The Norwegian-Ukrainian Cooperation Project on Local development: Efficiency Networks in Service Delivery
The Norwegian-Ukrainian Cooperation Project on Local Development: Efficiency Networks in Service Delivery
This report was prepared within the framework of the Project titled “Local government reform in Ukraine: Programme for capacity building and research-policy dialogue”. The Project was a joint initiative of the partner organizations — the Norwegian Association of Local and Regional Authorities (KS), the Association of Ukrainian Cities (AUC), the Norwegian Institute for Urban and Regional Research (NIBR) and the International Centre for Policy Studies (ICPS). The partner organizations are grateful to the Norwegian Ministry of Foreign Affairs for the financial support granted to the Project.

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Foreword

During 2009-2011 a coalition of four partner organizations — the Norwegian Association of Local and Regional Authorities, the Association of Ukrainian Cities, the Norwegian Institute for Urban and Regional Research and the International Centre for Policy Studies implemented the Project titled “Local government reform in Ukraine: Programme for capacity building and research-policy dialogue” with the financial support from the Norwegian Ministry of Foreign Affairs.

The Project was carried out in 11 cities of 2 pilot oblasts in Southern Ukraine, namely Mykolaiv and Odessa. It built upon the Norwegian experience of increasing efficiency of local authorities and communal enterprises, which is successfully applied in Poland, Baltic and Balkan states.

The methodology is based on creation of working groups that include professionals from 6-8 similar cities who are interested in improving the quality of a particular local service such as housing, water supply, pre-school education or working with the youth. A group meets 6 times during the project cycle (usually 1 year). The first two meetings are dedicated to identification and collection of statistical data that represents the cities inputs to service delivery, the next two — preparation and conduct of survey of service users opinions regarding its quality, and the final two meetings are for discussions of the analysis results, preparation and presentation of plans for improvement of service quality. A group meets again in 6-8 months after the final session to discuss the preliminary results.

Two working groups operated in Ukraine: one was dealing with healthcare services and the other — with housing maintenance. All participating cities went through the whole cycle of working sessions, prepared efficiency improvement plans and are now working on their implementation.

Working groups got analytical support from the team of young Ukrainian researchers who helped in collection and analysis of statistical data, preparation and conduct of user satisfaction surveys, and prepared analytical materials that formed the basis for decisions and efficiency improvement plans.

The Project provided an example of effective cooperation between local authorities and applied research institutions that demonstrated advantages of evidence-based decision making that includes profound analysis of statistical data and opinions of service users.

This report presents more detailed information on the methodology, actual experience of the Project implementation and results achieved. We hope it will be useful and inspire further learning and application of the described ideas and practices for improvement of the quality of local services for the people.

With best regards,
The Project Team
Quality of life is determined both by the overall situation in the country and by the actual level of development of the particular community in which an individual lives. Local development depends on the decisions and actions of the central government, but the key role is actually played by the stakeholders themselves in the local community: local government offices, local business and local society, that is, the people who belong to these local communities.

Public services are a very important component of the quality of life, this is what people feel every day. On the other hand, this is where the largest share of public expenditures goes at the local level. Both local governments and local communities have a vital interest in improving the quality and increasing the efficiency of public service delivery.

Decentralization of state power in Ukraine is an important component of democratization of society. Local government in Ukraine is a rather new phenomenon: under the Soviet regime, local councils at different levels (village, city, rayon, oblast) were only parts of the centralized state system and could not be considered as local governments. Many people still see public service facilities as state institutions, though now they are under the jurisdiction of local government, which is not state government by definition. Right now, delivering the essential public services to the people is mainly the responsibility of local governments.

In most communities in Ukraine, locally important issues are not being resolved satisfactorily, while the quality and accessibility of public services provided at the local level leave consumers feeling frustrated. The level of development and quality of life in different regions and settlements is very uneven, in terms of not only the quality, but also the quantity of basic public services available to the public. This is combined with a deteriorating physical infrastructure inherited from Soviet times, especially social facilities. Although currently nearly 60% of the country’s population lives in small towns and villages, in many smaller communities demographic trends are generally negative. The more active members of these communities tend to migrate to bigger cities, more developed regions, or even abroad. Their main reasons are the lack of opportunity to satisfy their needs, unavailable or poor-quality basic public services, a lack of sufficient and varied sources of income, a lack of social facilities—and poor prospects for improvement in any of these.

This difficult condition is caused by a long and still unfinished transition in Ukraine in general, with no exemption at the local level. Systemic reforms are crucially needed as these sectors play an important role in quality of life and human development, but a consistent and feasible reform program has been missing. Still, certain reform initiatives and programs were put forward by central government over time, but they failed to be completely implemented and the results are rather mixed. However, Ukrainian municipalities demonstrate un-
even advancement in implementing the reforms and innovations, which can be explained by difference in leadership and capacity.

**Norwegian-Ukrainian Project: improvements without reforms**

This publication presents the description of the Norwegian-Ukrainian cooperation project on local development that was implemented in Ukraine in 2009-2011. The report covers the process and products and outcomes of the project, as well as main findings and lessons learned.

Since 2009 a pilot benchmarking project introducing the establishment of efficiency networks in municipal service delivery in the housing and health sectors has been carried out in the oblasts of Mykolaiv and Odessa in South-Ukraine. The project was built on an efficiency network methodology that has been developed and implemented in Norway starting from 2002, and later refined and adapted to several other political-economic and organizational settings: a similar project is being run in Serbia, another one starts in Latvia in October 2012. The first international adaptation was the project in Poland in 2007-2011. The project in Ukraine mainly built on the experience from Norway and Poland.

This report starts with the introduction to the efficiency networks concept as an instrument in overcoming challenges in municipality service delivery, including theoretical foundation and existing practical experience. It reflects on some of the achievements of the Norwegian and Polish efficiency network projects that are relevant for understanding of the Ukrainian pilot project. The report then gives a description of the organization and process of the Ukrainian pilot project before positive and negative experiences with the instrument used in a Ukrainian setting and future prospects of applying the methodology are discussed.

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2. Association of Polish Cities (2011), Cooperation of Polish and Norwegian local governments — project: Building the institutional capacity of LG units for better delivery of public services, Poznan: Association of Polish Cities
The Methodology

Benchmarking

Benchmarking is an instrument for assessing organizational performance and for facilitating management transfer and learning from other benchmarked organizations. The main objective of benchmarking exercises is to improve organizational performance.

During the past two decades benchmarking has become an important instrument of local government reform worldwide. In local government organizations, identification, systematic illustration and integration of performance indicators into the local government system are key issues for benchmarking projects.

Local governments and communities use performance measurement to gain insight and to make judgments about the effectiveness and efficiency of programs, processes, and staff. They decide which indicators will be used to measure progress in meeting strategic goals and objectives and in gathering and analyzing performance data. The data are used to drive improvement and to translate strategy into action.

The aim is to facilitate learning from the “best” and thus to enhance the performance of all participants in the process. Local governments, though differing in size, resources and demography, usually operate in comparable legal and regulatory conditions, within the same political-economic framework and identical institutional set-up, which makes it meaningful to compare the performance of local government units.

In some cases there may for example be marked differences in the performance and quality of the service offered by individual local authorities. These trickle down to the general public e.g. in the form of varying accessibility, costs and levels of satisfaction with services offered. “Performance gaps” are commonly found in the public sector. These can be made visible through benchmarking procedures, and through learning from the best they can also be reduced.

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4 Askim, 2004


It is common to distinguish between comparative projects solely involving input factors, such as budget figures or staff numbers, and performance and quality comparison aimed at fostering mutual learning. The latter is the main aim of the efficiency networks in municipal service delivery which will be described in the following section.

Efficiency networks

Given the multiplicity of possible stakeholders several forms of benchmarking can emerge in local and regional development strategies. Efficiency networks in service delivery make up one such benchmarking tool for local municipalities. These networks may go under different names in different countries and settings (‘learning networks’, ‘experience sharing groups’, etc.), and have specific traits and particularities in different contexts. What they all have in common, however, is that they are set up to provide local government managers a forum for sharing best practices and ultimately serve as catalysts for service management improvements. They can be compulsory or voluntary, top-down or bottom-up or a combination of these.8

The networks are based on participating municipalities sharing performance measurement data. They should include both efficiency (i.e. the input-output ratio) and effectiveness (i.e. relating the input and output to the final objectives to be achieved) measures, both entailing a number of challenges.9 The needed data may already be available from statistics maintained at municipal or central government level (e.g. central bureau of statistics), or they need to be gathered as part of the network implementation process. In the latter case it is important that the data collected are validated through an extensive data cleaning process.

In order to gather information about user satisfaction, surveys among service users are commonly undertaken. Data validation and presentation to network participants; preparation, implementation and analysis of user surveys; and monitoring of the network process itself make the case for targeted research and analysis to be attached to the network process. Finally, service improvement plans are typically elaborated by each participating municipality as an end product of the networks.

Setting up efficiency networks is a rather costly endeavor, and given the common constraints of resources of local governments, the benefits yielded need to be demonstrated for such an effort to be justified. How, then, can one make sure that organizational learning takes place through this form of benchmarking practice? And what institutional environment needs to be in place in order for the networks to operate in an optimal fashion? Research has been conducted on the use of performance data and has shown that factors such as public service motivation,
leadership role, information availability, organizational culture, and administrative flexibility are all crucial and affect performance information use.\textsuperscript{10}

Other factors are also conducive to a successful efficiency network process. In all performance measurement there is an aspect of competition; local governments are measured against each other, and it is a common human trait that one is eager to perform well when compared to others. However, a too fierce competition in the networks is likely to be counter-productive. Non-competitors are more likely to be willing to disclose sensitive information to their partners. An open environment, where people are ready to present their challenges as well as their achievements, is therefore crucial in order for the networks to represent a true learning environment. It is, however, worth noting that authorities may have cause to conceal poor results in benchmarking projects such as efficiency networks to avoid the introduction of changes in their organization.

\textbf{Origin of efficiency networks – experience from Norway}

In Norway a project on establishing efficiency networks was initiated early in the new millennium — a pilot project had first involved nine municipalities but from 2002 the project included 313 of Norway’s 435 municipalities on a voluntary basis. The project was designed by the Ministry of Labor and Public Administration in co-operation with the Norwegian Association of Local and Regional Authorities (KS) and the Ministry of Local Authorities and Regional development.

The project design had three main components: performance measurement, performance comparisons, and networks. As regards performance measurement, the project was in the fortunate situation that one could build on a vast public data pool containing information about local government expenditure, activities and productivity, called KOSTRA.\textsuperscript{11} Reporting to KOSTRA was mandatory for all Norwegian municipalities. Thus, a vast range of comparable, and (though to a varying degree) reliable data were already at hand and could be used for the purpose of the efficiency networks. The first stage of the project, then, consisted in comparing and discussing the applicability of the KOSTRA data.

Local municipalities then formed networks of normally 4-8 municipalities. Networks comprised a vast number of issues, and municipalities could influence which networks to join, though KS, coordinating the process, had the final say on the network composition. Originally one sought high homogeneity between the municipalities in one network, at the same time as one wished to reduce operating costs, such as travelling. Networks were established on issues such as primary education, elderly care, kindergartens, social welfare and child welfare. Network


\textsuperscript{11} The Norwegian KOSTRA data can be found on the Central Bureau of Statistics of Norway’s homepage: http://www.ssb.no/kostra/ (in Norwegian only).
guides, or moderators, were assigned from the project leadership at KS. Their task was to compare and present the data (indicators) of each municipality — using KOSTRA data — chair the meetings, and contribute to the discussions among the network participants.

Participants in the networks (up to five participants from each municipality) were Chief Executive Officers as well as street-level bureaucrats, depending on the theme of the network meeting. At the network meetings the participants compared the scores of the various municipalities on the different indicators with those of other network municipalities, averages for the region or country, and analyzed similarities and differences in performance. KOSTRA data are insufficient to measure service quality. As a result, standardized user and employee surveys, as well as other less subjective quality measurement techniques were developed.

The statistical results which are generated from KOSTRA, then, were compared with the survey data on user satisfaction of public services in the municipalities, and mismatches and peculiar findings were discussed at length in the networks to see if for example organizational differences could explain the discrepancies between inputs (e.g. costs) and outputs (e.g. user satisfaction). These findings are a starting point for developing local improvement plans, where target values of specific indicators to be achieved in a number of years will typically be defined.

Efficiency networks have been evaluated and analyzed in a number of publications. After the completion of the first efficiency network project that lasted from 2002-4, the efficiency networks have been institutionalized and are still in operation. Some municipalities have left, others have joined, while new networks have been established. At present more than half the Norwegian municipalities are actively involved in such networks. Surveys among network participants on their experience with the networks have shown that a certain level of heterogeneity in the composition of the networks is an advantage; supposedly it can create greater dynamics and learning among participants. Administrative capacity, administrative and political regime stability, and managerial and political involvement in follow-up activities also have a positive impact on learning outcomes. Finally, practical results in terms of learning and service quality improvement in Norway varied between different service sectors.

**International adaptation: the project in Poland**

The Norwegian system of monitoring costs and results of activities at local government level (i.e. KOSTRA) inspired the Association of Polish cities in its process of developing a System of Self-Local Government Analyses (SAS). Moreover, the Norwegian process, led by KS, of organizing and managing efficiency networks was a direct inspiration for the Polish equivalent “Experience Sharing Groups (ESG)”. The Polish project, which lasted four years (2007-11), obtained funding through the European Economic Area Financial Mechanism, and was carried out in cooperation with KS in Norway.

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12 The database can be found at www.sas.zmp.poznan.pl (in Polish only)
While in Norway the system of KOSTRA was already in place when the efficiency network project started, in Poland the development of the benchmarking indicators (SAS) took place as part of the project itself. The system encompassed all participating municipalities but not the whole country. The goal of the Polish project was to strengthen the institutional capacity of local government units. A total of 151 cities supplied information to SAS, and several hundred local government units of different types made active use of the data. In addition to the efficiency networks (ESGs), working in the same manner as in the Norwegian case with 5-7 local government units in each network, the project also comprised training in public service management, best practice programme, a common communication platform (through internet) and study visits to Norway and experience sharing with the Norwegian partners. In Poland there were 45 independent ESGs, comprising 203 local governments.

There are a number of organizational, legal, administrative and financial circumstances that need to be taken into account when adapting a Norwegian efficiency network tool into a Polish context. The first task was to agree on the set of indicators to be used (no KOSTRA-like system in place) that would fit with Polish conditions. In addition, one of the main challenges in Poland was how to conduct high-quality user surveys that would give representative and objective feedback on user satisfaction with services rendered by the local governments. The Polish experience has been described and widely disseminated in the country and internationally, but a thorough evaluation of it, like the ones carried out in Norway, is yet to be undertaken.
Efficiency networks project in Ukraine

The experience of benchmarking and learning projects from Norway and Poland has been transferred to Ukraine upon the joint initiative of the Association of Ukrainian Cities (AUC), the International Centre for Policy Studies (ICPS), the Norwegian Association of Local and Regional Authorities (KS) and the Norwegian Institute for Urban and Regional Research (NIBR) starting from 2008. Their fact-finding mission resulted in identification of three areas of cooperation aimed at developing local governance and increasing quality of municipal service delivery in Ukraine:

1. network learning in service delivery for local government employees,
2. training programme for local deputies,
3. applied research to systematize learning and give feedback to national and local policy-makers.

The project was aimed at creating a number of local government units in selected regions of Ukraine, which manage public services in a modern way and effectively utilize resources already available in their budgets. The project was going to help develop a number of innovative tools for continuous education and capacity building based on exchange of practical experience, identification and dissemination of good practices, technical assistance and information about ways of measuring performance and cost of services. By utilizing such an approach the project planned to increase knowledge and professional qualifications of a wide range of local government staff, as well as enhance improvements in service delivery to inhabitants. One of the immediate objectives is strengthening knowledge of a group of direct service managers in local governments in a number of services.

The project received financial support from the Norwegian Ministry of Foreign Affairs under its co-operation programme with CIS countries.

The project was implemented in Ukraine over 2009-2011 in collaboration of Norwegian and Ukrainian partners:

- The Norwegian Association of Local and Regional Authorities (KS), the only employers’ association and interest organisation for municipalities, counties and local public enterprises in Norway. All of the country’s 429 municipalities and 19 counties are its members, as well as approx. 500 public enterprises.
- Norwegian Institute for Urban and Regional Research (NIBR), an independent social science research institution that specializes in place and governance studies, nationally and internationally, in a range of policy areas combining cutting-edge expertise across disciplinary borders for producing integrated and robust analysis.
- The Association of Ukrainian Cities (AUC), the largest nation-wide union of local governments with a membership base of 574 municipalities in all regions of the country, and
The International Centre for Policy Studies (ICPS), one of the most prominent non-government think tanks in Ukraine with a reputation in applied and policy-oriented research.

When the project was launched, the project partners made their contribution to the area of local development and reform in Ukraine. A report was prepared by ICPS with an overview of research and analysis of the situation in this area made by Ukrainian and international experts and organizations over the last five years. Its findings are still very relevant and represent a valuable source of information.

Project location

The Project activities were located mainly in cities of Odessa and Mykolaiv oblasts. The region was agreed with the Norwegian partners from the very beginning. The cities were identified on a voluntary basis out of AUC member municipalities by responding to AUC invitation letters and taking official commitments for participation in the project. Altogether 11 cities decided to participate in the project:

<table>
<thead>
<tr>
<th>Odessa oblast</th>
<th>Mykolaiv oblast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Artsyz</td>
<td>Bashtanka</td>
</tr>
<tr>
<td>Berezivka</td>
<td>Nova Odessa</td>
</tr>
<tr>
<td>Bilhorod-Dnistrovskyi</td>
<td>Pervomaysk</td>
</tr>
<tr>
<td>Izmail</td>
<td>Voznesensk</td>
</tr>
<tr>
<td>Teplodar</td>
<td>Yuzhnoukrainsk</td>
</tr>
<tr>
<td>Yuzhne</td>
<td></td>
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</tbody>
</table>

The Project provided for creation and functioning of 2 Efficiency Improvement Networks in the said regions. The first issue was to decide what services the networks would work on and the composition of the networks. The mayors of the cities decided in a joint meeting to focus on services in the areas of:

- healthcare;
- housing utilities (maintenance of multi-apartment residential buildings).

Each city had to choose which network to join. As a result, all 11 cities were interested in working on housing utilities, and 6 of them decided also to work on healthcare services.

The participating cities are quite different in their socio-demographic profiles and even status:

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Efficiency networks project in Ukraine 13
• 2 cities in Odessa oblast and 2 in Mykolaiv are of rayon subordination (significance), the others of oblast subordination, which means significant difference in their fiscal capacity and scope of responsibilities and independence in service delivery;
• their history is very different (Bilhorod-Dnistrovskyi was founded in the 4th century BC whereas Yuzhnoukrayinsk and Yuzhne — in the 1970s, and Teplodar — in the 1980s);
• their population ranges from 9.6 thousand people in Berezivka to 79.2 thousand in Izmail;
• the shares of inhabitants of pension age differ by more than ten times;
• varying economic profiles (e.g. Voznesensk has 18 large industrial enterprises, Yuzhnoukrainsk — one of four nuclear power plants in Ukraine, Yuzhne — a sea port, a chemical plant, and a marine oil terminal whereas Artsyz and Pervomaysk have disbanded military, including former missile bases, and Bashtanka and Nova Odesa have virtually no sizeable industries) result in notable difference in household incomes and sizes of municipal budgets, absolute and per capita.

Structure of service delivery also varies quite significantly:

• In the housing utilities the main difference is from 100% service delivery through traditional communal enterprises (ZHEKs) in Teplodar to 100% transfer to condominiums (Associations of Co-owners of Multi-apartment Houses, ACMH) in Nova Odessa, with different share of other forms of service delivery, such as private service companies and cooperatives;
• In the healthcare sector the difference is both at the primary level (from traditional system of district policlinics to complete transfer to the system of family doctors, for example, in Voznesensk) and secondary level (size and capacity of hospitals — from a small adjusted building in Teplodar to a combination of hospitals of municipal and rayon subordination in Izmail).

Both of these service sectors are in a rather difficult condition caused by a long and still unfinished transition in Ukraine in general, and the participating cities are no exemption. Systemic reforms are crucially needed as these sectors play an important role in quality of life and human development, but a consistent and feasible reform program has been missing. Still, certain reform initiatives and programs were put forward by central government over time, but they have failed to be completely implemented and the results are rather mixed. The difference in these sectors between the cities also represents their uneven advancement in implementing the reforms and innovations, which can be explained by difference in leadership and capacity.

**Organization of efficiency networks**

Each city officially appointed their representatives to each network (2-3 persons), usually administrators (deputy mayors, heads of relevant sub-units of municipal administrations) and representatives of service providers (directors of communal enterprises, condominiums and hospitals). The efficiency network on housing had 20 official members and the network on healthcare had 13. The actual num-
ber of network meeting participants varied as hosting cities invited additional representatives of the sectors in question to present their particular experience and contribute to discussions, and some network members could not attend a particular meeting for different reasons.

The AUC selected and appointed a network moderator for each group with a strong professional record in the respective sector as well as leadership, communication and analytical skills. Their function was to moderate discussions at the network meetings, give updates on the previous work at the beginning of each meeting and summarize at the end. They also reported on each meeting to the project partners and communicated with network members and other project participants between the meetings.

Network meetings

The initial plan for the networks was to hold 6 working sessions over the period of 1 year where they would discuss the results of measurement and comparison of the qualitative and quantitative data, and share their experience and knowledge in various aspects of service delivery. It was agreed at the kick-off meeting in both networks that every next working meeting would be held in a different city and shift between oblasts. The place and time for the next meeting was usually agreed at the end of each meeting.

The actual schedule of network meetings is presented below in Table 1.
**Table 1.** The actual schedule of network meetings

<table>
<thead>
<tr>
<th>Place:</th>
<th>Efficiency network on housing maintenance</th>
<th>Efficiency network on healthcare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date:</td>
<td>October 26-27, 2009</td>
<td>October 26-27, 2009</td>
</tr>
<tr>
<td>Purpose:</td>
<td>Project launch, signing a Memorandum of cooperation between the AUC and participating municipalities</td>
<td></td>
</tr>
</tbody>
</table>

| Place:                   | Bashtanka, Mykolaiv oblast                | Voznesensk, Mykolaiv oblast                      |
| Date:                   | December 9, 2009                          | December 10, 2009                               |
| Purpose:                | First meeting of the network, discussion of the entire project, presentation and discussion of the list of statistical indicators. Agreed to finalize the list and provide the data. |                                                   |

| Place:                   | Yuzhne, Odessa oblast                     | Yuzhne, Odessa oblast                           |
| Date:                   | February 26, 2010                         | February 25, 2010                               |
| Purpose:                | Discussion of the problems with the data collected. Agreed to verify, update and complete the data. |                                                   |

| Place:                   | Pervomaysk, Mykolaiv oblast              | Pervomaysk, Mykolaiv oblast                     |
| Date:                   | April 27, 2010                            | April 28, 2010                                  |
| Purpose:                | Presentation of the compiled performance statistics and initial findings of comparison and analysis; explanation and discussion of the results. Presentation and discussion of the survey design, questionnaire and requirements. Agreed to finalize the questionnaire and provide the data needed for sampling. |                                                   |

| Place:                   | Bilhorod-Dnistrovskiy, Odessa oblast      | Bilhorod-Dnistrovskiy, Odessa oblast             |
| Date:                   | September 17, 2010                        | September 16, 2010                              |
| Purpose:                | Presentation of the initial results of the survey, discussion of the initial findings. Agreed that a more in-depth analysis and complete individual results for each city will be prepared. |                                                   |

| Place:                   | Teplodar, Odessa oblast                   | Teplodar, Odessa oblast                         |
| Date:                   | January 18, 2011                          | January 19, 2011                                |
| Purpose:                | Presentation of an in-depth analysis combining statistics and survey, discussion of possible conclusions and actions by the cities. Agreed to prepare service improvement plans. |                                                   |

| Place:                   | Yuzhnoukrainsk, Mykolaiv oblast           | Yuzhnoukrainsk, Mykolaiv oblast                 |
| Date:                   | May 12, 2011                              | May 11, 2011                                    |
| Purpose:                | Presentations and discussions of each city’s service improvement plan. Agreed to exchange information on the progress and have a follow-up meeting. |                                                   |
Applied research component

The main role of this component was to provide methodological and analytical support to the local officials and service providers in the efficiency networks, as well as systematize and analyze the process and experience gained, prepare recommendations and disseminate results to decision makers and other stakeholders throughout Ukraine.

Practical research carried out by researchers in the project and supervised by NIBR has been useful for systematizing knowledge of best practice to relevant audiences, thereby contributing to the reform process in Ukraine as a whole. Capacity building in applied research is an additional benefit of the project.

Researchers for the project were identified through a nationwide multi-stage selection process carried out by NIBR and ICPS. The selected researchers demonstrated relevant background and good analytical skills. They represent different regions of Ukraine: Odessa, Mykolaiv, Kyiv and Lviv. Four researchers worked with the efficiency network on housing and three — on healthcare.

Their tasks related to efficiency networks were:

- Collection, verification, analysis and presentation of statistical data;
- Design and support for the surveys of service users, analysis and presentation of its results;
- Description of the process of efficiency network cycle, systematization of experience and main findings.

Based on the above, another important task was dissemination of research findings, including those related to service sectors, situation in the cities and the project itself, both in academic fora (scientific journals) and policy arenas (policy reports, seminar/conference presentations).

The researchers started with preparation of reports on the situation in the two sectors at the local level in Ukraine including regulatory and institutional framework, main problems and challenges, policy agenda and existing plans for reforms.

Statistics and indicators

One of the biggest challenges the project faced was an absence of either a centralized database of municipal data or even commonly used lists of indicators to describe service delivery at local level or performance of municipalities in Ukraine. Municipal data available at the central level is very scarce and insufficient, at local level it is disintegrated. Therefore each network had to design such lists of indicators for measurement and comparison from scratch.

Through a process of discussions involving network members, researchers, project partners and outside experts, two lists of about 50 indicators each were identified, describing the context of service delivery, its organizational structure, existing ma-
Efficiency Networks in Service Delivery

When the indicators lists were finalized, it was agreed to collect and analyze the data for the last three years to see possible changes and trends.

The next step was for the researchers to collect the data from all cities, verify, analyze and compare it. The availability of data from different cities and its quality turned out to be a problem, so it was necessary to make two rounds of data collection, verification, analysis and discussion. The researchers verified and compiled the data, calculated additional indicators, built charts and diagrams, prepared and made presentations and took an active part in discussions of the networks.

Still, even imperfect data and its analysis allowed for very informed and structured discussions between the network members and researchers on the details of cities’ experience in service delivery. Leaders and outsiders commented on their position in terms of practical aspects of service delivery, all meeting participants asked questions and made their contribution to the discussion. The network members found this kind of analysis and discussion very valuable for their understanding of the situation with service delivery.

After data collection, analysis and discussions were completed, researchers prepared two reports with extensive description of the situation and findings in the two sectors in participating cities based on the statistics, which is another valuable product of the project.

Service user surveys

The next step was to conduct opinion polls of service users in all participating cities. This practice was new not only to the participating cities but for Ukraine in general. It was decided to design and conduct the surveys according to the highest quality requirements. The project provided funding to use services of a professional survey company. The researcher groups prepared questionnaires and other tools for the survey and discussed them with network members. Two questionnaires are yet another valuable output of the project.

The opinion polls were done at a very high level of representativeness: the sample size in the poll on healthcare was 1200 respondents, in housing — 1310 respondents. Quotation was designed to include all major categories of service users according to each city’s profile. Actual sampling was another challenge in the project because some of the participating cities did not have the necessary detailed data on cities’ geography and detailed characteristics of housing stock readily available. Research-

14 These and other documents produced within the project that are referred to in this report are available online: in English — on the website of KS at http://www.ks.no/u/English/Services/KS-and-NIBR-in-Ukraine/; in Ukrainian — on the website of AUC at http://www.auc.org.ua/page/proekt-%C2%ABmistsevemovryaduvannya-v-ukraini-pidvishchennya-kvalifikatsii-kadriv-ta-prikладni-do-efficiency-networks-in-service-delivery
ers had to communicate with network members again and again to compile the needed data in the process, and at the end sampling allowed for an effective survey.

Service users were asked about their satisfaction with different aspects of service delivery, their position regarding possible influence on quality of services (complaints, public control), availability of information about the services, as well as their attitude to different reform options in the sectors. The validity of the responses is based on the assumption that despite observed differences in cities’ profiles, their residents in general have similar backgrounds and similar expectations regarding the quality of public services. They compare the services they receive not with some ideal case but as a relation of actual expectations and actual experience.

Such a survey was done for the first time in the country, the result represents a data set that is unique for Ukraine. The researchers analyzed the survey results and presented comparative reports at the network meetings. Detailed reports on survey results for each individual city were also prepared and provided to network participants upon their request.

The survey results analyzed and presented in such a way provided a good basis for active network discussions and individual conclusions of the network members.

**Outcomes: benchmarking findings**

Combination and comparison of statistical data (indicators) with survey data gave each city a very detailed and substantiated picture of their performance in terms of service delivery, directions for improvement and possibilities for reforms that are potentially supported by the local communities. In this section we will give only a few examples of findings that spurred lively discussions in network meetings.

Opinion polls in some cities showed that unofficial payments for medical services were rather common, and network members considered it as their bad performance (see Chart 1).

**Chart 1.** Share of respondents who admit to having made unofficial payments for medical services by municipality (%).

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teplodar</td>
<td>80</td>
</tr>
<tr>
<td>Yuzhne</td>
<td>67</td>
</tr>
<tr>
<td>Izmail</td>
<td>66</td>
</tr>
<tr>
<td>Bilhorod-Dnistrovskiy</td>
<td>59</td>
</tr>
<tr>
<td>Voznesensk</td>
<td>52</td>
</tr>
<tr>
<td>Pervomaysk</td>
<td>45</td>
</tr>
</tbody>
</table>

15 Average results of surveys for both networks are available online, see the footnote 14 above.
At the same time, service users would accept introduction of official payments and were ready to pay even more if the quality of services was guaranteed. That finding lead to a common opinion to make policy proposals for development of mechanism of medical service charges that is being developed by the central government. In general, people were very supportive to reforms in the healthcare system, including payment for services, better provision of information and public control of the institutions (see Chart 2).

Chart 2. Share of respondents who support various policy measures* in the healthcare sector by municipality (%)

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Pay more for higher qualitative service</th>
<th>Obligatory family doctors service</th>
<th>Strengthening of public control over service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teplodar YuzhneIzmailBilhorod-Dnistrovskiy</td>
<td>87.7%</td>
<td>48.7%</td>
<td>77.7%</td>
</tr>
<tr>
<td>Voznesensk</td>
<td>87.7%</td>
<td>48.7%</td>
<td>77.7%</td>
</tr>
<tr>
<td>Izmail</td>
<td>87.7%</td>
<td>48.7%</td>
<td>77.7%</td>
</tr>
<tr>
<td>Pervomaysk</td>
<td>87.7%</td>
<td>48.7%</td>
<td>77.7%</td>
</tr>
<tr>
<td>Teplodar</td>
<td>87.7%</td>
<td>48.7%</td>
<td>77.7%</td>
</tr>
<tr>
<td>Yuzhne</td>
<td>87.7%</td>
<td>48.7%</td>
<td>77.7%</td>
</tr>
</tbody>
</table>

* 1) readiness to pay more for better services; 2) support of introduction of family doctors; 3) support of strengthening of public control over health services.

To the contrary, the network on housing had to face a common lack of willingness to pay more for better quality of services (see Chart 3).

Chart 3. Respondents’ self-reported willingness to pay increased tariffs for better quality of services (%) by municipality

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Yes</th>
<th>Hard to say</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>12.9%</td>
<td>82.2%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Yuzhnoukrainsk</td>
<td>10.6%</td>
<td>73.5%</td>
<td>15.9%</td>
</tr>
<tr>
<td>Yuzhne</td>
<td>13.6%</td>
<td>57.5%</td>
<td>28.9%</td>
</tr>
<tr>
<td>Teplodar</td>
<td>13.9%</td>
<td>51.6%</td>
<td>34.5%</td>
</tr>
<tr>
<td>Pervomaysk</td>
<td>15.5%</td>
<td>57.3%</td>
<td>27.2%</td>
</tr>
<tr>
<td>Nova Odessa</td>
<td>15.3%</td>
<td>55.0%</td>
<td>29.7%</td>
</tr>
<tr>
<td>Izmail</td>
<td>15.6%</td>
<td>52.5%</td>
<td>31.9%</td>
</tr>
<tr>
<td>Voznesensk</td>
<td>14.8%</td>
<td>50.0%</td>
<td>35.2%</td>
</tr>
<tr>
<td>Bilhorod-Dnistrovskiy</td>
<td>14.4%</td>
<td>50.0%</td>
<td>35.2%</td>
</tr>
<tr>
<td>Berezivka</td>
<td>13.6%</td>
<td>47.3%</td>
<td>39.1%</td>
</tr>
<tr>
<td>Bashtanka</td>
<td>14.2%</td>
<td>46.9%</td>
<td>39.0%</td>
</tr>
<tr>
<td>Artsyz</td>
<td>14.9%</td>
<td>42.6%</td>
<td>42.5%</td>
</tr>
</tbody>
</table>

20 Efficiency Networks in Service Delivery
At the same time, people showed rather high level of support when asked about transition of service delivery from communal enterprises to condominiums (homeowners’ associations): when asked about a possibility of changing their service provider from a communal enterprise to condominium, almost 51% of respondents gave a positive answer, 15% — negative, and 34% found it difficult to answer.

It is explained by the fact that the highest level of satisfaction with the quality of service delivery is in condominiums (see Chart 4).

**Chart 4. People’s satisfaction with the quality of housing maintenance services by different types of service providers. Unweighted results for all municipalities (N=1266)**

<table>
<thead>
<tr>
<th>Service Provider</th>
<th>Absolutely Dissatisfied</th>
<th>Rather Dissatisfied</th>
<th>Hard to Say</th>
<th>Rather Satisfied</th>
<th>Completely Satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Cooperative</td>
<td>9.2</td>
<td>6.1</td>
<td>20.4</td>
<td>32.7</td>
<td>31.6</td>
</tr>
<tr>
<td>Homeowners’ association</td>
<td>29.8</td>
<td>22.8</td>
<td>14.0</td>
<td>28.9</td>
<td>4.4</td>
</tr>
<tr>
<td>Private</td>
<td>29.8</td>
<td>22.8</td>
<td>14.0</td>
<td>28.9</td>
<td>4.4</td>
</tr>
<tr>
<td>Municipal</td>
<td>30.3</td>
<td>26.8</td>
<td>14.8</td>
<td>20.1</td>
<td>8.0</td>
</tr>
</tbody>
</table>

* Do not know / non-response (3.4%) have been removed.

**Outcomes: practical changes**

Based on the analysis and comparisons of the collected indicators and user survey results, discussions and exchange of experience, each municipality prepared proposals of development and improvement of the respective service sectors. Some of them were adaptations of organizational and institutional solutions observed in other municipalities, some were their own plans considered earlier but revised on the basis of data analysis and network discussions, and some were innovative reactions to the project findings and the changing environment. Those proposals were presented and discussed at the last network meetings in May 2011.

The project budget allowed for providing microgrants to some municipalities to support implementation of their service improvement plans. The AUC and KS held a competition to support activities that meet the following eligibility criteria:
• Relevance to the overall project goal;
• Input to the problem resolving
• Innovative approach;
• Applicant has a sufficient organizational capacity and previous experience;
• Include at least 15% contribution from other sources;
• Envisage partnership with NGO;
• Can be replicated in other cities of Ukraine.

5 project proposals were submitted by Yuzhnoukrainsk, Yuzhne, Voznesensk, Bashtanka and Bilgorod-Dnistrovsky. The topics were: one in the health care, three in housing and one more on municipal management in general. The grants were awarded to Yuzhne and Voznesensk.

Yuzhne plans to prepare and launch Yuzhne Information System with a web-instrument to accumulate all the data and operations related to housing sphere of the city.

Voznesensk, in reaction to the results of the users’ survey, planned to work with the population of the city to foster family doctors’ practice development and raise capacity of family doctors to provide better services to citizens.

6-month projects supported by grants started in November 2011.

**Training component**

The successful adaptation and implementation of the efficiency networks methodology in Ukraine would hardly be possible without appropriate capacity building. Specific training programs were planned and organized for the researchers and municipal council members in participating cities.

**Training for researchers**

Training for the Ukrainian researchers included a series of seminars and workshops, from introduction to more in-depth, as the Project went on. The training was designed to help the researchers understand the methodology and research tools it includes, respond to particular needs of the efficiency networks and advance professionally. They covered issues such as:

• formulation of research questions for applied research (what can/cannot the research provide answers to);
• research methodology (what methods will best provide answer to the research question(s), when are qualitative and quantitative research methods most applicable);
• development of measurement indicators (e.g. for compound measures of efficiency/ democracy/accountability, etc.), and the interrelationship between and weighting of indicators;
• research analysis, data analysis, interpretation of results, comparative analysis, etc.;
• dialogue with commissioners and policy-makers throughout the research process: the role of the researcher when engaging in policy research.

Training was mostly delivered by experts from NIBR with some contribution from ICPS and external experts, particularly from Norway and Poland. It included presentations, discussions, simulations and real-life situations, as well as practical tasks for individual and group work. The seminars and workshops were held in Ukraine and Norway:

• Odessa, June 2009 (introduction);
• Lviv, April 2010 (design and preparation of service user surveys);
• Odessa, September 2010 (analysis of service user surveys results);
• Oslo, January 2011 (work with the project findings: preparation of international scientific publications).

All researchers who worked in the Project took part in every seminar and workshop and found the training very valuable for their work, both in the Project and overall.

**Trainings for municipal councils**

The Project also included training for local council members in the participating cities. It was particularly relevant because local elections that took place in October 2010 brought many new people to municipal councils. Two series of trainings were carried out in 10 cities (Izmail could not host the training). AUC modeled the training on the basis of Norwegian experience provided by KS.

The first series of 2-day trainings was carried out in November 2010 — January 2011 on the topics:

• Community development
• Decision making and problem solving
• Successful performance in different roles of local council member
• Ethics.

Training participants also received practical guidelines for local council member prepared by AUC.

The second series of 1-day trainings took place in November 2011. The topics included public service delivery in the sectors covered by the efficiency networks: healthcare and housing maintenance.

213 local council members took part in the trainings altogether.

**Dissemination of the project experience and findings**

The Project was publicized by all partners from the very beginning. KS, NIBR, AUC and ICPS continuously presented the process, main events and results on their web-sites and in regular publications.
The researchers did their part by actively disseminating the findings of the applied research component of the Project in the format of publications and presentations at different conferences. Various aspects of the findings in the area of housing and healthcare were presented and discussed at domestic and international conferences:

- “Competitiveness of Ukrainian Western Regions and Problems of Its Realization in the Post-Crisis Period”, Lviv, Ukraine, October 20, 2011.
- Conferences of the Open Society Foundation’s Academic Fellowship Program in Antalya, Turkey, October 21-24, 2010, and Istanbul, Turkey, November 10-13, 2011.
- In addition, experts from NIBR and ICPS made a joint presentation on the project’s process and results at the international conference “Methodological Problems of Modern Political Economics” in Kiev, Ukraine, October 6-7, 2011.

Findings in the area of healthcare were presented in scientific and popular articles published in Ukrainian journals and newspapers, namely “Ukraine Business Review” and “Scientific Bulletin NLTU of Ukraine”.

The researchers working in the area of housing prepared an article that discusses performance of housing management enterprises in terms of service delivery. The article was prepared in accordance with international standards of applied research and has been submitted for publication in a major international scientific journal.
Main findings and learning points

The main experience of the project implementation in Ukraine is that the benchmarking and learning methodology can work and produce tangible practical results.

The initial expectations of the participants from the Ukrainian municipalities were very unspecific and partly skeptical. The reasons for such skepticism included:

- Lack of framework conditions for decentralization and local freedom on the development of public services at the local level;
- No tradition of using applied research in municipal management;
- Absent or scarce data on performance of local authorities;
- Undeveloped concept of municipal services, lack of service identification, absence of description and standards in all sectors, orientation and financing based on institutions rather than service users.

Despite almost 20 years of efforts of foreign donors and development organizations in the area of local development that covered all aspects, only a small part of Ukrainian local governments were indeed active in introducing new management practices. The majority of municipalities either improves their organization and management systems gradually but without full openness for modern practices, or, is entirely passive and does only the minimum necessary to fulfill legal obligations and responsibilities. The capacity of local government to learn and introduce new approaches, particularly management and analytical skills of public administration staff, is rather poor because executive skills and adaptation to stressful limitations are more important for a successful career. Another reason for difficulties comes from a still dominating organizational culture in public administration, where risk avoiding is more important than achieving better performance.

It was assumed that in the situation of the same regulatory framework, only the financial resources available would make a difference in the quality of services. Eventually the network participants discovered that other factors also come to play, such as organizational structures, management, financial control, transparency, and personal engagement of staff interaction with service users. Innovations and reforms can significantly improve the quality of services even under the financial constraints that are so common for the Ukrainian local authorities.

The efficiency networks method does not guarantee immediate success in radical improvement of service quality, but it helps increase institutional capacity of local authorities, which is essential for any improvements to be achieved. And this sort of results is produced from the very beginning.

Both the designing and results of statistical indicators and opinion polls create an analytical structure for discussion between service delivery professionals that helps each of them get a different prospective of their own performance, share their experience with others and understand and evaluate the experience of their peers. As a result, network members may learn not only from leaders, but from
every other network member. Even leaders that have the best resources and, consequently, the best results, find valuable practical points in the experience of their network colleagues. The professionals were also able to exchange views about the constantly changing situation in their sectors and in the region, as well as issues of larger scale such as political changes, new reform initiatives of the central government, impact of the financial crisis etc. The learning environment and opportunities it creates make all network members motivated for further active participation in the network’s activities.

A possibility to visit other cities and see different practices of service delivery organization “on the spot” was also an important motivation factor. Another benefit of this method is networking between professionals in service delivery. A possibility of contacting a colleague in another city to ask how they handle a particular issue is an additional important component of institutional capacity.

A distinctive feature of this foreign technical assistance project was that it did not bring either new technological know-how or any major financing possibilities for the participating cities. In fact it required certain expenditures of financial and human resources. A study tour to Norway for mayors and to Poland for network members did help with motivation. However, discoveries about problems with service delivery and possible solutions made in the process of research and discussions were recognized as more and more valuable. Some issues that were initially treated as problems that should be removed were later considered as options for reform and improvement.

A constant active exchange of information between network members and their municipality leaders (mayor, chairman and members of a local council) is an important factor of success for efficiency networks. The decision makers need to be involved and motivated to react to proposals of network members, as well as share information with them.

Another important lesson is that municipalities should use their participation in the efficiency networks for improving interaction with their local communities. Measurement of service quality and identification of ways for improvement can establish a good platform for public involvement in local government. As a result, local community members will better understand what local authorities do and support it, which may lead to a strong partnership and new level of cooperation.

The role of moderators

Knowledge and personality of the network moderators is one of the main factors of success, together with personal engagements of network members themselves and analytical support.

Good communication skills and practical ability of stimulating cooperation among local governments participating in the group are particularly important for moderators. Besides thorough technical knowledge a moderator need to have specific competencies in the area of personal communication and moderation of
group discussion. Since both moderators are or were until recently active local government practitioners, it was difficult to have a perfect match — as these are not typical consultants or trainers — they first of all need to be excellent current practitioners.

In this context we see the need to raise their qualifications so that they could more effectively support participating teams from local government units. They should further develop their skills in mobilizing participants for performance analysis, and methodologies of customer satisfaction surveys.

For this reason it would make sense for AUC to prepare a set of procedures and basic tools supporting work of the moderator in the form of simple manual, building on the experience from Norway, Poland and Ukraine.

**Participants evaluation of the Project**

Participants of the efficiency networks from all participating cities were asked about their opinion of the Project at its early stage and upon completion. Questions included usefulness of particular elements of the Project’s methodology, practical results from participation, work of researchers and moderators, specific positive/negative experiences and possible improvements.

All but two marks were on average between 4 and 5, and 5 is the highest mark. The general evaluation is very good. The main negative experience was that due to local elections that took place in the second half of the Project cycle participants from a few cities changed, sometimes more than once, which caused the necessity for the new people to get acquainted with the group and catch up with the process, thus bringing some disorder. Also, 1-day meetings mean that participants from some cities had to travel a long way on the same day, and transportation is not very convenient.

Recommendations for improvement included 2-day sessions, short trainings for network participants, close follow-up on the implementation of the Project's results in the cities, and wider dissemination of the Project’s experience and findings to reach both direct stakeholders and those potentially interested in the methodology applied.
Conclusion

The efficiency network project in South Ukraine has been largely financed by the Norwegian Ministry of Foreign Affairs and implemented in collaboration between Ukrainian and Norwegian partners. One key question after the project will be completed in 2012 is whether the municipalities will continue on their own with benchmarking activities when the project is over. It is clear that municipalities don’t have the capacity to implement this methodology themselves, they need external organizational and analytical support.

Another important question is how to disseminate the experience of efficiency networks project to other regions of Ukraine. The AUC now have a proper organizational capacity, and ICPS and researchers group have analytical capacity and tools to implement the methodology in other regions and cover other kinds of services. It is also possible to apply the methodology for large cities, establishing a network at the level of districts. Other kinds of municipal services where the methodology should be applied include public transportation, primary and secondary education, water and heating supply, sewage, as well as administrative services: registrations, licensing and so on. Apart from service sectors, the methodology can effectively support capacity building and practical improvements in cross-cutting issues that are very relevant for municipalities, such as energy efficiency in the public sector, public-private partnership, attracting investments and getting access to foreign aid.

The value added of detailed measurement and analysis of services through statistical indicators has already motivated the AUC to initiate development of a national database of municipal performance data. Properly created and functioning, such a database will be a valuable resource for policy analysis and analysis of other issues at the local level in Ukraine.
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