

Monitoring Urban and Local Government Performance: The Role of the World Bank

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1. Background

The goal of the World Bank's urban strategy is to promote sustainable improvements in the living conditions of the urban poor while contributing to the progress of the country as a whole (World Bank, 2000). The introduction of effective city-based performance indicators is an essential part of the development process designed to help city officials and community to make better planning decisions based on the availability of regular, timely, reliable and valid data. Performance indicators may also strengthen efforts to hold local authorities to account for the resources they use and the outcomes they achieve. In this context, the Bank's urban strategy promotes the collection and use of policy-relevant data, including community feedback from users of municipal services; city statistical reporting, such as statistical yearbooks; and citywide indicators which are comparable across urban areas. All types of data should be demand-driven, tailored to local issues, and capable of being updated by local agencies cost-effectively.

It has, however, become apparent that in the framework of the Bank's urban investment programs and City Development Strategies (CDS)¹ – one of the key building blocks of the urban strategy - the application of performance indicators at key points in planning, programming, monitoring and reporting is too often seen as a low-priority, semi-optional part of program and strategy development. This gap was emphasized in a progress report on Cities Alliance- and World Bank-financed City Development Strategies (Campbell and Mehta, 2000).

In response, the World Bank commissioned a recent study to review current practice in the use of performance indicators in the management of developing cities, particularly in the context of the city development strategies (Hatry, 2001). The study is a first step towards identifying some of the key issues, good practices and guidelines to help the World Bank introduce more effective local performance measurement systems through its urban investment programs and city development strategies.

The study examined work from a range of efforts to develop city performance indicator processes, including: the Urban Indicators Program of the Global Urban Observatory of the United Nations Center for Human Settlements (UNCHS) and its "Capacity Building for the Application of the Urban Indicators Program."; Cities Alliance and World Bank-financed City Development Strategies and efforts to bring performance indicators into strategic planning; various World Bank urban projects and efforts by other multilateral and bilateral development agencies to promote better

¹ The World Bank and UNCHS (Habitat), through the Cities Alliance program, are assisting cities with their long-term growth and operational sustainability by providing support for the development and refinement of their City Development Strategies (CDS). The CDS is a process devised and owned by local stakeholders to formulate a holistic vision for their city. It involves analysis of the city's prospects for economic and social development and redress of poverty, identification of priorities for investment and development assistance and implementation of this vision through partnership based actions. It is therefore both a process and a product to enhance the competitiveness, livability, management, and bankability of the respective city

management of local governments and improve their capacity; and finally efforts, although quite rare, by individual cities themselves to develop performance indicators.

2. Improving the Use of Performance Indicators in City Development Strategies

Based on an examination of a number of the available city development strategies, the study found that the incidence of outcome indicators was disappointingly quite low in most of the cases. For the most part, the CDSs did not make any distinction between the various types of indicators such as intermediate and end outcomes. In a very few cases target projections were made for the values of the performance indicators out into the future. Most of the time, only baseline data were presented and much of that were old, thus limiting such data's use for many current management decisions. The CDSs did not make any provision for developing long-term city capacity to collect and use performance indicators in tracking progress of the strategy and related programs and investments. Finally, there appeared to be a lack of participation by citizens, business representatives and other local stakeholders in the identification of indicators.

The following recommendations are directed specifically toward enhancing the use of performance indicators in the CDS.

- (a) Each CDS should identify the specific outcomes being sought by the strategies identified in the CDS and the specific outcome indicators that are expected to be used to track progress against those outcomes. This is critical for monitoring the success of the plan into the future and helping to focus attention to needed changes if the outcomes sought are not being achieved.
- (b) Baseline data should be provided, when possible, on each outcome indicator.
- (c) The plan should include out-year targets for each outcome indicator. The plans should also provide estimates of the costs expected to be needed to achieve the targeted outcome values, preferably for each year of the plan. This will encourage governments to link their expenditures to desired outcomes.
- (d) The CDS should include an explicit plan for monitoring progress against the plan. This means that cities will need to implement a performance measurement process, one that includes outcome measurement as a major component.
- (e) A component of the CDS should explicitly provide a plan for developing the capability of the local government for monitoring, analyzing, and using performance data, not only for the particular service elements included in the CDS but also covering the city's other major services and programs. Preferably, the CDS would include a multi-year schedule for implementing its performance tracking process.
- (f) For at least selected outcome indicators, the CDS should identify special needs populations (low-income and disadvantaged groups) and break out the outcomes for each such citizen group. Preferably, the CDS would also include outcome targets for each group, target values that indicate the intent of the strategy to reduce disparities among such customer groups.
- (g) Citizen and business representatives should be asked to provide input into the identification of the outcomes that the CDS should seek to achieve —as part of the effort to involve them in CDS preparation. The strategies should also include a long-term plan for continuing to involve the private sector in the city (the business community, community-based organizations, and non-governmental service organizations), such as in assisting with periodic updates of the plan, reviewing the outcomes and outcome targets sought, and reviewing the progress against the plan.

3. Developing Local Capacity in Performance Indicators

Based on a desk review of a range of performance indicators initiatives, the study also provides practical advice for developing a broader strategy to build city capacity and institutionalize performance measurement systems at the local level:

- (a) Seek high level city support for the effort. Seek a “champion.” Strong leadership is needed to gain the resources, cooperation from all stakeholders (both organizations within the city government and those outside the government), and time needed to implement effectively such a process.
- (b) Involve individual operating agencies heavily in the performance management process. The operating agencies are likely to be the major organizations involved in implementing and using the performance information.
- (c) Seek the support of the central government for the effort. In the long run, real support from the central government and its ministries may be the key to the long term sustainability and utility of the performance management process. Over the long run, the central government likely will have to play a major role in providing support for city capacity building, including providing support for training and technical assistance to their local governments for their performance management efforts. In addition, the central government and its ministries are likely to be major collectors of performance measurement data relevant to the city.
- (d) Bring in local government associations such as Associations of Mayors. This has been done in a number of the performance indicator projects. Their support will more likely lead to replication in other cities in the country (probably, leading to the reporting of comparative data across cities in the country and a focus on seeking "best practices").
- (e) Seek support of the business community, community based organizations, and nonprofit organizations in the community. Over the long-run, they can be a strong source of support or, if not involved, obstacles to effective implementation.
- (f) Develop a multi-year schedule for implementation of the performance management process. Quality implementation will take time. In wealthier countries, many years (usually at least five) have been required to produce full scale implementation.
- (g) Provide for a least a minimum of decent up-to-date technology. This includes both hardware (such as computers) and software. Adequate management information systems are essential to support the performance measurement process in today’s world. Of course, providing the hardware and software also means that cities need people who can support the hardware and software. In addition, users need training in the use of the information systems.
- (h) Identify “technical support organizations” preferably ones located in the community and the city or at least within the country that can provide ongoing as needed assistance to the cities or agencies in both in the initial implementation of the process and sustaining it over time. Candidates in a city will likely be universities, consulting organizations, NGOs specializing in such activities, and possibly volunteers.
- (i) Breakout the performance data by key customer and location characteristics. The performance data will be much more meaningful and useful to officials if data, particularly outcome data, are broken out by such characteristics as district or neighborhood in the city, and other demographic characteristics such as income category, gender, race/ethnicity, and age group.
- (j) Incorporate more citizen input, especially by periodically obtaining systematically collected feedback from them on their experiences with individual city services and on their needs. This would entail the use of regular household and client surveys to obtain feedback from citizens on their satisfaction and, experiences, and condition after receiving services.
- (k) Distinguish whether each performance indicator is an input, physical output, or is an outcome. The discipline of categorizing indicators by these categories will help employees to recognize their relative importance of findings.
- (l) Avoid pressing for excessive precision and accuracy, which can become quite costly. It is better to be roughly right than precisely ignorant.
- (m) Provide training and more training. A major weak link in performance measurement systems is the difficulties that government employees (including elected officials) have in implementing and using these processes. Both high level, mid level, and first level managers

and supervisors should receive training in what performance measurement is all about, and how it can help them in their work.

- (n) Use performance information to provide the basic underpinning for strategic planning. This use appears to have been under-utilized in many of the City Development Strategies. Available outcome information should provide reliable information as to current conditions in the city and provide the basis for establishing the long term objectives that should form the basis for any strategic planning.
- (o) Use performance data to help identify “Best Practices.” Once reasonably comparable data begin to become available, a major use for that information is to follow-up on high performing agencies to determine why they have been successful, and, if appropriate, disseminate that information to agencies in other cities that are providing similar services.
- (p) Issue regular annual reports to their citizens on key performance indicators, particularly key outcome indicators, on its various services. Such reporting by cities would be a major way to help achieve transparency. This reporting will also provide major incentive to agencies to improve their service outcomes.
- (q) Include in central government decentralization legislation the requirement that each city regularly track the outcomes of each city service and report that information back to elected official and the public.

4. Next Steps

As a follow-up to the study, the World Bank in collaboration with the UNCHS Urban Indicators Program intends to develop a strategy to assist cities to use performance indicators for managing their city development strategies and investment programs more effectively. The long term goal of the initiative is to empower local authorities and other stakeholders to provide quality, poverty-focused strategies, programs and services through the continuous monitoring and improvement of their performance. The strategy will aim to promote a clearer focus on outcomes and the regular measurement of impact in reducing poverty against agreed targets at the city level. The strategy will also focus on building local capacity to collect, manage and use performance information as well as promoting better linkages between the users and producers of indicators. Through the initiative, technical assistance will be made available for cities to: (a) establish and use the local performance indicators they need to support their own strategic planning, programming and operational management; and (b) create a favorable institutional environment to implement and sustain performance measurement systems over the long run.

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