

Performance Measurement in Public Sector Organizations: Focus on Local Governments

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Performance Measurement is seen as a very important component of new public management (NPM). But measuring performance in the public sector has always been said to be difficult. This paper argues that performance measurement in public sector organizations may be difficult but not impossible. It aims to discuss the basics of performance measurement in organizations and explore the difficulties accompanying its implementation in public sector organizations (PSOs). Possible solutions will then be looked at, citing relevant experiences of PSOs, especially local governments, which are actually engaged in performance measurement and how they have overcome the difficulties that come with it. Afterwards, the paper will look at the Philippine case and see what is being done in the direction of utilizing performance measures in Philippine PSOs, most specifically in local government units (LGUs), analyze it and then come up with recommendations for Philippine LGUs' use.

Introduction

The Rise of NPM and the Increasing Attention to Performance Measurement

The last two decades of the 20th century saw the emergence of a new approach to the public sector. As Thompson (1997: 1) puts it "The conduct of the public's business is undergoing a sea of change." This phenomenon is becoming worldwide, taking in different names like "managerialism" (Politt 1990), "new public management" (Hood 1991), "market-based public administration" (Lan and Rosenbloom 1992), "the post-bureaucratic paradigm" (Barzelay 1992), "entrepreneurial government" (Osborne and Gaebler 1992), among others. However, despite the differences, which could range from philosophical motivations to managerial implementation schemes, they have a lot of similarities.

Borins (1998: 38) identified five components of the new public management (NPM) paradigm, which are as follows:

- (1) providing high quality services that citizens value;
- (2) increasing managerial autonomy, particularly by reducing central agency controls;
- (3) demanding, measuring, and rewarding both organizational and individual performance;

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- (4) providing the human and technological resources that managers need to meet their performance targets; and
- (5) maintaining receptiveness to competition and open-mindedness about which public purposes should be performed by public servants as opposed to the private sector.

We can see from the above that increasing managerial autonomy is one of the main characteristics of NPM, together with the demand for performance measurement. It can also actually be deduced from statements like "Let the managers manage" and strategies like decentralization, corporatization, agencification, etc. With this increased managerial autonomy comes the new paradigm of accountability.

The changes sweeping the public sector are accompanied by changes in the paradigm of accountability, which now is giving rise to an increase in attention to performance measurement. Parker (1993: 4) put the issue of the increasing attention to performance measurement in this way:

In an era in which revenues are growing much slower than the demand for expenditures and programs, governments are forced to make tough decisions about priorities. A greater consciousness of tax burdens and policy has resulted in a desire to not only prioritize services based on need and demand, but also to assure that the resources put into services are used to the best advantage. Citizens and voters demand greater accountability for the resources they commit to government. *They insist on objective data to prove or disprove the worth of government programs.* While disgruntled customers of government services may not be able to choose another provider, they can make changes in the leadership of their government organizations.

In effect, Parker is pointing the finger for the increased demand for performance measurement (objective data) to increasing fiscal stress and the increasing demand of voters/citizens for greater accountability of government officials in the use of resources.

Performance Measurement In Public Sector Organizations

Definition

So what is performance measurement? Sorber (1996: 96) defined it as "a quantified description of a component of a production process, a policy process, or a budget process." Fenwick (1995: 106) defined it more specifically and clearly as "including all available methods of measuring achievement of the organization's goals and especially, of quantifying performance against an absolute standard or against comparative information from another time or place."

Performance measurement then is the public sector's way of determining quantitatively and empirically whether it is providing a quality product at a reasonable

cost. Friedman's definition (1997: 2) is in the same vein when he wrote, "A performance measure is a measure of how well public or private agencies and programs are working."

There are different levels of measuring performance. It could be on the organizational level or on an individual level. Organization-wise, the focus could be either performance measurement for the organization as a whole entity or performance measurement for individual manager's use within the organization.

Depending on how it is used, performance measurement is a managerial tool or a tool for accountability. It may be used as a tool for organizational control or for organizational learning (Jackson 1993: 10, Fenwick 1995: 134). OECD (1994: 18) underscores that the main goal is to support better decisionmaking leading to improved outcomes for the community. Its ultimate objective is to make public service more efficient and effective.

Importance of Performance Measurement

Lord Kelvin once said, "When you can measure what you are speaking about... you know something about it, but when you can not measure it... your knowledge is of a meager and unsatisfactory kind" (quoted in Hayes et al. 1995: 151). From this, one can get the argument that measuring performance is important in getting things done and that people are more likely to do what is measured than what is expected.

Friedman (1997: 29) in discussing accountability and performance measurement say:

Accountability systems—whether results or performance—are not ends in themselves, but means to the ends of improved conditions of well-being for children, families, and communities. The technology of accountability will always be developmental and controversial. *If accountability is real, then it affects things that matter.* It provides consequences for success and failure. Without such systems, we will fuel cynicism about government and private-sector performance, and, worse, we will deserve such cynicism. *Performance measurement, as part of a results-based accountability system, can help build public confidence in government and community institutions, and, more importantly, help us create improved results for children, families, and communities (italics mine).*

So performance measurement in this sense is important as it makes accountability real, since it gives empirical information about performance.

Parker (1997) gives three key advantages of performance measurement:

- (1) *Measurement clarifies and focuses long term goals and strategic objectives.* Performance measurement involves comparing actual performance against expectations and setting up targets by which progress toward objectives can be measured.
- (2) *Measurement provides performance information to stakeholders.* Performance measures are the most effective method for

communicating to legislatures and citizens about the success of programs and services. For example, in public education, states and school districts routinely issue "report cards" highlighting test score outcomes and other key indicators of educational performance. These have become centerpieces of attention among not only educators, but also among other stakeholders.

- (3) *Measures encourage delegation rather than "micro-management."* Hierarchical structures and extensive oversight requirements can obstruct organizationaleffectiveness. Performance measures free senior executives for more strategic decisionmaking and selective intervention, while clarifying the responsibilities and authority of managers.

Performance measurement is important then as it provides information or feedback regarding how one is doing. This is needed to know what to continue doing as is and what to improve, whether one is going in the right direction or not.

As a basic management tool, performance measurement could help to improve performance by providing answers in three dimensions: efficiency, effectiveness, and significance. Koteen (1998: 317) points out that it can help provide answers to questions like:

- Is the organization/program/department fulfilling its purpose?
- Have we reached our goals and objectives?
- Should we change our priorities?
- What are reasons for success or failures?
- What lessons did we learn for the future?

Needless to say, it follows that if PSOs want to do well and if they want to develop into what Osborne and Gaebler (1992) call "results-oriented" organizations, then performance measurement is needed. It is a necessary though not a sufficient condition for success.

Criteria for Selecting A Set of Performance Measures

There is no one single measure of performance for a government organization. It is an amalgam of different dimensions although some—like achieving overall financial targets of effectiveness measures—may be perceived as having greater significance. Therefore, measuring overall performance requires an appropriate mix of performance dimensions, developed with full knowledge of their interrelationships (OECD 1994: 38, Hatry 1999: 313).

Below is a list of criteria useful for selecting an appropriate set of performance measurement as recommended by Hatry (1999), Bens (1986), and Ammons (1996):

Validity/Reliability. Is the measure valid, does it measure what it is suppose to measure accurately enough? Reliable performance measures exhibit little variation due to subjectivity or use by different raters. A measurement might be quite reliable or accurate but the data might be invalid; it might not measure anything meaningful or might measure the wrong thing.

Understandability. Would the measure be reasonably understandable by government officials? Generally, overly technical measures or ones that involve complex combinations of elements have limited use, at least for higher-level officials or for citizens. However, there are circumstances where more exotic measures can become understood and so useful like air pollution indices initially developed in technical terms are then translated into degrees of hazard to the public and hence become useful to everybody concerned.

Timeliness. Can the information be gathered in time for it to be useful to public officials, whether operating managers or policymakers?

Potential for encouraging perverse behavior. Would the measure result in behavior that is contrary to the overall objectives of the organization? A measure like "number of tickets per police officer year" has a large potential for encouraging harassment of citizens or concentration on issuing tickets for minor violations instead of focusing more on intelligence work or solving difficult cases. Schiavo-Campo and Tomassi (1999: 344) tell a parallel example of a tribe in Australia who, upon being told that their subsidies would depend on keeping sanitary facilities clean, did so by cleaning the toilets thoroughly—and then closing them to the public.

Uniqueness. Does the measure reveal some important aspect of performance that no other measure does? This criterion is needed to keep down the number of measures by trying to ensure that they don't overlap and duplicate each other. Multiple performance measures are inevitable for most government activities but too many measures can quickly cause both data collection and information overload.

Sensitivity to Data Collection Costs. What does it cost to collect and analyze the data for the measure? Ultimately, the cost of measurement has to be justified by its value in improving decisionmaking, reducing or avoiding service costs, improving service effectiveness, or improving service management. Unfortunately though, especially at the onset of a performance measurement system, the value of such benefits can be, at best, only very roughly estimated. Notwithstanding this, a good set of performance measures includes the best choices among practical measurement options.

Controllability. To what extent is the measure controllable by the organization whose performance is being measured? Many effectiveness measures that are not controllable in the short run can be measures of accountability of officials. They provide

an indication of how well these officials keep government policies and priorities responsive to the changing needs of the community. For example, a police department's set of performance measures that include the rate of domestic homicides in the jurisdiction should also include indicators of public safety more widely considered controllable by police efforts.

Comprehensiveness. Does the set of measures cover all or most performance aspects of the organization's functions? If not, these omissions should be made explicit or measures should be designed to fill the gaps identified.

Schiavo-Campo and Tommasi (1999: 334) gave only five criteria which they term the "CREAM" of good performance:

- *Clear*, i.e., precise and unambiguous (not necessarily quantitative)
- *Relevant*, i.e., appropriate to the objective at hand (and not used simply because it is readily available)
- *Economic*, i.e., the data required should be available at reasonable cost
- *Adequate*, i.e., by itself or in combination with others, the measure must provide a sufficient basis for the assessment of performance
- *Monitorable*, i.e., in addition to clarity and availability of information, the indicator must be amenable to independent scrutiny

They further say that if any one of these five criteria is not met, performance measures should not be introduced and other ways of assessing and stimulating good performance are needed—like the old-fashioned method of open dialogue with competent and honest managers.

Issues and Difficulties Regarding Performance Measurement in Public Sector Organizations

There are many issues dogging performance measurement. One basic issue is: why conduct performance measurement and for whom. Earlier, the importance of performance measurement was discussed and it has been shown to be an important tool both for internal management processes and external control and accountability.

In the UK, the reason for the use of performance measurement was more as an instrument of "hands off" control over services while pursuing a policy of decentralization. Consequently, they generate much resentment as "it is a form of unwanted 'backseat driving' without, as yet providing a greater degree of central control over services" (Carter 1994: 217).

Ammons (1996: 17) acknowledged the fact that some form of resistance will be encountered in efforts to develop or enhance performance measurement systems. Resistance/resentment could come from anywhere: from employees, supervisors, managers, and other government officials.

It could come from the employees as they may fear that it is a first step in a process that will lead to tougher work standards and a forced speedup of work processes, perhaps to be followed by the layoff of workers who will be no longer needed or who can not keep up. This fear, looking at the UK and German case, has foundations too. Reichard (1998: 128) notes that in German cities with heavy financial stress, performance management programs (and their corresponding performance measurement systems) tend to get the image of being a mere cost reduction instrument with "economy" seemingly the ultimate goal, accompanied by heavy cutback of workplaces.

Resistance could also come from supervisors, managers and even top local government officials who may feel threatened by what they perceive to be the insinuations of the performance measurement drive (i.e. backseat driving, accusations of poor performance, etc). They may fear loss of status or even loss of employment if performance measures confirm those accusations, or even if it would not, they would still resent the certain loss of discretion as the upper echelons (i.e. Central Government) gain yet another means of looking closely over their shoulders.

Reichard (1998: 132) points out that one of the crucial questions of performance measurement is whether politicians are willing to accept greater transparency and to make more rational decisions based on the data provided by performance measures. He presents the scenario that if the politicians are sufficiently provided with performance data, it is difficult for them to neglect the data and so with this, politicians cannot escape increased transparency. On the other hand, evidence show that politicians tend to avoid clear and transparent decisions because transparency can be used against them by their political enemies. Hailstone (quoted in Reichard 1998: 132) says, "There is in general perhaps a natural reluctance for politicians to embrace performance measures willingly. Being too specific about political intention, and in particular given the difficulties of doing so in a time of severe financial constraint, leaves politicians exposed to a subsequent charge of non-delivery if they do not achieve 100 percent of planned targets."

Corollary to this is the issue of the extent to which performance data should be published (OECD 1994: 42). Publication may improve accountability to parliament and taxpayers and reap the benefits of transparent administration. On the other hand, there are reservations for complete openness and stress is placed on the need of selectivity as clearly, there may be areas of government activity which generate sensitive or confidential information unsuitable for publication. There are also risks of incorrect use of information or ignoring its inherent limitations, of demotivating staff by unfair criticism; of not analyzing and recognizing the messages they give. Hailstone (1994: 191) notes that this has happened all too often in the UK case with

politicians, who have either been looking for a quick fix or to demonstrate that they have been taking action, acts on published performance measures without first looking underneath these measures and exploring the inherent factors affecting the performance measures. This has contributed to performance measure falling into disrepute.

Another corollary to the issue of politicians is the question of incentives. Why should a politician want to have a performance measurement system? Or why should a manager or chief executive of a PSO want to have one at that, with all the difficulties, additional work and cost it entail? If we follow the arguments of Rational Choice Theory, we would have to find enough incentives or motivations for them to want to do this.

Ammons (1996: 18-19) further identified three common declarations by opponents of improved performance measures: "You can't measure what I do," "You're measuring the wrong thing," and "It costs too much and we don't have the resources."

Those who declare that "*You can't measure what I do*" are usually departments/units/people doing non-routine work and with an absence of an existing data collection system. They may declare this statement sincerely as they may think that if their performance could have been measured, it already would have been. This declaration may generally also be a statement of the difficulty of measuring performance in the public sector due to its unique characteristics, which will be discussed later.

The "*You're measuring the wrong thing*" statement usually have foundations too in that it may be that relatively insignificant performance dimensions are being measured and that more important dimensions are being ignored. Take for example the primary healthcare worker whose performance is measured by the number of children immunized when most of her time is spent in giving training to families about preventive healthcare, and which may have a bigger long term impact than plain immunization. So it is possible here that the fundamental problem is a debate over appropriate performance measures, a difference of opinion existing between upper management and the service delivery unit over desired elements of service.

The statement "*It costs too much and we don't have the resources*" recurs over and over again. This is especially true for organization officials who already feel that their resources are stretched too thinly, even insufficient, and who then would be reluctant to add a performance measurement system to their load. Ammons (*ibid*) liken them to an overburdened logger who, facing stacks of uncut logs, feel he could not spare the time to sharpen his dull saw. This is not to say that this statement is not valid. Some OECD countries already engaged in performance measurement express concern about the cost of establishing and operating performance measurement systems as they may require substantial investment in securing baseline data and/or reporting in extensive and frequent detail on a great number of measures. Such systems are likely to be expensive and it is therefore important that at the planning stage, launching and operating costs are fully identified and a cost-benefit analysis

undertaken to ensure that the system to be implemented would be cost-effective or that cheaper alternatives have not been overlooked (OECD 1994: 49).

Another basic issue is: how should performance be measured? This is not only an issue of methodology or technicality but of concepts, which would lead us to the issue of the unique characteristics of public sector organizations as compared to private organizations. This is an issue that keeps cropping up in discussion of NPM reforms as it is mainly derived from private business models. In performance measurement, the NPM approach focuses on results/outcomes as opposed to focus on inputs and procedures (Hughes 1998: 62, Hood 1991: 4-5, Lynn 1998: 109).

Isaac-Henry, et al. (1993: 77-79) discussed some characteristics of the public sector that complicates the concept of successful performance and its achievement—far more so than in the private sector.

- PSOs have multiple stakeholders who have to be taken into consideration. This is far more complex than in the private sector where ultimately, the interest of the owner/stakeholders prevails.
- Consequently, PSOs have multiple and frequently conflicting objectives since each set of stakeholders may have a different set of values and a different view on what is appropriate performance.
- A PSO, especially a local government unit, usually delivers a wide range of complex services and policies in a non-market or quasi-market environment and is usually in a monopoly position.
- PSOs are also a lot different by nature because some public services involve coercive relationships (i.e. policing, primary education, tax payments), involve dependency (i.e. social security), are non-rejectable (i.e. arrest), involve conflict and may have irreversible impacts. Many outcomes only appear after a long time has elapsed. It is sometimes hard to distinguish between activities and processes and the output of the service, as the output is also the very process of being served. Gaster (1995 in Isaac-Henry *ibid*) points out that in many public services, it is the quality of the interchange between the provider and recipient which is vital to an assessment of quality performance.
- PSOs then are not only concerned about doing the right thing but also about doing the things right. The public is not only interested in outcomes but also in the process. The political values of participation, negotiation and democracy may be seen as key ingredients of successful performance.

Summing it up, Isaac-Henry concludes that performance measurement in PSOs is inevitably a political and value-laden exercise where judgment and therefore, difference is inescapable.

Moss Kanter and Summers (1987: 227) emphasized the multiplicity of stakeholders and the peculiarities (uncertainties and uncontrollability) of the political environment of PSOs and then argue that the significant questions about performance are not technical but conceptual. As Jackson (1993: 9) denotes, performance measurement in PSOs are fraught with theoretical, methodological and practical problems which run deep in the discussion of democracy. In a smaller scale, we could also say that the discussion about performance measurement has a lot to do about the changing discussion of accountability in the public sector (Esden 2000).

To give a rundown, theoretical problems of performance measurement would even be the basic issue of whether to use it just for internal management (managerial use) or as a means of control or to provide those outside the organization with a basis for judging performance and establishing accountability, or both. The methodological problems would be how to go about it, the definition even of 3Es and whatever E (i.e., equity) would be used, what quantitative and qualitative performance measures to use, who would collect and process the performance information, how often, etc. Practical problems may be the need to get and install a new management information system to make performance measurement system work better, or it may be overcoming the resistance of employees, managers, or politicians, where to get the funds needed to come up with a good performance measurement system, etc.

The discussion above gives the difficulties and issues of performance measurement in PSOs but it does not mean then that we should do away with it and abandon all efforts of developing, enhancing and using them. As Isaac-Henry (1993: 79) puts it "It must not be taken as a counsel of despair but only as a warning against a naive and simplistic approach." Ranson and Stewart (1994: 231) also suggest the same thing when they wrote:

...it is unrealistic in the public domain to expect fully satisfactory measures of performance, but that does not mean that performance measures have no role in performance assessment. They can have a role provided their limitations are appreciated. If perfect performance measures are not available, then the alternative is... to use imperfect or uncertain performance measures in full awareness of their limitation. That means using the measures but not placing total reliance on them, rather seeing them as one means of informing and judging...

And as one old saying goes, "Knowing the enemy is winning half the battle!" The discussion of the difficulties to performance measurement does not mean withdrawing from the battle but rather seeking to understand it in order to know how to deal with it.

Donald Kettle (1995 in Koteen 1997: 262) says that the biggest difficulty in thinking about the problems of performance measurement is that reformers and managers alike far too often consider it simply a problem of measurement and that

“too often reformers pursue measurement for its own sake.” We would want to avoid this mistake.

Resolving the Issues: Some Suggestions in Implementing a Performance Measurement System

With the previous discussion in mind, we shall now proceed to explore what can be done to solve or at least minimize the problems of implementing performance measurement in the public sector.

First, it is important to establish the purposes of the performance measurement system being set up. This is crucial because different purposes would bring out a different design as it would influence the performance measures to be chosen, its presentation and use of the information. OECD (1994: 20-21) concurs with this view and laid out different scenario for different purposes:

If the purpose is purely internal and technical/administrative with a major focus on achieving improvement, the performance information would need to be more detailed and to be kept reasonably confidential. On the other hand, if the purpose were external and political, the information would be more general, and of course made accessible to the public.

OECD Member countries reports varying uses summarized below (OECD 1994: 43-44):

- In the U. S., it is primarily used within organizations to improve the management and operation of program. It can be used on the initiative of the individual managers to monitor, at regular intervals, the output of a team, an organization or part of it. The essential function here is to improve the internal workings of an organization.
- In France, Norway and the Netherlands, performance information is used not only to promote efficiency within the organization but also to enhance the quality of the service to the public. Performance results have been compared with those of similar entities in the same sector, and in Norway and Netherlands, also with a limited number of private sector services that are in direct competition with the public sector.
- Australia and the U.K. used performance information more explicitly for external rather than internal purposes. Performance information is provided regularly to Parliament and ministers for accountability purposes and to inform policy decisions; to the general public to prove “value for money” to the taxpayer, to the Treasury to determine priorities between programs, and to government audit bodies to facilitate an independent review of public sector activities.

It is possible then that a performance measurement could be designed to suit both purposes, external and internal. Since a system intended for internal or managerial use is more detailed, it is recommended that an organization start with that (OECD 1994: 18, Hailstone 1996: 192, Koteen 1997) and make this purpose predominant. And then, from the information generated, come up with more general performance measures that could be released for external purposes.

Hailstone (1996: 194) recommends "cascading" performance measures from the top down in an organization too. At the top level, the Chief Executive only needs a handful of key performance measures which tell him in overall terms how each area is doing. If he needs more information, he can approach the unit head or manager concerned who would be armed with a number of more detailed performance measures. In this way, performance measures is cascaded down an organization right to the staff actually delivering the service where they would perhaps need a whole range of measures in order to help them manage their particular area of activity on a proactive and ongoing basis. In like manner, more general or performance measures relevant to the public or to external purposes could be derived from the internal performance measures and then released to the public.

In the Early Childhood Education Program in Bulacan participated in by the author as a member of the Monitoring and Evaluation Team, this was done by having a performance measurement system that has a staggered frequency of data collection. Some performance measures were variable enough to entail a weekly monitoring and data collection, some monthly, some quarterly and some yearly. The measures collected frequently were mostly input, process and efficiency measures while those collected in longer periods were mostly impact or effectiveness measures (i.e. institution-building indicators).

Another important caveat in coming up with a good performance measurement system is that all involved should know and accept the purposes of performance measurement and accept it (Gardner 1998: 174). In NPM, it is ideally used in a performance management framework or strategic management framework because as discussed earlier, performance measurement should be in accordance to the mission, vision, goals, objectives or targets of the organization. This would then mean that it is better to have everybody involved from the beginning of the process of setting up the system. This caveat of participation and giving people involved a sense of ownership is to make the achievement of the aims of the performance measurement system and its sustainability more likely.

Involving people on the ground then augers well as it would help change attitude. By letting them know and understand the purposes of the performance measurement being set up and then letting them participate in coming up with the performance measures and even design of the system, a lot of the problems discussed earlier will be minimized. Since they would have a sense of ownership and with it acceptance, then there is better chance for commitment and so, success. Even just for this, it would be better to take the effort and time to involve the people in the organization

than to deal later on with resentment, apathy, non-cooperation and other feelings and actions that result from the feeling that the performance measurement system has been imposed to them.

The claims of "You can't measure what I do," "You're measuring the wrong thing;" and "It costs too much and we don't have the resources" would not be thrown as much because the persons affected themselves will help come up with their performance measures. If costs of collecting and processing the performance information would seem too prohibitive or high, it could be an issue to be raised with them and for which the feasible solution or alternative would be collectively sought out. Involving people early on would also help identify the skills needed in the implementation of the system and it could be determined then and there whether some people involved needs training (say, accounting staff or managers) or what else needs to be done (i.e., setting up a new information system).

But even as the "people on the ground" should be involved, Newcomer and Wright (1988: 12) recommend involving top-level, well-respected managers from across line management areas in the planning process early on. They caution against delegating performance measurement planning to a staff office such as the budget office. They also recommend implementing performance measurement because it is good business practice and not just because it is a necessary part of the process. This brings us now to the issue of incentives.

One common strategy to resolving the issue of incentives in the use of performance measurement is what Osborne and Gaebler (1992: 156) call performance pay: some kind of merit or bonus system for high performing individuals or groups. Phoenix, Sunnyvale and Visalia (all local governments in the United States), and many other organizations use this practice. Sunnyvale, dubbed by the Office of Management and Budget as "the best example of a comprehensive approach to performance measurement found in the United States" (Mercer 1994: 53), used a performance measurement system linked to a bonus system for managers. Visalia used bonuses to reward groups more often than individuals, on the theory that individual rewards encourage people to hoard information and compete with one another while group rewards encourage people to share information and work together. Visalia also allowed groups that improved productivity to keep 30 percent of the savings (or new revenues) they generated.

Interestingly enough, but not necessarily contradictory, managers and audit staff from the City of Austin cautioned against attaching rewards and punishments to performance measures and suggested that a reward-punishment may work if balanced heavily toward rewards. One manager also suggested the organizational reward of "shared savings" for improving efficiency, rather than the traditional practice of cutting their budget (Epstein and Campbell 1999: 31).

The above approach offers a financial incentive directly to those who are shown to have performed well, as shown by the performance measurement system. Another

strategy is linking performance measurement results to budgets wherein information from the performance measurement system would be used in deliberating the budget. As an example, San Mateo County, California uses performance information in budget documentation and decisionmaking. In Milwaukee, Wisconsin, city departments must justify their annual funding requests in the context of a city-wide strategic plan, identifying objectives for the year. Departments must specify the dollars allocated for important activities and the impacts that they will have on Milwaukee residents (Friedman 1997: 24).

Political support is very important in the success of an undertaking to develop and implement a performance measurement system. In the UK in 1979, the incoming Conservative Government in the form of the Minister for Local Government and Environmental Services said, to an audience of local government auditors (quoted in Jones 1998: 48):

Every ratepayer ought to be told where his money is going and what the services cost, so that he can see whether he is getting a good deal...and the local authorities should be ready to compare their performance with that of their neighbors and strive to improve their performance to that of the best.

In 1992, the continuing Conservative Government had the Local Government Act passed, which requires the Audit Commission to determine a set of indicators of local authority services and requires local authorities to publish in newspapers their performance against these indicators (Audit Commission 1992 in Jones 1998: 49).

OECD (1994: 46) in discussing the conditions/right environment for success of performance measurement, notes that it is primarily the result of a clearly expressed political will to support reform involving it, as gathered from experiences in Australia, New Zealand and UK. Further reading from the county and city case studies of performance measurement also bears this point. Hence, it is really important that not only top managers but politicians as well commit to support performance measurement, and the performance culture it needs to go with it, in order for it to be effective.

Summing up on our discussion on incentives or reasons for managers and politicians to develop and implement a performance measurement system, it could be one or several of the following reasons:

- They are aware and convinced of the merits and importance of having a performance measurement system;
- They are forced by legislation to do so;
- They are operating in a more general system that needs a good performance measurement system for its success like if they are using the framework of performance management, strategic management, Total Quality Management, Management By Objectives, etc.;

- There are financial incentives and also non-monetary incentives (i.e., recognition, good political strategy to answer demand of citizens for better government) to do so.
- It is fashionable to do so as it is an increasing trend in the public sector.

It would be ideal if the first three reasons were present in a performance measurement system. As has earlier been argued, it is crucial that the purposes and importance of such a system be understood and appreciated, especially by top politicians and managers. This would go a long way in making it a success. It is also important to have a legal backing and a more general framework for it. The experiences of OECD member countries attest to this as they show how a broader framework of public sector improvement and modernization may create the right environment for increased performance measurement (OECD 1994: 21). And as already pointed out, we would want to avoid pursuing measurement for its own sake, as the last reason in the list would indicate.

Another way of resolving the resentment problem of different people (employees, managers, politicians) would be to design and promote the performance measurement system in such a way that it does not give insinuations of accusations of poor performance and it does not focus on it being used for "hands-off control," as in the case in UK. As OECD (1994: 18) pointed out, the main aim of performance measurement is to support better decisionmaking leading to improved outcomes for the community, and insinuations of accusations of poor performance will not help achieve this.

In an interview of Austin City officials regarding barriers to effective use of performance measurement, they identified lack of trust and fear of possible repercussion and what it means "to be accountable" as the most dominant barriers. One department manager said he overcame some of these fears by instilling in the staff the concept that they are not being held accountable for those results which they can not control and that they are being held accountable for initiatives to impact those results. At any rate, trust is important when, like the City of Austin, a government wants to measure and report results, including community outcomes, such as crime rates and incidences of disease, which are not entirely under the control of the government (Epstein and Campbell 1999: 26).

Regarding the issue of technical and conceptual difficulties, like what should be measured (i.e., what are efficiency, effectiveness, input, output, outcome, quantitative and qualitative measures to include), Austin officials have learned to accept the difficulty and have advised, "Do not expect perfection early." One manager related: "Instead of asking my people to be perfect the first time, I said just please do it, and we will perfect it over time." Carrying this thought further, some managers reflected that measurement would never be perfect and so improvement of performance measures never end (*ibid*: 29). Jackson (1993: 11) notes that most organizations

underestimate the time it takes to design a performance measurement system, to negotiate it into place, to trial it, debug it and develop it, which could take between three to four years.

As for the issue of the complexity and uniqueness of public sector organizations, Jackson (1994: 10) just advised recognizing it—usually done in a strategic management perspective (also recommended by Koteen 1997: 259). And once the strategy is chosen, appropriate performance measures are defined that will show whether the organization is on the right tracks. Performance measures show progress—they are milestones along the road—and are a visible manifestation of what the organization stands for and represent. Ammons (1996: 19) underlines the fact that “performance measurement is merely a tool. If wielded properly, it can identify areas of performance adequacy and areas of performance deficiency. But it can not explain the former nor prescribe remedies for the latter.”

Indeed, performance measurement is not an exact science. Its’ conceptual, methodological, and practical limitations must be recognized. In the public sector, it should be used to get a better feel for performance in order to assist in decision-making, rather than to arrive at some precise bottom line. A performance measure does not speak for itself (OECD 1995: 36). This is another reason why it is recommended that performance measurement be used in a strategic management framework.

Finally, performance measurement systems should also have a performance measurement built in. This is just logical considering the logic of the system itself (Schiavo-Campo and Tommasi 1999: 345). It does have to be reviewed from time to time in order to assess how it is doing and how to improve it.

Application and Reflections for the Philippines’ Local Government Units

Overview of the Scenario of Local Government in the Philippines

The passage and implementation of a new Local Government Code (hereinafter referred to as “The Code”) in 1991, officially called Republic Act 7160, abruptly changed the scenario of local governments in the Philippines. Its promulgation was actually in accordance with the 1987 Constitution provision that declared “the state shall ensure the autonomy of local governments” (Article II Section 25).

In what Brillantes (1998: 521) described as “by far the most radical and far reaching policy that addresses the decades-old problem of an overcentralized politico-administrative system,” the Code devolved to the local government units (LGUs) the responsibility for the delivery of five basic services which were formerly the responsibility of the national government—health, social welfare, agriculture, public works and natural resources. This entailed not only the power and responsibilities but also the transfer of corresponding manpower and financial resources. Other provisions deal with increased people participation in the process of governance and

local development, powers and responsibilities of each level of local government and its corresponding officials, increased power in revenue generation and autonomy to spend them; all this generally gave flesh to the promise of local autonomy so long aspired for (Tapales 1998: 133).

One provision that is of special interest with regard to the purposes of this paper is Section 15, Chapter 2 of Book I wherein it is stated:

Every local government unit created or recognized under this Code is a body politic and corporate endowed with powers to be exercised by it in conformity with law. As such, it shall exercise powers as a political subdivision of the national government and as a corporate entity representing the inhabitants of its territory.

There are four tiers of local government in the country—provinces, cities, municipalities and *barangays*. The provinces are the intermediate levels between the national government and the cities and municipalities. As such, they perform developmental and coordinative functions and services for the cities and municipalities comprising them. Below them are the cities and municipalities, comprised of several *barangays*. They are the closest, physically speaking, to the people and are the main essential service providers.

The *barangays* compose the last and lowest level of local government and are attached either to a city or a municipality. The specific functions they perform may be considered minimum and merely serve to support the services provided by the cities and municipalities (Cabo 1998: 153-154).

Consistent with the basic policy on local autonomy, the President of the Philippines exercises general supervision over LGUs to ensure that their acts are within the scope of their prescribed powers and functions. At present, the President does this mainly through the Department of the Interior and Local Government (DILG).

Trend in Performance Measurement in the Philippines' LGUs

As indicated earlier, the author has not yet come upon much work dealing with performance measurement in Philippine literature. This does not necessarily mean though that the Philippine public sector does not engage in performance measurement. It may only mean that her search has not been exhaustive enough or that it is not yet a topic that has generated a lot of interest in Philippine public administration scholars, and hence, very little published works regarding the subject. Informal interviews with several government officials indicate that some departments do have good performance measurement systems in place (i.e. the Department of Trade and Industry has a performance measurement system that enabled one of its regional offices to be accredited with the International Standards Organization 9002 or ISO 9002).

In the local government arena, there is not much emphasis on performance measurement. However, some innovative local chief executives, particularly mayors, are using or have been using strategic management, or its equivalent, in their respective cities or municipalities.

Sajo et al. (1998: 44-45) cited the town of Irosin, Sorsogon as one that has an effective strategic management process. They recounted how in 1992, the municipal government, in coordination with a non-government organization operating in the area, called for a multi-sectoral development planning workshop. Participants were composed of representatives from the LGU, NGOs (non-governmental organizations), POs (people's organizations), socio-civic and religious groups, education sector, business and landowners. The planning workshop ran on three stages, which are environmental scanning, vision-mission-goal and logo formulation and strategy formulation. This effort did not end here but became a continuous process, right down to the *barangay* level.

Jamig (1998: 39-40) also chronicled the conduct of a seminar workshop on strategic planning for senior officials and personnel of the City of Lipa, upon request of the then new mayor who attended and participated actively. The output of the workshop were: vision and mission statement for the city government, a list of key stakeholders that the city government has to deal with, the city government's strengths, weaknesses, opportunities and threats as perceived by the stakeholders themselves and proposed strategic actions that the organization may undertake to achieve its desired goals.

The reason the above LGUs and their experiences are being cited is that it is very possible that within the strategic actions proposed and taken actions of, there were built in performance measures. Hopefully, performance measurement is being conducted. This is deduced from the strategy formulation process in strategic management. The Local Government Academy, the training arm of DILG, lists several elements integral to strategy formulation, which are: Objectives, Strategic Actions, Target/Output indicator, Time frame, Responsible Agency, and Commitment (Sajo et al. 1998: 43). Target or output indicators are our performance measures and so are the objectives it framed following the "SMART" (Specific, Measurable, Attainable, Realistic and Time-bounded) rule of framing objectives in strategic management. So then, it could be inferred that these LGUs and other LGUs undertaking strategic management are also setting up corresponding performance measurement systems.

There is also the presence of the *Galing Pook* Awards or the Innovations and Excellence in Local Governance Awards that seek to recognize and replicate outstanding programs of LGUs that have effectively addressed problems in their respective communities. Brillantes (1998: 531-532) says that as of 1997, close to a thousand nominations have been received. The winners have been selected based on the following criteria (*Galing Pook* website):

- Effectiveness of service delivery
- Positive socio-economic and/or environment impact
- Promotion of people empowerment
- Transferability and sustainability
- Creative Use of powers

The *Galing Pook* Awards does not really measure the performance of the LGU as a whole, only the LGU's performance in a particular program it aims to excel in and in which it entered in the application. But still it serves as a sort of performance measurement as those LGUs who have been awarded were really deserving of it and even just being part of the short-list (20 program finalists) brings great pride to the LGU. It is an award that many LGUs strive and work for as it brings distinction, although the author would like to think that the LGUs are not working for the distinction/award but are sincere in their commitment to improving the lives of their people. The *Galing Pook* Awards recognizes this commitment and its realization in a program.

Another development that is relevant to our purpose is the Comprehensive and Integrated Delivery of Social Services (CIDSS) program started in 1994. It is basically a national government poverty-alleviation program and strategy, led by one of its departments but works closely with LGUs and let them orchestrate local development activities. One of its components is a monitoring and evaluation of people's well-being, using the Minimum Basic Needs (MBN) Indicators, gathered through a community-based information system (Bautista 1999). The scheme taps the local residents to gather information necessary in monitoring and evaluating interventions of government in advancing the social welfare issues among the populace. The data for the MBN Indicators are then collected from the *barangay* level, passed on to the municipal level, and up to the provincial level, on to the national level. At all levels, there is supposed to be a technical working group that is responsible for processing and analyzing the data which are then supposed to be used as basis for planning, budgeting and generally, decisionmaking.

The author's involvement in the impact evaluation of this program made her realize that only a few LGUs really went beyond the data collection in order to process and analyze what the data is telling them and then to use these information in their planning and budgeting activities. The few local governments who did made a lot more progress as shown by the indicators themselves and backed-up by the interviews conducted during the course of the impact evaluation.

Another effort that merits our attention is the work done by the Philippine Human Development Network. They have just come up with the third Philippine Human Development Report, produced every three years, which uses the Human Development Index (HDI) for all the provinces.

Indeed it is a form of performance measurement as the then secretary of socio-economic planning said in the preface of the report, "...the current Medium-Term Philippine Development Plan 1999-2004 in particular gives prominent place to the HDI...this administration in particular experiences no qualms in using the HDI and other social indicators as yardsticks for the evaluation of its own performance by the people" (PHDR 2000: vii). But this is in the national and provincial levels. There is little work done in the municipal and city levels. It does not also seem evident that

the provinces are taking much note, and use, of the PHDR information as a performance measure and hence as a tool for planning and decisionmaking.

Looking more closely inside the LGUs, there is of course an internal audit system or an internal control system but it is usually focused more on inputs, in compliance with laws, rules, and regulations and left to the internal auditor and to the Commission on Audit as external auditor. As the terminology used also implies, the system is more geared on controlling, not performing, on inputs and not outputs and definitely not on outcomes. There are also performance appraisals for employees as required by the Civil Service Commission but this usually does not have an impact on pay, promotion or on personnel movement but rather, rewards/promotions and lay-offs are influenced by the convergence of many factors, many of which are political (Tapales et al. 1996: 38).

The above are the only efforts towards having a performance measurement system that the author can come up with. It seems then that there is not much being done in this area of performance measurement in local governments, whether it be in the academia or in practice, which is contrary to the experience of OECD countries.

Reflecting on the reasons for this phenomena (or non-phenomena, depending on how one looks at it), a big factor would be it not being spelled out or mandated in the Local Government Code or in any other statutes, as has been the case in the OECD countries, particularly UK. It is true that the MBN surveys had legal backing but the information from it were used for other purposes and were not even viewed by its initiators as performance measures of the outcome and output or efficiency and effectiveness of the local government in the area.

There are actually also various statutes (directives and administrative orders) from the Commission on Audit and even from the President regarding strengthening internal control systems and their operations but the focus here is more on compliance and not performance, as the focus of a performance measurement should be. Hence, without this legal backing, and the accompanying mindset, for conducting performance measurement, then ergo, none is conducted, at least in the majority of LGUs.

Another possible reason why performance measurement is not being given due attention may be that the chief executives are not aware or not convinced of the need and the importance of having a performance measurement system. They may also have the sentiment of the statement "It costs too much and we don't have the resources" and so consider it as an unnecessary burden that is better forgotten, especially as there is no mandate that force or even just encourage them to develop and use one.

A third possible reason is the lack of incentives to engage in performance measurement. We have discussed the political hesitation earlier and the reluctance of politicians to be so clear with their intentions or performance targets as well as the accompanying empirical data to show whether they have achieved the targets or not. As for the unit heads in the local government, there would also seem to be no great incentive to do so.

The Philippines has still not developed the concept of rewarding organizations/units for being economical and efficient by letting them keep the savings, whether as performance bonuses or as what one manager earlier termed as "shared savings." Instead, if they were not able to use all their savings by the end of the year, there is a big possibility that their budget would be slashed the next year. Reyes (1994: 90) laments that "Bureaucracy in the Philippines today as in the past is generally punishment-centered; those who do not comply with the rules are threatened with sanctions, even if these very same rules inhibit performance. Those who do not perform can be rewarded if they follow the rules."

A fourth reason might be that the average Filipino citizen is not as demanding of good performance from their governments as other citizens in other countries are. It may be that they are more accepting of what little their government can offer them or that they have given up on their government being able to improve. The author has no empirical data for this and she may be treading on dangerous grounds but this is deduced from the common Filipino expression "That is how it is, you can not do anything about it," or the attitude that conveys the same, when talking about the inefficiencies of their government. This may also be deduced from the numerous people's organization and non-government organizations all over the country that are acting as self-help or as alternatives to local governments, which could mean that since they can not expect help from their government, they might as well get together and do what can be done to help themselves or help others.

A fifth, and an ironical one at that, might be that unlike in the OECD countries where increased demand for performance measurement can be attributed to increasing demand for resources and accompanying increase in the demand of citizens for accountability in the use of this resources, the Philippines, being a developing country, has always experienced lack of sufficient economic resources in their governments (or so it seems). And so it is nothing new to them. On the contrary, it is only with the Local Government Code that local governments now are getting more resources and are enjoying fiscal autonomy. A large portion also of the population are not paying taxes or not paying high taxes and so they make less demand of their government compared to citizens of OECD countries where there is now much talk, and also action, about performance measurement.

Recommendations for the Philippines' LGUs

The above discussion does not mean though that there is really no need for performance measurement in Philippine local governments and that there is no hope of it being put on the agenda in the near future. In fact, the opposite is true. The Code is less than ten years in its implementation and yet it has opened new possibilities and it provides a framework for a lot more other new possibilities.

With the autonomy given to LGUs, both in powers and resources, a lot more is now required of them than in the past. As an old adage say, "Freedom begets

responsibility” or “To whom much is given, much is expected in return.” Sajo et al. (1998: 180) summed it up when they said:

While it was quite easy for LGUs in the past to point an accusing finger at the national government when results of local government operations proved a failure, today, LGUs are primarily accountable for whatever happens to them. This is the very essence of decentralization and local autonomy as strategy for accelerated local development.

The author would also like to argue that the set-up in the LGUs in the Philippines makes it ideal to have a performance measurement system. This is because the governor, mayor, and *punong barangay* are both the political and administrative head. They are both the corporate and the political head. Hence, they are not only accountable for the outcomes but also for the input and output. Therefore, performance measurement is not only needed for external control/accountability but more so as a managerial tool for internal purposes.

As a managerial tool, we have already discussed how important it is. Some LGUs in the province, city and municipal level do have chief of staff or their equivalent, all have administrative officers and yet ultimately, they are the ones held responsible for the internal working of the local government. Indeed the role of the chief executives in developing and implementing performance measurement system, or any other system in the LGU for that matter, is very crucial. This was recognized by the Code when it called them “chief executives” and the ramifications of this title needs to be better understood, especially by the chief executives themselves. A lot of work still has to be done in this direction of changing mindsets but it is encouraging to see that some politicians, especially the new breed emerging in the local landscape today, are taking up the challenge seriously. So what is first needed is for the Chief Executives to know, understand and appreciate the uses and importance of performance measurement in local government operations.

Training or capability-building programs for local chief executives like the Local Administration and Development Program, a training program for mayors conducted by the Center for Local and Regional Governance in collaboration with the LGA-DILG should then recognize and emphasize this managerial shift and what it means operationally. A performance culture should be promoted and modules or topics should not only be developed regarding internal control systems but performance measurement systems. Training programs in this area would also then have to be conducted for the other officials and personnel of the local government, as we have seen from the experiences of others that this is also needed.

As pointed out earlier though, performance measurement should not be pursued for its own sake but that it should operate in a more general framework like that of Sunnyvale’s performance measurement system placed in a more comprehensive Planning and Management System (Mercer 1994). One recommendation for the Philippines is to use it in the framework of Strategic Management. Irosin and Lipa City are using it already but seemingly in a more general or outcome-based style. It is

a strategy that could be used also for the internal working of the organization and hence, done per unit. The strategic management process is strongly recommended here because performance measurement is built-in and as its name denotes, it is strategic. It first does an environmental scanning and SWOT (Strengths, Weaknesses, Opportunities, Threats) Analysis before doing anything else and this make whatever output it has attainable. Another thing is that its principle of coming up with SMART objectives attests to this fact.

Regarding the lack of legal backing identified as one of the reasons for lack of performance measurements in place, the author does not actually believe that it is the real issue because upon deeper analysis, it is an issue of values in the public sector as pointed out earlier. If it is then an issue of values in the public sector, then what is really needed is a reorientation of mindset, a development and promotion of a culture of performance and not just legalism. The author does not recommend scrapping away the internal control system, as it is important to ensure that resources are used economically and yet, it is not enough. There is a need even to review the rules, regulations and laws, as a lot of OECD countries have done, and scrap those that reward doing nothing and ignore, even punish, performance.

Incentives for good performance should be given. This is where such institutions as the *Galing Pook* Awards comes in as it provides recognition as well as financial rewards for LGUs who have done well, according to given criteria. But then, as mentioned, it only evaluates an LGU's performance in one of its programs. The possibility of developing, and ultimately requiring, performance measures that would be applied for all LGUs, or for LGUs in the same income class or similar such categories, could be looked into. This could engender a sense of competition amongst the local governments which would be healthy. Adamashek and Banner (1997: 185) say that "In local government, as everywhere else, competition is the crucial driving force that leads to performance improvement and innovation."

The DILG is currently initiating the development of a local government classification scheme that would come up with a scoring system for classifying LGUs in terms of their capability to exercise devolved powers and functions (Jamig and Esden 1999: 1-2). It is still in its development stage and its focus is not to measure the performance of LGUs but rather on establishing a system on generation and retrieval of information on LGUs' capability to provide basic public services. The same idea with a focus on measuring performance could also be explored and developed.

One possible way of doing this with what is currently being done is by utilizing the MBN survey information and repackaging it not only as a survey of minimum basic needs of the people but as a measure of how the LGUs were able to impact these needs. If this is institutionalized as such, published and with corresponding incentives for good performers, it would generate an atmosphere of healthy competition as the LGUs would strive to meeting the basic needs which is very important and it would also serve as a tool for the national government and other organizations to assess where their help is most needed or on what kind of intervention is needed from them.

Admittedly though, this is only good for poor LGUs or for LGUs whose poverty incidence is massive as indicated by the fact that it is only a measure of meeting the basic needs of people and nothing more. For a lot of LGUs, this is already a heavy task but it is also true that this may not apply so much to LGUs whose constituents are a lot better off.

Another possibility of performance measure that may apply to all LGUs and which would not require so much work on the conceptual and methodological area is the application of the Human Development Index. Work should not be done only at the provincial level but more so to the municipal and city levels as they are the organizations that bear most of the responsibility of basic service delivery. The Resident Representative of UNDP, in his foreword in the PHDR said, "We hope the results will prompt the local government politicians and officials to find ways to raise the level of the HDI in their provinces as a goal for their respective communities" (2000: viii). This would also be the hope and aim of producing HDI for all cities and municipalities. It should then be recognized as an official measure, as a benchmark by which LGUs gauge themselves not only by the progress they have done through the years but also by the relative progress of others.

Earlier, it has been emphasized that the ultimate aim of performance measurement is to arrive at better decisionmaking which leads to improved outcome for the locality (PHDR 2000). Much stress is being given here to MBNs and HDIs as performance measure because the Philippines is a developing country. It is, in a lot of respect, totally different to OECD countries (i.e. in resources, culture, needs) and if it is to develop performance measurement systems for whatever purpose, it should do so in a human development context or in a sustainable development context (UNDP 1998) and not just because it is a trend or that it is a politically correct thing to do or because a powerful organization (for example World Bank) is obligating us to do it.

But then the absence of an institutionalized performance measurement for LGUs should not be an excuse for chief executives not to develop and implement it in their individual organizations. The politicians, during campaign periods, would always say they would like to serve the people and that they would like to serve them well. Once seated, the chief executives should then give evidence to their words and one good tool is by developing and implementing a performance measurement system as recommended earlier. They do not have to wait for a command from the President or other external bodies (i.e., COA, CSC, DILG) in order to do it but just because first, it is good managerial practice and second, it is a good political strategy.

Finally, the author recommends that more research work should be done regarding performance measurement in the country by Philippine public administration and management scholars.

Conclusion

New Public Management implies the development of a culture or mindset that emphasize performance. As public sector productivity gets increasing attention, state and local governments look for ways of improving their performance. The use of performance measurement systems is an essential tool that could be used for improving both productivity and accountability in and of the organization. As with all tools, choosing the right tool is important but how skillfully the tool is used determines its effectiveness. As Clemmers puts it, "Measurement that do not lead to meaningful action aren't just useless—they're wasteful" (2001: 9).

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