index calculations. *Selection of the 'moderate' ranking indicators depends whether they address the 'definition' and 'policy objective' of the respective sub-index.*	Provides a fundamentally more balanced representation of the respective principles. Inclusion of balanced assessment would include relevant indicators that could also be monitored against the respective 'measurable definition' and the 'policy objective', under the framework of the Urban Governance Campaign. E.g. Indicator, 'Customer satisfaction survey' and 'vision statement' are included as they partially address credibility and have received moderate ranking	

In the current report, **both** the options are considered for testing the calculation of the index. **.** Refer Annex 3 for the selected indicators under the 2 options

In the absence of a non-arbitrary method, 'rank of the indicator' and the 'number of indicators' addressing the significance to a specific policy objective is considered for assigning loading.

Table 4.10: Loading criteria on variables

Factor	Loadings	Weight
Rank of the indicator	Moderate ranking = 5 points High ranking (Qualitative base[58]) = 10 points High ranking (Quantitative base[59]) = 15 points.	This carries a higher weight, since it is a composite factor that also includes the nature of the indicator (binary of quantitative), important for monitoring progress over time. A weight of 0.60 is assigned.
Number of indicators addressing the significance to policy objective'	If there are more than 1 indicator addressing the same policy objective, they are assigned 5 points, while if there is only one indicators, addressing a certain policy objective, then 10 points are awarded	It carries a lower weight, as it is a simple (one factor) factor. A weight of 0.40 is assigned.

[57] To attain a system of institutional efficiency and socio-political environment that realizes effective financial management (collection and management of income sources, local revenue collection and expenditure) operational, planning and development functions'

[58] E.g. Published performance standards

[59] E.g. Local Government Revenue Per Capita

Detail calculations in assigning weights and subsequent loading allocated to the indicators under the four sub-indices is also presented in Annex 4. After arriving at the sub-indices for each principle, the UGI is then calculated after applying equal weights to the each sub-index.

The formulae presented above are tentative that requires further consideration after receiving data from a larger number of cities in order to provide a more robust statistical basis for recommending a non-arbitrary method of selecting indicators and assigning loadings.

Table 4.11: Proposed tentative formulae for the Urban Governance Index, Alternative 1: Only indicators that received high ranking

Sub-Indices	Formula
Effectiveness	0.35*LG Revenue per capita + 0.20*LG revenue in transfer + 0.20*Tax collection + 0.25*Published performance standards
Equity	0.25*Citizens Charter + 0.20*Women councilors + 0.15*Women in Key positions + 0.20* household water connection + 0.10*Pro-poor policy + 0.10* Water price
Participation	0.15*Elected Council + 0.15* Election of Mayor + 0.25*Voters Participation + 0.20*Peoples Forum + 0.25*Civic associations
Accountability	0.20*Formal publication of contracts, tenders, budget and accounts + 0.20*Control by higher levels of government + 0.20*Anti-corruption commission + 0.20*Disclosure of personal/family income and assets + 0.20*Independent audit
Urban Governance Index	(Effectiveness sub-index + Equity sub-index + Participation sub-index + Accountability sub-index / 4

Table 4.12: Proposed tentative formulae for the Urban Governance Index, Alternative 2: Indicators that received "High" ranking and some indicators with "Moderate" ranking

Sub-Indices	Formula
Effectiveness	0.25*LG Revenue per capita + 0.10*Ratio of recurrent to capital budget + 0.10*LG revenue in transfer + 0.10*Tax collection + 0.10*Predictability of transfer + 0.15*Published performance standards + 0.10*Consumer satisfaction survey + 0.10*Vision Statement
Equity	0.20*Citizens Charter + 0.20*Women councilors + 0.10*Women in Key positions + 0.15* household water connection + 0.10*Pro-poor policy + 0.10* Water price + 0.15*Street Vending restrictions
Participation	0.15*Elected Council + 0.15* Mayor Selection + 0.25*Voters Participation + 0.20*Peoples Forum + 0.25*Civic associations
Accountability	0.20*Formal publication: contracts, tendersbudget and accounts + 0.15*Control by higher levels of government + 0.10*Codes of Conduct + 0.10*Facilities to receive complaints + 0.15*Anti-corruption commission + 0.15*Disclosure of personal/family income and assets + 0.15*Independent audit
Urban Governance Index	(Effectiveness sub-index + Equity sub-index + Participation sub-index + Accountability sub-index / 4

An example of a city demonstrating the application of the alternative two formulae is presented in the Annex 5.

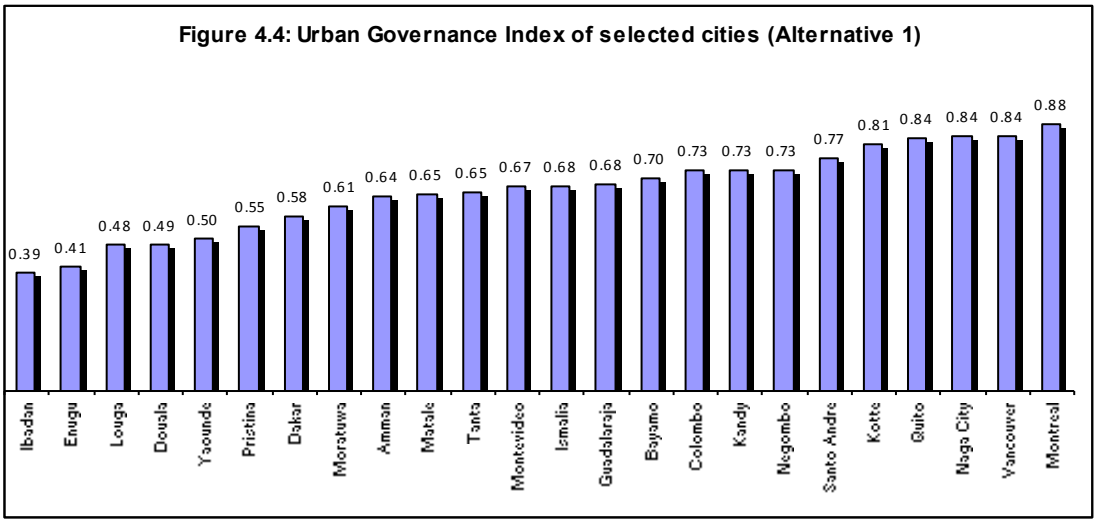
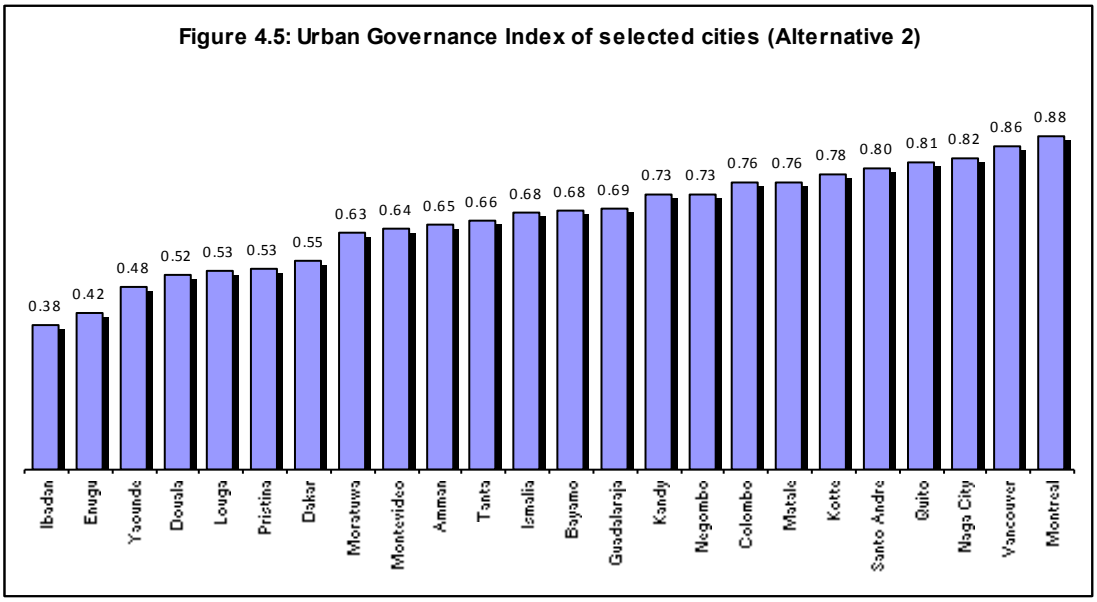
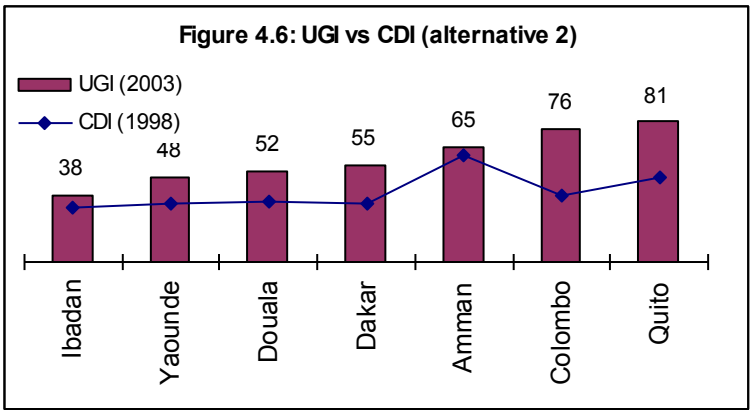


Figure 4.4 and 4.5 present the UGI results of 24 cities from the two alternatives proposed. Please note that there were various cities with missing values and therefore a replacement process of missing numbers was undertaken (refer Annex 6, Notes section).

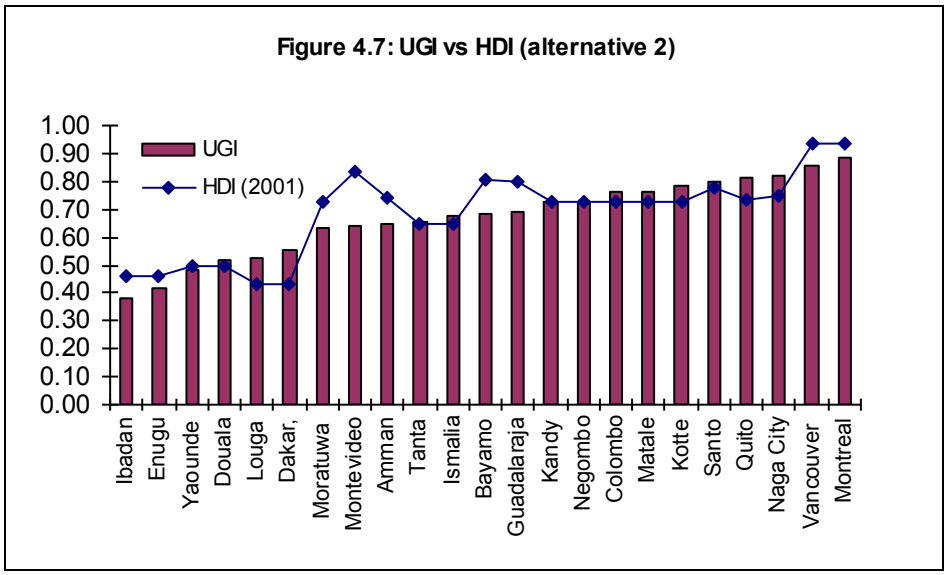


The data and comparison presented below is only for the development of the tool. They present examples of the future potential of the UGI and are not intended as results to be evaluated on their values. Important comparison and correlation would be useful in the future once a substantial and more credible database has been established.

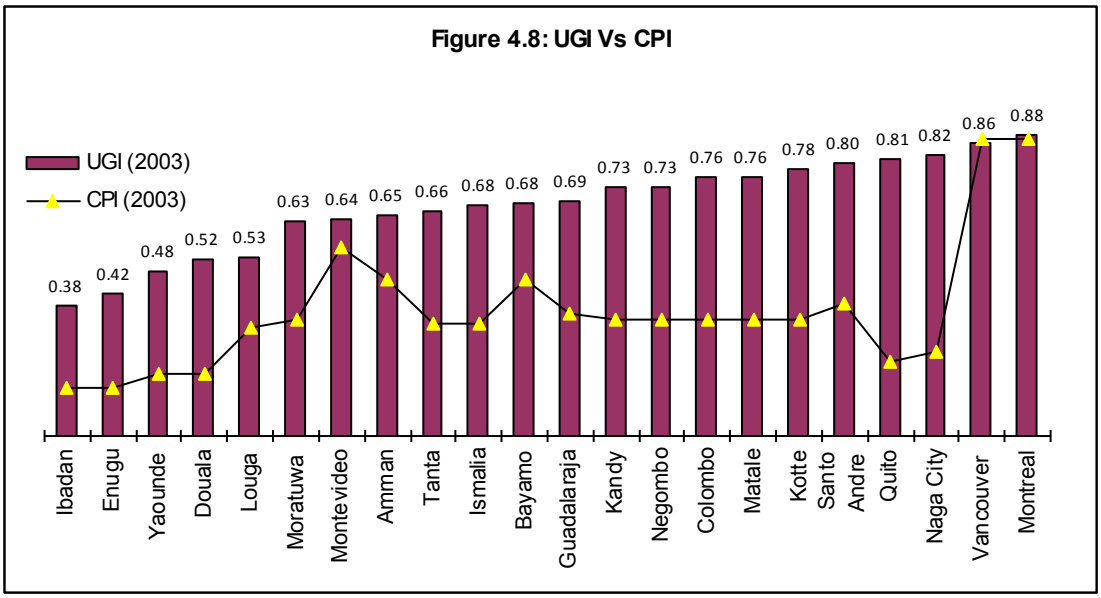


The sub-indices and the UGI can be compared with the CDI to arrive at important relationship between the 'quality of governance' and the 'physical components of livability' (infrastructure, waster, education, health and income).

As reflected in the Figure 4.6, the relationship between the two indices is difficult to analyse with the data available. However, a wider database would reflect that good urban governance might not always result in better physical livability. Analyses of such cases would provide important findings and weaknesses in studied urban areas.



Corruption perception index (CPI) and the Human Development Index (HDI) are collected at the national level and their comparison with the sub-indices and/or the UGI could provide important relationships and observations (with the exception of city/state structure). CPI[60] could, for instance provide an important relationship with the accountability sub-index of the city, especially towards the indicator, 'Anti-corruption commission'.



[60] It is also important to note that CPI is a perception index based in polls, so one needs to make a careful and in-depth comparison. See *Press release* Transparency International, Corruption Perceptions Index 2003

5. Dissemination and data collection strategy

5.1 Background

There are three fundamental factors that determine the strategy for dissemination and data collection; (a) general objective of urban governance index, (b) Level of effort required for collecting indicators, and (c) possible dissemination channels

As mentioned in the Chapter 1, at the *global level*, the index will be used to demonstrate the importance of good urban governance in achieving broad development objectives, such as the Millennium Development Goals and those in the Habitat Agenda. At the *local level*, the index is expected to catalyze local action to improve the quality of urban governance.

The level of effort certainly varies from city to city. In the proposed UGI (alternative 2), there are 9 quantitative indicators and 17 qualitative indicators. Though qualitative indicators are relatively much easier to collect, according to the feedback[61] from the participating cities, majority (70%) of the quantitative indicators are expected to be collected within 3 days.

The dissemination channels can be categorized by scope (level of application), entry point and type of main activities (advocacy, training, research). Application at the global and regional level is critical for advocating in general the importance of monitoring and measuring urban governance, hence the UGI. At the national and city level, the focus is more contextual and there is more interest in identifying local level indicators, providing capacity development, and linkage to other initiatives (often in partnership with local organizations).

Considering the variety in the dissemination channels it would be appropriate to provide various possible scenarios of dissemination and document the prime objectives of respective channels, its advantages and disadvantages.

5.2 Dissemination of UGI

Dissemination of the tool could be in 2 phases; the first one during the finalization stage of the tool, where the field test results are shared and the second phase after the tool has been finalized and where the aim is to reach the wider partners and international organizations.

The first stage of dissemination would focus on receiving feedback and encouraging ownership of the tool amongst the participating cities and potential partner cities of the UGI. The dissemination could include the "field test results and the methodology" followed by a cross-country Internet based discussion forum or electronic discussion amongst the participating cities and partners, moderated by UN-HABITAT on selected issues i.e. universality, data availability and quality of indicators could be undertaken. The results of the discussion could be disseminated to all the interested partners. Findings from the discussion could assist in finalizing the urban governance tool.

The second stage of dissemination could be divided into 2 scale of intervention; global and regional. The success of the data collection campaign depends on its ability to mobilize global and regional networks of partners behind the banner of good urban governance. At the global level, international symposiums and advocacy platforms like the forthcoming WUF, could be used to disseminate the importance of index.

[61] Feedback on ease of collection received from 6 participating cities in the field test.

Regional organizations and networks associated with governance campaign's objectives and principles to respond to local realities could be an important partner for dissemination. The advent of the new world organization of local authorities (ULCG) could be an important anchoring partner to work closely with UN-HABITAT to strengthen the role of local authorities both at the national and international levels. Coordination and partnership during the dissemination stage with relevant organizations involved with indicators and data collection is expected to eventually benefit in the coverage and quality of data collection.

Table 5.1: Select dissemination actors at the global and regional level

Objectives	Actors	Event / output
Finalizing of the UGI	Field test participating cities UN-HABITAT regional offices UNDP UCLG SCP/UMP	Cross-country Internet based discussion
Disseminate the importance of UGI	Global Campaign on Urban Governance, GUO, FCM, UNDP, CLGF	World Urban Forum, Sept 2004
Synergy with GUO's work on urban indicators (comparison with CDI)	GUO	Relationship of state of governance and effectiveness of governance
Correlation with the HDI and the dissemination of the tool in different countries	UNDP	UNDP source book
Identify synergies in consolidating efforts for UGI dissemination and collection	OECD (public management and governance section)	-

5.3 Data collection approach[62]

In the past the UN-HABITAT data collection efforts have operated under a relatively low-cost model that does not require a formal international network, where cities are invited to participate. Two approaches for data collection has been engaged; the use of regional contracts and use of local consultants. The regional contracts (by geographical region) to academic institutions or consulting organsiations are provided to manage the identification (location) of cities, hiring of local consultants and assembly and validation of data. Most often the quality of data retrieved from various cities, depends on the competence of the local consultant, the quality of validation by the regional organizations and to some extent the raw data available from the city itself. *(adapted from the State of World Cities, 2001)*

Key underlining approaches in proposing a data collection strategy are:

- Using the international forums and advocacy platforms to generate interest amongst relevant international organizations collecting indicators.
- Share information regarding the list of indicators, field test reports and methodology and identify common ground, overlaps and mutually beneficial data or indicators.
- Initiate efforts in partnering with interested organizations. Partnering could focus on sharing of information, e-discussion, joint hosting of events on indicators and governance,

[62] Various international organization provide complete and timely sectoral data through their own networks and local agencies. The important once include UNDP (through their Human Development Report), ILO, UNESCO, WHO, the World Bank and organizations such as OECD and OPEC.

documentation of good practices on governance and data collection. Explore the possibilities of using the geographical network of partnering organization in selecting cities for data collection.

- After the selection of cities has been undertaken, identify the existing capacity for data collection and if required sensitize and/or integrate data collection and improvement modules within the larger capacity building ongoing programmes.
- As far as possible include indicators collection and data improvement components in capacity building programmes.

Table 5.2: Various approaches for data collection

Scenario	Characteristic/main objective	Advantages	Disadvantages
Applying similar model as of the GUID 1998	- Regional contacts (by region) ad local consultants	- Independence and control - Does not require formal international network	- Reliability of information. - Application of information in urban management - One time activity with limitation in improvements - Resource consuming and indirect actors involved
Current GUO approach (data collection in representative sample of cities)	- Hard data to be obtained from various secondary sources, DHS and MICS - Work in phases by regions	- Cost effective - Participatory data collection using workshops - Phased approach capitalizes on lessons learnt from the past, with improvements and monitoring trends. .	- Focus exclusively on hard data - Limitation in collection of other indicators (including UGI) and especially qualitative
Global Observatory of Local Democracy and Decentralization (GOLD)	- Selection of committed cities in a region - Spread the initiative in phases by region through training / sensitization seminars	- Sustained application of UGI in urban management - Phased approach capitalizes on lessons learnt from the past, with improvements. - Involvement of direct actors	- Limitations in the coverage and time consuming.

There are present three possible scenarios for dissemination and data collection. The last scenario, with GOLD as the anchor (proposed to be jointly established by UCLG and UN-HABITAT) could be proposed for data collection of the UGI. However, its effective implementation requires capitalizing on various national, regional and international initiatives current ongoing and proposed.

At the same time it would be useful to explore other options for data collection in partnerships with other ongoing or proposed data collection efforts. The partnerships could be with

international and regional organizations, academic and research institutions and other local government networks.

Table 5.3: Relevance of GOLD as a potential data collection channel

Proposed components of GOLD	Relevance to the UGI, dissemination, adaptation and collection
Contribute to the development of indicators	- Application of the UGI framework in identifying local relevant indicators - With assistance from UCLG, promote the UGI and identifying capacity building needs of cities that emerge fro application of the index.
Information gathering on decentralization and state of local governance	- With technical assistance from UN-HABITAT, train association of local authorities in data collection methods and analyses
Development of regional observatories	- With assistance from UCLG, mobilise regional associations of local authorities as the main collectors of data on local democracy and decentralization.
Awareness raising	- Important for monitoring trend on governance and sharing experiences from other cities

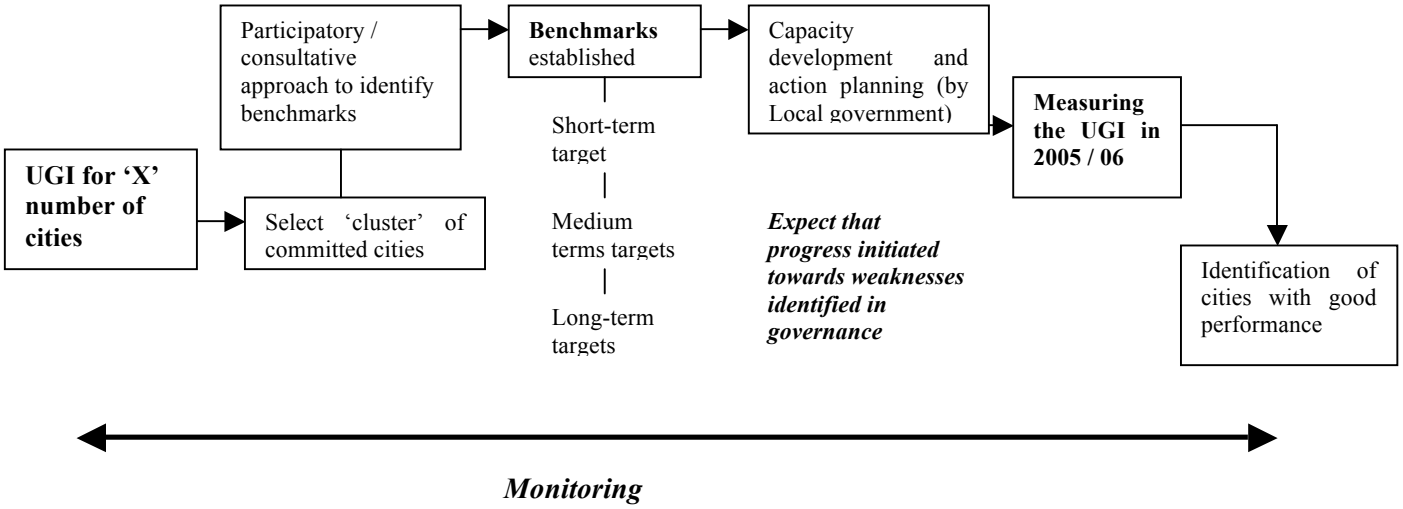
5.4 Proposed Good Governance Award system

The UGI arrived for cities in 1st phase of a particular region could be evaluated and assessed to identify possible areas of improvements. Benchmarks that address the four principles (effectiveness, equity, participation and accountability) and the overall index could be established for various cities. These benchmarks could serve as the potential targets for cities to achieve in a given time frame. Short, medium and long-term targets could be established depending on the priorities identified in a participatory process for a particular city.

Ongoing capacity development activities (national programmes and other international initiatives) related to urban governance that provide training to the local government officials will also include these benchmarks as measures of performance monitoring. Within the training, benchmarks would be used for action planning to achieve those targets.

To monitor the performance of the cities and to provide incentives to the cities showing progress towards meeting the benchmarks, an award system would be established. This provides not only recognize the efforts made by cities in moving towards good governance but also provides incentives to other cities, in moving towards good governance. The award system would also provide value addition to the index that has often been termed primarily as a tool for comparing cities and monitoring trends. However, it needs to be emphasized that the benchmark system should ideally be developed at the city level through a participatory and consultative process.

Figure 5.1: Proposed Good Governance Award System



6. Conclusion and Way Forward

The last "Expert Group Meeting on Urban Governance Index, 2002", agreed to focus on **process** indicators for arriving at the Index that could be compared with the "result" focused City Development Index (CDI), the Transparency Index (TI) and the Human Development Index (HDI). Continuing the process of selecting the most relevant indicators of governance, 26 process indicators were field tested first in 12 cities and then in 20 cities, with a total of 24 cities participating in the two stages of the field test. The field test focused on **evaluation of the Index as a tool**, rather than a comparison of city performance.

Development of index has **made progress** after modification, inclusion and exclusion of indicators, has **significantly improved the feasibility of most indicators**, which better addresses the four criteria, and the principles of governance.

Significant proportion of indicators selected after the Expert Group Meeting are valid (as they adequately addressing the four factors) and many have been revised and verified during the second stage to better address the principles of governance. However, specific indicators that have proven problematic have been excluded or consolidated with other indicators. As only one indicator receive high ranking in **Security sub-index**, **its exclusion is recommended** to improve the overall quality of Urban Governance Index.

The indicators that were **not universally understood** and whose definitions were made generic (by abstracting the general nature and invite respondents to describe similar initiatives/institutions and functions) presented **improvements** with better ranking of the respective indicators. It was easier to improve the **universal application** and acceptability of the indicators as compared to credibility.

Where there were cases of lack of **credibility**, this was mainly because the indicators did not measure the progress or the performance of the mechanisms in place. Some modified indicators to improve the credibility reported only moderate improvement primarily due to the lack of quantitative data available.

Indicators had also been revised to **reduce the local government bias** in defining governance and the selection of indicators during the field test. This was done either by including other participatory indicators or by adjusting the loadings on the indicators (balance of loading between various principle objectives).

One of the fundamental concerns presented in the first stage was the **inclusion and performance of binary indicators**. It is important to note that when one considers "process and institution" oriented governance indicators, binary indicators occupy a significant proportion of the expected indicators. About 80% of the indicators tested for the Index are binary in nature. Some of the binary indicators that provide a simple "Yes" or "No" responses have limited value in reasonably addressing the governance principle and measuring the progress over time. Such binary variables also limit undertaking statistical analyses to deduce most significant factors and provide loading to the variables to arrive at a non-arbitrary methodology to develop the indices. Most of these indicators have not met the criteria of credibility and ranked "Moderate" or "Low". For indicators with a number of binary variables (where each data set is assigned weighting) the results are more detailed as they are intermediate scores (not just absolute "0" or "1") and where application of statistical techniques would be appropriate. Most of these indicators (though binary in nature) have received a "High" ranking. Binary indicators might present some limitations in accurately addressing the governance principle and importantly measuring the progress over time. The following attempts in the second stage have **improved their credibility**:

- Consolidation with a number of **binary data sets** (where each data set is assigned weights) the results are more detailed as they receive intermediate scores (not just absolute "0" or "1"). Most of these indicators (though binary in nature) have received a "High" ranking.

- Providing a **balanced loading (weights)** to various types of indicators. As the index involves both binary and quantitative variables, a combination of statistical, objective rating and participatory techniques would be appropriate to undertake.

Though **statistical techniques** (PCA) were applied on a set of quantitative indicators, relative small sample size, inadequate geographical representation has limited in providing a statistical significant variables to assist in selection and assigning loadings on the indicators. What is more important in this methodology is a set of indicators that are felt relevant by the various stakeholders. Therefore, a **tentative formulae** is currently proposed with potential for further refinement.

The methodology in arriving at the UGI has been **participatory** with feedback from participating cities as one of the most important elements to propose changes in defining indicators and improving the quality of the UGI. Distribution of the field test report to the participating cities and partners resulted in feedback and it is proposed to hold an electronic discussion on the credibility, relevance and universality of selected indicators and the index.

During the process of evaluation, the **emphasis has been on the performance of respective sub-index**, rather than only the aggregation of the UGI. After a more credible database is document, benchmarks and targets could be set for respective sub-indices to improve the quality of governance in urban areas.

The dissemination of the tool could be **in 2 phases**; the first one during the finalization stage of the tool, where the field test results are shared and the second phase after the tool has been finalized and where the aim is to reach the wider partners and international organizations. The first stage of dissemination would focus on receiving feedback and encouraging ownership of the tool amongst the participating cities and potential partner cities of the UGI. The second stage of dissemination could be divided into 2 scale of intervention; global and regional. The advent of the new world organization of local authorities (ULCG) could be an important anchoring partner to work closely with UN-HABITAT to strengthen the role of local authorities both at the national and international levels.

The Global Observatory of Local Democracy and Decentralization **(GOLD)** could serve as an anchor (proposed jointly established by UCLG and UN-HABITAT) for dissemination and data collection of the UGI. At the same time it would be useful to **explore other options** for data collection in partnerships with other ongoing or proposed data collection efforts

It would be useful to further explore the possibility to establish an **award system** to provide incentives to cities showing progress towards meeting the benchmarks. This would recognize efforts by cities in moving towards good governance and provide incentives to other cities to do the same.

It would be prudent to follow a **step-by-step approach** for a sustained application of UGI in urban management. It would be ideal to first select a cluster of committed cities in a region and directly involve actors/councilors/projects and programme and spread the initiative in phases by region through training /sensitization seminars. The region wise phase approach would capitalize on lessons learnt from the past, with incremental improvements.

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Annexes
Urban Governance Index

Conceptual Foundation and Field Test Report

Annex 1: List of indicators selected during the Expert Group Meeting on UGI, 2002

Table A. Selected indicators for effectiveness

Policy objectives (according to the definition)[63]	**Selected Indicators**	**Significance**
To attain a system of institutional efficiency and socio-political environment that realizes effective financial management (collection and management of income sources, local revenue collection and expenditure) operational, planning and development functions.	1. Major income source: Percentage of mandated local revenue actually collected by local government	The balance between the sources of income provides an indication on the viability, independence and control over resources of the institutions, and thus its effectiveness.
	2. Percentage of wages in budget (compared with capital investment, income generating activities and training activities)	Determines the efficiency in operational budgeting, institutional and financial management
	3. Ratio of total expenditure to the number of local government staff	
To provide incentives to capable local government employees for efficiency in work.	4. Merit-based promotion	Measures the mechanisms (existence of a professional competent culture) for effective human resources management.
To strengthen subsidiarity of authority by providing transparent and predictable intergovernmental fiscal transfers and central government support (for the development of administrative, technical and managerial capacities at the city level).	5. Existence of a budget linked to a multi-year strategic plan/objectives approved by council	Determines the linkage between city strategy policies and plans with implementation.
	6. Predictability of transfers in local government budget	Determines the level of commitment and interventions by the higher level of government in local administration.
	7. Percentage of national income distributed to local level	Measures the level of co-operation and dependence of the local government on the national government.
To improve the processes and mechanisms for efficient delivery of services. To adopt clear objectives and targets for the provision of public services and improving mechanisms for addressing civil society concerns.	8. Average time to process business/trading permit	Measures the existing tools to determine efficiency of the local institutions in processing the permit.
	9. Published performance delivery standards	Measures existing mechanisms for efficient delivery of key services.
	10. Consumer satisfaction surveys	Measures the tools for for social inclusion and responsiveness
	11. Existence of e-governance	

[63] Adapted from the "Principles of Good Urban Governance", Global Campaign on Urban Governance", (http://www.unhabitat.org/campaigns/governance/principles.asp)

To promote innovative means for delivery of goods and services (through management of contracts by the private sector).	12. Number of contracts/projects implemented by private sector or NGO partners as a percentage of total contract value	Signifies the level of innovative initiatives undertaken for the delivery of goods and services.
	13. Contracted recurrent expenditure ratio	
To promote institutional commitment in articulating the future of the city's progress through a participatory process.	14. Existence of a vision statement	Measures the existence of performance of tools for the welfare and aspirations of the civil society

Table B. Selected indicators for Equity

Policy objectives (according to the definition)[64]	**Selected Indicators**	**Significance**
To ensure that mechanisms are present that acknowledge citizens' right of access to basic services.	15. Citizens Charter: right of access to basic services	Signifies institutional accountability towards citizens in providing equitable access to basic services
To ensure that economic development policies support poor and the disadvantaged groups.	16. Proportion of budget allocated to "pro-poor programmes"	Determines commitment for poverty reduction and its level of implementation.
To ensure equal gender representation in local government as fundamental for promoting equitable policies, plans and projects.	17. Percentage of women councilors in local authorities	Indicates gender equity in representation of women involved in decision-making
To ensure there is provision for equitable access to water, by providing subsidizes water for the poor.	18. Pro-poor pricing policies for basic services	Measures the institutional commitment in providing access to basic services (water) for poor
To ensure that mechanisms are present and effective for the minorities and other vulnerable group to represent in decision- making.	19. Provision for the representation of minority groups in municipal council (other decision making bodies)	Signifies the institutional commitment to integrate priorities and concerns of the marginalized and minority groups.
	20. Mechanism to involve under-represented groups	
To ensure there exists, bye-laws and economic development policies that support the informal sector and poor	21. Street vending permitted in central retail areas	Measures institutional effort to provide economic opportunities for informal businesses.

[64] Adapted from the "Principles of Good Urban Governance", Global Campaign on Urban Governance", (http://www.unhabitat.org/campaigns/governance/principles.asp)

Table C. Selected indicators for participation

Policy objectives (according to the definition)[65]	**Selected Indicators**	**Significance**
Representative democracy		
Promoting strong local representative democracies through unbiased, free and fair municipal elections	22. Elected council elected or not	Measures the level of civil society participation and local democracy.
	23. Nominated members of council	
	24. Percentage of women councilors in local authorities	Indicates gender equity in representation of women involved in decision-making
	25. Population per councilor	Determines the councilors level of accountability.
	26. Elected Mayor	Measures the level of civil society participation in decision making
	27. Mandate	Determines the priorities of the local councilors
	28. Voter Participation by sex	Measures the degree of interest and involvement of women and men in local elections
	29. Existence of Qualified Franchise	-
Participatory democracy		
To undertaking city referenda concerning important urban development options in participatory decision-making processes	30. Referenda	Measures whether there is a formal process for receiving public opinion for important policy/legislative matters.
Establishing the legal authority for civil society to participate effectively through such mechanisms as neighborhood advisory committees	31. People's Councils	Signifies the availability of a forum for public to express their views effectively
	32. People's initiative laws	Measures the level and authority of participation.
Making use of mechanisms such as public hearings and surveys, town hall meetings, citizen's forums, city consultations and participatory strategy development, including issue-specific working groups	33. Open sessions in city council	Signifies the level of participate to respond to projects and project management and the level of vibrancy of associational life in a city.
Legalise the access of local government information to the citizens	34. Access to information legislation (no indicator)	Commitment of the local government in transparency and participation.

[65] Adapted from the "Principles of Good Urban Governance", Global Campaign on Urban Governance", (http://www.unhabitat.org/campaigns/governance/principles.asp)

Table D. Selected indicators for accountability

Policy objectives (according to the definition)[66]	Selected Indicators	Significance
To ensure mechanism (such as participatory budget, regular public dissemination for transparent tendering and procurement procedures) for transparency in the operation of the local government.	35. Publication of contracts/tenders, budgets and accounts	Indicates the willingness of the local authority to be transparent in its activities and accountable for its decisions.
Regular, organized and open consultations with citizens on city financial matters and other important issues	36. Display of common municipal procedures	
Promote responsiveness of the local government towards the higher level of government and civic grievances	37. Grievance redress mechanisms	Important determinant of local governments accountability to civic grievances
	38. Control by higher levels of Government	Influences the direction accountability, towards higher level government or the civil society.
Establishing codes of conduct for the local government	39. Codes of conduct	Signifies governments' commitment towards integrity of its officials.
Regular, independently executed programmes to test public officials integrity response	40. Number of violations: cases of sanction	
Creating public feedback mechanisms such as an ombudsman, hotlines, complaint offices and procedures, citizen report cards and procedures for public petitioning and/or public interest litigation	41. Ombudsman	Signifies the willingness of government to be responsive for the welfare of the people.
	42. Hotline	Signifies governments responsiveness towards the people, specific to complains and corruption
Mechanisms to check corruption of the local government.	43. Anti-corruption programme/policy	Commitment of the local government in fighting corruption
	44. Anti-corruption commission	Willingness of the officials to scrutinize its own officials and protect its integrity by removing corrupt officials.
	45. Anti-corruption legislation	
Provision for the regular disclosure of assets of public officials and elected representatives	46. Disclosure of assets by councilors	Accountability of the decision makers in the government and their genuine interest in civic welfare
Promoting an ethic of service to the public among officials while putting into place adequate remuneration for public servants	47. Salaries of police officers	Important indicator to determines the reason for corruption and efficiency of the local government
Promote procedures for checking corruption.	48. Independent audit	Accountability towards its tax payers and transparency in providing resources for development projects.

[66] Adapted from the "Principles of Good Urban Governance", Global Campaign on Urban Governance", (http://www.unhabitat.org/campaigns/governance/principles.asp)

Creating feedback mechanisms for citizen report cards and surveys and procedures for public petitioning and/or public interest litigation	49. Report Cards	Feedback mechanisms to measure civic priorities
	50. Surveys	
	51. Urban Bribery Index	Indicates the level of corruption
Promoting the public's right of access to city information; Providing access to city information to create a level playing field for potential investors.	52. Existence of non-state run media	Measures the freedom of press
	53. Number of independent media	

Table E Selected indicators for Security

Policy objectives (according to the definition)[67]	**Selected Indicators**	**Significance**
Developing metropolitan-wide systems of policing as a means of realizing more inclusive cities	54. Population per head of police	Demonstrates the proactive role that a government would like to play for enhancing citizens' security
	55. No. of Private security firms staff to police force staff	
Creating safety and security mechanisms through consultative processes based on rule of law on crime prevention, for natural and human-made disasters and, where necessary, relocating residents to safer areas;	56. Crime prevention policy	
	57. Disaster Mitigation policy	
Formulating strategies, policies and action plans addressing all forms of abuse against the person, especially abuse against women, children and the family.	58. Violence against women policies	Indicates regard of the local government towards issues related to women and weaker section of the society.
	59. Victim of violence assistance policies	
	60. Weapons control policy	
	61. Policy for children in distress	
Implementing environmental planning and management methodologies based on stakeholder involvement	62. Environmental policies	Indicates the commitment and awareness of the local government towards important health and environment issues
Formulating strategies, policies and action plans addressing health issues	63. HIV/Aids policy	
	64. Drug policy	
Creating safety and security through consultative processes based on rule of law, solidarity and prevention, and supporting appropriate indigenous institutions that promote security	65. Inclusion of traditional conflict research mechanisms	Demonstrates the participatory role that the government would like to play for enhancing citizens' security and safety
	66. Involvement of communities in conflict resolution	

[67] Adapted from the "Principles of Good Urban Governance", Global Campaign on Urban Governance", (http://www.unhabitat.org/campaigns/governance/principles.asp)

Annex 2: Evaluation matrix of indicators in the first and second stage field test

Table A: Evaluation of selected indicators under Effectiveness principle in the first and second stage of the field test

Indicator	Field test	Ease of collection (Yes/No)	Universality (Yes/No)	Relevance (Yes/No(	Inst. level	Credibility (Yes/No)	Rank / Recommendations
Local governmen t revenue per capita	First	Yes (Moderate, 70%) Collected with reasonable effort and time for most cities. It was noted that cities with new local government structures (e.g. Pristina, Kosovo) did not possess information for such an indicator	Yes Indicator is valid for cities in the North and South, and for any constitutional context	Yes Addresses the government concerns. Since the revenue is generated through various income sources, the indicator provides an indirect relationship with the socio-political environment.	Loca l	Yes (high) Indicator adequately addresses the financial management capacity of the local government. It also provides a good comparison potential with the City Development Index	Retain with minor changes. Undertake further normali zation with respect to the socio-economic conditions (PPP) and test the results.
	Second	Yes (74%) .	-do-.	-do-	-do-	-do- .	High Rank / Retain PPP was considered for normalization, but its focus to primarily eliminate the differences in price levels (OECD[68]), between countries renders it less effective in applying revenue per capita for normalization.
Ratio of mandated recurrent and capital budget	First	Not tested					
	Second	No (60%) Collected with some limitations on the capital budget data.	Yes Indicator is valid for cities in the North and South, and for any constitutional context	Yes	Local	No Indicator had limitation due to its mandated nature. Enhanced credibility of the indicator would require measurement against the actual recurrent and capital budget (i.e. ratio of mandated to actual recurrent budget).	**Low rank / Exclude**
Ratio of actual recurrent and capital budget	First	Yes (65%)	Yes	Yes	Local	Yes	Retain with more time allotted for data collection. Considering the difficulty in collection of the indicator, the respondents would need more time to retrieve the data.
	Second	No (75%) Though there were some limitations in collection of data for capital budget, due to irregular approval of sources of revenue, significant improvement in the collection level was reported.	Yes Indicator is valid for cities in the North and South, and for any constitutional context.	Yes Addresses the financial concerns of the local government for further development of strategies.	Local	Yes Addresses the quality of institutions by providing a credible measure of financial sustainability for effective performance.	**High rank / Retain**

[68] Refer Annex for more details.

Indicator	Field test	Ease of collection (Yes/No)	Universality (Yes/No)	Relevance (Yes/No(	Inst. level	Credibility (Yes/No)	Rank / Recommendations
Total income actually collected (mandated and actual sources of income)	First	No (low) Limitation in data availability for the various sources of income.	Yes Indicator considers its validity in all geographical and constitutional contexts as all the local authorities have mandated revenue streams.	Yes Focuses on the local government institution and its association with higher levels of government, borrowers (private sector, donors) and civil society.	Local	Yes (high) Balance between sources of income provides indication of viability, independence and control over the resources. The actual income collection addresses the efficiency the financial management system at the local level.	Moderate rank / Exclude Due to the difficulty in collection and the large number of variables involved, perhaps we could exclude in favor of indicator 4, "**ratio of mandated to actual tax collection**".
Local government transfers	First	**Not tested**					
	Second	Yes	Yes	Yes	Local	Yes	**High rank / Retain**
Ratio of mandated to actual tax collection	First	Moderate (55%) Though it's a part of the last indicator its comparatively easier to collect.	Yes Indicator considers its validity in all geographical and constitutional contexts.	Yes As this indicator is a proxy for willingness to pay (citizens) it addresses the role of civil society in effective local governance.	Local	Yes Adequately addresses the quality of institution by measuring the effectiveness in financial management at the local level.	Additional information that would strengthen the role of civil society in effective governance is "Citizens' willingness to pay taxes. However, perceived difficult to collect.
	Second	Moderate (60%)	-do-	-do-	-do-	Yes By measuring "proportion of actual to mandated tax collection" it addresses the efficiency in tax collection system. As it also measures the "mandated tax income as a proportion of the total income", it addresses the sustainability and independence of the local government over financial resources.	**High rank / Retain** However, need for further clarity in the guidelines (supported by examples) to the indicator as variations in the actual total revenue could skew the tax proportion actually collection. It is also proposed to retain all the major sources of income, as additional information verifies the accuracy of this indicator.
Predictability of transfers "Amount of transfer known in advance"	First	Yes (High, 100%)	Yes (high) Indicator considers its validity in all geographical and constitutional contexts.	Yes (moderate) Addresses the commitment and interventions by the higher levels of government in local administration.	Local	No (moderate) Addresses the quality of the relevant institutions by measuring whether the procedures exist that enables the local government to know the funds to be transferred in advance (intergovernmental fiscal transfers). Perhaps the indicator could be more credible if it addresses the improvements in the predictability of transfers (amount and proportion of budget). The results are binary and do not measure whether there has been improvements in the predictability of transfers.	What one needs to questions is whether there been an improvement in "predictability of transfers"? Proposed further refinement in the indicator, "Ratio of variation in transfers over the past five years to the variation for the basis on which the transfers are calculated over the past 5 years" would provide more credible information. However, this could be too complicated to implement.

Indicator	Field test	Ease of collection (Yes/No)	Universality (Yes/No)	Relevance (Yes/No(	Inst. level	Credibility (Yes/No)	Rank / Recommendations
"Ratio of variation in transfers over the past five years to the variation for the basis on which the transfer are calculated)	Second	No (Low) Recommended data set was not possible for most cities to collect.	Lack of availability limited any conclusions.	Lack of availability limited any conclusions	Local	Yes (mild improvement in the "Predictability of transfers) As the amount of budget that could be predicted depended on the existence of the basis of transfer (most cities).	**Moderate rank / retain** Exclude the quantitative data set, but retain the questions of the basis of transfer. The data set provides a useful proxy, at the same time consolidates and improves the credibility of the absolute answer for the primary data set, "Is the amount to be transferred known in advance?"
Published performance standards for key services	First	Yes (high). Indicator can be collected with reasonable effort and time due to its binary nature (Yes/No)	Yes (high) Valid in cities with varying geographical and constitutional contexts.	No Addresses both the civil society ad local government concerns. However, it should be noted that few cities follow standards set at the state/provincial level (e.g. Montreal, Canada)	Local	Yes (high) Addresses the quality of institution by measuring the existing mechanisms for efficient delivery of various basic services, reasonably well and in detail as it assigns weighting for each of the basic services (water, electricity, sanitation, health and education)	Retain with minor changes Include a wider hierarchy of government to measure the indicators. Additional information includes, "Published performance standards for key services at local or state/provincial level'.
	Second	-do-	-do-	Yes (high) Recommended changes to include whether the standards are published in the wider hierarchy of government and applied at the local level has improved its relevance.	Local or State/Provincial	-do-	**High rank / Retain with e=-discussion**
Customer satisfaction survey	First	Yes (high, 100%) Indicator can be collected with reasonable effort and time due to its binary nature (Yes/No)	Yes Valid in cities with varying geographical and constitutional contexts.	Yes Addresses the concerns of the civil society and provides inputs to the local government for policy changes and implementation.	Local	No Addresses the "mechanism in place" that integrates civil concerns in improving service delivery, fostering effective governance. However, it has limitations in measuring whether the findings from the survey are integrated (attempted for) in future actions, providing more value to the credibility of the institution.	The indicator is most relevant at the local level; however include a wider hierarchy of government to measure the indicators. Additional information recommended include " Citizen satisfaction survey at local or state/provincial level"
	Second	-do-	-do-	Yes Included a wider hierarchy of government to measure the indicator.	Local, State/Provincial	Yes Though the indicator offered limitations in identifying whether the CSS are actually used for future planning, it was difficult to identify appropriate data set to address this concern.	**Moderate rank / Retain**

Indicator	Field test	Ease of collection (Yes/No)	Universality (Yes/No)	Relevance (Yes/No(	Inst. level	Credibility (Yes/No)	Rank / Recommendations
Vision statement	First	Yes (high) Indicator can be collected with reasonable effort and time due to its binary nature (Yes/No)	Yes Valid in cities with varying geographical and constitutional contexts.	Yes Includes the local government, civil society and the private sector as institutions. In one city, the respondent noted that the vision statement was developed for a donor-funded project not for the city as whole.	Local	No Indicator provides a credible measure of quality of institution and relationship as it includes civil society and private sector. Addresses the mechanisms in place for effective articulation of a city's goal. To improve credibility of the indicator, it could consider/measure the progress (which is different from effectiveness or performance) in realizing the vision statement. (i.e. as scheduled, behind schedule etc.)	Though the progress in realizing the vision statement will provide higher credibility to the indicator, it could be difficult to retrieve information from most cities.
	Second	-do-	-do-	-do-	-do-	No A simple variable that measures the "state" or "progress" of the vision statement was difficult to identify. The inclusion of whether the vision statement is prepared using a participatory process provides a lead towards accountability of the government, if not the progress over time.	**Moderate rank / Retain**

Table B: Evaluation of selected indicators under Equity principle in the first and second stage of the field test

Indicator	Field test	Ease of collection (Yes/No)	Universality (Yes/No)	Relevance		Credibility (Yes/No)	Rank / Recommendations
				Yes/No	Institutional Level		
Citizens charter: right of access to basic services	First	Yes (high) Indicator can be collected with reasonable effort and time due to its binary nature (Yes/No)	No (moderate) Few cities reported no citizen's charter but a mechanism where the citizens had the right to address the government on the provision of services and conformance of living standards.	Yes Addresses the civil concerns. However, the indicator has limitations in adequately responding to the institutional arrangement in some countries, where the provincial/state and national government are responsible to draft a charter to be adopted by the local government.		Yes Adequately addresses institutional accountability towards citizens in providing equitable access to services by assigning weighting for each of the basic service (water supply, electricity, sanitation, health and education). It also provides a good comparison potential with the (result oriented) Infrastructure Index, which is part of the City Development Index.	Retained with minor changes Accommodating to include similar mechanisms and mandate of provincial/state governments on the provision of citizens charter
	Second	-do-	Yes Included similar mechanisms to the charter.	Yes It accommodated the wider hierarchies of government resulting in improvement in its relevance.	State/provincial and local	-do-	**High rank/ Retain**

Indicator	Field test	Ease of collection (Yes/No)	Universality (Yes/No)	Relevance (Yes/No(	Inst. level	Credibility (Yes/No)	Rank / Recommendations

Proportion of women councilors in local authorities	First	Yes (high) Indicator can be collected with reasonable effort and time.	Yes Valid in cities with varying geographical and constitutional contexts.	Yes Addresses the relevant institutions i.e. the local government provides a platform for women into national politics. Policies and plans are more likely to be effective if the priorities of both men and women are addressed.	Local	No Indicator addresses gender equity in representation of women involved in local government decision making to a limited extent. It does not determine the positions occupied by women councilors[69]. Thus, the indicator may not provide an adequate measure of the actual influence of women on local decision-making. The response from the participating cities also reflected that in some cities the proportion of women councilors being elected were very low.	Retain with additional data sets Include "Proportion of women councilors elected" to the "total women candidates" for the next round of field test. Proportion of women councilors.
Proportion of women councilors in local authorities (with additional information on proportion of women councilors in key positions)	Second	-do-	-do-	-do-	-do-	Yes Improved credibility after the inclusion of the data on 'proportion of women councilors in key positions'.	**High rank/ Retain**
Pro-poor pricing policy (water)	First	No (low) Water price availability has limitations in collection.	No In some cities water is not the responsibility of local government (or it is privatized) and often does not address the priorities of the poor.	Yes Addresses the concerns of the poor that has implications on policy formulation	Local	No Just the existence or absence of a pro-pricing policy on water does not adequately address the commitment of the local government for equitable distribution of services. Provides a good comparison to the infrastructure index (within the CDI), which is result based.	Exclude Given the difficulty with collection, combined with the fact that this (pricing) is an outcome measure (not a process indicator), this indicator needs to be modified to include wider data sets on water access, water policy and pricing.
	Second	Limitation in the water price data	-do-	-do-	-do-	Yes The inclusion of combined data set on existence of pricing policy, the access of water consumption slabs and comparison of water price has improved the credibility of the indicators	**High rank / Retain with e-discussion** Exception to the cities with 100% access to water and no records of informal or poor settlements.

[69] In some countries women do not have powerful positions as councillor.

Indicator	Field test	Ease of collection (Yes/No)	Universality (Yes/No)	Relevance (Yes/No(	Inst. level	Credibility (Yes/No)	Rank / Recommendations
Street vending	First	Yes (high) Indicator can be collected with reasonable effort and time due to its binary nature (Yes/No)	No Limited relevance for Northern cities	Yes Includes the informal business and the local government.	Local	No (moderate) The indicator addresses the efforts of government to provide opportunities for informal business only to some extent. It does not address other incentives for informal business (like the established public market within the vendors streets, promotion of municipal fairs).	Needs to be more accommodating of incentives provided for street vendors.
"Incentives for informal business".	Second	Yes	Yes	Yes	Local, State or National	No All cities provided incentives for informal business, except for cities with new government structure in a post conflict situation.	Moderate rank / retain Its limitations include its absolute value, thus making it difficult to measure over time

Table C: Evaluation of selected indicators under Participation in the first and second stage of the field test

Indicator	Field test	Ease of collection (Yes/No)	Universality (Yes/No)	Relevance		Credibility (Yes/No)	Rank / Recommendations
				Yes/No	Institutional Level		
Elected council	First	Yes (high) Indicator can be collected with reasonable effort and time due to its binary nature (Yes/No)	Yes Valid in cities with varying geographical contexts. In one the participating cities half of the councillors were elected and others were appointed.	Yes As Elected council is a body of local government officials selected by the local people, the indicator adequately addresses the concerns of the civil society and meets the criteria for relevance.	Local	Yes Provides a robust measure of representative decision-making.	Retain with minor changes Indicator could be more accommodating, since in few cities councilors are both elected and appointed.
Elected and appointed council	Second	-do-	-do-	-do-	Local	-do-	**High rank/ Retain**
Mayor appointed/elected	First / Second	Yes (high) Indicators can be collected with reasonable effort and time due to its binary nature (Yes/No)	Yes Valid in cities with varying geographical contexts.	Yes Adequately addresses the relevance to governance institutions, as the Elected Mayor is the head of local government chosen by the local people.	Local	Yes Addresses representative decision-making. There are variations on how the Mayor is elected - by council or directly by the people.	**Retain with minor changes** To avoid penalization of systems where the Mayor is not directly elected, intermediate scores for this indicator were proposed for the second stage (Appointed = 0.25; Elected amongst councilors = 0.75; Directly elected – 1.0

Indicator	Field test	Ease of collection (Yes/No)	Universality (Yes/No)	Relevance (Yes/No(	Inst. level	Credibility (Yes/No)	Rank / Recommendations

Voter participation by gender	First	No (low) Indicator for voter turnout disaggregated by gender was difficult to collect with reasonable time and effort.	Yes Valid in cities with varying geographical contexts.	Yes Focuses on key governance institutions as it addresses people's interest and involvement to select the decision-making body.	Local	Yes Adequately addresses the degree of interest and peoples' involvement by gender for representative local democracy.	Retain with modifications to the indicator Primarily include "Percentage voter turnout" as a simple measure of representative democracy.
Voter turnout	Second	Yes (65%) Relatively much easier to collect.	-do-	-do-	Local/State/National	Adequately addresses the degree of interest and peoples' involvement for representative local democracy.	**High rank/ Retain**
Referenda	First	Yes (high) Indicator can be collected with reasonable effort and time due to its binary nature (Yes/No)	No Not universally understood, as other similar initiatives that address participatory democracy are present and often infrequently applied and address issues at the national level.	No Indicator most often address issues at the national level.	National	No The indicator provides a measure of a formal process for receiving public opinion for important policy/legislative matters. However, it has limitations in measuring whether it is citizen initiated or the government.	Low rank / Exclude Advisable to exclude in favour of a revised indicator 17 (People's council)
	Second	Excluded					
People's Council	First	Yes (high) Indicator can be collected with reasonable effort and time due to its binary nature (Yes/No)	No Limitation in accommodating similar forums or initiatives for civil society to participate in local decision making and planning process.	Yes Relevant to the civic concerns and focuses on the process of representative democracy.	Local (neighbourhood and city level)	Yes Addresses the quality of governance by measuring the existence of mechanisms that facilitate participatory mechanism.	Accommodate similar participatory mechanisms or any alternate form of People's Council[70] that provides a forum for the citizens to express their views. Definition should be made more generic to accommodate variations.
	Second	-do-	Yes Inclusion of similar participatory mechanisms that provided a forum for citizens to express their view resulted in improved universality	-do-	-do-	-do-	**High rank/ Retain**

Indicator	**Field test**	**Ease of collection (Yes/No)**	**Universality (Yes/No)**	**Relevance (Yes/No(**	**Inst. level**	**Credibility (Yes/No)**	**Rank / Recommendations**

[70] Examples include neighbourhood advisory initiatives, public hearing and surveys, town hall meetings, citizens forum, city consultation and issue specific working groups.

Civic Associations per 10,000 people	First	Yes (high) Indicator can be collected with reasonable effort and time.	Yes Universally understood.	Yes Relevant to the participation principle and addresses the extent of civic concerns	Local, state/provincial	Yes Indicator adequately addresses the vibrancy of associational life in cities. However, it has limitations in specifying, "registered" or "informal" associations and the performance of civic associations.	Retain with minor changes Specify "registered civic associations", as some results imply inclusion of informal civic associations
	Second	-do-	-do-	-do-	-do-	Yes Distinction between the 'registered' and 'informal' associations provided a more credible base.	**High rank/ Retain**

Table C: Evaluation of selected indicators under Accountability principle in the first and second stage of the field test

Indicator	**Field test**	**Ease of collection (Yes/No)**	**Universality (Yes/No)**	**Relevance Level**		**Credibility (Yes/No)**	**Rank / Recommendations**
				Yes/No	**Institutional Level**		
Formal publication of contracts, tenders, budget and accounts	First / Second	Yes (high) Indicator can be collected with reasonable effort and time due to its binary nature (Yes/No)	Yes Valid in cities with varying geographical contexts	Yes Addresses the key institutions and the concerns of the civil society to have access to open flow of information. It also reflects the willingness of the local authority to be transparent (by involving civil society in deciding budget priorities)	Local	Yes Provides a credible measure of procedures that foster transparency in local government activities. As the indicator includes four binary data sets the result is refined by arriving at intermediate scores (not just absolute "0" or "1"). The indicator also offers a good potential for comparison indicator with Transparency Index	Potential for comparison of the indicator that focuses on effectiveness of such procedures could be explored, as it will improve its credibility.

Indicator	**Field test**	**Ease of collection (Yes/No)**	**Universality (Yes/No)**	**Relevance (Yes/No(**	**Inst. level**	**Credibility (Yes/No)**	**Rank / Recommendations**

Control by local government	First	Yes (high) Indicator can be collected with reasonable effort and time due to its binary nature (Yes/No)	Yes Valid in cities with varying geographical contexts	Yes Addresses all tiers of government and the civil society. Indicates direction of accountability (towards the state or national government or the civil society).	Local	Yes Provides a credible measure of responsiveness in governance. As the indicator includes six binary data sets the result is refined by arriving at intermediate scores (not just absolute "0" or "1"). Provides more credibility to the information and possibility to measure progress in the future. However, it undermines the process in place for the remove of local councilors. A legal process could actually improve accuracy towards representing responsiveness.	Retained with minor changes Include additional data set "Process for removal of the local councilors"
	Second	-do-	-do-	-do-	-do-	Yes Process of removal of local councilors has added clarity and credibility to the indicator in measuring responsiveness. A legal process could actually improve accuracy towards representing responsiveness	**High rank/ Retain**
Codes of conduct	First	Yes (high) Indicator can be collected with reasonable effort and time due to its binary nature (Yes/No)	Yes Valid in cities with varying geographical contexts.	Yes Addresses the government's commitment towards integrity of its officials. Codes of conduct per se are not common, and often incorporated into the local government regulations at the state/provincial or national level, but not always as a stand-alone formal document	National	No The Binary nature of the indicator has limitation to measure the extent to which the "codes of conduct" are followed. However, it provides scope of comparison to other index is valuable (what index?)	Retain with minor changes Indicator to be more accommodating to include arrangement where the codes of conduct are prescribed for the state/provincial or national levels and also applied to the local councilors.
	Second	-do-	-do-	Yes Accommodated the wider hierarchy of government.	-do-	-do-	**Moderate ranking / Retain**

Indicator	**Field test**	**Ease of collection (Yes/No)**	**Universality (Yes/No)**	**Relevance (Yes/No(**	**Inst. level**	**Credibility (Yes/No)**	**Rank / Recommendations**

Ombudsman's office	First	Yes (high) Indicator can be collected with reasonable effort and time due to its binary nature (Yes/No)	No Indicator has limited universal understanding (especially in cities of the South).	Yes Addresses public feedback mechanisms for willingness of the government to be responsive.	Local	No Though the indicator addresses the existence of mechanisms of responsiveness, the indicator lacks credibility. The quality of efficiency in such mechanisms offers a more convincing indicator of responsiveness. Binary nature provides limitation in measuring progress over time.	Retain (consolidation, with other indicators) Indicator could accommodate similar mechanisms. To overcome the limitations of binary data sets, the indicator could measure the effectiveness of such mechanism by including an alternative indicator, "Ratio of total number of complaints addressed to the total number of complaints". However, one needs to check its availability during the field test.
Hotline	First	Yes (high) Indicator can be collected with reasonable effort and time due to its binary nature (Yes/No)	No Though more universally understood than the previous indicator, still some cities of the South do not have such a term.	Yes, local Addresses governments' responsiveness towards integrity of officials	Local	No Though the indicator addresses the existence of mechanisms of responsiveness, the indicator lacks credibility since the quality of the mechanisms offers a more convincing indicator of responsiveness.	Retain (consolidate with other indicators) Similar indicator as recommended for the last indicator could be proposed. Advisable to have a single measure of a mechanism that responds to complaints (Ombudsman office, Hotline under 1 indicator).
Facilities to receive complaints	Second	-do-	Yes Modifications to the indicator term has resulted in wider integration of similar mechanisms in addressing complaints	-do-	-do-	No	**Moderate rank / retain**
Anti-corruption commission	First / Second	Yes (high) Indicator can be collected with reasonable effort and time due to its binary nature (Yes/No)	Yes Universally understood (though common with a different term in some cities) since its more specific.	Yes Addresses (disincentives and protection) willingness of its officials and protect its integrity.	Local	Yes Existence of such mechanism (of addressing corruption) is critical and well addressed by the indicator.	**High rank/ Retain**

Indicator	**Field test**	**Ease of collection (Yes/No)**	**Universality (Yes/No)**	**Relevance (Yes/No(**	**Inst. level**	**Credibility (Yes/No)**	**Rank / Recommendations**

Disclosure of personal income and assets	First / Second	Yes (high) Indicator can be collected with reasonable effort and time due to its binary nature (Yes/No)	Yes Universally understood. However, similar procedures could also be included to avoid information gaps.	Yes Targets the relevant governance institutions.	Local, National	Yes Adequately addresses the accountability of the decision-makers and indicates genuine interest in the welfare of the people.	**High rank/ Retain** Other similar procedures could be proposed, that address similar concerns, as there could be some limitation in the indicator universality.
Regular independent audit	First	Yes (high) Indicator can be collected with reasonable effort and time due to its binary nature (Yes/No)	Yes Valid in cities of the North and the South and in all constitutional contexts.	Yes Targets the relevant governance institutions	Local	Yes Indicator addresses the existence of audits reflecting accountability of the local government towards the taxpayers. However, it has limitations in accurately verifying whether these audits are external or internal.	Specify external audit, define what is meant, and undertake verification.
	Second	-do-	-do-	-do-	-do-	Yes Addresses the existence of audits reflecting accountability of the local government towards the taxpayers. Also documents the internal or external nature of the audits/	**High rank/ Retain**

Table E: Evaluation of selected indicators under Security principle in the first and second stage of the field test

Indicator	**Field test**	**Ease of collection (Yes/No)**	**Universality (Yes/No)**	**Relevance**		**Credibility (Yes/No)**	**Rank / Recommendations**
				(Yes/No)	**Institutional Level**		
Crime prevention policy	First	Yes (high) Indicator can be collected with reasonable effort and time due to its binary nature (Yes/No)	Yes Though universally understood, the relevance to policies differs.	No Addresses the proactive role of authorities to enhance citizen's security. Cities where there is no or very low crime rate, a crime prevention policy might not be relevant.	Local, State/Provincial.	No Indicator does not adequately address the crime prevention efforts, since the mere existence of policy is not a credible indication of crime prevention.	Indicator should address the progress and effectiveness of crime prevention policy. The indicator "Percentage change of crime rate in the last 5 years reflects the effectiveness of the policy, however, and therefore is an outcome, not process, indicator.) Crime prevention surveys could perhaps be used to complement objective data to strengthen the local relevance of the results. However, its availability needs to be explored.
Crime prevention surveys	Second		Yes	No Relevant and applicable more at the neighborhood level.	Local / Neighbourhood	No Important to document whether crime prevention surveys are used integrated into formulating policies.	*Low rank / Exclude*

Indicator	Field test	Ease of collection (Yes/No)	Universality (Yes/No)	Relevance (Yes/No(	Inst. level	Credibility (Yes/No)	Rank / Recommendations
Violence against women	First / Second	Yes (high) Indicator can be collected with reasonable effort and time due to its binary nature (Yes/No)	Yes Universally understood.	Yes Addresses the callous regard of the government to specific issues related to women.	Local, State/Provincial, National	No Indicator does not adequately address the efforts to protect violence against women, since the mere existence of policy is not a credible indication of violence against women.	*Moderate rank / retain* Its potential for comparison to result oriented indices could be explored. Indicator should address the progress and effectiveness of the policy. The indicator "Percentage change in rate of violence against women in the last 5 years" reflects the effectiveness of the policy, however, and therefore is an outcome, not process, indicator.)
Police per 10,000 people	*Not tested*						
	Second	No	Yes	Yes	Local	No	*Low rank / Exclude*
HIV/AIDS policy	First	Yes (high) Indicator can be collected with reasonable effort and time due to its binary nature (Yes/No)	Yes Though universally understood, the relevance to policies differs.	No Addresses the commitment and awareness of the local government towards important health issues. Cities with no threat of HIV/AIDS, do not have any such policy and the indicator may not be relevant.	Local, State/Provincial, National	No Indicator does not adequately address the efforts of the government towards reducing health risks from HIV/AIDS.	**Low rank / Exclude** Indicator should address the progress and effectiveness of the policy. The indicator "Percentage change in HIV/AIDS cases in the last 5 years" reflects the effectiveness of the policy, however, and therefore is an outcome, not process, indicator.)
Communities in conflict resolution	First	*Not tested*					
	Second	Yes	Yes	Yes	Local	Yes	*High rank / Retain*

Annex 3: Possible scenario for the selection of final list of indicators

Table A: Comparison of indicators selected

Principle	Alternative 1: Only High ranking	Alternative 2: High and select moderate ranking
Effectiveness sub-index	1. Local government revenue per capita 2. Local Government transfers 3. Ration of mandates to actual tax collection 4. Published performance standards	1. Local government revenue per capita 2. Ratio of actual recurrent and capital budget 3. Local Government transfers 4. Ratio of mandates to actual tax collection 5. Predictability of transfers 6. Published performance standards 7. Customer satisfaction survey 8. Vision statement
Equity sub-index	5. Citizens charter 6. Proportion of women councilors 7. Proportion of women in key positions 8. Pro-poor pricing policy	9. Citizens charter 10. Proportion of women councilors 11. Proportion of women in key positions 12. Pro-poor pricing policy 13. Street Vending
Participation sub-index	9. Elected council 10. Mayor selection 11. Voter turnout 12. People's forum 13. Civic Associations (per 10,000)	14. Elected council 15. Locally elected mayor 16. Voter turnout 17. People's forum 18. Civic Associations (per 10,000)
Accountability sub-index	14. Formal publication of contracts, tenders, budget and accounts 15. Control by local government 16. Anti-corruption commission 17. Disclosure of personal income and assets 18. Regular independent audit	19. Formal publication of contracts, tenders, budget and accounts 20. Control by local government 21. Codes of conduct 22. Facility to receive complaints 23. Anti-corruption commission 24. Disclosure of personal income and assets 25. Regular independent audit

Annex 4: Assigning loadings to the variables

Alternative 1: Only indicators that received high ranking

Effectiveness sub-index

Indicators	Rank of the indicator	Significance to policy objective	Distribution of weight	Loading result	Final loading
LG per capita	15	10	13	0.33	0.35
Mandated to actual tax collection	10	5	8	0.21	0.20
Local Government transfers	10	5	8	0.21	0.20
Published performance standards	10	10	10	0.26	0.25

Equity sub-index

Indicators	Rank of the indicator	Significance to policy objective	Distribution of weight	Loading result	Final loading
Citizens charter	10	10	10	0.23	0.25
Proportion of women councilors	10	5	8	0.18	0.20
Proportion of women in key positions	10	5	8	0.18	0.15
Households access to water	10	5	8	0.18	0.20
Pro-poor pricing policy	5	5	5	0.11	0.10
Water price	5	5	5	0.11	0.10

Participation sub-index

Indicators	Rank of the indicator	Significance to policy objective	Distribution of weight	Loading result	Final loading
Elected council	10	5	8	0.154	0.15
Mayor	10	5	8	0.154	0.15
Voter turnout	15	10	13	0.250	0.25
People's forum	10	10	10	0.192	0.20
Civic Associations (per 10,000)	15	10	13	0.250	0.25

Accountability sub-index

Indicators	Rank of the indicator	Significance to policy objective	Distribution of weight	Final loading	Final loading
Formal publication of contracts, tenders, budget and accounts	10	10	10	0.20	0.20
Control by local government	10	10	10	0.20	0.20
Anti-corruption commission	10	10	10	0.20	0.20
Disclosure of personal income and assets	10	10	10	0.20	0.20
Regular independent audit	10	10	10	0.20	0.20

Alternative 2: Indicators that received "High" ranking and some indicators with "Moderate" ranking

Effectiveness sub-index

Indicators	Rank of the indicator	Significance to policy objective	Distribution of weight	Loading result	Final loading
LG per capita	20	10	16	0.23	0.25
Ratio of actual recurrent to capital budget	10	5	8	0.11	0.10
Mandated to actual tax collection	10	5	8	0.11	0.10
Local Government transfers	10	5	8	0.11	0.10
Predictability of transfers	5	10	7	0.10	0.00
Published performance standards	10	10	10	0.14	0.15
Customer satisfaction survey	5	10	7	0.10	0.00
Vision statement	5	10	7	0.10	0.00

Equity sub-index

Indicators	Rank of the indicator	Significance to policy objective	Distribution of weight	Loading result	Final loading
Citizens charter	10	10	10	0.20	0.20
Proportion of women councilors	10	10	10	0.20	0.20
Proportion of women in key positions	5	5	5	0.10	0.10
Households access to water since its outputs)	10	5	8	0.16	0.15
Pro-poor pricing policy	5	5	5	0.10	0.10
Water price	5	5	5	0.10	0.10
Street Vending	5	10	7	0.14	0.15

Participation sub-index

Indicators	Rank of the indicator	Significance to policy objective	Distribution of weight	Loading result	Final loading
Elected council	10	5	8	0.13	0.15
Locally elected mayor	10	10	10	0.17	0.15
Voter turnout	20	10	16	0.27	0.30
People's forum	10	10	10	0.17	0.15
Civic Associations (per 10,000)	20	10	16	0.27	0.25

Accountability sub-index

Indicators	Rank of the indicator	Significance to policy objective	Distribution of weight	Final loading	Final loading
Formal publication of contracts, tenders, budget and accounts	10	10	10	0.16	0.20
Control by local government	10	10	10	0.16	0.15
Codes of conduct	5	10	7	0.11	0.10
Facility to receive complaints	5	10	7	0.11	0.10
Anti-corruption commission	10	10	10	0.16	0.15
Disclosure of personal income and assets	10	10	10	0.16	0.15
Regular independent audit	10	10	10	0.16	0.15

Ranking	Score
High (Quantitative base, does not include binary data sets)	15
High (Binary with intermediate scores)	10
Moderate	5

Significance to policy objective	Score
More than 1 indicator addressing same policy objective	5
Only 1 indicator addressing specific policy objective	10

Annex 5: An example of the Urban Governance Index calculation

Effectiveness sub-index

No.	Indicator	Data (X)	Formula	Result	Weight	Total
1	Local Government revenue per capita (LGR)	$ 277.8	LGR = (log X - log min)/(log max - log min) min=2.3 max=1340	0.75	0.25	0.187
2	Ratio of recurrent and capital budget (RRC), Recurrent budget = R, Capita Budget = C; R = 38 mill.$, C = 6 mill.$	38/6	RRC = (log X - log min)/(log max - log min) min= 0.09 max=8.37 (Field test, 2003 US$)	0.93	0.10	0.093
3	Ratio of mandated to actual tax collected (TC)		TC = 45/50	0.9	0.10	0.09
	a. Mandated tax to be collected	50%		0.50		
	b. Actual tax collected	45%		1.00		
4	Local government revenue transfer (LGT)	10%	LGT = 1 (0 – 25%=1, 25-50%=0.75, 50-75%=0.50, 75-100%=0.25)	1.00	0.10	0.10
5	Predictability of transfers in local government budget (PoT)	Yes = 1	PoT = X	1.00	0.10	0.10
6	Published performance delivery standards (PPDS)		PPDS = PPS x S/T, 1 x 4/5	0.8	0.15	0.12
	a. Published performance delivery standards (PPS)	Yes = 1	PPS			
	b. No. of key services for which the PPDS is present (S); c. Total no. of key services for which PPDS should be present (T) [71]	NA	S = 4 T = 5			
7	Consumer satisfaction survey (CSS)	Yes = 1	CSS = X	1.00	0.10	0.10
8	Vision statement effective (VSE)		VSE = 0.5*CSS+0.5*PP	0.50	0.10	0.05
	a. Vision statement (VS) [72]	Yes = 1	VS = X	1.00		
	b. Vision statement drafted through a participatory process (PP)	No = 0	PP = X	0.00		
					Effectiveness sub-index	**0.84**

Equity sub-index

No.	Indicator	Data (X)	Formula	Result	Weight	Total
1	Citizens charter for basic services (CCS)		CCS = CC * S/T	0.00	0.20	0.00
	a. Citizens' charter (CC)	No = 0	CC = X			
	b. No. of key services for which the CC is present (S) c. Total no. of key services for which CC should be present (T)	S=4 T=5				
2	Percentage of women councilors (WC)	12%	WC = X x 2/100	0.24	0.20	0.048
3	Percentage women in key positions (WK)	5%	WK = X x 2/100	0.10	0.10	0.01
4	Percentage households with water connection (HH wat)	90%	HH wat.= 90/100	0.9	0.15	0.135
5	Existence of pro-poor policy (PPC)	Yes = 1	PPC = X	1.00	0.10	0.10
6	Is water price cheaper for poor settlements? (WP)	Yes = 1	WP = X	1.00	0.10	0.10
7	Incentives for informal market (IM)		IM = 1 (any one of a, b or c)	1.00	0.15	0.15
	a. Street vending not allowed	No = 0				
	b. Street vending with restrictions	No = 0				
	c. Public fairs, municipal market	Yes = 1				
					Equity sub-index	**0.543**

[71] Water, electricity, sanitation, health and education should be considered as key services for which the performance delivery standards should be present.

[72] Being an indicator of effectiveness, the indicator has been disaggregated into the presence of vision statement and process of drafting the vision statement.

Participation sub-index

	Indicator	Data (X)	Formula	Result	Weight	Total
1	Elected council (EC)	Yes = 1	EC = X	1.00	0.15	0.15
2	Locally elected Mayor (LEM)	No = 0	LEM = 0	0.00	0.15	0.00
3	Voter turnout (VT)	50%	VT = x/100	0.50	0.30	0.15
4	Peoples' forum (PC)	Yes = 1	PF = X	1.00	0.15	0.15
5	Civic associations per 10,000 pop (CA)	X = 18	CA = (Log 18 – Log 0.49)/(Log 72.79 – Log 0.49) min= 0.49; max= 72.79 (Field Test 2003)	0.72	0.25	0.18
					Participation sub-index	**0.63**

Accountability sub-index

No.	Indicator	Data (X)	Formula	Result	Weight	Total
1	Formal Publication (FP)	NA	CTBA = Average (CT + BA)	1.00	0.20	0.20
	a. Formal publication: contracts and tenders (CT)	*Yes = 1*	*CT =X*	*1.00*	*NA*	
	b. Formal publication: budget and accounts (BA)	*Yes = 1*	*BA = X*	*1.00*	*NA*	
2.1	Control by higher Govt. (CG)		CG = Average (CLG+RC)	0.50	0.07	0.035
	a. Control by higher Govt.: close local government (CLG)	*Yes = 0*	*CLG = X*	*0.00*		
	b. Control by higher Govt: removal of councilors (RC)	*No = 1*	*RC = X*	*1.00*		
2.2	Local government authorities (LGA)		LGA = Average (SLT+SYC+BF+CP)		0.08	0.08
	c. Local government: set local tax levels (SLT)	*Yes = 1*	*SLT = X*	*1.00*		
	d. Local government: set user charges for services (SUC)	*No = 0*	*SUC = X*	*1.00*		
	e. Local government: borrow funds (BF)	*No = 0*	*BF = X*	*1.00*		
	f. Local government: choose contractors for projects (CP)	*Yes = 1*	*CP = X*	*1.00*		
3	Codes of conduct (CoC)	Yes = 1	CoC= X	1.00	0.10	0.10
4	Facilities to receive complaints (FRC)		FRC = Average (OA + EF)	1.00	0.10	0.10
	b. Official appointed to receive complaints on public authorities (OA)	Yes = 1				
	c. Exclusive facility to receive complaints on corruption (EF)	Yes = 1		0.75		
5	Anti-corruption commission (ACC)	Yes = 1	ACC = X	1.00	0.15	0.15
6	Personal Income and assets (PIA)	NA	PIA = (0.75* Average PIA + FIA) + 0.25* IAM	1.00	0.15	0.15
	a. Disclosure of personal income and assets (PIA)	*Yes = 1*	*PIA = X*	*1.00*		
	b. Disclosure of family's income and assets (FIA)	*Yes = 1*	*FIA = X*	*1.00*		
	c. Income and assets regularly monitored (IAM)	*Yes = 0*	*IAM = X*	*1.00*		
7	Regular independent audit (RIA)	Yes = 1	RIA = X	1.00	0.15	0.15
					Accountability sub-index	**0.965**

Urban Governance Index = Average of (Effectiveness sub-index + Equity sub-index + Participation sub-index + Accountability sub-index) = **0.742**

Annex 6: Results of Urban Governance Index and Sub-indices calculations

Notes:

1. The **full Excel files**, including values for each indicator and sub-index, are available in a separate document.
2. **Replacement** of missing numbers is undertaken using the following priority:
    a. Average values of cities from the same country
    b. In case of two cities of the same region, average is not taken.
    c. Country values, wherever applicable.
    d. Regional averages
    e. None

    In the last case where it was not possible to replace the missing values with any suitable alternative, the sub-index is calculated without including the loadings of the specific indicator(s).
3. **Regional averages** have been taken from Global Urban indicators Database 1 and 2 (1993/1998).

Alternative 1: Only indicators that received high ranking

Table 6A: Urban Governance Index and components

CITIES	Country	Effectiveness sub-index	Equity sub-index	Participation sub-index	Accountability sub-index	UGI (alternative 1)
Ibadan	Nigeria	0.34	0.15	0.67	0.41	0.39
Enugu	Nigeria	0.29	0.28	0.75	0.33	0.41
Louga	Senegal	0.26	0.74	0.74	0.20	0.48
Douala	Cameroon	0.54	0.33	0.70	0.38	0.49
Yaounde	Cameroon	0.43	0.27	0.67	0.65	0.50
Pristina	Kosovo	0.27	0.41	0.85	0.50	0.50
Dakar	Senegal	0.52	0.87	0.78	0.15	0.58
Moratuwa	Sri Lanka	0.55	0.30	0.58	1.00	0.61
Amman	Jordan	0.73	0.67	0.47	0.69	0.64
Matale	Sri Lanka	0.60	0.20	0.92	0.88	0.65
Tanta	Egypt	0.56	0.78	0.46	0.81	0.65
Montevideo	Uruguay	0.65	0.75	0.80	0.49	0.67
Ismalia	Egypt	0.63	0.79	0.47	0.81	0.68
Guadalaraja	Mexico	0.89	0.46	0.80	0.58	0.68
Bayamo	Cuba	0.89	0.59	0.77	0.56	0.70
Colombo	Sri Lanka	0.83	0.31	0.84	0.93	0.73
Kandy	Sri Lanka	0.69	0.59	0.78	0.85	0.73
Negombo	Sri Lanka	0.65	0.48	0.90	0.89	0.73
Santo Andre	Brazil	0.76	0.79	0.84	0.69	0.77
Kotte	Sri Lanka	0.86	0.69	0.88	0.84	0.81
Quito	Ecuador	0.76	0.91	0.85	0.83	0.84
Naga City	Philippines	0.71	0.79	0.86	1.00	0.84
Vancouver	Canada	0.97	0.73	0.90	0.76	0.84
Montreal	Canada	1.00	0.81	0.80	0.93	0.88

Table 6B: Effectiveness sub-index components

Name of City	LG revenue per capita	LG transfers	Ratio of mandated to actual tax collected	Formal publication on performance standards	Effectiveness sub-index
Louga	0.02		1.00	0.00	0.26
Pristina		0.25	0.83	0.00	0.27
Enugu	0.10		0.98	0.00	0.29
Ibadan	0.22		0.98	0.00	0.34
Yaounde	0.30			0.60	0.43
Dakar	0.36	1.00	0.97	0.00	0.52
Douala	0.26	0.00	0.98	1.00	0.54
Moratuwa		0.00	0.96	1.00	0.55
Tanta	0.00		0.98	1.00	0.56
Matale		1.00	0.92	0.40	0.60
Ismalia	0.17		0.98	1.00	0.63
Montevideo	0.63	1.00		0.40	0.65
Negombo			0.96	0.40	0.65
Kandy		0.75	1.00	0.80	0.69
Naga City	0.47	0.50	1.00	1.00	0.71
Amman	0.52	0.50	1.00	1.00	0.73
Quito	0.59			1.00	0.76
Santo Andre	0.75	0.50	1.00	0.80	0.76
Colombo	0.53	1.00	0.97	1.00	0.83
Kotte		0.58	0.96	1.00	0.86
Bayamo	0.81			1.00	0.89
Guadalaraja		1.00		0.80	0.89
Vancouver	0.91	1.00	0.98	1.00	0.97
Montreal	1.00	1.00	0.99	1.00	1.00

Table 6C: Equity sub-index components

CITIES	Citizen charter for basic services	Percentage women councilors	Women in key positions	Percentage households with access to water supply	Pro-poor policies	Water price	Equity sub-index
Ibadan	0.00	0.00	0.00	0.75	0.00	0.00	0.15
Matale	0.00	0.05			1.00		0.20
Yaounde	0.00	0.16		0.84	0.00		0.27
Enugu	0.00	0.00	0.00	0.42	1.00	1.00	0.28
Moratuwa	0.60	0.07			0.00		0.30
Colombo	0.00	0.04	0.00	1.00	1.00	0.00	0.31
Douala	0.00	0.35	0.40	0.84	0.00		0.33
Pristina	0.00	0.63			1.00		0.41
Guadalaraja	1.00	0.25			0.00	0.00	0.46
Negombo	0.60	0.05		0.50	1.00		0.48
Bayamo	1.00	0.46	0.05	0.90	0.00		0.59
Kandy	1.00	0.00	0.00	0.90	1.00		0.59
Amman	1.00	0.15	0.00	0.96	1.00	1.00	0.67
Kotte	1.00	0.10	0.10	1.00	1.00	1.00	0.69
Vancouver	0.40	0.40	1.00	1.00	1.00	1.00	0.73
Louga	1.00	0.46	0.50			1.00	0.74
Montevideo	1.00	0.58		0.99	0.00		0.75
Tanta	1.00	0.21		0.95	1.00		0.78
Ismalia	1.00	0.25		0.98	1.00		0.79
Naga City	1.00	0.60		0.99	1.00	0.00	0.79
Santo Andre	1.00	0.38	0.48	0.98	1.00	1.00	0.79
Montreal	0.60	0.60	0.90	1.00	1.00	1.00	0.81
Dakar, Senegal	1.00	0.42	1.00	0.91	1.00	1.00	0.87
Quito	1.00	0.93	0.58	0.93	1.00	1.00	0.91

Table 6D: Participation sub-index components

CITIES	Local Councilors	Elected Mayor	Voter turnout	Public Forum	Civic associations	Participation sub-index
Tanta	1.00	0.00	0.30	1.00	0.29	0.46
Amman	0.50	0.00	0.46	1.00	0.43	0.47
Ismalia	1.00	0.00	0.19	1.00	0.44	0.47
Moratuwa	1.00	1.00	0.76	0.00		0.58
Ibadan	1.00	1.00		0.00		0.67
Yaounde	1.00	1.00		0.00		0.67
Douala	1.00	1.00		0.00	0.75	0.70
Louga	1.00	1.00	0.56	1.00	0.51	0.74
Enugu	1.00	1.00		0.00	0.89	0.75
Bayamo	1.00	1.00	0.98	1.00	0.11	0.77
Dakar	1.00	1.00	0.45	1.00		0.78
Kandy	1.00	1.00	0.67	1.00	0.52	0.78
Guadaralaja	1.00	1.00	0.50	1.00		0.80
Montevideo	1.00	1.00		1.00	0.44	0.80
Montreal	1.00	1.00	0.49	1.00		0.80
Colombo	1.00	1.00	0.72	1.00	0.68	0.84
Santo Andre	1.00	1.00	0.83	1.00	0.56	0.84
Quito	1.00	1.00	0.51	1.00	1.00	0.85
Pristina	1.00	1.00	*0.62	1.00	*0.61	0.85
Naga City	1.00	1.00		1.00	0.60	0.86
Kotte	1.00	1.00	0.90	1.00	0.62	0.88
Negombo	1.00	1.00	0.76	1.00		0.90
Vancouver	1.00	1.00	0.72	1.00	0.95	0.90
Matale	1.00	1.00	0.76	1.00	0.96	0.92

* Due to the lack of data the average value of the total is taken.

Table 6E: Accountability sub-index

CITIES	Formal publication	Control by higher level of govt.	Local government authority	Anti-corruption commission	Personal Income and assets	Regular Independent Audit	Accountability sub-index
Dakar	0.25	1.00	0.00	0.00	0.00	0.00	0.15
Louga	0.25	0.50	1.00	0.00	0.00	0.00	0.20
Enugu	0.00	0.00	0.75	0.00	0.25	1.00	0.33
Douala	1.00	1.00	0.00	0.00	0.38	0.00	0.38
Ibadan	0.00	1.00	0.38	0.00	0.38	1.00	0.41
Montevideo	0.75	0.50	0.88	0.00	0.00	1.00	0.49
Pristina	0.75	1.00	1.00	0.00	0.75	0.00	0.50
Bayamo	0.00	1.00	0.63	1.00	0.00	1.00	0.56
Guadalaraja	1.00	1.00	0.80	0.00	0.00	1.00	0.58
Yaounde	1.00	0.50	0.50	0.00	0.75	1.00	0.65
Amman	1.00	0.50	0.38	1.00	0.00	1.00	0.69
Santo Andre	1.00	0.00	0.88	0.00	1.00	1.00	0.69
Vancouver	1.00	0.50	0.75	1.00	0.19	1.00	0.76
Ismalia	0.75	0.50	0.13	1.00	1.00	1.00	0.81
Tanta	0.75	0.50	0.13	1.00	1.00	1.00	0.81
Quito	0.75	1.00	0.50	1.00	0.63	1.00	0.83
Kotte	0.75	0.50	0.38	1.00	1.00	1.00	0.84
Kandy	1.00	0.50	0.50	1.00	0.75	1.00	0.85
Matale	1.00	0.50	0.75	1.00	0.75	1.00	0.88
Negombo	1.00	1.00	0.38	1.00	0.75	1.00	0.89
Colombo	1.00	0.50	0.75	1.00	1.00	1.00	0.93
Montreal	1.00	0.50	0.75	1.00	1.00	1.00	0.93
Moratuwa	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Naga City	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Alternative 2: Indicators that received "High" ranking and some indicators with "Moderate" ranking

Table 6F: Urban Governance Index and components

CITIES	Country	Effectiveness sub-index	Equity sub-index	Participation sub-index	Accountability sub-index	Urban Governance Index
Ibadan	Nigeria	0.25	0.26	0.67	0.36	0.38
Enugu	Nigeria	0.21	0.41	0.75	0.30	0.42
Yaounde	Cameroon	0.51	0.23	0.67	0.54	0.48
Douala	Cameroon	0.62	0.43	0.70	0.33	0.52
Louga	Senegal	0.31	0.79	0.74	0.27	0.53
Dakar, Senegal	Senegal	0.35	0.87	0.78	0.22	0.55
Moratuwa	Sri Lanka	0.53	0.51	0.58	0.90	0.63
Montevideo	Uruguay	0.63	0.66	0.80	0.46	0.64
Amman	Jordan	0.74	0.72	0.47	0.67	0.65
Tanta	Egypt	0.53	0.79	0.46	0.85	0.66
Ismalia	Egypt	0.60	0.81	0.47	0.85	0.68
Bayamo	Cuba	0.75	0.65	0.77	0.57	0.68
Guadalaraja	Mexico	0.74	0.53	0.80	0.68	0.69
Kandy	Sri Lanka	0.64	0.65	0.78	0.84	0.73
Negombo	Sri Lanka	0.77	0.38	0.90	0.86	0.73
Colombo	Sri Lanka	0.74	0.61	0.84	0.85	0.76
Matale	Sri Lanka	0.66	0.55	0.92	0.91	0.76
Kotte	Sri Lanka	0.80	0.73	0.88	0.72	0.78
Santo Andre	Brazil	0.82	0.82	0.84	0.72	0.80
Quito	Ecuador	0.62	0.93	0.85	0.85	0.81
Naga City	Philippines	0.78	0.76	0.86	0.90	0.82
Vancouver	Canada	0.94	0.76	0.90	0.82	0.86
Montreal	Canada	0.96	0.83	0.80	0.95	0.88

Source: Field test, 2003-04

Table 6G: Effectiveness sub-index components

Name of City	Ratio of recurrent and capital budget	LG revenue per capita	LG transfers	Ratio of mandated to actual tax collected	Predictability of transfers	Formal publication on performance standards	Customer satisfaction survey	Vision Statement	Effectiveness sub-index
Enugu	0.67	0.10		0.98	0.00	0.00	0.00	0.00	0.212
Ibadan	0.67	0.22		0.98	0.00	0.00	0.00	0.00	0.245
Louga	0.74	0.02		1.00	0.00	0.00	0.00	1.00	0.310
Pristina			0.25	0.83	1.00	0.00	0.00	0.00	0.321
Dakar	0.61	0.36	1.00	0.97	0.00	0.00	0.00	0.00	0.348
Yaounde	0.39	0.30			0.00	0.60	1.00	1.00	0.505
Moratuwa	0.76		0.00	0.96	0.00	1.00	0.00	0.75	0.529
Tanta	0.29	0.00		0.98	1.00	1.00	0.00	1.00	0.530
Ismalia	0.45	0.17		0.98	1.00	1.00	0.00	1.00	0.596
Douala	0.92	0.26	0.00	0.98	0.00	1.00	1.00	0.50	0.616
Quito	0.00	0.59			1.00	1.00	0.00	1.00	0.621
Montevideo	0.47	0.63	1.00		0.00	0.40	0.00	1.00	0.627
Kandy	0.61		0.75	1.00	0.50	0.80	0.00	1.00	0.639
Matale	0.76		1.00	0.92	1.00	0.40	0.00	1.00	0.664
Amman	0.08	0.52	0.50	1.00	1.00	1.00	1.00	1.00	0.738
Colombo	0.62	0.53	1.00	0.97	1.00	1.00	0.00	1.00	0.742
Guadalaraja	0.13		1.00		1.00	0.80	1.00	0.50	0.744
Bayamo	0.47	0.81			0.00	1.00	1.00	1.00	0.748
Negombo	1.00			0.96	1.00	0.40	1.00	1.00	0.769
Naga City	0.60	0.47	0.50	1.00	1.00	1.00	1.00	1.00	0.777
Kotte	0.44			0.96	1.00	1.00	1.00	1.00	0.803
Santo Andre	0.63	0.75	0.50	1.00	1.00	0.80	1.00	1.00	0.821
Vancouver	0.69	0.91	1.00	0.98	1.00	1.00	1.00	1.00	0.945
Montreal	0.63	1.00	1.00	0.99	1.00	1.00	1.00	1.00	0.961

Table 6H: Equity sub-index components

CITIES	Citizen charter for basic services	Percentage women councilors	Women in key positions	Percentage households with access to water supply	Pro-poor policies	Water price	Informal incentives	Equity sub-index
Yaounde	0.00	0.16		0.84	0.00			0.226
Ibadan	0.00	0.00	0.00	0.75	0.00	0.00	1.00	0.260
Pristina	0.00	0.63			1.00		0.00	0.347
Negombo	0.60	0.05		0.50	1.00		0.00	0.382
Enugu	0.00	0.00	0.00	0.42	1.00	1.00	1.00	0.410
Douala	0.00	0.35	0.40	0.84	0.00		1.00	0.429
Moratuwa	0.60	0.07			0.00		1.00	0.514
Guadalaraja	1.00	0.25			0.00	0.00	1.00	0.533
Matale	0.00	0.05			1.00		1.00	0.550
Colombo	0.00	0.04	0.00	1.00	1.00	0.00	1.00	0.610
Bayamo	1.00	0.46	0.05	0.90	0.00		1.00	0.647
Kandy	1.00	0.00	0.00	0.90	1.00		1.00	0.650
Montevideo	1.00	0.58		0.99	0.00			0.664
Amman	1.00	0.15	0.00	0.96	1.00	1.00	1.00	0.720
Kotte	1.00	0.10	0.10	1.00	1.00	1.00	1.00	0.730
Naga City	1.00	0.60		0.99	1.00	0.00		0.758
Vancouver	0.40	0.40	1.00	1.00	1.00	1.00	1.00	0.760
Louga	1.00	0.46	0.50			1.00	1.00	0.790
Tanta	1.00	0.21		0.95	1.00		1.00	0.794
Ismalia	1.00	0.25		0.98	1.00		1.00	0.808
Santo Andre	1.00	0.38	0.48	0.98	1.00	1.00	1.00	0.820
Montreal	0.60	0.60	0.90	1.00	1.00	1.00	1.00	0.830
Dakar, Senegal	1.00	0.42	1.00	0.91	1.00	1.00	1.00	0.870
Quito	1.00	0.93	0.58	0.93	1.00	1.00	1.00	0.930

Table 6I : Participation sub-index components

CITIES	Local Councilors	Elected Mayor	Voter turnout	Public Forum	Civic associations	Participation sub-index
Tanta	1.00	0.00	0.30	1.00	0.29	0.46
Ismalia	1.00	0.00	0.19	1.00	0.44	0.47
Amman	0.50	0.00	0.46	1.00	0.43	0.47
Moratuwa	1.00	1.00	0.76	0.00		0.58
Ibadan	1.00	1.00		0.00		0.67
Yaounde	1.00	1.00		0.00		0.67
Douala	1.00	1.00		0.00	0.75	0.70
Louga	1.00	1.00	0.56	1.00	0.51	0.74
Enugu	1.00	1.00		0.00	0.89	0.75
Bayamo	1.00	1.00	0.98	1.00	0.11	0.77
Kandy	1.00	1.00	0.67	1.00	0.52	0.78
Dakar	1.00	1.00	0.45	1.00		0.78
Montreal	1.00	1.00	0.49	1.00		0.80
Guadaralaja	1.00	1.00	0.50	1.00		0.80
Montevideo	1.00	1.00		1.00	0.44	0.80
Colombo	1.00	1.00	0.72	1.00	0.68	0.84
Santo Andre	1.00	1.00	0.83	1.00	0.56	0.84
Quito	1.00	1.00	0.51	1.00	1.00	0.85
Naga City	1.00	1.00		1.00	0.60	0.86
Kotte	1.00	1.00	0.90	1.00	0.62	0.88
Vancouver	1.00	1.00	0.72	1.00	0.95	0.90
Negombo	1.00	1.00	0.76	1.00		0.90
Matale	1.00	1.00	0.76	1.00	0.96	0.92
Pristina	1.00	1.00		1.00		1.00

Table 6J : Accountability sub-index

CITIES	Formal publication	Control by higher level of govt.	Local government authority	Codes of conduct	Facilities to received complaints	Anti-corruption commission	Personal Income and assets	Regular Independent Audit	Accountability sub-index
Dakar	0.25	1.00	0.00	1.00	0.00	0.00	0.00	0.00	0.22
Louga	0.25	0.50	1.00	1.00	0.00	0.00	0.00	0.00	0.27
Enugu	0.00	0.00	0.75	0.00	0.50	0.00	0.25	1.00	0.30
Douala	1.00	1.00	0.00	0.00	0.00	0.00	0.38	0.00	0.33
Ibadan	0.00	1.00	0.38	0.00	0.50	0.00	0.38	1.00	0.36
Montevideo	0.75	0.50	0.88	0.00	0.50	0.00	0.00	1.00	0.46
Pristina	0.75	1.00	1.00	0.00	0.50	0.00	0.75	0.00	0.46
Yaounde	1.00	0.50	0.50	0.00	0.00	0.00	0.75	1.00	0.54
Bayamo	0.00	1.00	0.63	1.00	0.50	1.00	0.00	1.00	0.57
Amman	1.00	0.50	0.38	0.00	1.00	1.00	0.00	1.00	0.67
Guadalaraja	1.00	1.00	0.80	1.00	1.00	0.00	0.00	1.00	0.68
Kotte	0.75	0.50	0.38	0.00	0.50	1.00	1.00	1.00	0.72
Santo Andre	1.00	0.00	0.88	1.00	0.50	0.00	1.00	1.00	0.72
Vancouver	1.00	0.50	0.75	1.00	1.00	1.00	0.19	1.00	0.82
Kandy	1.00	0.50	0.50	1.00	0.50	1.00	0.75	1.00	0.84
Colombo	1.00	0.50	0.75	0.00	1.00	1.00	1.00	1.00	0.85
Ismalia	0.75	0.50	0.13	1.00	1.00	1.00	1.00	1.00	0.85
Tanta	0.75	0.50	0.13	1.00	1.00	1.00	1.00	1.00	0.85
Quito	0.75	1.00	0.50	1.00	1.00	1.00	0.63	1.00	0.85
Negombo	1.00	1.00	0.38	1.00	0.50	1.00	0.75	1.00	0.86
Moratuwa	1.00	1.00	1.00	1.00	0.00	1.00	1.00	1.00	0.90
Naga City	1.00	1.00	1.00	0.00	1.00	1.00	1.00	1.00	0.90
Matale	1.00	0.50	0.75	1.00	1.00	1.00	0.75	1.00	0.91
Montreal	1.00	0.50	0.75	1.00	1.00	1.00	1.00	1.00	0.95

Annex 7: Principal Component Analyses

Table A: Communalities

Variables	Initial	Extraction
Voter participation	1.000	.922
Percentge women in key positions	1.000	.842
Log LG per capita	1.000	.840
Formal publication on performance standards	1.000	.838
Transfers from higher levels	1.000	.806
Facilities to receive complaints	1.000	.802
Percentage women councilors	1.000	.801
Actual Ratio of recurrent to capital budget	1.000	.776
Civic associations	1.000	.752
Citizen charter for basic services	1.000	.740
Personal income and assets	1.000	.701
Formal publication of	1.000	.692
Ration of mandates to actual tax collected	1.000	.691
Percentage household access to water	1.000	.680
Control by higher levels of government	1.000	.581

Extraction Method: Principal Component Analysis.

Table B: Total Variance Explained

	Initial Eigen values			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.748	17.174	17.174	2.748	17.174	17.174
2	2.474	15.465	32.639	2.474	15.465	32.639
3	2.028	12.677	45.316	2.028	12.677	45.316
4	1.686	10.537	55.853	1.686	10.537	55.853
5	1.681	10.509	66.362	1.681	10.509	66.362
6	1.409	8.806	75.168	1.409	8.806	75.168
7	.944	5.900	81.068			
8	.786	4.914	85.982			
9	.600	3.750	89.732			
10	.484	3.022	92.754			
11	.381	2.380	95.134			
12	.305	1.907	97.041			
13	.226	1.415	98.456			
14	.154	.961	99.417			
15	6.395E-02	.400	99.816			
16	2.940E-02	.184	100.000			

Extraction Method: Principal Component Analysis.

Table C: Component Matrix

Variables	Components					
	1	2	3	4	5	6
Actual Ratio of recurrent to capital budget	-.620	.368	.179	3.831E-02	-9.760E-02	.462
Log LG per capita	.356	.444	.331	7.040E-02	.611	.167
Transfers from higher levels	.252	-.166	.428	.695	6.445E-02	-.214
Ration of mandates to actual tax collected	.382	-.472	-8.725E-02	.220	.133	.499
Formal publication on performance standards	.742	.169	-.308	-.146	2.030E-02	.378
Citizen charter for basic services	.634	-.404	.222	-.233	.220	.149
Percentage women councilors	.286	.219	.694	-.421	-1.502E-02	-.111
Percentge women in key positions	.134	.165	.779	1.107E-02	-.340	.272
Percentage household access to water	.251	.544	-.223	-.313	-7.081E-02	-.411
Voter participation	-.313	.409	-.115	4.491E-02	.768	.227
Civic associations	-.304	.523	.262	.447	-.324	.113
Formal publication of	.476	.566	-.130	6.974E-02	-.231	.265
Control by higher levels of government	-.145	9.097E-02	.276	-.687	-6.164E-02	-1.318E-02
Local government authority	-8.390E-02	.459	3.538E-02	9.814E-02	.480	-.320
Facilities to receive complaints	.658	.263	-2.357E-03	.330	-.135	-.417
Personal income and assets	.186	.528	-.488	6.633E-03	-.325	.208

Extraction Method: Principal Component Analysis. 6 components extracted.

Table D: Component Score Coefficient Matrix

Variables	Components					
	1	2	3	4	5	6
Actual Ratio of recurrent to capital budget	-.226	.149	.088	.023	-.058	.328
Log LG per capita	.130	.180	.163	.042	.363	.119
Transfers from higher levels	.092	-.067	.211	.412	.038	-.152
Ration of mandates to actual tax collected	.139	-.191	-.043	.131	.079	.354
Formal publication on performance standards	.270	.068	-.152	-.086	.012	.268
Citizen charter for basic services	.231	-.163	.110	-.138	.131	.106
Percentage women councilors	.104	.088	.342	-.250	-.009	-.079
Percentge women in key positions	.049	.067	.384	.007	-.202	.193
Percentage household access to water	.091	.220	-.110	-.186	-.042	-.291
Voter participation	-.114	.165	-.057	.027	.457	.161
Civic associations	-.111	.211	.129	.265	-.193	.080
Formal publication of	.173	.229	-.064	.041	-.137	.188
Control by higher levels of government	-.053	.037	.136	-.408	-.037	-.009
Local government authority	-.031	.186	.017	.058	.286	-.227
Facilities to receive complaints	.239	.106	-.001	.196	-.080	-.296
Personal income and assets	.068	.213	-.241	.004	-.194	.148

Extraction Method: Principal Component Analysis.

[i] Sources of population and areas

Cities	Source
Doula, Yaounde, Amman, Naga city, Colombo, Negombo, Montreal, Vancouver, Montevideo, Matale, Guadalajara, Quito, Santo Andre, Moratuwa, Bayamo	Response from participating cities
Sri Lanka	http://www.statistics.gov.lk/census2001/population/district/t002a.htm
Enugu	World Gazetter, 2004 (www.world-gazatteer.com)
Tanta, Ismailia	National Census, 2002
Kandy	Local news (http://www.local-news.net/go/
Dakar	Urban Indicators Data base 1998
Ibadan	Urban Indicator Data base 1993
Pristina	http://encyclopedia.thefreedictionary.com/Pristina