

# INTERNATIONAL EXPERIENCE IN *Municipal Performance Measurement*



Federation  
of Canadian  
Municipalities

Federation of Canadian Municipalities  
International Centre for Municipal Development  
24 Clarence Street, Ottawa, Ontario, Canada K1N 5P3  
Telephone: (1-613) 241-5221  
Fax: (1-613) 241-7117  
Web Site: [www.icmd-cidm.ca](http://www.icmd-cidm.ca)

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Editor: Sébastien Hamel

Writer: Peter Bracegirdle

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# INTERNATIONAL EXPERIENCE IN MUNICIPAL PERFORMANCE MEASUREMENT



## **ABOUT FCM AND ITS INTERNATIONAL PROGRAMS**

The Federation of Canadian Municipalities (FCM) is the national association of municipal governments in Canada. Since 1901, it has represented the interests of all Canadian municipal governments on policy and program matters within federal jurisdiction. FCM has over 1,100 members that include Canada's largest cities, small urban and rural communities and the major provincial and territorial municipal associations. Its mission is to improve the quality of life in all communities by promoting strong, effective and accountable municipal government.

In 1987, Canadian municipalities gave FCM, through its International Centre for Municipal Development (ICMD), the mandate to be their representative internationally. Since then, FCM has been the only legitimate representative of Canadian municipalities internationally and the main source of Canadian municipal practitioners and resources for international work. FCM's ability to deliver successful international programming is demonstrated by its portfolio of partnerships, projects and initiatives focusing on management capacity building, service delivery strengthening, and decentralization policy development. FCM is currently managing programs and projects in Africa, Asia, Latin America and the Middle East. Most of FCM's international programming is funded by the Canadian International Development Agency (CIDA).

FCM's strength is the ability to draw upon its municipal members, corporate members from the private sector, and a civil society network for the technical and professional expertise required in international programming. As a result of FCM's international activities, Canada has gained a reputation for municipal excellence that is well known in overseas municipalities, the donor community, the international network of municipal associations, as well as here at home in our own communities.

## **OVERVIEW OF THE PAPER**

This paper is part of a series of documents published by FCM on various experiences in municipal management and governance relevant to international municipal cooperation. It presents an overview of international experience in developing and using performance measurement systems in municipal governance and management. The paper covers four areas:

1. The rationale and objectives for municipal performance measurement systems.
2. The measures, methodologies and approaches used in measurement.
3. The use of the information by municipal governments.
4. The lessons learned and outstanding issues.

The paper focuses primarily on the experience of municipalities and central government agencies in Canada, the United States, Great Britain, the Philippines and, to a lesser extent, Australia. It reviews selected papers posted on web sites and published in academic journals. The paper also draws on information gathered by the Federation of Canadian Municipalities while helping to develop municipal performance measurement systems in Canada, the Philippines and Guyana.



# 1. RATIONALE FOR MUNICIPAL PERFORMANCE MEASUREMENT

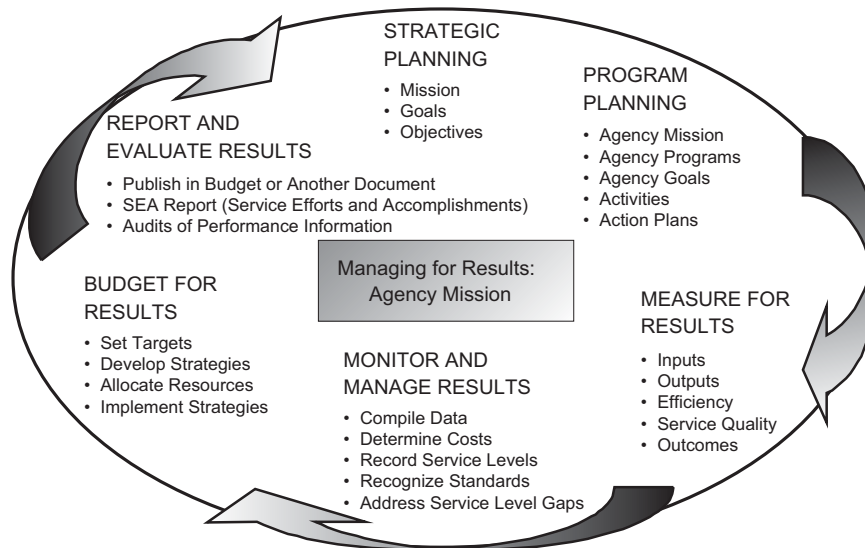
## What is Performance Measurement?

Municipal performance measurement comes in many shapes and sizes. Internationally, scores of indices exist for development programs to feed information to decision makers. Benchmarking systems and performance scorecards publicize attractive cities in which to live or do business. Local governments themselves use a wide range of performance measurement systems in service areas such as policing and fire services, solid waste, water, wastewater, roads, transportation, health, housing, recreation and social services.

Measuring municipal performance means assessing how well a municipality performs when delivering goods and services to the public. Performance measures often include the volume, quality, efficiency and outcomes of providing these goods and services.

Performance measurement belongs to an institutional culture that values planning, accountability and information use in the management of public and private organizations. Measurement supports other ongoing management functions, such as priority setting and results management. The managing for results process helps an organization to focus on its mission, goals and objectives, as well as its capability to learn and improve its work. As can be seen in Figure 1 on Fairfax County, measuring performance is one component of the larger management control framework for the county government.

Figure 1: Fairfax County Manages for Results<sup>1</sup>



<sup>1</sup> Source: Fairfax County Manages for Results: A Guide to Advanced Performance Measurement, 2003.



### **Are You Getting What You Pay For?**

The US-based Government Accounting Standards Board (GASB) is one of the key organizations that supports performance measurement in the public sector. The GASB is concerned with measuring government performance in the provision of goods and services to the public. Performance measurement is meant to help people answer the following questions in an objective and systematic way:

1. What goods and services do you the taxpayer get for your money?
2. What is the quality of those goods and services?
3. Do you get good value in return for your tax dollars?
4. Do those goods and services help improve your life?

Local governments provide a range of services to enrich the well-being of citizens. In most contexts, local citizens are key sources of funding for municipal services and the obvious beneficiaries of performance measurement systems that are set up for accountability purposes. To increase citizens' understanding of performance, a measurement system should allow users to make comparisons with the municipality's past performances and with other similar municipal performers.

### **A Trend Toward Measurement**

Accounting professionals first promoted the use of performance measurement in decision-making, reporting and management processes early last century.<sup>2</sup> Each generation of management theory has tried to increase the usefulness of measurement activities. The largest advance in their use came in the 1980s, as the US private sector introduced new systems and processes for strategic management.

Performance measurement was integral to the public sector 're-engineering' process of the 1990s. As strategic thinking and results-oriented management took hold in the public sector, so did the use of measurement systems for tracking performance against objectives. The 1992 book *Reinventing Government* was a milestone in documenting good performance measurement practices in government, especially local government.

The period also saw a marked increase in citizens' demands for accountability in public sector spending. In recent years, all OECD countries have put in place legislation to support government accountability through strengthened measurement systems. In the United States, for instance, the US Government Performance and Results Act (1993) is the primary legislative framework through which US agencies set strategic goals, measure performance and report on the degree to which goals were met. More recently, some governments started to develop measurement programs for mandatory use by local governments in their jurisdiction (see Figure 2).

The growing use of performance measurement in the public sector was not entirely driven by external demands and legislation. In Canada, local governments began developing their own measurement systems in the 1990s to improve their focus and operations. Today, these systems are viewed as management tools for improving performance, strengthening accountability, stimulating productivity and creativity, as well as improving budgetary processes. A recent survey in the United States suggested that as many as half of all city and country governments in the country have developed performance measures for use in all of their administrative and service departments.

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<sup>2</sup> Some accounting organizations remaining active in pursuing performance measurement in government include the GASB, the Government Finance Officers Association and the International Federation of Accountants.



**Figure 2: Some Mandatory Performance Measurement Systems for Local Governments**

Name of System	Scope	Purpose	Measures
<ul style="list-style-type: none"> <li>Ontario Government Municipal Performance Measurement Program (MPMP)</li> </ul>	<ul style="list-style-type: none"> <li>All 446 municipalities in Ontario report annually to MPMP</li> </ul>	<ul style="list-style-type: none"> <li>Accountability to municipal taxpayers</li> </ul>	<ul style="list-style-type: none"> <li>Service effectiveness and efficiency and municipal administration</li> </ul>
<ul style="list-style-type: none"> <li>UK Audit Commission's Comprehensive Performance Assessment (CPA)</li> </ul>	<ul style="list-style-type: none"> <li>All 410 Councils in England and Wales report annually to CPA</li> </ul>	<ul style="list-style-type: none"> <li>Accountability to council ratepayers</li> </ul>	<ul style="list-style-type: none"> <li>Core services, use of resources, and council's overall ability</li> </ul>
<ul style="list-style-type: none"> <li>Philippines Local Governance Performance Measurement System (LGPMS)</li> </ul>	<ul style="list-style-type: none"> <li>All 1,686 Local Government Units (LGUs) in the Philippines report annually to the LGPMS</li> </ul>	<ul style="list-style-type: none"> <li>Performance improvement in the LGUs</li> </ul>	<ul style="list-style-type: none"> <li>Management inputs, service outputs, service outcomes and citizen satisfaction</li> </ul>
<ul style="list-style-type: none"> <li>Measurement Programs of the Victorian Office of Local Government (OLG), Australia</li> </ul>	<ul style="list-style-type: none"> <li>All local councils report annually to the Victorian State OLG</li> </ul>	<ul style="list-style-type: none"> <li>Cost efficiency in local governments</li> </ul>	<ul style="list-style-type: none"> <li>Financial measures, community satisfaction, administration and services</li> </ul>

### Objectives for Performance Measurement Systems

The objectives for using performance measurement systems can be grouped in three categories:

- 1) *To provide accountability.* This means either public accountability, as between government and citizens, or internal accountability, as between department heads and council members.
- 2) *To improve performance.* This means improving the policies, programs, plans and processes used in the provision of services, or the quality, quantity and cost of the services.
- 3) *To help determine expenditures.* This means taking a results-based budgeting approach, which connects resource allocation to specific, measurable results that reflect agreed priorities.

Public accountability is the notion that governments must answer to their citizenry “to justify the raising of public resources and the purposes for which they are used.”<sup>3</sup> Internal accountability is the notion that departments must answer to their directors to justify the decisions made and strategies followed in the organization. Departments are accountable for policies, programs, operations, processes and compliance with laws and regulations.

A performance measurement system that is developed for accountability purposes is typically oriented toward reporting on the efficiency and economy in municipal operations. However, beyond making information available, the expected outcomes of the public accountability objective are not always clear (as compared to internal accountability). The challenge for local governments is to understand how citizens can use the performance data in public debates or decision-making processes. In all of the jurisdictions studied, politicians were concerned with the potential misuse of the performance data by journalists and political opponents.

<sup>3</sup> Government Accounting Standards Board, Concepts Statement No. 1.



Measurement systems that support performance improvement tend to set the measurement activities within a broader framework for results management. Performance improvement is linked to the strength of the organization's human resource management systems, particularly its capacity for innovation, reflection and learning. This capacity is measured as part of the 'learning and growth perspective' in the Balanced Scorecard approach (see next section). Most jurisdictions recognize that their chosen measures should identify not only downstream results but also the determinants of performance.

Measurement systems that are meant to help determine expenditures reflect a deeper desire to increase public confidence in government. Confidence begins with the ability to spend money wisely. Yet, budgets are often full of administrative minutiae, seemingly disconnected to the vision and direction of the municipality. The objective is to connect resources with results so that budgeting is a strategic management and communications tool for legislators and city managers.

Achieving this objective has proven difficult for a number of reasons. An organization's program activity structure could represent a variety of organizational, process, project or other orientations. The suitability of these structures to results-based budgeting will vary. In some cases, the effort needed to introduce appropriate budgeting systems is substantial. Furthermore, many local governments are still ironing out wrinkles in their performance measurement systems. They are reluctant to use performance data to help determine expenditures until the measurement systems are producing consistent results.

While these objectives for the system may be distinguished from one another, they are not mutually exclusive. In fact, many measurement systems will incorporate all three objectives into their design.

## 2. MEASURES, METHODOLOGIES AND APPROACHES

Municipalities have tended to define their performance through a small number of integrated approaches. These include the balanced scorecard approach, the logic model and performance benchmarking.<sup>4</sup> These tools help municipalities build a usable framework for the organization and selection of measures.

### The Balanced Scorecard Approach

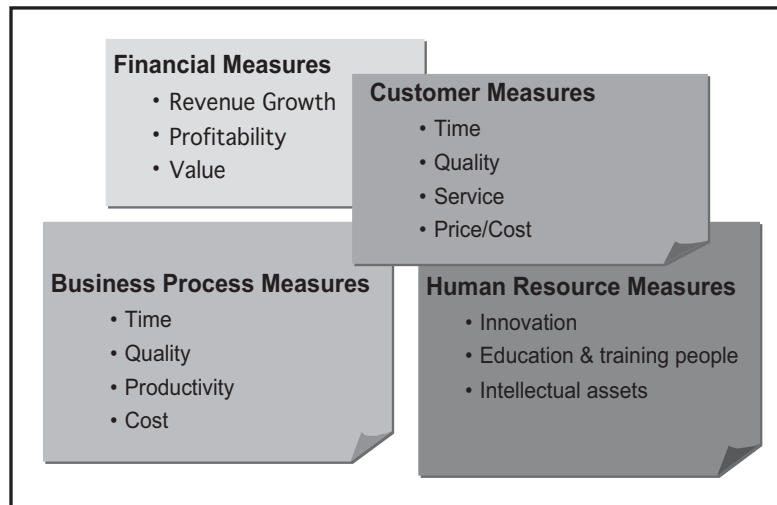
The balanced scorecard approach was introduced in the early 1990s as a way for private sector companies to describe the essentials of what they do.<sup>5</sup> The approach highlights the key perspectives that are needed to understand the organization's success. The original scorecard took into account four perspectives in measuring how well the organization fulfils its vision and mission, and achieves its strategic goals:

- *Financial perspective* – To succeed financially, how should we look to our shareholders?
- *Customer perspective* – To succeed with our vision, how should we look to our customers?
- *Internal business process perspective* – To satisfy our shareholders and customers, at what internal business process must we excel?
- *Learning and growth perspective* – To succeed with our vision, how shall we sustain our capacity to learn and grow?

<sup>4</sup> The US Foundation for Performance Measurement also identifies the Baldrige Criteria, the Deming Model and the Earned Value Model, as alternative approaches to developing a usable framework for measurement.

<sup>5</sup> The first widely published description of the balanced scorecard was an article by Robert Kaplan and David Norton in the *Harvard Business Review* (1992).

**Figure 3: The Balanced Scorecard Approach**



The balanced scorecard approach provides a comprehensive framework of measures. It covers the quality and efficiency of providing municipal services, but broadens the range of measures by attempting to link short-term operational control in the organization to the long-term vision and strategy for success. Many municipal systems examine administrative performance, while others measure governance processes and citizen satisfaction with services. The broadened framework only increases the utility of the system for capacity building and improvement in the organization.

The balanced scorecard approach is widely used in the United States, where it was first introduced. It is also used by municipalities in Canada, Australia and Sweden, as well as in other countries.

### **Logic Model**

The logic model is a basic tool in results management. It is a planning model to use in articulating a performance logic or performance theory that will unfold in a process over time. For municipal performance, the logic is often simply that *municipalities use resources to deliver goods and services that will benefit people in local communities.*

This logical structure is translated into a language of inputs and outputs with appropriate measures for performance at all points along the results chain. The logic model articulates short-term and long-term goals for performance and builds causal links among budgets, planned activities and expected results.

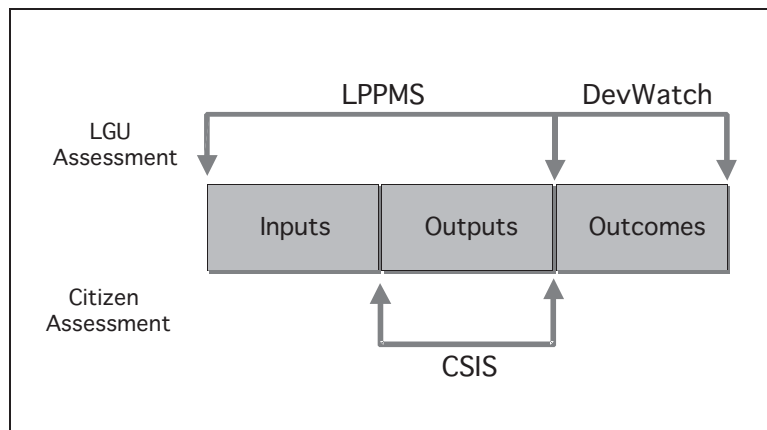
- *Inputs* – The quantity and quality of resources used
- *Processes* – The delivery of the goods and services
- *Outputs* – The quantity and quality of the goods and services
- *Outcomes* – The societal effect (benefit) of the goods and services

The Philippine government uses a logic model to integrate three separate performance frameworks into its Local Governance Performance Measurement System (LGPMS). The logic model recognizes that to improve health outcomes in an Local Government Unit (LGU) for example, the LGU will need to invest in its human skills, plans and systems for the management and delivery of health services.





Figure 4: The Logic Model in LGPMS



The Philippines LGU measurement system is based on a logic model that integrates three performance frameworks. One component of the system (Local Performance and Productivity Measurement System (LPPMS)) focuses on the resources, systems and processes for delivering services and performing functions, as well as the quality and quantity of the services provided. A second component (Citizen Satisfaction Index System (CSIS)) focuses on citizen satisfaction with the quantity and quality of services. A third component (DevWatch) focuses on the downstream results, such as healthy citizens, that are linked to the provision of services.

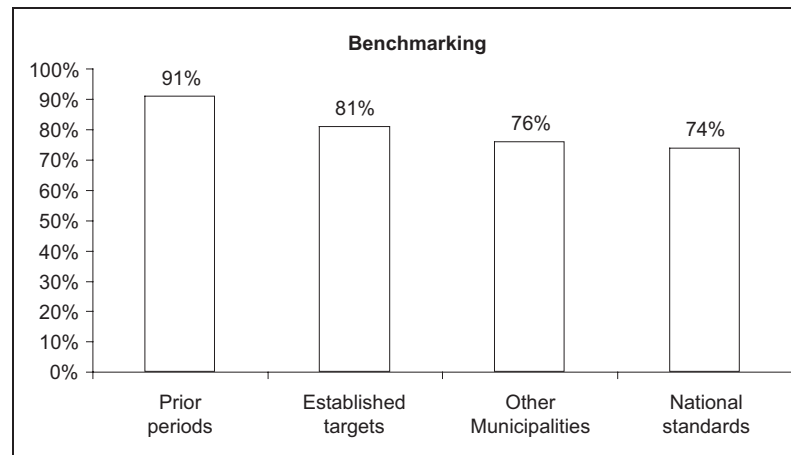
The Federation of Canadian Municipalities similarly tracks 'downstream' conditions facing Canadian communities. The FCM Quality of Life (QOL) Reporting System grew out of a need for FCM members to monitor how changes to the funding structure of federal transfer payments would have an impact on the quality of life issues for Canadians. The system includes measures of population resources, community affordability, quality of employment, quality of housing, community stress, community health, community safety and community participation in governance processes. FCM uses the QOL data to advocate on behalf of municipalities to ensure their concerns are included in national policy development and decision making.

### Performance Benchmarking

Performance benchmarking is a third approach to defining municipal performance. It encourages municipalities to compare their current performance with historical performance or against their own established targets. Many will compare themselves to similar municipalities or to national or international standards for performance in particular service areas. According to the GASB, a significant percentage of US municipalities currently benchmark their performance.<sup>6</sup>

<sup>6</sup> The GASB and Georgia State University gathered these data in the U.S. in 2001. They surveyed about 800 city governments and county governments and got responses from 277 of them (37%).

**Figure 5: Benchmarking Performance by US City and County Governments**



U.S. municipalities are more likely to benchmark their performance against internal rather than external standards of performance. Among cities and counties using measurement systems, 91% attempt to measure their current performance against previous periods, while 81% measure their performance against planned and established targets. In the US, fewer (but many) cities compare themselves with other similar cities and against national standards.

Municipalities will sometimes rely on existing frameworks (for example, those used by professional associations) for the selection of indicators. This will garner support for the measurement program and facilitate its integration with existing data systems. It will also support benchmarking and improvement efforts.

There is currently good momentum toward meaningful benchmarking in municipal performance measurement. The Ontario Centre for Municipal Best Practices (OCMBP), which is a joint provincial-municipal initiative, uses the MPMP data to identify potential municipal 'best performers' in selected areas. OCMBP researchers then examine the experience as a possible best practice in Ontario municipalities.

Ontario uses a 'best by class' method for finding its 'best performers'. This means classifying and screening municipalities by distinguishing practices in particular service areas. The British approach is one of 'nearest neighbours', which would lead to a larger number of 'best performers' and potentially more consultation between councils in adopting a practice. This approach identifies the best result from among a group of three performers whose performance is the most similar. 'Best overall' and 'best by deviation' are other methods used in the search for 'best performers'.<sup>7</sup>

Most systems collect explanatory information to help understand the performance data. The explanatory information can put performance in context by identifying factors outside the control of the organization, such as environmental or demographic characteristics, as well as factors over which the organization has significant control, such as staffing patterns and business processes. It can help explain performance with narrative information that is important for comparisons, for identifying unintended effects of a service, and for use in the process of improving the performance measures.

<sup>7</sup> These methodologies for identifying 'best performers' were presented by Hans Muntz, Chairman, Best Practices Working Group, OCMBP, to the Philippines Department of the Interior and Local Government in October 2003.

**Figure 6: Summaries of Three Measurement Approaches**

Approach	Characteristics	Strengths	Shortcomings
Balanced Scorecard	<ul style="list-style-type: none"> <li>• Integration focused</li> <li>• Key stakeholder focused</li> <li>• Organization perspective</li> </ul>	<ul style="list-style-type: none"> <li>• Vision and strategy</li> <li>• Human, friendly, customer focus</li> <li>• Team approach</li> </ul>	<ul style="list-style-type: none"> <li>• Primarily conceptual model</li> <li>• Not necessarily program oriented</li> </ul>
Logic Model	<ul style="list-style-type: none"> <li>• Investment oriented</li> <li>• Strategic and tactical</li> <li>• Short-term and long-term</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation oriented</li> <li>• Looks at processes</li> <li>• Theoretical, analytical and causal links</li> </ul>	<ul style="list-style-type: none"> <li>• Too cumbersome and complex</li> <li>• Too much attention to administration and management</li> <li>• Not inherently cyclical</li> </ul>
Performance Benchmarking	<ul style="list-style-type: none"> <li>• Evidence-based</li> <li>• Involves other organizations</li> <li>• Municipal best practices</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitates goal setting</li> <li>• Supports communication in sector</li> <li>• Fosters excellence and continuous learning</li> </ul>	<ul style="list-style-type: none"> <li>• Uses principle of ‘catching up’</li> <li>• Fair comparisons are tricky</li> <li>• Creates public competition among municipalities</li> </ul>

### Measuring Performance

Municipalities rely on a combination of assessment methodologies when measuring performance. These methods may be viewed as either internal, external, user or peer assessment. In the UK, the CPA relies on self-assessment by councils and inspections by external inspectors. In the Philippines, the LGPMS integrates LGU assessment and citizen assessment.

Most municipalities recognize the value of self-assessment, especially as a consensus-building exercise within strategic processes. While objectivity in data collection remains an important issue, the focus is clearly on the learning process not the final report.

Organizations also rely on other perspectives and approaches in data collection. These include the use of citizen satisfaction surveys, the use of outside auditors or experts and the use of professional tools for measuring performance against service standards.

- *Internal assessment* – In this approach, the local authorities examine their own performance in corporate or self-assessment processes.
- *External assessment* – External auditors assess performance through service inspections or compliance assessments.
- *User assessment* – The user assessment is linked to the customer perspective. It involves customer or citizen satisfaction surveys.
- *Peer assessment* – The assessment of professional standards, peers or colleagues, using standardized measurement tools such as ISO 9000, employee surveys or peer review.



### **Citizen Participation in Measurement**

Citizens are the largest and most important audience for performance measures. They access the information through media coverage, web sites, brochures and flyers distributed with notices.

In the United States, governments and citizens have collaborated in the development of performance measurement systems, but only in a minority of instances. In fact, few citizens are involved in the development of measures – only 13 per cent of US city and county governments said their citizens participate in the selection of measures – and only a small number participate in municipal surveys.

Some governments have responded to citizens' interest in municipal performance by developing performance measures and making the information available. However, stakeholders may have an incomplete understanding of citizens' use of the performance information and how performance measurement affects citizens' perceptions of effective local government. Citizens have few opportunities to use such information in public debates and decision making.

### **3. USE OF PERFORMANCE INFORMATION BY MUNICIPALITIES**

Municipalities use performance information to increase their understanding of the factors affecting performance and to support key management functions (such as priority setting, strategic management and program management), which includes the cycle of planning, budgeting, monitoring and reporting as seen in the Fairfax County diagram (Figure 1).

#### **Use of Information by Municipalities**

Municipalities will use performance information in the following ways:

- Understand performance, capacity, needs, problems
- Establish performance targets and expectations
- Allocate resources appropriately, effectively
- Improve quality and efficiency of services
- Identify and replicate best practices
- Increase internal accountability
- Improve internal processes
- State accomplishments
- Improve measures

The GASB survey (2001) indicated that approximately half of the US city and county governments surveyed use performance measures in most or all of their departments.

#### **Benefits of Measurement to Municipalities**

The benefits of performance measurement to municipalities can be grouped in three categories:

- Stronger results management
- Improved customer service
- Improved communication

The GASB found that 80 per cent of surveyed US city and county governments using performance measures said they were better off with the measures than without them. The measures have helped them increase their focus on the results they want to achieve, as well as their knowledge of the factors influencing their performance. The use of measures has helped improve the quality of their services and their

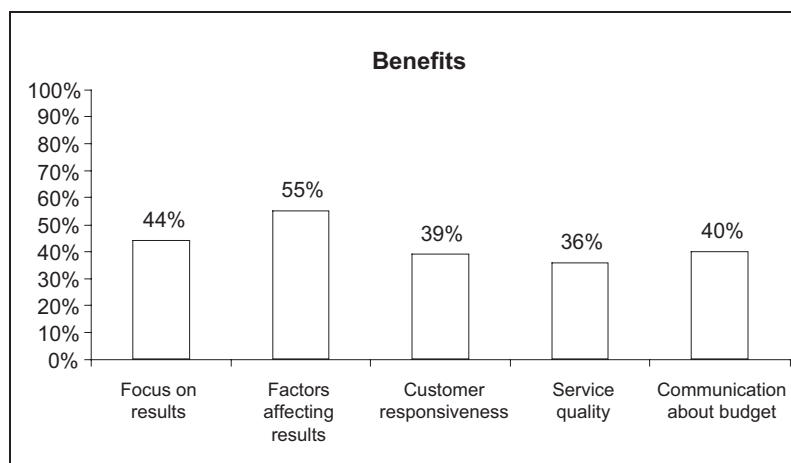


responsiveness to customers. It has also improved their communication with stakeholders, including legislators, managers and financial officers.

According to the GASB survey, performance measures have provided fewer benefits to municipalities in efficiency-related areas. Measures have been less effective in changing appropriation levels, reducing duplicative services and reducing ineffective programs.

The UK Local Government Association found similar results when it surveyed its membership on their experience with the Comprehensive Performance Assessment (CPA). Almost 80 per cent of chief executives and leaders said that the CPA challenged their attitudes and had either a fair amount or great deal of impact on their strategic planning (although 60 per cent also said that the CPA judgement did not change the council's priorities very much). However, more than half of the chief executives said that the CPA result had no implications for staffing.

**Figure 7: Benefits of Performance Measurement to US City and County Governments**



The main benefits to US municipalities using performance measurement systems are improved knowledge and customer service. Among cities and counties surveyed, 55% have increased awareness of the factors affecting results, 44% have increased focus on results, and 40% have better communication with the budget office. Similar numbers report improved customer responsiveness (39%) and service quality (36%) in their organization.

#### **4. LESSONS LEARNED AND OUTSTANDING ISSUES**

Numerous lessons have been learned thus far from the efforts to develop performance measurement systems in the public sector. However, the practice is in its infancy and many issues still need to be addressed in this field.

##### **Using Systems for Public Accountability**

Public servants like performance measurement systems to serve the public accountability objective, though emphasizing public accountability over performance improvement is sometimes self-defeating. The expectations of public accountability and the use of the information by the public are not always clear – though the tendency in government reporting is to provide good news about their performance.



- Governments need to identify the expected outcomes of the public accountability objective and clarify the purpose of the system to citizens and other stakeholders. Is the system meant to increase public awareness and understanding of government services? Or to gain public acceptance of the performance of the municipality? Or to address the expectations of key stakeholders in making the information available? Increasing public accountability runs the risk of becoming a motherhood statement.
- Some organizations overload the public with information that is not particularly relevant or friendly to deal with. This is not simply a case of governments having too many measures in their system, rather that they seem not to understand the public's interest in governance and public matters. People are interested in quality of life issues and these sometimes cut across organizational lines into areas where it is less clear who is accountable for results.
- When the priority is public accountability, some organizations focus their energies on massaging their reports for the public. The reports describe largely positive performances, while ignoring poor performances or negative trends. In the effort to ensure good news, organizations have missed opportunities for learning and improvement.
- Organizations placing emphasis on the accountability objective need to give special attention to the audit of performance information. In the United States, the GASB has issued papers on the types of performance measures to use, the criteria for effective measures, and the definitions of key terms. However, only 2 per cent of the US cities and counties surveyed said that external groups verify the measures used.<sup>8</sup>

### Using Systems for Improving Performance

Using measurement systems for improving performance is tribute to the adage: *What gets measured gets done*. Unlike the public accountability objective, the measurement exercise is formative in nature. The key is understanding the underlying drivers of performance. Some of the lessons learned by municipalities in measuring performance to improve performance include:

- Organizations that use measurement systems to improve performance tend to see the development of the 'right' measures as a continuous learning process. In Ontario, for example, suitable measures were found only after several attempts and the testing and revision of indicators. In the Philippines, this is still in progress. The learning process is valued because it helps to clarify people's thinking on the subject, the priorities involved, and the alternative measurement strategies.
- Organizations seeking to improve performance will build relationships with legislative auditors and examine external standards to improve their measures. North American municipalities rely on state and provincial auditors for guidelines, knowledge and innovation in performance measurement. Professional associations like GASB and the Canadian Institute of Chartered Accountants also provide criteria for the selection of measures and tools for learning.
- Organizations seeking to improve performance will concentrate their measurement efforts in fewer areas where the most gains from improvement can be made. There is flexibility in the breadth and depth of the measurement effort, which can focus on the key issues and areas that need attention. (Public accountability suggests that all operations be measured thoroughly.)
- Organizations seeking to improve performance will measure underlying or enabling capacity, not just services outcomes or results. The attribution of results (that output x caused outcome y) is important for managers that are looking to improve performance. The Philippines Local Performance and

<sup>8</sup> US Government Accounting Standards Board, 2001.



Productivity Measurement System (LPPMS) focuses on administrative and governance functions in order to understand the drivers of performance. The balanced scorecard also focuses on the underlying capacity for leadership, people management, policy, strategy, resources and processes in municipalities.

- Organizations seeking to improve performance will strengthen their capacity to investigate and evaluate performance to understand causal means. Understanding relationships among the variables requires an evaluation approach to analyzing the performance data.
- Organizations seeking to improve performance will strengthen their capacity to manage for results, not just to measure and evaluate performance. They will integrate performance measurement into their management schedule for planning, implementation and evaluation processes.

### **FCM Lessons in Developing and Using Systems**

FCM has drawn a number of lessons from its work with international partners in performance measurement issues. It sees performance measurement as a process to support good governance in the municipal context. Success in the process requires the following:

1. Ensure there is sufficient leadership to support the use of the measurement system
2. Build consensus among leaders and stakeholders on the purpose and use of system
3. View the system as process for good governance, not a technology project
4. Develop a 'light' performance framework and be prepared to revise it
5. Build institutional capacity for system management and use
6. Ensure relevant, reliable, timely performance data
7. Create institutional conditions to support the use of performance information and systems

The conditions in the final point refer to institutional culture (a predilection and consciousness for accountability both in the organization and the sector) and capacity (the measurement and management know-how systems).

### **Outstanding Issues in Developing and Using the Systems**

Some of the outstanding issues discussed in the literature include the following:

- Putting in place a full-blown performance measurement system requires a lot of time and resources. What is the exact return to the organization for its investment in the system?
- Enabling institutional conditions will help organizations derive benefits from the use of measurement systems. How do organizations create an institutional culture to support performance measurement?
- Legacy systems and models for linking individual and organizational performance shape the design of new information systems. How can systems and measures of government, department and individual performance be aligned?
- Governments need reliable data for performance improvement and consistency in measurement for information use in budgetary processes. How can they use performance audits to establish validity and accuracy of measures?
- Citizens are the most important audience for performance measures, but they have little opportunity to use the information in governance processes. How can governments better understand and track citizens' use of performance data?



### **Main Messages in the Paper**

The paper was meant to reinforce these messages:

1. Performance measurement is an integral part of good local governance. It is an effective process to help local governments and citizens communicate, collaborate and make choices.
2. The municipal performance measurement systems tend to measure the volume, quality, efficiency and outcomes of municipal services within a results management framework.
3. Performance measurement is part of a continuous learning system in an organization. The 'right' framework, culture and capacity will support the learning process.
4. The most significant challenges to developing and using performance measurement systems are process and institutional issues more than technical and methodology issues.
5. Citizen involvement in measurement needs to be better understood and strengthened.

### **For more information contact:**

Sebastien Hamel

Regional Manager for Asia

International Centre for Municipal Development

Federation of Canadian Municipalities

24 Clarence Street

Ottawa, Ontario

Canada, K1N 5P3

Phone: (1-613) 241-5221 ext. 300

Fax: (1-613) 241-7117

Email: [shamel@fcm.ca](mailto:shamel@fcm.ca)



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