

# The Good Municipal Governance Determinants

## A case study approach

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### **Abstract:**

Since 1976 is enshrined in the Portuguese Constitution the principle of decentralization. This principle enshrines the idea of the devolution of state powers that, by its own nature, the state should not continue, because these do not correspond to national interests but territorially defined population interests. This principle is in line with the principle of EU subsidiarity, therefore meaning that the Portuguese state should only perform the tasks that are not more efficiently and effectively pursued by local authorities (PRACE, 2006). However, by bringing autonomy to municipalities and power to their leaders, new concerns are being created, particularly in relation to the good governance of these municipalities. In order to mitigate this problem, this paper aims to create a method to assess the quality of governance of the Portuguese municipalities, therefore trying to fight the problems that devastate their reputation, in particular corruption, "mismanagement", the lack of participation of the citizens, among others. In order to mitigate this issue, this paper aims to build an evaluation method that consists of a set of performance indicators for the various fields of governance that after benchmarked, will name those who, for good or bad reasons, have the right to such appointment.

**Key words:** governance, municipalities, efficiency, transparency, corruption, indicators.

## Introduction

In Portugal, as in all the other countries of the European Union, the municipalities are responsible for a great number of public services. These municipalities have, therefore, the obligation to be the most efficient as possible in order to bring out the best public services possible to their citizens. However, to be an efficient provider of public services is not everything that is required by the citizens. In fact, the citizens want their municipality to comply with a much different objective, to have good governance. This term, governance, such as government, stems from the Greek word *kubernáo*, which means driving. A review of the definitions of governance provided by the literature helped to define municipal governance as: the process by which the municipality uses its power as closest as possible to its inhabitants, in order to optimize the common well-being and quality of life, although restricted in a financial level and under the influence of strong stakeholders (including its citizens) that influence decision making while (EC, nd):

- Remains transparent;
- Remains effective and efficient;
- Allows for the participations of its inhabitants;
- Keeps a good response capability;
- Is accountable, as a result of the state of law;
- Reveals itself equitable.

In order to evaluate the governance of the Portuguese municipalities, it is therefore necessary to create a series of performance indicators. In fact, the municipalities need performance indicators if they are serious about truly wanting to deliver their services efficiently and with quality, and their citizens need the same benchmark if they are not (serious) (AMMONS, 2012).

The implementation of such system on the public sector is expected to encourage a better decision making, the efficient use of resources, and the accountability for the administration of these resources. The good governance is characterized for a robust scrutiny, that provides strong pressures for the improvement of the performance of the public sector and prevent corruption. Good governance can also provide a better public services delivery, and, thereafter, the quality of life of the population is improved (IFAC, 2013). Good governance also intends to

improve the trust of the citizens on their government (MAV, nd).

Therefore, the objective of this paper is to evaluate the good governance of the Portuguese municipalities. In order to do so, an index will be formulated in order to perform the benchmarking of the municipalities. The purpose of this benchmarking is to create a healthy competition between the municipalities and benefit the citizens – the biggest beneficiary of this project.

In the end, this paper will nominate the municipalities which are not being optimal in the way they govern and will try to enumerate good practices and solutions to their leaders.

However, there are many issues with such type of analysis that have to be overcome. In fact, such performance evaluation is ambitious, due to the high complexity of these structures (da Cruz & Marques, 2014), the high monetary expenditure, and also due to the high complexity of what is going to be measured. Furthermore, measuring governance is empirically reason for controversy (Arndt, 2008).

In order to build this index, a review of the existing works was performed. Soon, it was realized that there was no work available on the literature that would approximate with the requested by this work: to create a good municipal governance index while not having any type of funding, manpower - the contraire of the works available on the literature.

## **Methodology**

There were some methodological issues regarding the construction of such index. The first issue found was how to weight the different indicators proposed. Such problem was solved through the usage of the MACBETH (Measuring Attractiveness by a Category-Based Evaluation Technique) methodology, developed by Carlos Bana e Costa, Jean Marie De Corte & Jean-Claude Vansnick. The use of this particular methodology instead of others, such and direct rating, is good mainly because of the use of qualitative indicators that are more intuitive for the decision makers (e Costa & Chagas, 2004). The directly associated facilities, such as the definition of the good and neutral level, and the return of the inconsistencies, if any, allows even a little experienced facilitation, together with poorly understood decision makers, to perform a good decision analysis with the due theoretical foundation and truthfulness. The application of such methodology was facilitated through the use of the MMACBETH software.

The second issue was to define the criteria that the indicators should contain so that they can be used. As per analysis of the existing literature, the main criteria that the indicators should contain in order to be usable are:

- **Relevance:** the data should be relevant to the issue of this paper;
- **Data:** the data must exist, have quality, be easily collectible, intelligible and credible;
- **Universality:** the indicators should be applicable to the whole region in analysis;
- **Singleness:** one indicator should not be directly correlated with another. If such case happens, the municipality is doubly favored or injured.

It was found that there was a statistical study that could be performed to analyze that the chosen indicators comply with the singleness and universality requirements: the analysis of the correlation between pairs of indicators (for singleness), and the analysis of the correlation within the criteria on which the municipalities have no influence, such as number of citizens (for universality) was done after the data aggregation. If correlation was found, then the usage of the indicators should be discouraged.

## **Indicators Choice**

In order to choose the indicators to be used, besides having to comply with the criteria above, there were five main analyses performed as simultaneously as possible:

- Analysis of the indicators available throughout the literature;
- Analysis of the financial documents of the municipalities;
- Analysis of the national statistical information sources;
- Analysis of the websites of the municipalities;
- Indicators organization;

The need for these analysis having to be performed as simultaneously as possible is due to the fact that only a synchronous information crossing allowed the indicators to be used to be the most relevant, unique and universal as possible, and that there is substantial data that allows the same indicators to be used. The synchronous organization of them is also important due to the fact that the index has to be analyzed at each indicator change in order to make sure all the areas of governance are being considered as far as possible.

After such analysis, the obtained indicators were as seen below:

1. Financial efficiency
  - a. Indebtedness;
  - b. Tax return index;
  - c. Spending on staff per inhabitant;
2. Public services
  - a. Education expenditure per inhabitant;
  - b. Social habitation expenditure per inhabitant;
  - c. Green spaces per inhabitant;
  - d. Environmental expenditure per inhabitant;
  - e. Cultural, recreational and religious services expenditure per inhabitant;
  - f. Transportation & communication expenditure per inhabitant;
  - g. Water (total unitary costs);
  - h. Sanitation (total unitary costs);
  - i. Urban solid waste (total unitary costs);
3. Institutional
  - a. Transparency;
  - b. Municipality meetings;
  - c. Electoral participation;
  - d. Budgetary execution;
  - e. Regulation on social support;
  - f. Expenditures on social support per inhabitant.

## Defining the neutral and good levels

The next step to follow was to weight the indicators. The MACBETH methodology comprises that the difference in attractiveness of one indicator with another comprises the differences between a predefined absolute neutral and good level on a qualitative scale. Therefore, these good and neutral levels have to be defined, as seen below:

Indicator	Neutral	Good
Indebtedness	50%	30%
Tax return index	30%	55%
Spending on staff per inhabitant	250€/Inhabitant	200€/Inhabitant
Education expenditure per inhabitant	40€/Inhabitant	80€/Inhabitant
Habitation expenditure per inhabitant	1€/Inhabitant	10€/Inhabitant
Green spaces per inhabitant	15M <sup>2</sup> /Inhabitant	30M <sup>2</sup> /Inhabitant
Environmental expenditure per inhabitant	10€/Inhabitant	30€/Inhabitant
Cultural expenditure per inhabitant	20€/Inhabitant	40€/Inhabitant
Transportation expenditure per inhabitant	20€/Inhabitant	55€/Inhabitant
Water (total unitary costs)	1.1€/Ton	0.6€/Ton
Sanitation (total unitary costs)	1.1€/Ton	0.6€/Ton
Solid waste (total unitary costs)	100€/Ton	75€/Ton

Transparency	36/100 transparency index*	64/100 transparency index*
Municipality meetings	2/3 items*	3/3 items*
Participatory budget	No	Yes
Electoral participation	50%	70%
Budgetary execution	70%	85%
Regulation on social support	2/6 items*	4/6 items*
Social support per inhabitant	5€/Inhabitant	15€/Inhabitant

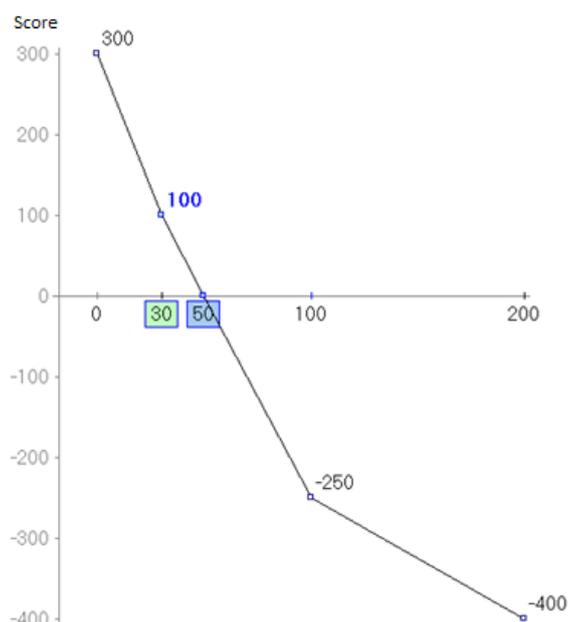
\* These items are detailed on a qualitative scale

## Value Scales

The next step was to define the value scale for each indicator. In order to do so, this methodology asks the decision makers to compare the reference levels, on the MACBETH qualitative scale that comprises seven levels: null, very weak, weak, moderate, strong, very strong or extreme. It is important to note that it was given 0 points to the neutral level and 100 points to the good level. The reference levels were decided considering the minimum and maximum values obtained on the respective indicators by the municipalities, so that the scale itself comprises all the values. Find below an example of the filling of the matrix:

	0	30	50	100	200
0	Null	moderate	strong	very strong	extreme
30		null	moderate	strong	very strong
50			null	moderate	strong
100				null	weak
200					null

Through the matrix above, it was then possible to obtain the values for each indicator through the value scale, as seen below:





proposed index. The results were as follows:

Municipalities	Global	Indebtedness	Tax Return Index	Spending on Staff	Education	Habitation	Green Spaces	Environmental	Culture	Transportation	Water	Sanitation	Solid Waste	Transparency	Municipality Meetings	Participatory Budget	Electoral Participation	Budgetary Execution	Regulation on Social Support	Social Support
Constância	80	-72	62	-154	150	160	300	98	149	115	48	125	33	72	100	0	89	202	57	25
Abrantes	74	14	28	128	55	-32	255	127	183	85	0	9	0	119	-100	0	10	194	100	106
VF Xira	74	35	133	265	8	60	300	28	5	-4	-7	-5	116	22	100	100	-29	176	57	2
Coruche	70	167	120	-76	98	120	169	58	80	133	104	26	42	5	-100	0	32	37	129	125
Caldas da Rainha	69	138	162	299	15	-36	221	-24	-15	50	48	17	149	-24	-100	100	-18	130	-29	73
Ourém	63	1	114	208	106	-40	270	39	95	-2	-17	124	-54	25	-100	0	22	152	0	115
Benavente	62	268	51	108	57	42	-100	112	80	5	104	26	99	6	0	0	-45	108	57	2
Almada	60	2	63	154	-15	63	240	80	9	-2	72	13	108	26	100	0	-47	252	100	-57
Entroncamento	58	-135	76	10	91	97	300	9	135	124	50	6	60	114	-33	0	-2	40	100	-9
Amadora	56	15	95	190	24	160	189	104	-14	0	-6	109	74	11	-33	100	-46	87	100	24
Alcobaça	53	142	80	266	109	-22	-14	60	41	19	-16	-18	-10	37	-100	0	18	136	57	-20
Salvaterra de Magos	52	99	111	145	27	0	-40	-30	75	63	104	26	122	56	-100	0	-22	237	0	-29
Peniche	52	-14	110	64	-40	101	143	167	155	32	46	-4	121	16	-100	0	-34	109	57	61
Sintra	49	107	78	250	1	71	-57	-17	-52	6	-3	80	53	123	-33	0	-47	200	129	41
Mafra	49	97	200	146	97	-30	-19	30	-56	68	-27	0	-8	6	-33	0	0	276	100	-38
Loures	45	58	35	128	43	11	252	-15	-17	-9	36	37	-25	6	100	0	-3	119	0	-18
VN Barquinha	45	-32	144	-126	141	38	300	71	200	24	-59	-10	-54	-4	-100	0	34	58	57	42
Torres Vedras	41	12	20	188	37	-40	300	-17	-46	-13	-27	-12	121	8	-33	100	4	236	57	-50
Moita	40	-22	20	78	-45	1	256	6	-42	-10	128	86	114	28	100	0	-48	205	-29	-42
Oeiras	38	-12	102	99	11	96	140	104	-35	-13	-6	109	-216	104	-33	100	-16	153	57	116
Torres Novas	38	-246	50	78	148	160	-100	-33	36	59	104	110	-14	179	100	100	13	172	57	-58
Golegã	37	-36	101	-132	-56	18	159	167	31	100	139	104	115	-36	-100	0	79	84	100	114
Alenquer	37	-3	23	64	103	-40	-9	2	-3	121	-13	-42	-31	86	100	100	4	65	0	51
Cascais	36	21	61	190	-2	-26	-11	19	23	-2	-33	9	111	64	-33	100	-60	81	129	119
Óbidos	34	-90	144	-136	136	-23	286	-10	0	133	96	-6	-9	-45	-100	0	24	72	129	133
Almeirim	31	24	23	109	10	160	41	-14	91	-14	104	26	27	26	-100	0	2	102	100	-7
Alcanena	30	-51	-17	60	-15	-7	144	100	48	-4	-22	24	-80	24	100	100	40	229	57	51
Odivelas	29	64	55	182	-16	111	89	28	-57	-5	36	37	-25	-13	0	100	-35	46	100	-21
Chamusca	25	56	142	-100	15	61	-82	54	0	43	104	26	-54	71	-100	0	57	134	100	67
Mação	25	122	169	-143	-15	-40	-100	121	43	-2	82	109	-67	41	-100	0	118	38	0	109
Lisboa	23	-258	156	-136	0	160	280	135	85	-14	78	109	-15	31	-100	100	-25	127	57	29
Ferreira do Zêzere	21	-75	148	-27	65	-40	-14	2	-6	133	-11	-39	-82	72	-33	0	84	137	57	-27
Barreiro	16	-108	20	135	-115	20	284	-26	0	-2	116	-7	13	6	-33	0	-23	100	-29	79
Sesimbra	15	-82	20	-111	-14	63	300	-12	76	133	82	-65	-60	-10	-100	0	-56	92	0	25
Montijo	12	-1	-38	15	-27	13	-13	-28	-67	-6	103	-2	31	72	100	0	-50	246	100	-58
Cadaval	11	150	95	-14	-69	-40	-29	-30	-39	100	0	-5	0	-93	-33	0	43	186	-29	-21
Palmela	9	-3	20	-42	25	95	-62	5	19	-3	115	-11	75	6	-100	0	-57	260	57	-64
Lourinhã	8	-114	97	50	150	32	-100	-33	2	-8	-21	-96	1	42	-33	100	16	193	0	-53
Rio Maior	8	-217	29	20	109	-32	-83	-26	123	13	44	106	50	31	-100	100	41	76	129	58
Arruda dos Vinhos	7	9	28	-16	24	6	-100	-6	9	25	-1	10	3	49	-100	100	43	210	0	5
Tomar	4	-291	98	38	-5	32	100	20	200	133	-17	-29	0	19	-100	100	16	-185	57	-56
Setúbal	4	-264	-133	81	12	106	91	164	60	-2	60	14	101	-6	100	0	-57	-88	-29	10
Azambuja	3	-255	23	7	-12	-36	300	-12	0	-8	-19	-41	-117	104	-100	0	20	357	100	9
Alcochete	1	-122	-56	-125	-48	-39	219	-33	-35	-8	127	91	49	16	100	0	8	-53	100	106
Santarém	0	-407	-130	32	119	4	108	21	53	27	66	-41	112	38	100	0	10	99	57	9
Nazaré	-1	-420	-133	86	150	160	-9	45	200	133	58	-12	55	33	-100	0	4	-293	129	133
Bombarral	-3	26	103	-30	18	-40	-100	-20	-43	62	-39	-9	-26	11	-100	0	5	99	0	-28
Sardoal	-8	-141	116	-231	17	-40	47	-26	61	-15	44	9	-26	18	-100	0	126	97	57	94
SM Agraço	-17	-91	27	-67	45	-40	-100	-5	81	-2	36	-15	-34	-64	-100	0	37	114	57	-23
Seixal	-19	-233	6	93	-61	-21	69	3	-52	-7	110	27	36	26	-100	0	-56	-12	0	-34
Alpiarça	-22	-380	135	-115	-54	31	-100	-30	99	-4	104	26	82	72	-100	0	56	121	100	-43
Cartaxo	-53	-645	-130	-21	-27	-40	-100	-32	99	115	-46	1	66	143	100	0	22	-270	57	7

As it can be seen above, the municipalities that obtained the worse result were Cartaxo, Alpiarça and Seixal, and the ones that obtained the biggest scores were Constância, Abrantes and Vila Franca de Xira. A correlation analysis was also performed between the independent factors such as total population and the total value of the index in order to determine that there was independence between them.

## **Conclusion**

The main purpose of this paper was to propose an index that could in a briefly manner evaluate all the municipalities. This objective has been fulfilled. It is important to note that the indicators proposed by this thesis were, in all processes of its formulation, limited and adapted to the existing information and manpower. In fact, certain work such as *Medimos*, implied detailed audits of the various functions of the municipalities for the construction of a similar index in purpose to this. These jobs are in this case supported by the Paraguayan state. As such, and since it is not the intention of this thesis come to achieve that detail, it was thus limited to the online information available on the various websites of the municipalities and national statistical sources.

In terms of future work, I propose here the expansion to the three hundred and eight Portuguese municipalities. Such expansion would be crucial for the acceptance of this indicator as a possible tool to be used by the central government. It is not at all useful for the central government to conduct lessons on only approximately 20% of the total municipalities. However, and since the index is built, its expansion is now facilitated.

I also propose an annual replication of this index for the analysis of temporal progressions.

The multiple correlation analyses proposed on this index to prove that the indicators are single and can be equally important to all the municipalities was a breakthrough as it allowed as soon as the data was aggregated to empirically prove that the indicators could be used through a mathematical method, not through a subjective analysis.

In the end, I also propose the publication of this index, as it is believed that such publication and consequent benchmarking can create a healthy competition between the municipalities, nominate the ones which aren't being optimal and benefit the citizenship.

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