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# Good Governance at the Local Level: Meaning and Measurement

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TORONTO

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By  
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# Good Governance at the Local Level: Meaning and Measurement

Zack Taylor

## **Abstract**

This paper situates Canadian local governance practices within a review of international perspectives on the meaning and evaluation of governance quality. The author finds that Canadian authorities have construed local good governance largely in utilitarian terms, as the efficiency of service delivery. He proposes a broader research program on local governance quality in Canada, one that is expressly comparative, pays equal attention to the quality of decision-making and accountability processes, and is directed toward continuous improvement.

Keywords: good governance, governance quality, local governance, performance evaluation, municipal benchmarking, Canada

JEL codes: H11, H70, H83

## Good Governance at the Local Level: Meaning and Measurement

The quality of public governance is a matter of great current interest. Governance systems at all levels seem to be less effective in the face of pressing problems and are criticized for being unaccountable to citizens. Ethical lapses among elected officials and public servants are, if not commonplace, then certainly well publicized. But before the quality of governance can be improved, we must first clarify what we mean by “good” governance and determine how it can be evaluated.

Governance quality at the local level is primarily understood in utilitarian terms. Ontario and other jurisdictions have created performance measurement programs that evaluate and compare the efficiency of service delivery. International research on governance quality, however, reveals this to be a narrow and limited definition. While cost-per-unit-produced may be a valid indicator of administrative efficiency, it tells us little about either the quality of civic engagement in policy development or whether government has a positive impact on society, the economy, or the natural environment.

To expand our understanding of governance quality at the local level, this paper draws on a diverse and eclectic range of scholarly and professional literatures, including democratic theory, ethics, urban planning, public administration, and international development. While some of this work may appear well beyond the field of local government, the holistic survey lays the groundwork for a framework for researching and ultimately evaluating local governance quality, not only by academics, but also by provincial and municipal governments and watchdog organizations.

The paper is divided into four sections. Section 1 draws on international research to distinguish between *process-*, *output-*, and *outcome-oriented* perspectives on good governance and identifies the characteristics and potential determinants of each. With a focus on the Canadian and Ontario contexts, Section 2 presents my argument that local governance’s embeddedness in broader systems and its distinct institutional characteristics favour process- and output-oriented rather than outcome-oriented evaluation of governance quality. Section 3 examines the potential for qualitative and quantitative evaluation of governance quality; I conclude that we risk giving uneven attention to important aspects of governance if we focus only on those that are most easily quantified. The final section proposes a research agenda on local good governance in Canada directed toward the improvement of local decision-making and implementation processes.

### **I. What is good governance?**

Before discussing what may constitute *good* governance, we must first clarify the meaning of *governance*. Governance is a collective activity practised by a wide range of organizational forms, including governments, business firms, not-

for-profit organizations, voluntary associations, and tribal, religious, or familial groups. In this paper I restrict my attention to *public governance*, or that which is led by or occurs within the state and is directed to public purposes.<sup>1</sup> Following Rhodes (1996) and Stoker (1998), I distinguish between public *governance* and *government* – the former includes but is not limited to the activities of governments.

The idea of governance recognizes the blurred boundary between public authority and private action in real-world policy development and implementation, as evidenced by lobbying, public consultation, delegated authority, public-private service delivery partnerships and contractual arrangements, and so on. Governance encompasses the making and implementation of specific policies, and indeed the following discussion is informed by distinctions and concepts found in the policy literature. For the purposes of this paper, I define governance as the processes by which public decisions are made, the mobilization of public and private resources to implement them, and the evaluation of their substantive outcomes. Local governance is centred on local government institutions, which in the Canadian context largely encompass municipalities and their dependent special-purpose bodies.<sup>2</sup>

The notion of “good governance” has traditionally been the concern of the political philosopher. Only recently has the definition of good governance come to be viewed instrumentally, as a way to systematically identify successes and failures. The comparative evaluation of governance quality has expanded dramatically since the 1980s, principally in the domain of international development (see Rothstein 2012). Informed by the institutional turn in economics and political sociology (see March and Olsen 1984; North 1990; Ostrom 1990), scholars and aid agencies have directed increasing attention to the organization, resources, and operation of governance systems as drivers of national economic and social development outcomes.

1. Most definitions of public governance highlight the capacity of governments to set rules and allocate resources to influence substantive economic and social outcomes. For the Organisation for Economic Co-operation and Development (OECD), governance “encompasses the role of public authorities in establishing the environment in which economic operations function and in determining the distribution of benefits as well as the relationship between the ruler and the ruled” (Weiss 2000: 797). Similarly, the C.D. Howe Institute (n.d.) defines it as encompassing “public institutions and rules governing decision-making in government or in government-supported organisations, affecting economic outcomes.” The World Bank (1992: 1) defines it more generally as “the manner in which power is exercised in the management of a country’s economic and social resources for development.”

2. Unlike the United States, Canada has no independent local special-purpose bodies – that is, those that are directly elected and neither funded nor otherwise controlled by general-purpose municipal governments. Whether provincially constituted bodies such as conservation authorities and health units are “local” governments is open to debate. While school boards could once have been unambiguously understood as local governments by virtue of being directly elected and funded by local property taxes, partial or full funding of education in most provinces, coupled with strict provincial regulation, has converted them into *de facto* provincial agencies.

What, then, is *good* governance? Perspectives on its meaning and determinants are diverse (see Box 1). Good governance is typically viewed as a relative concept, whereby some places are considered to be better governed than others. This overview reveals a basic distinction between those who are primarily interested in the quality of decision-making and implementation *processes*; the quality of governance *outputs* – laws, regulations, plans, and so on; or the quality of substantive social, economic, and environmental *outcomes*, such as quality of life and economic growth. The outcome-oriented perspective focuses on results, while the process- and output-oriented approaches are more concerned with how, and how well, governance systems work. This paper uses these categories as a framework to explore the meaning of governance quality.

These orientations reflect different views on the basis of a governance system's legitimacy. Legitimacy is important because it influences governability. If the public ceases to see authority as legitimate, voluntary compliance with public decisions will deteriorate, leading government to invest greater resources in coercive measures. Political scientist Fritz Scharpf (1999) makes a useful distinction between "input" and "output" legitimacy, the former accruing through high-quality decision-making processes, the latter from high performance in delivering desirable outcomes. Debates on governance quality are shaped by the question of which is more important. On the one hand, Gustavsen et al. (2014: 119) argues that "outputs are certainly important, but legitimacy is produced first and foremost by the democratic process." In contrast, Rothstein (2009: 313) claims that legitimacy "is created, maintained, and destroyed not by the input but by the output side of the political system." Similarly, Haus (2014: 125) states that "in local politics, there is no evidence that support by citizens is crucially dependent on deliberative practices as compared to good services." De Graaf and Paanakker (2015) frame this disagreement as a clash of "procedural" with "performance" values.

It is also important to consider how change in societal norms and expectations over time influence public perceptions of what constitutes good governance. In the developed world, the early postwar period is often portrayed as an era of deference to technical and political authority. While organizations were often consulted in policy formation, the general public was not, and little recourse was available to affected members of the public after decisions were made. As trust in government and professional expertise ebbed after the late 1960s, the public demanded and obtained formal engagement processes and recourse mechanisms. In short, the public's understanding of "good" governance in 2016 is not the same as it was in 1956, and it will surely be different in 2056.<sup>3</sup>

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3. More fundamentally, some critics have challenged the notion that there is a universal standard of good governance, characterizing the evaluation of governance quality by international organizations as the neocolonial imposition of Western political values and associated legal and institutional forms, as well as neoliberal economic prescriptions on non-Western nations (Argyriades 2006; Sundaram and Chowdhury 2012). For example, the World Bank's regulatory quality index is criticized for favouring open and competitive markets, an absence of subsidies, and low tariffs.



*Box 1: Definitions of good governance*

The following definitions indicate considerable variation in how “good” governance is defined. Some emphasize access to decision-making and the process of decision-making; others focus on the efficiency of governance outputs or the quality of outcomes.

**Boas (1998: 119):** “the World Bank operationalised ‘bad governance’ as personalisation of power, lack of human rights, endemic corruption and un-elected and unaccountable governments... good governance must be the natural opposite.”

**European Commission (qtd in Gisselquist 2012: 7):** “Five principles underpin good governance...: openness, participation, accountability, effectiveness and coherence.”

**Fukuyama (2013: 350–51, 60):** “governance is about the performance of agents in carrying out the wishes of principals, and not about the goals that principals set. The government is an organization that can do its functions better or worse; governance is thus about execution, or what has traditionally fallen within the domain of public administration, as opposed to politics or public policy. ...quality of government is the result of an interaction between [bureaucratic] capacity *and* autonomy.”

**Kaufmann, Kraay, and Mastruzzi (2004: 253):** “*governance* is defined broadly as the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected and replaced, the capacity of the government to formulate and implement sound policies, and the respect of citizens and the state for the institutions that govern economic and social interactions among them.”

**OECD (qtd in Gisselquist 2012: 8):** “In its work on public governance, the OECD focuses in particular on the principal elements of good governance, namely: *Accountability*: government is able and willing to show the extent to which its actions and decisions are consistent with clearly-defined and agreed-upon objectives; *Transparency*: government actions, decisions and decision-making processes are open to an appropriate level of scrutiny by other parts of government, civil society and, in some instances, outside institutions and governments; *Efficiency and effectiveness*: government strives to produce quality public outputs, including services delivered to citizens, at the best cost, and ensures that outputs meet the original intentions of policymakers; *Responsiveness*: government has the capacity and flexibility to respond rapidly to societal changes, takes into account the expectations of civil society in identifying the general public interest, and is willing to critically re-examine the role of government; *Forward vision*: government is able to anticipate future problems and issues based on current data and trends and develop policies that take into account future costs and anticipated changes (e.g. demographic, economic, environmental, etc.); [and] *Rule of law*: government enforces equally transparent laws, regulations and codes.”

**Rotberg (2014: 515):** “There is no better way of estimating how successfully a state has met its obligation to serve – to perform – without carefully calculating outcomes.”

**Rothstein and Teorell (in APSA 2013: 3):** Quality of governance “should be limited to the exercise of political power leaving access to power as a separate thing. ... the central idea is that just political procedures are those that by and large can be seen as impartial by groups with very different conceptions of ‘the good.’”

**United Nations Development Program:** Good governance entails “the institutional qualities and governance principles that are critical for developing and implementing effective and equitable policy measures to mitigate the impact of economic crises” (UNDP 2011: 270). ... “Good governance refers to governing systems which are capable, responsive, inclusive, and transparent” (qtd in Gisselquist 2012: 7).

### *1.1 Good governance as high-quality process*

Public policies are generated and goods and services produced through institutionalized processes. It is commonly argued that a “good” decision-making process is the foundation of good governance because “bad” processes are likely to produce poorly designed or incoherent outputs that will be ineffective or, worse, harmful. At the same time, the most carefully designed policies may lead to ineffectiveness or harmful outcomes if they are poorly implemented.

#### **The dimensions of high-quality decision-making and policy implementation**

Six dimensions of high-quality decision-making and policy implementation are commonly found in the literature: inclusivity, accountability, impartiality, administrative competence, learning capacity, and efficiency.

**1. Inclusivity.** Since the rise of new social movements in the 1960s, many working in the fields of planning, public administration, and democratic theory have equated good governance with thoroughgoing participation by the public and collective stakeholders in the development and implementation of policies (Arnstein 1969; Berner, Amos, and Morse 2011; Fishkin 2011; Healey 1997; Innes 1995; Sossin 2010). Inclusive process is seen as both an inherent good and a necessary condition of effective action. Dahl (1994), for example, argues that greater public input allows democratic countries to adapt to external forces better than authoritarian regimes. Others suggest that an engaged public leads to more innovative policies (Bingham, Nabatchi, and O’Leary 2005). Since the 1970s, public participation has been institutionalized in the form of legal requirements for consultation and hearings during policy development, and also *post-hoc* feedback from participants (Bovens 2007).

**2. Accountability.** We often think of elections as the principal means of rewarding success and punishing failure. Indeed, fair and competitive electoral processes are often viewed in the international development context as the foundation of good governance. The means of holding decision-makers and implementing authorities to account, however, extend beyond elections. *Transparency* is an enduring theme, for without information, the public and stakeholders cannot evaluate the quality of decisions and their implementation (Kioe Sheng 2009: 2). Transparency can be institutionalized through mandatory requirements to report on the conduct and results of consultation processes, the evidence on which decisions are made, lobbying activity by organized stakeholders, the volume of public complaints, and so on. *Oversight* is another important element of accountability. The institutionalization of auditors-general and the ongoing monitoring and evaluation of programs may discourage malfeasance while ensuring that policy implementation occurs as intended. Independent oversight is especially necessary when public programs and services are delivered by arm’s-length entities such as special-purpose bodies, not-for-profit organizations, or private firms whose activities are not always visible to the public or the governments that fund them. Transparent disclosure of information and open data also enable oversight by third-party watchdog organizations. Finally, accountability is further secured

by providing avenues for *recourse*, including the obligation to investigate public complaints, protection for whistleblowers, and appeal rights for those adversely affected by government policies.

**3. Impartiality.** At the “macro” scale, some observers view good governance merely as the impartial exercise of public authority – in essence, the rule of law (Rothstein and Teorell 2008). An impartial state is one without corruption and with patronage that does not exercise power arbitrarily. At the administrative scale, impartiality manifests as enabling equal access to decision-making processes, benefits and services, and procurement (Furi 2008). The impartiality of public authorities stems in large part from the ethical behaviour of their employees (Gisselquist 2012). Public-sector codes of conduct typically emphasize honesty, impartial treatment, and nonpartisanship, as well as a duty to follow political direction within the law (Levine 2009).

**4. Administrative competence.** While sometimes conflated with ethical behaviour (see Cooper and Menzel 2013), the competence of public officials is a distinct dimension of process quality. One can behave ethically in the sense of not being corrupt or partial while performing one’s job poorly. A century ago, the desire for more technically competent government led to public-service reforms, including merit-based and nonpartisan hiring and promotion. Defining competence is not easy. Several countries have adopted public management reforms designed to increase the capacity of senior public servants, including the introduction of competency standards; however, Hood and Lodge (2004) suggest that these standards are often ill-defined, conflating managerial skills, substantive expertise, and cognitive capacity. Public-sector and professional membership organizations can nurture competence by requiring accreditation and supporting continuous learning.

**5. Learning capacity.** A further dimension is how evidence is acquired and used in governance – in other words, how governments assimilate and learn from external actors and past experience. By this perspective, better-quality outputs and more effective outcomes are more likely to be realized when decision-making is based on the best possible evidence and lessons learned from past experience (Gilardi and Radaelli 2012; Nutley, Smith, and Davies 2000; Nutley, Walter, and Davies 2007). Public decision-making may be informed by technical or factual evidence, as well as experiential or tacit knowledge acquired through participatory processes. Indeed, the mobilization of tacit knowledge is viewed as essential to tackling “wicked” problems – those for which there is no agreement on causes and solutions and the knowledge of which lies beyond the reach of traditional public-sector instruments (Rittel and Webber 1973). Scholarly investigation of organizational and professional learning processes is perhaps most developed in the evidence-based medicine and evidence-based management movements (Rousseau 2006; Sackett et al. 1996).

**6. Timeliness.** Timely decision-making and action are considered important attributes of good governance (UNDP 2011). Policies may be inclusively

developed and executed in an ethical and competent manner, but they amount to little if outputs arrive too late to respond to urgent problems or if delays impose undue burdens on stakeholders.

### The determinants of process quality

Three determinants underlie these six dimensions of process quality. First, *formal rules*, including laws, regulations, codes of conduct, and performance standards are important because they influence the behaviour of public and private actors by creating incentives and disincentives to desirable action.

Second, formal rules must be supported by *societal and organizational norms*. At the societal scale, the World Bank and other international organizations equate good governance with social capital, which is often defined as interpersonal reciprocity (Putnam 1993, 2001). According to this perspective, people who trust one another are more likely to mobilize toward collective objectives. Social capital is believed to correlate with better government performance because it stabilizes citizens' expectations of others' compliance with public authority (Boix and Posner 1998; for a critique, see Bouckaert and Van de Walle 2003). Citizens will voluntarily comply with rules if they perceive governance outputs to be legitimate (Gisselquist 2012; Lee 2007; Stern 2008; Woo, Ramesh, and Howlett 2015). We may therefore expect good governance to be coercive only in exceptional cases. Putnam (2001), for example, shows that rates of tax evasion correlate inversely with levels of social capital. Governance quality and social capital are self-reinforcing. Participatory, impartial, and transparent governance systems may encourage social capital formation while high levels of social capital may facilitate participation in public processes (Holmberg, Rothstein, and Nasiritousi 2009: 143).

The same logic holds within governance institutions. When the organizational cultures of public and private institutions that make and deliver policies value the qualities associated with good governance, employee behaviour is self-regulated rather than coerced (Doig and Skelcher 2001; Evans 2012; Head 2012; Svava 2007). Voluntary compliance increases efficiency because fewer resources are diverted to coercion. Organizations can nurture a positive culture through leadership, mentoring, and education (Evans 2012; Fernando 2007; Head 2012; Witesman 2012).

This leads to a third determinant, *institutional capacity*. Bhatta (2003: 405) distinguishes between two types of capacity: the sufficiency of fiscal and human resources to perform assigned functions and deliver prescribed outputs, and the adequacy of management systems to effectively mobilize these resources (see also Fukuyama 2013; UNDP 2011). Institutions must have the capacity to detect and anticipate problems, mobilize knowledge, articulate goals, and make timely and coherent decisions (Howlett and Mukherjee 2014). Capacity is not reducible to the size of the budget; it is also about mobilizing human capital in the form of expertise, competence, and creative collaboration (Salamon 2002). Institutional resources are also required to nurture expertise and competence, monitor policy impacts, and ensure accountability.

### Dilemmas in process-oriented evaluations of governance

To recapitulate, process-oriented approaches to governance quality focus on what public decision-makers, administrators, and institutions *do*: how open and transparent they are to the public and to organized stakeholders, how they learn and make choices, and how efficiently they make decisions and produce results. In general, good governance is identified with a high degree of inclusivity, robust accountability, impartial and competent administration, the capacity to assimilate knowledge and learn from experience, and timely action. These dimensions are underpinned by supportive formal rules and social and organizational norms, as well as sufficient human and institutional capacities to perform assigned tasks.

Several dilemmas are apparent in the process-oriented literature. The first is the potential trade-off between timeliness, on the one hand, and inclusivity and accountability on the other (Dahl 1994). A genuinely inclusive decision-making process is expensive and time-consuming. So too are oversight, monitoring, and accountability systems designed to ensure that public servants and private contractors are ethical, competent, and efficient when devising and implementing public actions. If not constrained, due process may become the enemy of decision, undermining the coherence and timeliness of action. Extensive reporting requirements and auditing may sacrifice innovation, creative problem-solving, and timeliness on the altar of probity and promote incrementalism over bold action (Bovens 2007). Power (1994) also raises concerns about what he calls the “audit explosion” – the risk that oversight bodies such as auditors-general and ombudsmen may become *de facto* policy makers as they are further empowered.

Also unresolved is the complex question of how to ensure affordable levels of oversight and accountability in the context of private- and voluntary-sector involvement in the provision of public services. Monitoring and enforcing the compliance of third-party agents whose interests may differ from the policymaking authority imposes additional public costs (Eisenhardt 1989). Private contractors are rarely subject to auditing, publicly defined codes of conduct, or meritocratic competency standards. This fact contradicts the argument that the state can become both “leaner” and more capable by decentralizing implementation to networks of public and private actors (Offe 2009: 555).

The appropriate balance between accountability and timeliness remains elusive (Knack, Kugler, and Manning 2003: 351). Decision-makers must have the authority and resources to make and implement coherent decisions, yet must also be subject to checks and balances that prevent arbitrary or predatory action (see also Fukuyama 2013). Authority and resources without participation and accountability make for tyranny; democracy without capacity is a recipe for ineffectiveness.

Finally, those focusing on process must respond to an alternative perspective: that governance arrangements and processes should be judged solely by the quality of what they produce – measurable changes in social, economic, or environmental outcomes (Rotberg 2014).

## *1.2 Good governance as high-quality outputs*

Some identify good governance with the “soundness” of outputs. Directly evaluating the purpose or objectives of governance outputs is problematic, however, because it inevitably depends on ideology or values (see Serra and Stiglitz 2008). What one person sees as valid another may see as misguided. For example, the World Bank’s Worldwide Governance Indicators include a bundle of “sound policy” measures that identify “regulatory quality” with neoliberal policy prescriptions – privatization, small government, and minimal regulation of business activities and foreign investment (Kaufmann, Kraay, and Mastruzzi 2011).

Setting soundness aside, the literature review reveals four criteria by which outputs can be evaluated: productivity, proportionality, coherence, and adaptability.

**1. Productivity.** Most people think about governance outputs in utilitarian terms – as the quantity of outputs relative to their cost. This relationship can be expressed as the governance system’s productivity. When governments produce and provide services themselves, productivity is a function of the incentives and rules within which public servants operate and the resources they have at their disposal. Economists have also long recognized that economies of scale diminish and ultimately reverse at different thresholds for different goods, justifying devolution to “right-sized” special-purpose governments (Drew, Kortt, and Dollery 2016; Found 2012). Extending this logic, critics of public monopolies have promoted market creation and private-sector service delivery to increase the cost-efficiency of public goods production and provision (Andrews 2011; Oakerson and Parks 2011; Pérez-López, Prior, and Zafra-Gómez 2015; Pollitt 2004; Wilkins 2003).

**2. Proportionality.** Policy outputs should be proportionate to the problem at hand in terms of resources committed and degree of intrusiveness and disturbance to existing systems (van Doeveren 2011: 308–09).

**3. Coherence.** Good governance is also identified with a high level of internal and external coherence (Howlett and Mukherjee 2014). Individual elements of a policy should not work at cross-purposes. High-quality outputs should also interact positively with other institutions and policies rather than destabilizing them (Barrett 2013; Kaufmann, Kraay, and Mastruzzi 2009).

**4. Adaptability.** High-quality policy outputs can also be evaluated in terms of their “capacity and flexibility to respond rapidly to societal changes” (see also Gisselquist 2012: 71; Kaufmann, Kraay, and Mastruzzi 2009). The United Nations Development Program defines adaptability as “an ability to perform in future conditions and to innovate to meet future needs,” so good outputs must “anticipate, adapt, and respond to changing needs and shifting priorities” (UNDP 2011: 271). Adaptability has affinities with two related concepts: the resilience of social and governance systems in times of crisis or disaster (UNISDR 2012), and the recognition of uncertainty and indeterminacy in policy designs (Quay 2010; Tewdwr-Jones and Goddard 2014).

While these criteria are consistent with the proposition that “good” decision-making processes necessarily generate high-quality outputs, the relationship may not be automatic. For example, Fainstein (2000: 455–60) argues that top-down, closed, and expert-driven processes may well produce coherent outputs that are viewed as legitimate due to their effectiveness. Moreover, inclusive processes may reveal a diversity of incommensurable interests and preferences, the brokering of which may undermine the coherence of outputs. Policymakers may also respond to a cacophony of external voices by plugging their ears and substituting their own judgement, potentially shutting out innovative ideas.

### 1.3 Good governance as high-quality outcomes

While the process-oriented perspective identifies good governance with the quality of decision-making and implementation and the output-oriented perspective focuses on the characteristics of policies and goals, the outcome-oriented perspective is concerned with the social, economic, and environmental impacts of governance. This approach is exemplified by Rotberg (2014), who writes that “good governance is performance and results” (511) and that “[t]here is no better way of estimating how successfully a state has met its obligation to serve – to perform – without carefully calculating outcomes” (515).

Research on governance quality in international development focuses on outcomes. Developed and developing countries vary considerably by political culture, corruption levels, the capacity and organization of the state, and the constitutional and legal foundations of state-society relations and market exchange. Cross-national comparative analyses by the World Bank and other entities therefore seek to uncover statistical correlations between these factors and the indicators of outcomes believed to flow from them, including quality of life, environmental health, socio-economic inequality, economic growth rates, and incidence of mortality and disease (see APSA 2013; Arndt and Oman 2006). In general, postcolonial “developing” and postcommunist transition countries score lower on governance quality and outcome indicators than “developed” ones.

Focusing on outcomes poses three dilemmas. First is the matter of *prioritization*. Which outcomes matter and for what purpose? Some international development agencies and advocacy groups identify good governance with economic growth while others prioritize reducing inequality, improving public health, or protecting the natural environment. A consensus on the components or determinants of governance quality may be elusive when objectives conflict. A singular focus on a particular outcome also obscures the complex interdependence of other factors in its generation. For example, more equal societies and healthier environments are sometimes portrayed as necessary conditions of economic growth, while economic growth and access to food and clean water and air are viewed as essential to quality of life.

A second problem is the *assignment of causality*. Implicitly or explicitly, outcome-oriented perspectives presume that domestic governance systems can

be directly credited with creating positive outcomes or blamed for negative ones. This assumption overlooks the increasing permeability of national boundaries to transnational forces and the “hollowing out” of the state induced by globalization and growing social complexity (Cerny 1995). It is also blind to the intentions of policymakers and their electors and the potential for unintended consequences. Can governance systems be held responsible for outcomes they never pursued or blamed for failures that are beyond their control?

Finally, there is the matter of *measurement*. Evaluating outcomes requires measuring substantive change in social, economic, and environmental indicators. Assembling appropriate data to measure complex and multivariate phenomena such as quality of life, social development, and environmental quality is no simple task. Even if data are available, they may not be comparable across jurisdictions. These and other difficulties of measurement are discussed later in the paper.

#### *1.4 Summary*

This review of concepts and themes from the academic and NGO literature on good governance suggests disagreement on the determinants and components of governance quality. Good governance research aligns with one of three orientations: approaches that are primarily concerned with the quality of decision-making and implementation processes; those that focus on the quality of outputs such as laws, regulations, and policies; and, finally, those concerned with the objective conditions governance is believed to create or influence (see **Box 2**).

These three approaches differ in their causal arguments. Process-oriented perspectives focus on how formal rules, institutional and human capacities, and societal and organizational norms support behaviours associated with good governance. “Good” process is believed to produce “good” outputs and outcomes. Those who focus on outputs are more interested in how the food tastes than how it is cooked, so to speak, but may presume that the quality of the content and implementation of policies and services is a function of “good” rules, sufficient capacities, and supportive norms. The outcome-oriented approach to governance quality infers causation from correlation. In general, countries in which government is perceived as incorruptible, impartial, and competent tend to also feature higher levels and rates of economic growth, better public health outcomes, lower levels of socio-economic inequality, and higher self-reported quality of life. The causal mechanisms that underlie these correlations, however, remain the subject of considerable debate.

Each of the three approaches provides the greatest leverage at different scales of analysis. The outcomes perspective takes countries as its units of analysis, while the process- and output-oriented approaches can be applied to specific national or subnational institutions and their policies and services.

## **2. The meaning of governance quality at the local level**

This overview of good governance is necessary to frame the discussion of the degree to which these concepts can be applied to governance at the local level.



Box 2: Summary of perspectives on governance quality

	Process	Outputs	Outcomes
Dimensions of quality	<ul style="list-style-type: none"> <li>• Inclusivity</li> <li>• Accountability</li> <li>• Impartiality</li> <li>• Competence</li> <li>• Learning capacity</li> <li>• Timeliness</li> </ul>	<ul style="list-style-type: none"> <li>• Productivity</li> <li>• Proportionality</li> <li>• Coherence</li> <li>• Adaptability</li> </ul>	Social, economic, and environmental conditions, including: <ul style="list-style-type: none"> <li>• Socio-economic inequality</li> <li>• Economic growth</li> <li>• Pollution</li> <li>• Public health outcomes</li> <li>• Quality of life</li> </ul>
Causation	Quality of process is determined by: <ul style="list-style-type: none"> <li>• Rules</li> <li>• Institutional capacity</li> <li>• Social and organizational norms</li> </ul>	Quality of outputs is determined by the quality of decision-making and the implementation process	Quality of governance is evaluated in terms of positive or improving social, economic, and environmental conditions
Questions	<ul style="list-style-type: none"> <li>• Is there a trade-off between inclusivity and accountability, on the one hand, and innovation and timeliness, on the other?</li> <li>• Does process matter more than outcomes?</li> </ul>	Do good outputs automatically flow from good process?	<ul style="list-style-type: none"> <li>• How do we decide which outcomes matter more than others?</li> <li>• Can governance be given credit for outcomes?</li> <li>• Can complex outcomes be measured?</li> </ul>

The first step is to examine how the scale and institutional structures of local governance may restrict the meaning of good governance. This analysis requires attention to the embeddedness of local governance in broader economic, societal, and institutional contexts, as well as to how municipal governments differ from national governments in the organization of their decision-making processes.

### 2.1 The embeddedness of local actors and institutions

Local governments are not sovereign states in miniature. They have no control over the movement of goods, capital, or labour across their borders. They cannot wage war. They have no influence over monetary policy. There is no such thing

as municipal Keynesianism. Even the largest local governments are embedded in broader economic flows, societal norms, and institutional structures that restrict their capacity and autonomy and limit their influence on social, economic, and environmental conditions. The determinants of municipal good governance may operate at scales far greater than the local.

**1. Embeddedness in economic flows.** Scholars of urban political economy emphasize that capital operates at a broader scale than the local economy, and can exercise extraordinary, if not necessarily absolute, influence over locally administered governance processes. Globalization accentuates the mismatch between the scale and resources of economic actors and the authority, resources, and spatial boundaries of local governments. Some see these forces as irresistible, leaving local actors with no other option than to pursue market-driven policies. If they do not, investment can easily bypass high-cost in favour of low-cost municipalities (Harvey 1985; Kantor and David 1988; Logan and Molotch 2007; Peterson 1981). Others argue that the interests of capital and the local society are in tension, and that an active and strategic local government can pursue social and environmental objectives other than economic growth (Savitch and Kantor 2002; Stone 2008). Either way, the embeddedness of local policymakers and stakeholders in broader economic systems is a powerful constraint on their autonomy.

**2. Embeddedness in societal norms.** The good governance literature presumes that national societies possess shared systems of norms and values in relation to corruption, the role of the state, the desirability of public involvement in political process, and so on. Countries with lower levels of interpersonal trust tend to have higher levels of corruption and lower levels of participation and policy compliance, so negative norms at the societal scale may overwhelm local initiative. Research, however, reveals local and regional variation within national norms. Subnational or local communities possessing greater social capital or a more engaged and participatory political culture have been found to produce higher-quality policy outputs with a greater emphasis on social equity (Putnam 2000; Reese and Cox 2007; Reese and Rosenfeld 2008; Rupasingha, Goetz, and Freshwater 2006). A more engaged public may strengthen the bargaining power of local governments to leverage private investment to achieve public objectives (Savitch and Kantor 2002). There is no consensus on whether local actors can change local norms to make them more supportive of good governance, or if local actors are largely “trapped” by inherited social relations.

**3. Embeddedness in provincial policy frameworks.** Canadian municipalities have no independent constitutional identity and derive their existence and legal authority from provincial legislation. These laws specify the domains in which municipalities may pass by-laws, what taxes and fees they may levy, and the structure of local institutions. More generally, provincial laws specify, organize, and regulate many municipal processes and tasks, including labour relations and standards, building codes and zoning regulations, the administration of policing, and public health services. Provinces also use conditional and unconditional grants to partially or fully fund certain municipal activities and to compensate for unequal fiscal capacity (Slack 2009).

While some provinces have amended legislation to broaden the scope of municipal discretion over the past decade, their legal and fiscal autonomy remains circumscribed (Lidstone 2004; Tindal et al. 2013: 201–16). A central concern in relation to the potential for promoting “good” local governance – and one that has been extensively debated in Canada – is whether municipalities’ grant of legal authority and access to fiscal (and, by extension, human) resources are aligned with the responsibilities they are expected to carry out. If sufficient resources are a necessary condition of good decision-making processes and the implementation of outputs, their availability to Canadian municipalities is fundamentally determined by provincial governments.

Constraints on local policy and fiscal autonomy are often decried in contemporary discourse (Boyd and Folke 2012; Broadbent 2008). However, it is important to recognize their potential to enable or promote good local governance. For example, provincial legislation specifies participatory processes and accountability mechanisms. In Ontario, the *Planning Act* provides extensive direction to municipalities on when and how to notify the public of development applications, hold public meetings, and so on. The province also provides an appeal process for those who believe municipalities have made improper or injurious planning decisions. Limitations on municipal discretion may also promote efficiency. Canadians may be thankful that provinces limit municipal debt, prohibit operating deficits, and restrict the use of beggar-thy-neighbour subsidies and tax holidays to attract business investment, the latter being common practice in the United States.

**4. Embeddedness in multilevel governance arrangements.** Canadian municipalities are not simply “policy takers” or passive deliverers of policies determined by other governments. As Bradford (2005) has written, they are also increasingly partners in multilevel governance processes that mobilize both local tacit knowledge and the resources of higher-order governments to address complex problems that span legal jurisdictions and spatial boundaries (Bradford 2005; Bradford and Bramwell 2014). One such initiative in Ontario is the Local Immigration Partnership Councils, in which federal funding is disbursed to multisectoral organizations with representation from local government, settlement agencies, community organizations, and employers. The councils have considerable discretion over how the money is spent, but they must develop and monitor progress toward implementation of a strategic plan (Taylor and Bradford 2015). Evaluating the quality of inclusion and accountability in such multilevel governance arrangements requires analysis of the quality of relationships between institutions and actors at different scales (Bradford and Chouinard 2010).

## **2.2 *The distinct characteristics of local government institutions***

The institutions of Canadian municipal government differ in important ways from provincial and federal institutions. Power is less centralized, deliberative processes are more open, and government is closer to the people it serves.

1. **Dispersed authority.** At the federal and provincial levels, decision-making is highly centralized in a powerful executive. By virtue of party discipline, the centralization of appointment prerogatives, and extraparliamentary leadership selection and evaluation, prime ministers and premiers wield extraordinary control over the legislative process (Savoie 2008). At the municipal level, however, power is dispersed among relatively autonomous councillors. Under the “weak-mayor” system, mayors sit as members of council and possess few meaningful powers beyond those of councillors. The mayor cannot, for example, initiate and control the budget process, veto legislation adopted by council, or hire and fire municipal public servants. The bureaucracy reports to council as a whole, not the mayor. Unlike in Westminster-style legislatures, members are not “whipped” by party leaders. In most provinces, including Ontario, there are no official party labels, slates, or legal mechanisms of collective fundraising. Councillors are “loose fish” who exercise considerable independence. Political decisions occur only through the construction of majorities, issue by issue. In addition, a considerable proportion of local policymaking authority and expenditure is dispersed among special-purpose bodies (Lucas 2013; Richmond and Siegel 1994). While in Canada these bodies are responsible to the municipal council through board appointment and budget allocation, accountability is indirect and friction among municipal councils and agencies, boards, commissions, and corporations is common.

2. **Open process.** At the federal and provincial levels, the policymaking process is relatively hidden from citizens. Interactions between politicians and the public service are highly regulated and occur behind closed doors. Legislative deliberation generally occurs after the policy directions are fully formed within ministerial hierarchies and approved by cabinet. Party discipline inhibits substantive shifts in direction. Policy deliberation at the municipal level, by contrast, is visible and open to scrutiny (Sancton 2015; Siegel 2010). Provincial law requires open meetings of council and its committees, and specifies when and how the public is to be informed and consulted in the course of particular processes. Legislative process and political-administrative direction occur in public venues. While all but the most informed members of the general public seldom know the names of deputy ministers, senior municipal managers often have significant public profiles. As a result of these institutional features, there is much greater potential for public scrutiny and input into policymaking processes.

3. **Scale, responsiveness, and capacity.** Compared with even the smaller higher-order governments, local politicians and public servants are closer to residents and organized stakeholders (Dahl and Tufte 1973; John 2008). Processes therefore tend to be more personal and informal than impersonal and bureaucratized. While personal relationships and proximity may make local government more responsive to local communities, they may also open the door to partiality and corruption (Fernando 2007). At the same time, in all but the largest municipalities, the

relatively small size of local bureaucracies limits their capacity to engage in policy innovation.

### 2.3 Conceptualizing local governance quality

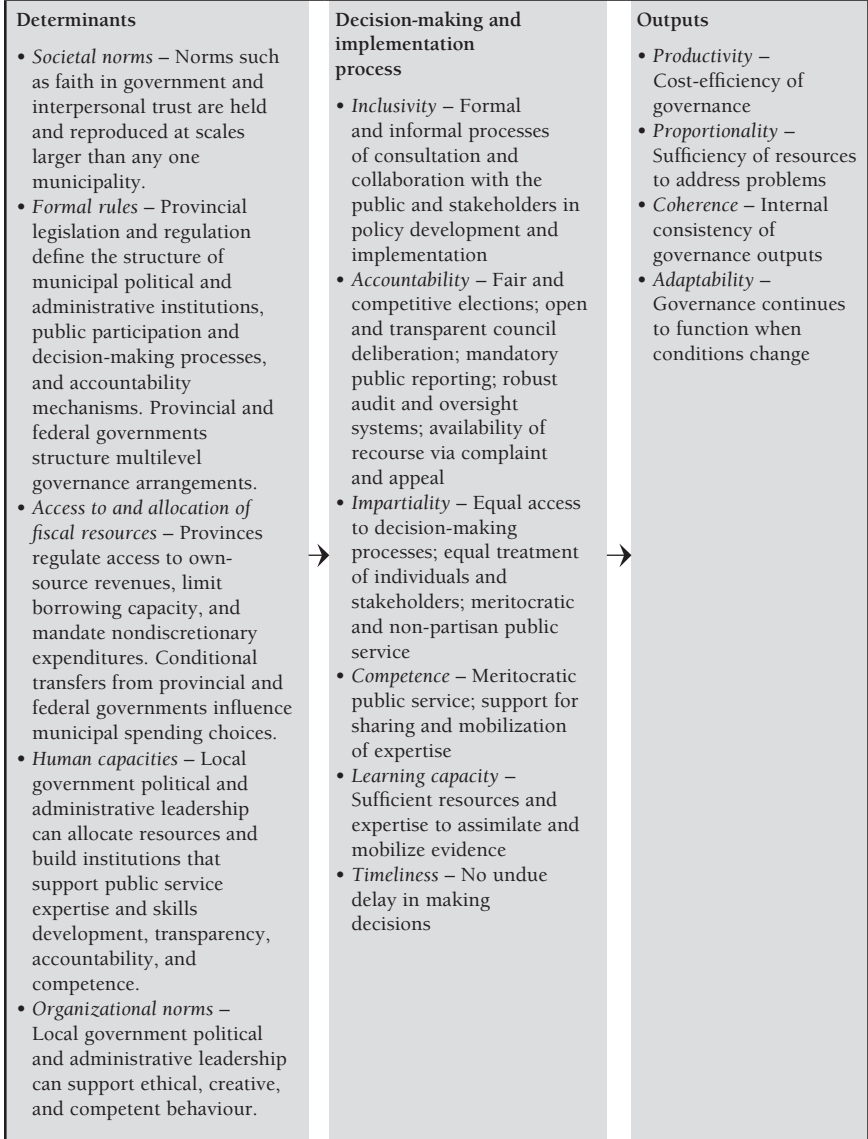
The foregoing discussion may be challenged as an overly pessimistic perspective on local agency. There is no shortage of examples of innovative local leadership, coalition-building, and municipal policy innovation, from Medicine Hat's virtual elimination of homelessness in the 2010s, to Greater Vancouver municipalities' voluntary creation of a regional land-use strategy in the late 1980s and early 1990s, to Toronto's experimentation with self-financed renewal of social housing over the past decade. Still, it is important to be realistic about the capacity of local governments in relation to the scale of problems that governance, viewed holistically, is expected to address.

Broader social, economic, and environmental processes, including deindustrialization, climate change, the aging of society, and income and wealth inequality are complex phenomena that originate far beyond the spatial boundaries of local governments. This fact complicates accountability. Although the independent capacity of individual municipalities to influence broad outcomes is limited, local government may have a large collective impact as a sector. This point has been argued, for example, in relation to reducing greenhouse gas emissions (Gore 2010; Robinson and Gore 2005).

Barriers to collective action among hundreds or thousands of municipalities are significant, however, and might best be addressed through provincial mandates and incentives. Even when narrowly considering the substantive impacts of specific policy outputs, responsibility for them may remain difficult to assign due to local governments' embeddedness in provincial legal and fiscal frameworks, their involvement in multilevel arrangements, and the institutionalized dispersion of political and administrative authority. Indeed, to the extent that municipalities are organized and resourced to make and implement policies in a way that is ethical, competent, accountable, and timely, it may make more sense to assign credit or blame to the higher-order governments that define their authority and resources.

If the distinct influence of local governments on *outcomes* is limited and cannot be disentangled from broader forces and dependencies, the analytic focus necessarily shifts toward assessing the determinants and quality of *processes* and *outputs* – what they do, how they do it, and why. **Box 3** summarizes the dimensions and determinants of process and output quality. Most determinants of local governance quality are beyond local control, as Canadian local governments' fiscal capacity, legal authority, and decision-making structures are largely defined by the provinces. The federal and provincial governments define the structure of multilevel governance arrangements. And societal norms of interpersonal reciprocity, trust in government, and so on, are shared and reproduced at a broader scale than that of a single municipality.

**Box 3: Determinants, processes, and outputs in local governance**



Local governments do, however, have control over their internal organizational norms and behaviours and human capacities. Leadership, training, and oversight can inculcate an organizational culture of inclusion, accountability, and impartiality while nurturing competence and innovation and allocating resources to ensure

timely decision-making. Local authorities also exercise discretion over how public-private service delivery arrangements are structured and held accountable.

Outputs can be assessed either on their own terms (in other words, as productivity, proportionality, coherence, and adaptability) or in relation to the processes that produced them. Insofar as there is interprovincial or intermunicipal variation in institutional structures, intergovernmental relations, resource allocation, and organizational processes, it may be possible to assess which arrangements produce better outcomes.

### **3. Evaluating local governance quality**

The foregoing discussion suggests potential approaches to local governance quality evaluation. What might this evaluation look like in practice? This section first makes several conceptual distinctions before discussing how local governance quality is currently evaluated in Canada and other countries.

#### *3.1 Types of evaluation and their limits*

Broadly defined, evaluation occurs for a variety of purposes, using different methods. It can be *qualitative* or *quantitative* and involve single or multiple cases (see **Box 4**).

Qualitative evaluation involves in-depth examination of complex processes. It is most useful when trying to determine why and how a specific process played out the way it did. Interpretation of interviews, surveys, and documents may lead to a nuanced understanding of people's experiences and perceptions and how processes unfolded. These techniques are frequently used in internal policy reviews, investigations by auditors-general and ombudsman offices, and external evaluations by consultants or academic researchers. Often these take the form of single-case studies with the goal of finding inefficiencies or reforming procedures. For example, the City of Toronto Ombudsman's investigation of complaints about how the TTC interacted with residents when it installed emergency exits in subway stations led to the development of a new public engagement strategy (Crean 2012).

Qualitative information can also be mobilized for comparison. Comparison of consistently structured parallel case studies may reveal how institutional structures and practices differ in different jurisdictions (George 1979). This insight can be used to develop a systematic framework for "mapping" these differences, as in the international comparison of local integrity systems in seven cities by Huberts et al. (2008). Similarly, Tossutti (2012) developed an inventory of municipal corporate initiatives in relation to immigrant integration and settlement on the basis of in-depth analysis of six Canadian municipalities in three provinces. More ambitious qualitative comparisons seek to identify best practices by uncovering whether institutional or other differences influence output performance or outcomes.

Quantitative evaluation entails the systematic comparison of consistently collected numerical indicators over time, across cases, or both. It is most useful

in evaluating phenomena that are amenable to quantification, which tend to be measurable discrete outputs and outcomes. Within governmental organizations, the measurement of past performance is used to set budgets, learn from experience, improve work, and motivate staff (Behn 2003; Schatteman 2008).

*Box 4: Types of evaluation*

	Qualitative	Quantitative
Single-case	<p><b>Case study</b></p> <ul style="list-style-type: none"> <li>• <i>Purpose</i> – find opportunities to improve efficiency or value for money; understand perceived success or failure; assess experience of public servants, program users, or stakeholders</li> <li>• <i>Case</i> – single program or administrative unit</li> <li>• <i>Methods</i> – interpretation on the basis of document review, interviews, surveys</li> <li>• <i>Examples</i> – program evaluation by administering unit, external consultant, or academic researcher; external audit by auditor-general; complaint investigation by ombudsman</li> </ul>	<p><b>Longitudinal performance measurement</b></p> <ul style="list-style-type: none"> <li>• <i>Purpose</i> – find opportunities to improve efficiency or value for money by identifying trends in performance in or satisfaction within a single program or unit over time</li> <li>• <i>Method</i> – for a single case, tracking over time of the same quantitative measurement or indicator (e.g., output measures such as annual expenditure levels, number of permits issued, calls returned; outcome measures such as satisfaction of surveyed residents or stakeholders, clients placed, transit ridership)</li> <li>• <i>Examples</i> – monitoring of the productivity of a program or service; monitoring of resident or stakeholder satisfaction</li> </ul>
Multi-case	<p><b>Structured case comparison</b></p> <ul style="list-style-type: none"> <li>• <i>Purpose</i> – parallel comparison of cases to understand variation in processes, outputs, or outcomes</li> <li>• <i>Number of cases</i> – few</li> <li>• <i>Case selection</i> – different programs or policies within the same municipality, or the same program or policy in different municipalities</li> <li>• <i>Methods</i> – interpretation on the basis of document review, interviews, surveys</li> <li>• <i>Examples</i> – comparison of: client experience in different licensing or permitting processes within the same municipality, complaint investigation processes in different municipalities, how the same provincial mandate is administered in different municipalities</li> </ul>	<p><b>Performance benchmarking</b></p> <ul style="list-style-type: none"> <li>• <i>Purpose</i> – compare performance across cases to identify (and potentially reward or penalize) high and low performers</li> <li>• <i>Number of cases</i> – many</li> <li>• <i>Case selection</i> – all or a representative sample of “like” units (municipalities, special-purpose bodies, programs)</li> <li>• <i>Methods</i> – comparison of multiple municipalities’ performance on the same measures or indicators; can be longitudinal</li> <li>• <i>Examples</i> – municipal benchmarking programs in Ontario, Québec, and Nova Scotia</li> </ul>



In the local government context, quantitative evaluation often takes the form of longitudinal or comparative assessment of output productivity (e.g., the number of permits or licenses issued, the number of units of a service produced per resident or dollar of expenditure), the satisfaction levels of surveyed residents or stakeholders, or objective outcomes (e.g., annual transit ridership per capita). The City of Edmonton (2016), for example, annually reports numerous productivity, satisfaction, and outcome variables defined in its strategic plan. Three Canadian provinces require all municipalities to report on provincially defined performance measures, enabling interjurisdictional comparison. Such comparative quantitative performance measures are called benchmarks.

Quantitative approaches appear to offer two advantages. First, they enable standardized comparison across a large number of cases. The expense of in-depth qualitative study of even a half-dozen programs or municipalities is likely to be prohibitive. Second, quantitative measurements are viewed as an objective and scientific counterpoint to the subjectivity of qualitative analysis. Expressing social, economic, and environmental phenomena as numbers enables direct comparability and statistical analysis. Fuelled by the rapid expansion of computational power over the past two decades and the rise of data analytics in business management, quantitative measurement has eclipsed qualitative interpretation in prestige (Blastland and Dilnot 2009; Fioramonti 2014).

The notion that “what cannot be measured cannot be managed” (commonly but erroneously attributed to the late business guru Peter Drucker) is increasingly embraced in the public and nonprofit sectors (Blodgett and Newfarmer 1996). Much of the international research on governance quality has been quantitative in nature. International organizations, governments, NGOs, consulting firms, and academics have developed (and debated, with limited agreement) competing indicators of corruption, business climate, state capacity, state legitimacy, efficiency of service provision, and so on. These results are most often presented descriptively, as scores or rankings, but more elaborate analyses incorporate them into statistical analyses to identify trends and optimal levels, and make causal inferences.

Despite their ubiquity and convenience, quantitative performance measurement and benchmarking pose two problems for the evaluation of governance quality: selective attention and construct validity.

**1. Selective attention.** If quantified phenomena receive more attention than those that are not, then we need to ask what might be falling through the cracks. Attention necessarily flows to domains where low-cost data are available, consistently collected, and reliable. A second question is whether some aspects of governance quality may be inherently nonquantifiable. Measurement of output productivity and timeliness is fairly straightforward, as dollars and days are easily counted. More difficult is the quantification of the quality of relationships and interpersonal interactions between public servants and stakeholders, the degree to which tacit stakeholder knowledge is assimilated and used by government, or

*Box 5: The Worldwide Governance Indicators*

The World Bank's Worldwide Governance Indicators project groups six baskets of indicators into three general themes. Each is assessed indirectly through surveys of experts or mass public opinion surveys. The project has been updated regularly since 1996 and covers more than 200 countries.

**(a) The process by which governments are selected, monitored, and replaced:**

1. *Voice and Accountability (VA)* – capturing perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.

2. *Political Stability and Absence of Violence/Terrorism (PV)* – capturing perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism.

**(b) The capacity of the government to effectively formulate and implement sound policies:**

3. *Government Effectiveness (GE)* – capturing perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

4. *Regulatory Quality (RQ)* – capturing perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.

**(c) The respect of citizens and the state for the institutions that govern economic and social interactions among them:**

5. *Rule of Law (RL)* – capturing perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.

6. *Control of Corruption (CC)* – capturing perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as “capture” of the state by elites and private interests.

Source: Kaufmann (2011: 223).

how organizational culture supports desirable behaviours. For Haus (2014), a narrow focus on outputs and outcomes undermines appreciation of the processes that produce them and, ultimately, the role of local governments as instruments of democratic inclusion and self-determination.

A partial solution to the latter problem is to survey the perceptions of residents, stakeholders, or public employees using closed-ended “thermometer”-style or multiple-choice questions that can be expressed in quantitative terms. Surveys of citizens and experts are often used to assess governance quality cross-nationally. The World Bank's Worldwide Governance Indicators, for example, are based almost entirely on perceptions rather than direct observation (Kaufmann, Kraay, and Mastruzzi 2009, 2011; Kaufmann, Kraay, and Zois-Lobaton 2000) (see Box 5). Even so, the *hows* and *whys* of participation, decision-making, and

implementation processes can likely be understood only through open-ended questioning.

2. **Construct validity.** A second issue is what psychologists call *construct validity* (Cronbach and Meehl 1955). So-called *indicators* are constructs – they are only meaningful when the indicator actually measures what it purports to represent. Consider UN Habitat’s urban governance indicators project, which proposes 25 indicators to assess a grab bag of processes, outputs, and outcomes (see **Box 6**). The “effectiveness” of local governments is inferred primarily from fiscal data, output productivity measures, and user satisfaction surveys, all of which are quantified or readily quantifiable. Absent are more qualitative dimensions of effectiveness, including the human capacities that support competence and creative problem-solving.

Satisfaction surveys are also inherently majoritarian – it is entirely possible for most people to have a favourable impression of institutions, policies, and programs while specific minorities are poorly served, mistreated, or disenfranchised. Similarly, although the quality of “participation” is primarily constructed in electoral terms, the propensity to vote has been shown to correlate with education and income. Therefore the existence of elections does not guarantee equal participation of all social groups (Hajnal 2010; Hajnal and Trounstin 2005). The

*Box 6: UN Habitat urban good governance indicators*

Effectiveness	Equity	Participation	Accountability
1. Per capita revenue	9. Existence of citizens’ charter	14. Elected council	19. Transparency of budget, accounts, and procurement
2. Ratio of actual recurrent to capital budget	10. Establishing right of access to basic services	15. Elected mayor	20. Autonomy from higher levels of government
3. Reliance on inter-governmental transfers	11. % women councillors	16. Voter turnout rate	21. Codes of conduct for public officials
4. Ratio of mandates to actual tax collection	12. % of women in key positions	17. Public forums	22. Recourse through complaints
4. Predictability of transfers	13. Pro-poor water pricing	18. Civic associations per 10,000 residents	23. Independent investigation of corruption
6. Service delivery performance monitoring	14. Incentives for informal businesses		24. Duty of public officials to disclose income and assets
7. Consumer satisfaction surveys			25. Independent audit
8. Existence of vision statement			

Condensed from UNDP (2009: 56–59); see also Stewart (2006: 197).

mere existence of “public forums” for civic engagement between elections tells us nothing about the leadership practices, organizational culture, and institutional variations that determine the quality of interactions with the public. To derive best practices from comparison of public and stakeholder engagement practices across jurisdictions, it is necessary to ask *why* and *how* (qualitative) questions.

Importantly, quantitative comparison can be used to guide case selection for in-depth qualitative analysis. For example, the analysis of benchmarks may reveal distinct clusters of performance. Qualitative investigation of representative cases can then be used to understand the causes of performance variation.

### 3.2 *Current practice in Canada*

Canadian municipalities frequently evaluate their programs in response to council requests, as part of cyclical reporting or business planning, or to fulfil the requirements of intergovernmental funding arrangements. Auditors-general, ombudsman offices, or consultants conduct external reviews to identify inefficiencies, malfeasance, or incompetence. Evaluation of this sort typically occurs on a program-by-program or unit-by-unit basis. Valuable as these activities are, they are not performed consistently or systematically and employ idiosyncratic methods. While they may lead to performance improvements or changes to institutions and policies, they are not designed to enable comparisons over time, between administrative units within the same municipality, or between municipalities.

To date, the systematic comparative assessment of local governance quality in Canada has been restricted to the quantitative benchmarking of service productivity and fiscal health. Three provinces have instituted mandatory reporting of fiscal and performance measures by municipalities: Ontario, Québec, and Nova Scotia. The origin, structure, and limitations of these benchmarking programs are described elsewhere and need not be recapitulated here (Charbonneau 2011; Charbonneau and Bellavance 2015; Polannen 2005; Schatteman 2010; Schatteman and Charbonneau 2010). What is important is that these efforts have been narrowly focused on the efficiency of service delivery and, to some degree, the institutional capacity of municipalities construed as fiscal health. These programs do not assess the quality of civic engagement and decision-making processes, nor do they capture the human capital dimension of institutional capacity.

Ontario’s Municipal Performance Management Program (MPMP), which is now integrated with the province’s Financial Information Returns (FIR) system, is largely concerned with the costs of service delivery in proportion to a specific denominator (Ontario 2016). Municipalities are required to report on a range of functions, including protective services; roads and transit service; water, wastewater, stormwater, and solid-waste management; parks and recreation; and land-use planning. The cost of building permit and inspection services, for example, is reported per \$1,000 of construction activity, while the cost of fire protection services is reported per \$1,000 of assessed property value. Proportional reporting of this sort adjusts to population size or the local rate of relevant activity.

For most functions, costs are also contextualized by parallel reporting of relevant outcomes and conditions. Considering the same examples, municipalities are also required to report on the time to decision of different categories of building permit applications and the number of fires, fire injuries, and fire fatalities per 1,000 residents. Analysis of proportional costs in conjunction with conditions may reveal the point at which increasing or reducing expenditure yields diminishing returns. For example, analysis could reveal how much spending on fire protection can be reduced before response times and casualties from fires increase.

The FIR system focuses primarily on municipal finances, including detailed reporting of revenues, operating and capital expenditures, reserve fund positions, debt levels, debt servicing costs, procurement, building permits issued, number of municipal employees, and value of municipal assets. In parallel to these provincial programs (and perhaps as a defensive move to prevent their expansion), municipal managers have initiated the Ontario Municipal Benchmarking Initiative (OMBI) on a voluntary basis. OMBI also includes performance measures for several protective and social functions not covered by MPMP, including childcare, long-term care, homelessness services, and emergency medical response.

The equivalents of Ontario's MPMP and FIR system in Québec and Nova Scotia are similar; however, their reporting requirements are less complex (HEC 2015; Nova Scotia 2016). Service costs for several functions are reported on a proportional basis, but generally without accompanying contextual indicators. Municipalities also report a range of demographic and fiscal indicators.

Provincial governments justify such detailed reporting as a means of monitoring fiscal health, increasing accountability to residents, rooting out operational inefficiency, and compelling municipalities to track their own activities over time. The actual impact on municipal governance quality is unclear. Charbonneau's (2011) survey of municipal managers in Québec reveals that in only a minority of jurisdictions do managers publicize indicator scores and use these indicators to evaluate their own performance over time or systematically compare their municipality to peers. Importantly, Charbonneau and Nayer (2012) found that these omissions are not due to a lack of understanding of the process, but to the fact that managers see different municipalities' characteristics and conditions as incommensurable or fear the political repercussions of overt comparison.

Given how costly and onerous the reporting processes are for municipalities and the information management and dissemination requirements are for provincial governments, it is surprising that provinces have neither tied grants and other assistance to performance, nor used performance rankings to publicly "name and shame" underperformers. In contrast, during the 1990s in the United Kingdom, successive Conservative and Labour governments mandated extensive value-for-money reporting to which they tied fiscal rewards (Yüksel 2006). New Labour's "Best Value" indicators were designed to push municipalities to seek continuous improvement, conduct regular performance reviews, and submit to

external auditing. Municipalities could enter into contractual agreements with the central government in which they would receive additional revenue and expenditure autonomy in exchange for surpassing performance targets (Bovaird and Löffler 2002: 12). Responding to criticism that decisions on planning applications were unduly delayed, the United Kingdom also introduced and monitored time-to-decision performance targets for local authorities and appeals in the early 2000s (see, for example, United Kingdom 2015: s. 34).

Perhaps as a result of benchmarking's limited use by policymakers and the absence of sanctions for poor performance (or rewards for exceeding targets), there is no Canadian evidence that longitudinal monitoring has led to relative improvement or convergence of performance over time, whether through self-analysis, peer pressure, or learning from other municipalities. Analyzing 12 years of MPMP data for all 444 Ontario municipalities, Charbonneau et al. (2015) found that performance levels remained highly stable over time for both high and low performers. Indeed, their primary use may be by public servants who selectively deploy the statistics to argue for increased resources from their political masters (Gao 2015).

In sum, the systematic comparative evaluation of local governance quality in Canada has largely focused on assessing the efficiency of service delivery and fiscal health to the exclusion of evaluating the quality of decision-making processes and the human capital dimension of institutional capacity. No province has chosen to reward or penalize local governments based on their performance. As a result, more than a decade of provincially mandated performance benchmarking in Ontario, Québec, and Nova Scotia municipalities appears to have had little or no effect. Provincial authorities should reflect on what policy objectives they can advance with comparative benchmarking while municipalities should consider what they can learn from these exercises.

#### **4. Toward a research agenda on local governance quality**

This review has worked its way from the general to the specific to provide new insights into what local governance quality could entail and how it could be used. Clearly, local governance differs from national governance in important ways. Yet while the scope of local governance may be more restricted, its processes and outputs are ubiquitous. The impact of any one municipality is small, but the sector as a whole is large and its cumulative influence is substantial. How then should local good governance be defined and assessed and to what ends? What should a research program on local good governance comprise and what methods are appropriate in which contexts?

Evaluation of governance quality should entail more than performance measurement. While performance is the most common understanding of local governance quality, a global overview reveals that governance quality encompasses numerous other domains: the nature of the relationship between government, society, and nongovernmental actors; the capacity of governance systems to

mobilize knowledge to make decisions; and the quality of outcomes produced. Shifting the focus from outputs toward decision-making, accountability, and implementation processes may be especially important at the local level, given local government's distinct institutional characteristics, including relatively open and transparent decision-making, the dispersion of authority, and institutional variation across municipal and provincial jurisdictions.

It is also important to acknowledge the limits of quantification when assessing governance quality. The contemporary desire to translate complex phenomena into numerical indicators draws attention to the easily quantified and quantifiable while overlooking crucial qualitative phenomena. Quantification favours output- and outcome-oriented evaluation of governance quality to the exclusion of attention to process. Yet processes are especially important at the local level, given local government's relative openness and proximity to constituents. The challenge is to devise feasible means of comparing jurisdictions in ways that provide useful insights into aspects that are less amenable to quantification.

Building on these principles and the general discussion of governance quality, the following areas may be fertile areas of investigation by governments, academics, or watchdog groups.

**1. The impact of variation in municipal institutional structures.** The structure of representative and administrative institutions of local governance varies within and between provinces. For example, lower- and single-tier municipalities in Ontario generally have directly elected mayors or reeves, while the heads of council in upper-tier local governments are directly elected, elected by the council, or appointed by council. Québec municipal councils have many members and low population-to-councillor ratios compared with other provinces. Representation on Ontario county councils is on a one-municipality, one-vote basis, while British Columbia's regional districts use population-weighted votes and Ontario's regional municipalities have a ward system. Unlike the rest of the country, British Columbia councils are elected on an at-large rather than on a ward basis. British Columbia and Québec both have municipal political parties; other provinces have nonpartisan elections. Administrative structures may be centralized in a city manager or decentralized among commissioners or department executives. Some municipalities have auditors-general, ombudsman offices, and integrity commissioners; others do not. Business units such as water or transit may be operated as public utility corporations or as municipal departments. The list goes on.

Variation enables comparison. Do some institutional arrangements allow municipalities to perform more productively and make decisions in a more timely fashion than others? Do municipalities with their own integrity systems have fewer complaints and occurrences of ethical breaches? These and other questions can be investigated through statistical analysis of whether systematic differences in performance are associated with different institutional forms.

2. **Systematic perception surveys.** Surveying the satisfaction of service users and employees is common practice in public administration; however, it is not performed with a view to comparing responses across jurisdictions and over time. Following the lead of national-level governance quality research, the comparative systematic assessment of public perceptions of municipal processes, institutions, and services could be a useful tool for assessing the quality of the relationship between governance systems and the public. Similarly, cross-jurisdictional surveys of municipal public servants regarding the organizational culture and procedures used in their workplace could, in conjunction with performance benchmarks and resident satisfaction surveys, reveal relationships between specific practices and the real and perceived efficiency of outputs.

3. **Institutional and cultural determinants of ethical behaviour.** There is considerable variation among local governments in the way they promote ethical behaviour by elected officials and public servants. Some have evolved stringent procedural requirements, codes of conduct, and auditing systems, while others have focused on leadership and the building of a positive organizational culture. Qualitative analysis of institutions and processes in otherwise similar cities may yield new insights into the effectiveness of different approaches.

4. **The quality of public engagement processes.** We now have several decades' experience with formalized requirements and procedures for informing and consulting the public and organized stakeholders. Are these therapeutic rituals or genuine opportunities for policy learning? Do some procedures perform better than others and, if so, why? Does a poor-quality process stem from inadequate provincial frameworks or from their local implementation? How do the potential trade-offs between public participation and efficiency or policy coherence play out in practice? Such analysis would require qualitative comparison of carefully selected cases.

5. **Accountability gaps in alternative service delivery arrangements.** "Contracting out" to private- and voluntary-sector organizations is often viewed as a more efficient way to deliver services than public monopolies. Such arrangements are criticized, however, for reducing the transparency of decision-making, minimizing public input, and muddling accountability for actions. Qualitative comparison may reveal whether these dilemmas are better managed in some types of municipal institutional contexts than others. Quantitative analysis may reveal how the increased monitoring and compliance costs associated with contracting out services compare to the cost savings.

6. **Accountability and transparency gaps in multilevel governance.** In some social and infrastructure policy areas, the primary venue of decision-making has shifted from elected bodies to collaborative "tables" at which representatives of different levels of government and nongovernmental stakeholders pool knowledge and resources. This shift from governing by public hierarchy to governing by public-private network undermines conventional electoral and bureaucratic accountability. Parallel case studies can reveal the extent to which different



accountability mechanisms have been incorporated in these multilevel governance arrangements, whether some of these “tables” are more effective than others, and whether different municipal characteristics support or hinder accountability.

**7. Carrots and sticks.** Would the introduction of British-style performance-based sanctions and rewards encourage local policy innovation? Or would they distort local priorities – and reduce political autonomy – as decision-makers rationally reallocate their resources to meet the requirements of upper-level governments? Canada could learn from past and present policy frameworks used in other countries.

This review has explored the meaning of local governance quality by situating current Canadian practices within mostly national-level theories and frameworks. In general, Canadians have framed good governance in utilitarian terms – as the productivity of outputs. International experience suggests, however, that there is great potential in examining other aspects of “good governance,” such as the quality of decision-making and accountability processes, which may be less easily expressed in quantitative terms. Finally, Canadians could make much better use of comparative benchmarking and case studies to identify opportunities for improving the governance process.

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