

# Performance Review in the FCM International Program



Paris, 25-26 March 2003

**A paper prepared for a workshop organized by France and the OECD DAC Working Party on Aid Evaluation**

## **Overview of the Paper**

The Federation of Canadian Municipalities (FCM) has prepared this paper for France and the OECD's Development Assistance Committee (DAC) Working Party of Aid Evaluation. It describes the approach to performance review in the FCM international program. It explains how and why our approach has evolved from evaluation to performance measurement, and from meeting the information needs of FCM program managers to meeting the needs of municipal managers and sector leaders overseas.

The paper explains why the FCM international program has come to see performance review as a developmental activity in its own right, and how we attempt to help integrate performance measurement into systems and processes for effective municipal governance and management.

## **Federation of Canadian Municipalities**

FCM is an association of about 1,000 Canadian municipal governments. Our members include Canada's largest cities, small urban and rural communities, and 18 provincial and territorial municipal associations. These members represent over 80 percent of Canada's population. FCM advocates on behalf of Canadian municipalities to ensure that municipal concerns are included in national policy development and decision-making.

In 1987, Canadian municipalities gave FCM the mandate to share the Canadian municipal experience overseas. FCM delivers its international program through the International Centre for Municipal Development (ICMD). We support international cooperation that helps overseas partners share knowledge, build capacity, create enabling conditions, and implement practical solutions to municipal issues.

FCM draws on our staff, members and networks for the Canadian expertise that is required in the international program. Since 1987, FCM has involved almost 200 Canadian municipalities and over 2,000 Canadians in about 20 country programs overseas. We focus on the priority issues facing our municipal and national partners, and try to involve Canadian experts and practitioners with responsibilities for managing the same areas in Canada.

## **Starting with Why**

FCM believes that strong municipal governments are the foundation for the development of healthy, sustainable communities. We see well-functioning municipalities as catalysts for the development of a country. As a partner in Guyana recently put it, 'if we get the municipalities right, we'll get the country right.' The FCM international program supports our partners in their efforts to improve local governance and management to help 'get the municipalities right.'

In the municipal sector, performance review comes in many shapes and sizes. Numerous international indexes and indicator initiatives exist to feed data on municipal performance to

policy makers. Various benchmarking systems and performance scorecards publicize the attractive cities in which to live or do business. A full range of measurement systems are used in local governments in such areas as police, fire, solid waste, public transport, health and social services to assess workload, efficiency and user satisfaction. Indeed, citizens judge the overall performance of local leaders when casting ballots in municipal elections.

These performance measurement systems are tools for strengthening good governance and local management. Their widespread acceptance and use in municipalities encourages FCM to align the information needs of program managers with the needs of municipal managers and sector leaders. We have come to see performance review as an opportunity to generate a single body of performance data that is relevant to program managers, municipal leaders and managers, local citizens, local training institutions, and national and international policy makers and sponsors. As a result, performance measurement has become an integral component of our governance programming.

### **Some Trends and Experiences Shaping Our Approach**

A number of trends and experiences have helped shape the thinking and approach to performance review in the FCM international program:

- The Canadian International Development Agency is a key financial sponsor of FCM's international program. In 1996, CIDA adopted a policy on 'results-based management' and began to develop RBM systems for project management. FCM was influenced by this thinking and soon followed CIDA's approach to project planning and reporting.
- In 1998, FCM conducted a major evaluation of our project in China. We designed the 'self-assessment' to support the transition to the 'results approach' in managing our international program. The exercise enhanced our RBM capacity, reinforced our program models, and led to the creation of the ICMD Knowledge Management Unit with a mandate for facilitating continuous performance improvement in the program.
- In the 1990s, Canadian municipalities began developing performance measurement systems for use by municipal decision-makers. Today hundreds of FCM members are using such systems. They are seen as tools for improving performance, strengthening accountability, stimulating productivity and creativity, and improving budget processes.
- In 2001, the Ontario government rolled out its *Municipal Performance Measurement Program*, which requires Ontario municipalities to measure and report to tax payers on their performances in service delivery. The system was designed with the active support of the Association of Municipalities of Ontario. Similar systems are now being developed and tested in Québec, British Columbia, and Nova Scotia. This is also happening in other OECD countries, which all have national policies supporting performance measurement.
- In recent years, international donors have taken a more programmatic approach to municipal and urban development. This approach requires collaboration among local, national and international partners toward shared development priorities. The FCM program, which initially focused more on local government support, has similarly evolved to include municipal associations, national governments and other enabling institutions in the sector. In the program-based approach, performance measurement is a valuable tool for use in setting shared priorities, allocating resources, monitoring outcomes, informing national policy and legislation, and disseminating exemplary practices for replication in other municipalities.



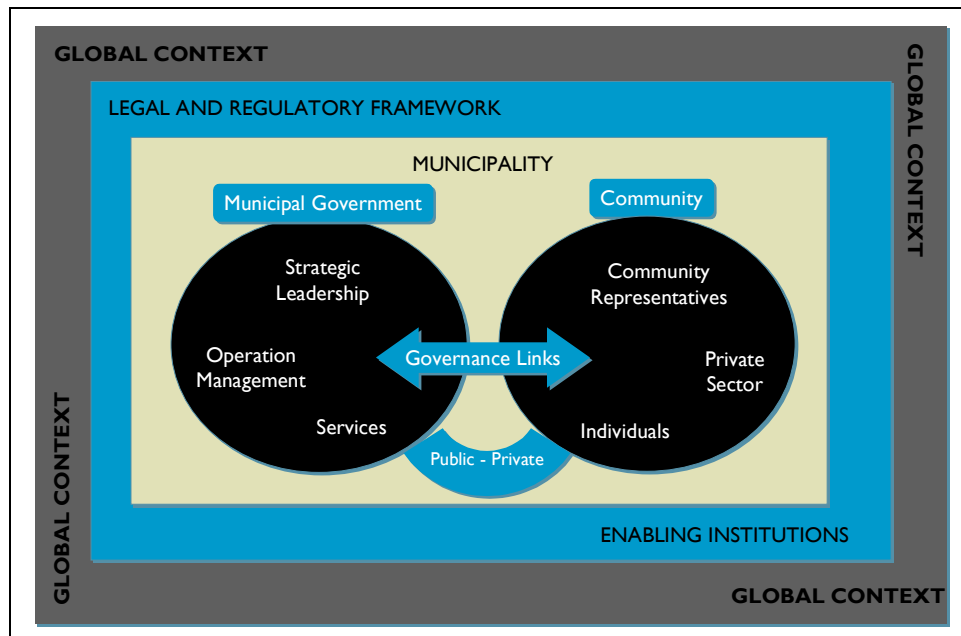
## From Activity to Results Reporting

As mentioned, CIDA adopted its policy on ‘results-based management’ in 1996. At the time, FCM managers reported to CIDA on the implementation of program activities, paying particular attention to the achievement of objectives, the production of deliverables, and the adherence to schedules and budgets. Besides meeting our reporting requirements, this type of information was generally useful in managing our programs.

Project reporting became a more complicated exercise under RBM. The new language was opaque and the new requirements demanding. For two weeks every quarter, we stopped our work to prepare reports that met donor needs, but offered little back to managers. Our initial efforts in building RBM capacity were meant to create efficiencies in data management so that program managers spent less time reporting and more time managing.

Our most important tool for results data management was the FCM *Municipal Capacity Development Framework* (see figure 1). The framework helped organize our strategic thinking about results achievement. It identified the seven areas of municipal capacity that the program tries to strengthen: (1) municipal leadership, (2) municipal management, (3) municipal services, (4) governance links, (5) enabling institutions (6) the legal and regulatory environment, and (7) public-private partnerships for services delivery.

**Figure 1 The FCM Municipal Capacity Development Framework**



The *Municipal Capacity Development Framework* represents FCM’s vision for municipal development. It describes a municipality as comprising two entities: the municipal government and the community. These entities exist in particular legal, regulatory and institutional environments. Local governments carry out three key functions: they provide strategic leadership, manage operations, and provide services to the community. Municipal governments and community members communicate, cooperate and make choices through systems of relationships that we call ‘governance links.’ They work together at the local level to create healthy, sustainable communities.



The framework helped organize our results data and bring efficiencies to reporting, but a gap still existed between information we used in reporting and information we used in planning, budgeting and designing our strategies. Our managers commissioned studies on existing municipal capacity, carried out diagnostic work, and went on monitoring missions, but their data were not connected to the program reporting framework. We needed to bridge the planning and reporting divide, and transfer ownership of the RBM approach to program managers.

### From Reporting to Assessment

In 1998, FCM carried out a ‘self-assessment’ of our \$7 million project in China. CIDA provided support to the exercise, which was done in place of the end-of-project evaluation that was required for project closure in our contract.

The basic idea in the ‘self-assessment’ was designing a process that would let us apply our learning about performance to our work in the international program. At the outset, we assigned responsibilities in assessing performance that were related to people’s management responsibilities. We built a shared vision of the results we were looking for by defining the use of terms, organizing frameworks and products of the assessment. We built the knowledge and skills of team members to carry out their self-assessment work, and adopted an iterative approach for incorporating new ideas into an evolving work plan. The self-assessment quickly became a vehicle for people to discuss and share their experiences in the project, and we helped each other adopt the new methods and practices that were implicit in our assessments.

**Figure 2 Steps in a Project Self-Assessment**

<b>Preparation and Planning</b>	<b>Concepts and Communication</b>	<b>Tools and Instruments</b>	<b>Information Collection</b>	<b>Report Production</b>
‘ Define objectives for information, learning and change	‘ Define terms and conceptual frameworks for work packages	‘ Draft sets of hypotheses about program results	‘ Test draft questionnaires and interview guides	‘ Draft list of evaluation findings
‘ Break the evaluation into work packages	‘ Develop outline for each work package	‘ Identify sources of information	‘ Send out questionnaires	‘ Identify main story behind the findings
‘ Identify team members and responsibilities	‘ Identify the content in each work package	‘ Prepare interview guides and questionnaires	‘ Interview participants	‘ Write reports using data to back up findings
‘ Develop work plan and schedule	‘ Prepare partners to write reports	‘ Develop data collection plan and schedule	‘ Test hypotheses about results with data collected	‘ Review and revise draft reports

The self-assessment was more than a compliance tool for project closure, and more than a learning process for program managers. The exercise changed our vision for future programming. It strengthened our RBM capacity, reinforced new programming models, and led to the creation of the ICMD Knowledge Management Unit with a mandate for continuous performance improvement in the program. The Unit faced two challenges emerging from the self-assessment experience. The first was making results measurement an ongoing management function in the program, and the second was ensuring that the information we generated was relevant not only to FCM and CIDA, but to other development partners and stakeholders.

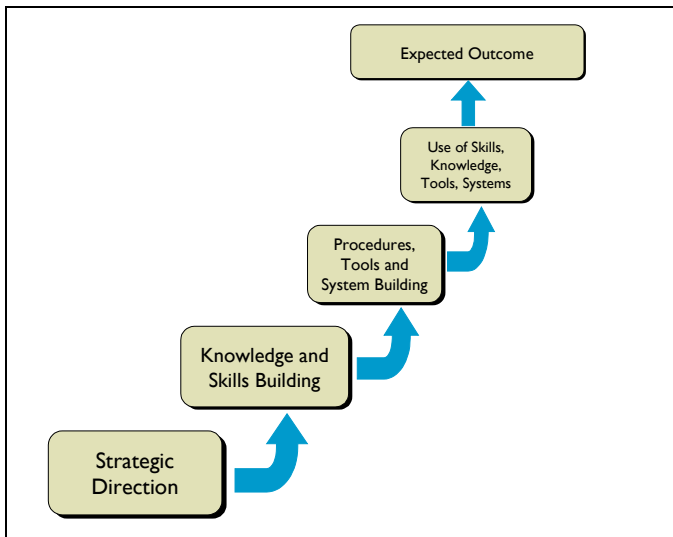


## From Evaluation to Measurement

In 2000, FCM and its partners developed a large-scale information system for use in measuring municipal capacity in the Philippines. The system generates performance data on the \$30 million program, its 300 projects, and the 205 local government units (LGUs) in Mindanao and Western Visayas that participate in the program.

The information system was designed to generate a single body of performance data that was relevant to program managers, municipal clients, local training centres, and national and international policy makers and sponsors. As the main partners in the program, we relied on open and effective communication to build a common understanding. This meant sharing reliable information about local capabilities, needs, priorities, intentions and achievements. Information sharing was central to ensuring the continuing relevance of the program, and our effectiveness in priority setting, planning, and continuous improvement in results achievement.

The system contains performance data linked to indicators of municipal capacity. These indicators are arranged into four 'outcome areas' (i.e. municipal management, municipal services, resources management, and participatory governance), which may be identified in the *Municipal Capacity Development Framework*. Within each 'outcome area,' the indicators are grouped according to the four stages of capacity building that municipalities go through in order to improve their governance and management performance (see figure 3).



**Figure 3 FCM Institutional Development Framework**

FCM projects encompass the four stages of a capacity development process.

*Stage 4 – Application:* Using the new learning, systems and approaches in municipal governance and management.

*Stage 3 – Systems Building:* Strengthening management and organizational procedures, tools and systems.

*Stage 2 – Knowledge and Skills Building:* Developing people's knowledge, skills and competencies.

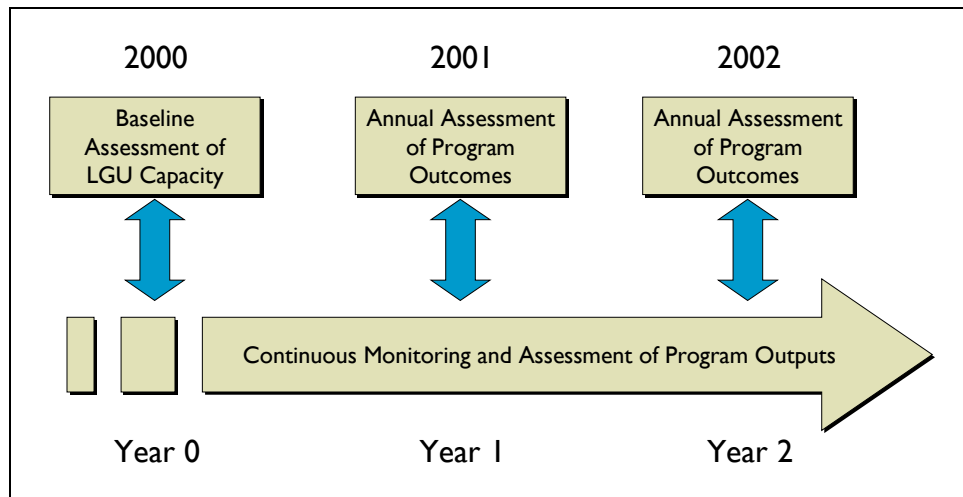
*Stage 1 – Consensus Building:* Reaching agreement on needs, priorities, strategies and plans for moving forward.

In the Philippines program, the *Municipal Capacity Development Framework* and the *Institutional Development Framework* are joined in a four-by-four matrix (i.e. four planned outcomes by four implementation stages). The matrix serves as the program framework, and lays out our long-term plan for resource use and action. It also acts as a performance framework for measuring municipal capacity building in a wide range of management, governance and service areas.

The strategy for measuring performance was: (1) determine existing capacity in the local government units at the outset, (2) carry out continuous monitoring and assessment of this capacity as it develops through project interventions, and (3) undertake annual assessment of the performance of the portfolio of interventions in the program 'outcome areas' (see figure 4).



**Figure 4 Strategy for Measuring Performance of the Philippines Program**



This approach allowed us to simultaneously measure municipal, project and program performance. The annual assessment, which involves all program managers over a 3-week period in September, is the first step in the annual planning process that takes place in the 205 participating LGUs over a 3-month period between October and December. The program work plan is prepared in January.

The data that we generate from continuous monitoring and annual assessments are housed in seven regional databases. These databases, which are merged twice annually into a national database, contain information on municipal capacity and project performance. This information provides a foundation for decision-making about priority setting, resource use and implementation strategies. The system helps the program managers to:

- Understand municipal capacities and needs
- Identify priorities for municipal capacity building and targets for program performance
- Allocate our resources appropriately and effectively to meet those priorities
- Measure municipal, project and program performance
- Analyze outcomes and identify factors that influence performance over time
- Generate lessons learned about the program
- Identify best practices in the program
- Share knowledge to promote replication and sustainability
- Build the capacity of managers to manage strategically using performance information

The desire to strengthen the strategic management capacity of program managers through the use of performance data presented a dilemma. While we positioned ourselves to meet the challenge, we were less sure it was our challenge to meet. Our role in municipal development in the country was not to manage strategy, but rather to support the municipal and sector managers who provide this strategic guidance and leadership. They should be the owners of the performance data and measurement systems, and we like other donors should act upon the analysis under their auspices.



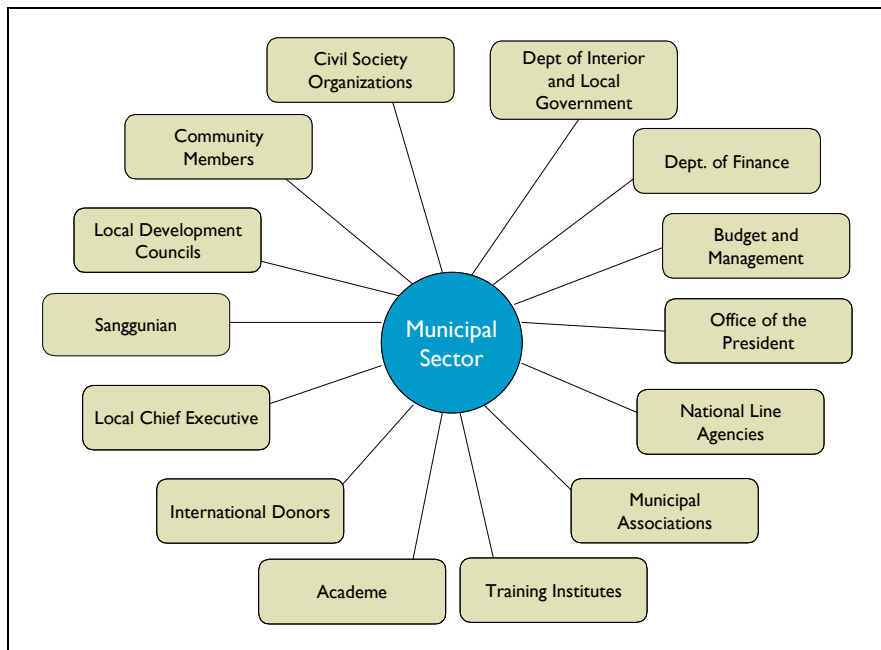
## From Measurement to Management

In 2002, the Philippines government invited Canadian performance measurement specialists to get involved in the design and development of an enhanced system for measuring municipal performance. The system was an ambitious extension of earlier efforts by the government to identify service areas requiring improvements in LGUs as well as the service improvements the LGUs were making. The enhanced system would serve five purposes:

1. Support local administration and development through improved use of financial and human resources,
2. Support local planning and budgeting,
3. Benchmark local government performance against established standards,
4. Provide national line agencies and other entities supporting local government with insights useful in implementing their interventions to improve local administration and development, and
5. Identify best practices in local administration and development and disseminate them for replication by other LGUs.

The focus and scope of the sector-wide system differed from our program system in several respects. Most significantly, the range of information stakeholders was expanded to include all of the stakeholder groups working for the development of the municipal sector (see figure 5). In the enhanced system, the performance data would be relevant to government managers, enabling institutions and community groups working to improve development conditions. There would be greater system ownership, and user benefits, at the local, regional and national levels.

**Figure 5 Information Stakeholders of a Municipal Sector Performance Measurement System**



Another key difference between the sector and program measurement systems is the amount of financial resources that could be affected by the analysis of performance data. The sector system could help shape the allocation and use of local, national and international resources for municipal and urban development. The single body of performance data could support the various types of strategic and long-term plans that are used in municipal development, and support the local government department in its mandated responsibility to act as a catalyst for local development and to coordinate national and international efforts in the sector.

How can the municipal sector leaders use performance measurement to bring these stakeholders, resources and efforts together for the benefit of municipalities? First, there needs to be awareness of, and confidence in, the measurement system, its purposes and data. The users need to believe the system serves development purposes, and can ensure integrity in the data. Second, the users need to know that data will be made available in a timely manner, and in a format that facilitates their use in planning and resource allocation. The schedules for performance measurement, data entry and performance analysis need to dovetail with the schedules for local and national budget preparation. The technology infrastructure needs to allow the data reside close to users in local and national databases and move easily between them. Above all else, institutional conditions need to support the integration of performance measurement into management processes. Institutions need a certain readiness to make good use of the data, which means recognizing the development of the systems as a capacity building process for strengthening good governance, rather than an information technology project.

International donor agencies could take a similar approach when lending support to these efforts. In the Philippines, AusAID, ADB, UNDP and CIDA all provide support to the local government department in the development of performance measurement systems. They are showing confidence in the sector leaders, investing in capacity building, and promoting the use of these systems. This demonstration of donor coordination in system development will derive lasting benefit to the sector if, down the road, the donors make strategic use of the data to plan and monitor their support to local government.

### Lessons Learned

FCM has incorporated four lessons into its approach to performance review:

- *Performance review is a process that relies on and reinforces good governance.* It is a collaborative exercise that allows people to communicate and make choices about priorities and resource use. It reinforces some of the basic values underlying effective local governance: Honest, approachable and committed leadership; inclusive processes for ensuring people's involvement; open, transparent and accountable decision-making and action; and development initiatives based on expressed needs and priorities.
- *Performance review is a process that strengthens institutional capacity.* It can be approached as a development activity for building consensus, increasing skills and knowledge, and building and using management systems in the municipal sector. It can support program managers, municipal managers, local training institutes, and national and international policy makers and sponsors in the effective use of their resources for development. Its benefits may be measured in developmental terms.
- *Performance review is relevant to a range of stakeholders.* It can address the information needs of local, national and international stakeholders in a timely manner. It can open new conversations and bring more voices to the discussion and dynamics to the process. It can be designed to reflect the broad functioning of a sector, and help define stakeholders' responsibilities and the information they need or find valuable.



## Notes on the Use of Terms in the Paper

FCM offers these definitions for some of the terms used in the paper:

- *Performance measurement* is the systematic design, collection and management of performance data within an organizing framework.
- A *performance measurement system* is comprised of the management tools, processes and human capacities to provide system users with the data they require.
- *Performance management* is the effective use of the performance data in management processes, including priority setting, work planning, resource allocation, performance analysis, and reporting and communications.
- *Strategic management* is the ability to allocate resources so that priorities are met.
- *Performance review* includes a range of assessment activities including results reporting, evaluation, performance monitoring, and performance measurement.

## Contact Information

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### Four Generations of Performance Measurement in FCM International Programming

	<b>Project RBM System</b>	<b>Program MIS</b>	<b>Municipal MIS</b>	<b>Sector MIS</b>
<b>Main Users of the System</b>	CIDA Project Managers	FCM Program Managers	Municipal Leaders and Managers	Sector Leaders and Managers
<b>Main Purpose of the System</b>	Project compliance reporting	Program planning and resource use	Municipal planning and resource allocation	Sector planning and resource allocation
<b>Underlying Performance Framework</b>	CIDA Results-based Management Framework	FCM Municipal Capacity Development Framework	Municipal Services Framework	Sector Performance Framework
<b>Basis for Performance Measures</b>	Project Contract	Country Program Performance Models (Macro-Meso-Micro)	Municipal Strategic Plan (Municipal Agenda)	Local Government Code (Regulatory Framework)
<b>Types of Performance Information</b>	<ul style="list-style-type: none"> <li>• Project results</li> <li>• Explanation of results</li> <li>• Lessons learned</li> </ul>	<ul style="list-style-type: none"> <li>• Development Results</li> <li>• Enabling Results</li> <li>• Management Results</li> </ul>	<ul style="list-style-type: none"> <li>• Social Services</li> <li>• Environmental Services</li> <li>• Economic Services</li> </ul>	<ul style="list-style-type: none"> <li>• Municipal Conditions</li> <li>• Policy/Administration</li> <li>• Cost/quality of services</li> </ul>
<b>Orientation in Management Cycle</b>	Reporting period for previous CIDA fiscal year	Planning period for coming FCM program year	Budget preparation for coming municipal fiscal year	Budget preparation for coming national fiscal year
<b>Secondary Users of the Data</b>	<ul style="list-style-type: none"> <li>• FCM program managers</li> </ul>	<ul style="list-style-type: none"> <li>• Municipal managers</li> <li>• Local training institutes</li> <li>• CIDA program managers</li> </ul>	<ul style="list-style-type: none"> <li>• Community members</li> <li>• Local training institutes</li> <li>• Program managers</li> <li>• Sector managers</li> </ul>	<ul style="list-style-type: none"> <li>• Community members</li> <li>• Municipal managers</li> <li>• Municipal associations</li> <li>• National policy makers</li> <li>• Academe</li> <li>• International agencies</li> </ul>

