

Policy paper

**Benchmarking in local authorities –
The way for Bosnia and Herzegovina?**

By Aleksandar Draganic

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Choose the masters as your mentors. That's the essence of benchmarking.

J. Kent Murray, President
Chevron Research & Technology Company

Call it wisdom or call it common sense: When you study excellent organisations, you come up with excellent ideas for your own organisation.

Gary Mize, Benchmarking Coordinator,
Exxon Company, USA

Background

The Dayton Peace Agreement established Bosnia and Herzegovina as a sovereign state with a decentralised administrative structure. The state of Bosnia and Herzegovina consists of two constituent entities, the Federation of Bosnia and Herzegovina (FB&H) and the Republic of Srpska (RS), and Brcko District as an autonomous unit. The administrative structure of Bosnia and Herzegovina is shown in the table below.

Administrative level	Jurisdiction				Total
	State	FB&H	RS	Brcko	
State	1				1
Entity		1	1		2
Cantonal		10			10
Municipal		84	63	1	148
District				1	1
Total	1	95	64	2	162

Table 1- Administrative levels and jurisdiction in Bosnia and Herzegovina

Over the last eight years, Bosnia and Herzegovina has had to deal simultaneously with the consequences of war, widespread devastation, problems associated with the great number of refugees and displaced people, as well as most of the classic challenges of transition. Since the end of the war, the creation of the civil society has been one of the most important imperatives. The country has been simultaneously undergoing a transition from a war time to a peace time environment, from a centrally controlled economy to a free market economy, and from a socialist style government to democracy. Although priorities of post-war reconstruction has been focused on reconstruction of basic infrastructure, return of the property to original owners, and return of refugees or internally displaced persons, one of very important aspects of this period was the

transition in institutions and the transition in governance¹. It is hard to say how much this process has progressed until now but one should not have big illusions about it.

Transition of government authorities in Bosnia and Herzegovina, especially local, toward good governance concept² has so far been an ad hoc process based on the “project approach”, or way of redesigning local governments by various projects created, sponsored and conducted mostly by international donors/agencies (see Table 1 below). These projects are sometimes overlapping among themselves in their content, goals and participants, which is a sign of poor coordination and non-existence of information-sharing. However, since resources (time, money, and knowledge) are scarce, not all local governments were in position to participate in them.

<i>Projects</i>	<i>Donors/Agencies³</i>
<i>Adoption and implementation of the Law on Administrative Service in the RS and at the state level</i>	DFID / EC
<i>Reform of the government structures at state and entities' level</i>	EC / DFID
<i>Preparation and adoption of the Code of Ethics</i>	DFID
<i>Strengthening the function of personnel management in the state institutions</i>	EC
<i>Governments orientated to results, development of governance tools</i>	OSCE
<i>Improvement in legislation</i>	EBRD / SIDA / WB
<i>Transparency and accountability</i>	WB / OSCE / Transparency Int.
<i>College for public officers/servants</i>	UNDP
<i>Local Government Program/Local Governance Program</i>	OSF
<i>Municipal Development Project</i>	SDC-Intercooperation
<i>Northeast Bosnia Local Government Support Activity Project</i>	the USAID-Padco

Table 2. – Public administration reform projects

¹ Simply put, "governance" means: **the process of decision-making and the process by which decisions are implemented (or not implemented)**. Governance can be used in several contexts such as corporate governance, international governance, national governance and local governance.

² For the purpose of this research, we shall assume that good governance refers to transparent and accountable, efficient and effective, and user-oriented governance

³ Note: DFID – The Department for International Development (UK)
 EC – The European Commission
 OSCE – Organisation for Security and Cooperation in Europe
 EBRD – The European Bank for Reconstruction and Development
 SIDA – The Swedish International Development Cooperation Agency
 WB – The World Bank
 UNDP – The United Nation Development Programme
 OSF – The Open Society Fund
 SDC – The Swiss Agency for Development and Cooperation

At the same time, some local governments (e.g. Sarajevo Centar) have successfully entered transition processes by using mainly their own resources (knowledge, finance, etc.), but this is rather an exception than a rule in Bosnia and Herzegovina. Bearing in mind the fact that Bosnia and Herzegovina has very limited capacities (financial and human), it is very good that certain development processes are supported by the international community. For example, the USAID has financed the creation of 22 one-stop shops, essentially information and service centres where citizens can complete most of the paperwork and processes needed to obtain the routine municipal services, such as birth and death certificates, permits, payment of local taxes and fees, etc. These efforts have significantly cut waiting times for routine municipal services, enabling citizens and municipal workers to track where exactly the paperwork is at any moment in time, thus greatly increasing accountability.

On the other hand, some very important issues that have been generated are endangering expected outcomes of the reform process:

- The local ownership of the reform process has not been established yet. Processes were not internally initiated nor guided. Practically these processes have not yet been recognized by the local actors as urgent and necessary, but rather as a fulfilment of obligations given by the international community. Such a scenario is diminishing chances for successful implementation of reforms;
- Obvious lack of coordination among different projects in designing and implementation of changes is generating missed synergy opportunities;
- Lack of transparency and openness of the reform process for active participation.

Experiences of transition countries⁴ and also some of the experiences that Bosnia and Herzegovina had, clearly show that the critical factors⁵ in creation and implementation of reforms are leading domestic forces⁶. International community cannot achieve a lot/ by imposing laws and standards or creating various institutions if there is no support from domestic forces. Whenever the key local actors were not engaged in creation of documents and solutions, they remained only written papers, even if created solutions satisfy high international standards. Bosnia and Herzegovina is chronically faced with the problem of “permanent import of foreign brains”, leaving the creative arena to international organizations and experts (who, although well supplied with concepts and experiences of other countries, are not familiar with real nature of local problems and are less motivated for sustainable and realistic reform solutions).

Local governance reform in Bosnia and Herzegovina has so far been burdened with widespread practice of creating solutions by applying the “top-down” approach. This basically means that the reform agenda was designed and created at the entity level in the RS and at the cantonal level in the Federation of Bosnia and Herzegovina without serious involvement of local actors, of those who should be most interested in good practical solutions to their problems. Existing entity associations of local authorities cannot change this situation either, since they are viewed as weak and ineffective both as a lobbying tool and as a mechanism for professional development.⁷

⁴ The World Bank, *Transition – The first ten years: Analysis and Lessons for eastern Europe and the former Soviet Union*, 2002

⁵ There are numerous factors that are important in creation and implementation of reforms but the most important among them are institutions and laws, standards, support from international community, and leading domestic forces

⁶ European Stability Initiative, *Imposing constitutional reform? The case of ownership* – a discussion paper, Berlin-Sarajevo, 2002

⁷ The USAID, *Local governance Assessment and Policy Recommendation*, Sarajevo, November 2003

Current approach to local governance reform

The project approach to the reform has created gaps (i.e. unevenness) among local authorities that are necessary to alleviate in order to have successful transition in local governance, in general. It is sure that not every local authority will be in position to participate directly in future projects. If the process of reforms at municipal level continues at the same pace/rate, and exclusively in this way, we can raise a question of its sustainability. Although there are some exceptions among local authorities in Bosnia and Herzegovina that are even now close to the level of governance of their counterparts from developed democratic societies, the general prospect is not so good. Beside local authorities (few of them) that accepted the ISO 9001⁸ or are close of doing so, and where the good governance principles⁹ are applied almost completely, there are some local authorities that are far behind the previous but are aware of their future path. However, there are some local authorities that didn't even begin considering the good governance concept. The USAID's Local Governance Assessment in November 2003 showed that "Mayors in both entities complained about "inheriting" large numbers of staff from the previous regime or during the war period. These staff members often do not have the skills, professionalism and willingness to work in a modern public administration system"¹⁰. It is sure that this situation is clear to everyone involved in the transition (from administrations to donors that are involved in funding and implementing projects).

⁸ The ISO 9001 is one of the most widely known standards ever and it has become an international reference for quality management requirements in business-to-business and business-to-customers dealings. The ISO 9001 is primarily concerned with "quality management". This means what the organization does to fulfil the customer's quality requirements, and applicable regulatory requirements, while aiming to enhance customer satisfaction, and achieve continual improvement of its performance in pursuit of these objectives.

⁹ For the purpose of this proposal, EDA's methodology has been used related to good governance. Good governance principles that can be applied by municipalities in their operation are efficiency and effectiveness, transparency and accountability, and participation.

¹⁰ USAID, *Local governance Assessment and Policy Recommendation*, Sarajevo, November 2003

The inertia of the current project approach in the transition in local governments will lead to widening of gaps in functioning, unequal development and conflict situations, and citizens migration, especially of the young people that are looking for their own place “under the sun”. This would create vicious circle that would slow down and prevent future transition processes.

Single projects are fine, but when local governments face similar problems and situations, it is better to have coordinated responses to current project approach or at least to share best practices among themselves. Projects focused separately on different local authorities and regions are more than welcome, but without wider inclusion of local authorities, there is no complete and sustainable transition and development of local governments in Bosnia and Herzegovina. Let’s imagine this situation. A village has been struck with fire and all houses, more or less, are in flame. And let us assume that some families are trying to stop the fire by themselves, using only few available fire extinguishers. Those families closer to the devices for preventing fire will probably manage to put it out. But, what will happen with the rest of them? The majority will probably suffer terrible consequences. Is it better to have fire extinguishers next to every house? The answer is yes, of course, but it is costly. Or, is it possible to have joint effort in stopping fire? The answer is yes, but there are arguable questions on incentives, motives and the will to do it. Families would probably join their efforts if they could see that they are gaining something from it, for example satisfaction, security, utility or so on. I see the individual fire prevention from the previous example as an illustration of the project approach to reforms in which families are local authorities and where fire extinguishers are projects.

Lack of coordination, lack of knowledge and skills, no participation in projects and ad hoc approaches are often blamed for such slow and unequal transition. Thus, the necessity

for more equal transition within the country will drive the research toward creation of new methods and tools for that task.

Policy alternatives to current reform efforts

Certainly, the transition could be guided from the higher level of government. The strongest cross-cutting message from the discussions on selecting and evaluating performance management models¹¹ was the need to develop a change-management strategy. Traditionally, Bosnia and Herzegovina might have balanced between two models—one model promoting a single (government-wide) management solution imposed across the board to ensure consistency and expediency in implementation, and a second model of letting the managers manage within the generic framework allowing each local authority to choose its own reform tools and when and how to implement them. This second model has the benefit of maximising staff ownership of changes, but can result in a very patchy situation where some organisations are much more advanced than others. Therefore, the situation in Bosnia and Herzegovina obviously favours the single model at the state level. The state level for imposing single model for all local authorities would be the only reasonable solution since if conducted from the lower level, the problem of coordination and its associated problems (scarcity of resources, time and money) would be increased. For example, it can be assumed that the state level can create the model of best performing local government in order to implement it in every local authority in Bosnia and Herzegovina. However, would that lead to positive results in transition, in general? They need to collect and process information on what is the best performing local authority, find the model, and implement it while having in mind current political situation that does not favour any unified policy. And would that policy alternative have something that can initiate future changes which are needed in order to

¹¹ Trosa et al., *Benchmarking, Evaluation and Strategic Management in the Public Sector*, OECD, 1996

respond to unanticipated events? The answer would be no since the best performing local government model is static in its sense. Also, one of the important issues is whether higher level of governments, considering the process of transition in them, can be initiators or carriers of transition in local governments. It is hardly feasible since some positive efforts should have been seen in transformation of those higher entities (cantons, entity or state) by now.

However, the feeling is that there is no single model applicable to all local authorities, but that there are sufficient analysis and cross-fertilisation mechanisms which should have to be put in place if local authorities do not want to “reinvent the wheel” or make the same mistakes as others who have tried these methods before them. The model one chooses has to fit with:

- objectives of a reform;
- differences between the missions and “professional identities” of the members involved;
- individual organisational cultures;
- legal framework.

Reforming the performance and accountability systems in public service organisations is being increasingly recognised as a learning process rather than a quick fix. While it is a process that evolves and changes over time, local authorities still call for a guiding “framework” setting out the fundamental principles of each element of the reform.

Thus, the second policy alternative can be an introduction of benchmarking in transition of local governments. It will complement current positive results in the process of reform in local governments and disseminate them to the wider population. By entrusting the transition more in the hands of local administration, we presume that the problem of ownership over reforms and the problem of coordination will be solved. Of course, it is

necessary that all relevant parties (higher levels of governments, donors, etc.) be informed on this policy in order to achieve positive results in future reform processes.

Benchmarking

In the past decade the terms “Benchmarking” and “Best Practices” have been used almost synonymously. For many organizations, benchmarking and best practices have become a cornerstone of their success, which in turn has created even greater interest in these processes. The effort of “being the best” is currently recognised and awarded by the OSF in Bosnia and Herzegovina through their local governance programme¹². Nevertheless, the processes and mechanisms of introduction, teaching and implementation of their experiences and practices to other subjects are still to be established. Further explanation of benchmarking will be explained in the next section.

There are numerous definitions of benchmarking, but essentially it involves learning, sharing information and adopting best practices to bring about step changes in performance. So, at its simplest, benchmarking means: ***“Improving ourselves by learning from others”***.

In practice, benchmarking usually includes:

- regularly comparing aspects of performance (functions, processes or results) with best practitioners;
- identifying gaps in performance;
- seeking fresh approaches to bring about improvements in performance;
- following through with implementing improvements; and
- following up by monitoring progress and reviewing the benefits.

¹² Project “Best practices of local governance in Bosnia and Herzegovina” managed by Open Society Fund (OSF) B&H, 2003-2004

In the private sector, the purpose of benchmarking is to gain a competitive edge. A benchmarking approach has become embedded in successful companies as a means of seeking innovation outside the industry paradigm - a way of keeping at the forefront of the competition. Recent surveys show that benchmarking is the third most used management tool.¹³ Interest in benchmarking is continuing to grow across the world.¹⁴ Benchmarking is also being recognised as a valuable tool for external learning strategies.¹⁵

Over recent years, public sector organisations across the world have gradually been turning to benchmarking their public services. In the UK public sector, benchmarking has been acknowledged as a powerful tool for improving and bringing about the sort of step changes needed to deliver modern public services. This is against a background in which the drivers for change are becoming as intense as the competitive pressures felt by industry. It has also been recognised that efficient and effective public services play a vital part in improving private sector competitiveness by reducing the burden on business and compliance costs. Benchmarking is one way of providing the stimulus needed for change in the delivery of both core and non-core activities and for raising the standard of public services by spreading good practices. Encouraging the widespread and systematic use of benchmarking across the public sector can help with improving performance and can assist individual and organisational learning.

¹³ Bogan, Christopher; English, Michael; *Benchmarking for best practices-Winning through Innovative Adaptation*, McGraw Hill, 1994

¹⁴ Kettl, Donald; *The Global Public Management revolution: A Report on the Transformation of Governance*, The Brookings Institute, 2000

¹⁵ PUMA (OECD), *Knowledge management: Learning-by-comparing experiences from private firms and public organisations*, OECD, 2001

When starting a benchmarking project, it is necessary to measure and collect the data on current performances.

Successful benchmarking, in which gaps in performance are bridged by improvements, results in significant tangible benefits that are needed in the public sector, such as:

- step changes in performance and innovation;
- improving quality and productivity; and
- improving performance measurement.

Benchmarking can also have a beneficial effect on aspects needed to support continuous improvement, such as¹⁶:

- raised awareness of performance and greater openness about relative strengths and weaknesses;
- learning from others and greater confidence in developing and applying new approaches;
- greater involvement and motivation of staff in change programmes;
- increase in willingness to share solutions to common problems and build consensus about what is needed to accommodate changes;
- better understanding of the ‘big picture’ and gaining a broader perspective of the interplay of the factors (or enablers) that facilitate the implementation of good practice; and
- increasing collaboration and understanding of the interactions within and between organisations.
- increase in citizens’ satisfaction related to public services

¹⁶ The Audit Commission, *Annual Report: Making and Impact*, London, 2003

Types of benchmarking

Benchmarking is a very flexible tool that can be applied in a variety of ways to meet a range of requirements for improvement.

Standard benchmarking classification includes¹⁷:

1. **Strategic Benchmarking** is used where organisations seek to improve their overall performance by examining the long-term strategies and general approaches that have enabled high-performers to succeed. It involves considering high level aspects such as core competencies, developing new products and services; changing the balance of activities; and improving capabilities for dealing with changes in the background environment. The changes resulting from this type of benchmarking may be difficult to implement and the benefits are likely to take a long time to materialise.
2. **Performance Benchmarking, Competitive Benchmarking or Result Benchmarking** is used where organisations consider their positions in relation to performance characteristics of key products and services. Benchmarking partners are drawn from the same sector. However, in the commercial world, it is common for companies to undertake this type of benchmarking through trade associations or third parties to protect confidentiality.
3. **Process Benchmarking** is used when the focus is on improving specific critical processes and operations. Benchmarking partners are sought from best practice organisations that perform similar work or deliver similar services. Process benchmarking invariably involves producing process maps to facilitate comparison and analysis. This type of benchmarking can result in benefits in the short term.

¹⁷ The classification of the benchmarking and its further explanation has been taken from the PSBS (Public Sector Benchmarking Service) website www.benchmarking.gov.uk

4. **Functional Benchmarking** or **Generic Benchmarking** is used when organisations look to benchmark with partners drawn from different business sectors or areas of activity to find ways of improving similar functions or work processes. This sort of benchmarking can lead to innovation and dramatic improvements.

5. **Internal Benchmarking** involves seeking partners from within the same organisation, for example, from business units located in different areas. The main advantages of internal benchmarking are that access to sensitive data and information are easier, standardised data is often readily available, and, usually less time and resources are needed. There may be fewer barriers to implementation as practises may be relatively easy to transfer across the same organisation. However, real innovation may be lacking and best in class performance is more likely to be found through external benchmarking.

6. **External Benchmarking** involves seeking outside organisations that are known to be best in class. External benchmarking provides opportunities of learning from those who are at the leading edge, although it must be remembered that not every best practice solution can be transferred to others. In addition, this type of benchmarking may take up more time and resource to ensure the comparability of data and information, the credibility of the findings and the development of sound recommendations. External learning is also often slower because of the ‘not invented here’ syndrome.

7. **International Benchmarking** is used where partners are sought from other countries because best practitioners are located elsewhere in the world and/or there are too few benchmarking partners within the same country to produce valid results. Globalisation and advances in information technology are increasing opportunities for international projects. However, these can take more time and resources to set up and implement and the results may need careful analysis due to national differences.

When selecting which type of benchmarking to use, the following aspects are considered:

- objectives to be achieved and aspects to be reviewed;
- time and resources available;
- level of experience in benchmarking; and
- the likely sources of good practice.

Irrespective of the type and scope of benchmarking, experiences from previous benchmarking projects show that it will be important to ensure that¹⁸:

- senior managers support benchmarking and are committed to continuous improvements;
- the objectives are clearly defined at the outset;
- the scope of the work is appropriate in the light of the objectives, resources, time available and the experience level of those involved;
- sufficient resources are available to complete projects within the required time scale;
- benchmarking teams have a clear picture of their organisation's performance before approaching others for comparisons;
- benchmarking teams have the right skills and competencies and have access to training, advice and guidance over the course of projects;
- stakeholders, particularly staff and their representatives, are kept informed of the reasons for benchmarking and the progress made throughout the course of

¹⁸ The Audit Commission, *Annual Report: Making and Impact*, London, 2003

- projects. Where practicable, staff should be involved in undertaking benchmarking to make the most of the opportunities for learning from others; and
- the development of recommendations is an inclusive process and that proposed improvements are realistic in the context of local circumstances and other initiatives.

In general, benchmarks are not used as tools for resource allocation between local authorities—at least not officially. This may be because the link between benchmarking and resource allocation is complex. For example, giving more resources to the best performing organisations may widen the gap between them and poorer performing organisations without addressing the real performance issues. On the other hand, not rewarding the best performers might be discouraging, and even serve as a disincentive for ongoing performance improvements. In some cases, it may be preferable to use resource allocation to benefit those poorer performing organisations in exchange for a commitment to improved performance targets. Thus, there is not a one-way link between the results of benchmarking and resource allocation decisions. Benchmarking is a good “trigger” to start the analyses of why there are gaps and discrepancies over results, but it is less effective as a diagnostic tool for prescribing how to deal with those results. Benchmarking is also a useful device for engaging public pressure, whereby those with “bad” benchmarks feel obliged to raise their status.

Some of the current benchmarking models have been criticised for being too inward-looking, focusing mainly on increasing organisational performance but taking the viewpoint of the client only marginally into account.¹⁹ For example, data is often

¹⁹ In the paper presented at the Conference of the European Group of Public Administration in Ljubljana (2004), Uusikylä and Valovirta argue that there are problems when organisation’s performance is measured by its results. This encourages it to maximise its outcomes, but possibly with the expense of the total good produced by the society. Thus, the overall result may become sub-optimal.

collected via instruments such as client satisfaction surveys. Yet such surveys do not reveal anything about client expectations for the service because they assess satisfaction with given services, but not client's needs for services in general. Nor do they reveal anything about a service's effectiveness in implementing government objectives or social or economic impact. An overly inward-looking approach to benchmarking could lead to organisations that are perfectly managed but do not achieve the right policies. To avoid such problems, for example, a project to benchmark local authorities in the UK used consultations with community organisations to set benchmarks and then linked the benchmarks with policy priorities.

The concept of performance in the public sector is complex and multi-dimensional. Important aspects of service performance include efficiency, quality, equity, effectiveness and value for money. In addition, local authorities need to be judged more widely against their performance as units of democratic government (as reflected, for example, by levels of probity, participation and accountability). Thus a comprehensive assessment needs to include indicators and data for all of these elements of organisational processes, outputs and outcomes. In practice, performance indicators must be limited to those indicators that are available and directly comparable between analysed units. This means that common definitions of key variables are used, data collection procedures are uniform, that data are obtained for the same time period, and that the accuracy of the data has been independently checked. In a broader sense, benchmarking is synonymous of comparative performance assessment as mentioned above.

In a narrow sense, benchmarking is defined as a process for identifying and importing best practices to improve performance. It does not include creation of the performance measurement indicators nor comprehensive performance assessment. It is focused on

some improvements in organisation that can be valuable to others and could serve as a role model for how things should be done according to suggestions from relevant persons/institutions.

Taking the broad definition of benchmarking, there are two leading experiences in European local governments: the Local Authority Performance Indicators, supported by the Audit Commission in the United Kingdom, and the Annual Benchmarking of the Finances of Swedish Local Government Authorities, carried out by The Swedish Association of Local Authorities in co-operation with the Central Bureau of Statistics.

Taking the narrow definition of the benchmarking, there are few worldwide experiences: the Norwegian Association of Local and Regional Authorities benchmarking project, supported by Norwegian Association of local authorities and relevant ministries, the Public Sector Benchmarking Service, supported by the Cabinet Office in the United Kingdom, and the Benchmarking project in Spain organised by the Association of Basque Municipalities (EUDEL), the Basque Foundation for Quality Management, and consultancy firm Bilbao Metropoli-30.

The experiences from successful implementation of benchmarking at local level will be summed up in the next section.

Benchmarking in the broader sense

In the next section we will look closely into the UK and Swedish experiences with benchmarking in local authorities. They have shown that process benchmarking and quality initiatives tend to be more widespread and better linked within organisation oriented toward continuous improvement and re-engineering. Moreover, they showed that where benchmarking was not properly linked to continuous improvement

approaches, there was a danger that staff would not take ownership of changes. Thus, benchmarking should be seen as part of a new performance culture, and not as a one-off event.

Benchmarking will yield the best results where managers recognise the links between processes, outputs and outcomes. This is because results benchmarking will not provide all of the answers for why an organisation has achieved (or failed to achieve) certain levels of performance. Understanding what is behind differences in performance levels is as critical a task as uncovering the differences themselves. Similarly, process benchmarking will yield the best results where managers avoid becoming lost in detail, and instead focus on key tasks for achieving outputs. Process benchmarking is improved when it is aligned with, and facilitates, programme and organisational objectives. The diagram below illustrates this process.

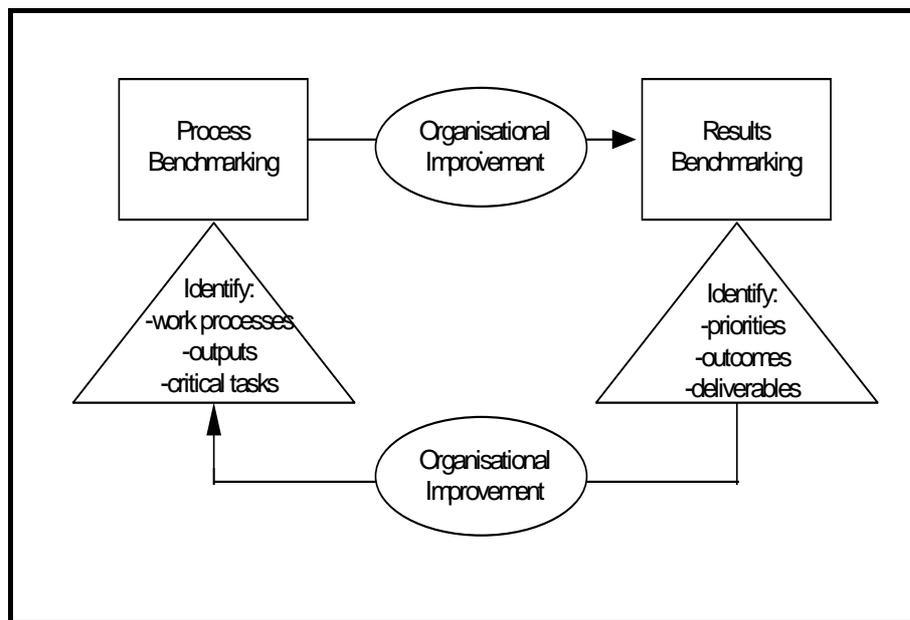


Diagram 1 – Link between process benchmarking and result benchmarking

Benchmarking appears to require a fairly strong central impetus—i.e. when there is no competition or other incentive, organisations are reluctant to benchmark without a central directive.

Benchmarking in the UK

There has been significant reform of the public sector in the UK since 1979. A wide range of initiatives has affected every area of activity, including central government, the National Health Service and local government. A common feature of these initiatives is the drive to improve value for money. Amongst the more important individual initiatives has been the creation of Next Steps Agencies to undertake many of the executive functions of government. This quest for improved value for money has led to the development of a range of efficiency tools. Within this context, “benchmarking” is one of the several tools which are increasingly recognised as particularly valuable.

Beside of benchmarking the activities of central government in the UK there are initiatives to measure the performance local authorities²⁰, which allow organisations to benchmark their performance against other, similar, services. The results are published in performance tables that are made available to the public. As an example of how the process works, this section looks at the programme of results benchmarking of the performance of local authorities in England and Wales which began in 1992.

Responsibility for the programme of results benchmarking lies with the Audit Commission.²¹ The Local Government Act 1992 for the first time required the Audit

²⁰ Local authorities in the UK are responsible for a wide range of essential services, such as education, housing, land use planning, social services and waste disposal. There is a total of 449 local authorities, consisting of 47 county councils, 333 district councils, 36 metropolitan borough councils and 33 London borough councils- though work is on-going to rationalise the system. Together, they employ more than 1.5 million staff and are responsible for expenditure of over £44 billion.

²¹ The Audit Commission, formed in 1982 as a non-departmental public body sponsored by the Department of the Environment, with the Welsh Office, has the task of auditing local authority expenditure in England and Wales. From its establishment, it has conducted national studies designed to promote economy, efficiency and effectiveness in the provision of services by the bodies which it covers. This work has now been complemented by the Commission playing the lead role in local authority results benchmarking.

Commission to produce annual comparative indicators of local authority performance. The resulting data is published annually.

The first year following the legislation was taken up with consultation between the Audit Commission and the bodies whose performance was to be covered. The process was complex and required sensitive handling, since local authorities are accountable to their own elected bodies, rather than to either the Audit Commission or Ministers. The agreed approach was for performance indicators to be defined for each area of activity²². Each indicator was designed with the bodies whose performance it would measure, to ensure that the activity measured was appropriate and that the resources required for collection of the data were not excessive. The detailed methods by which performance was to be measured were published in 1993. Given the very wide range of activities undertaken and the number of areas selected for comparison, over 200 performance indicators were set.

As part of the Citizen's Charter²³, councils had to publish in local newspapers the details of their performance against the indicators. This information, as well as an explanation of the system used for its measurement, was also supplied to the Audit Commission at the end of the year. The Audit Commission then collated the data and produced a commentary on the key activities to accompany its publication. The first set of data, covering the operational year 1993/94, was published in March 1995. The second set, covering 1994/95, was published in March 1996, thus starting the reporting of trends.

The Audit Commission's approach to the data has largely been to let the figures speak for themselves, although it supplies a commentary seeking to bring out key issues. The aim of the programme is to inform the public debate about the performance of public services. In publishing the information, the Commission has not, in most cases, attempted to define

²² More about performance indicators can be found on <http://www.bvpi.gov.uk> and <http://www.audit-commission.gov.uk>

what constitutes good or bad service. In some cases this will be obvious but, in others, views will justifiably differ about whether or not a given level of performance is good. In addition, the Audit Commission has been at pains to ensure that the data are interpreted in a way that takes local circumstances into account, such as rural or urban communities.

There was a fair degree of resistance to the programme in its initial stages. This was largely attributable to two factors. First, there was some perception that it represented a politically-motivated intrusion by central government into the affairs of local government. Second, many in local government predicted that publication of the data would have little impact and that the resources required for its collection would therefore be expended for little gain. These concerns proved to be unfounded.

The Audit Commission had undertaken research into the public's views and found that people valued the information being made available, believing that this would enhance public accountability. Concerns that reporting might be biased also proved unfounded—research indicated that people tended to interpret the performance indicators as throwing a positive light on local government and were impressed at the range of services provided for the money spent. Press coverage was also more positive than negative. The result has been that there exists a broad national and local political acceptance of the value of the performance indicators and of national publication.

However, the results from the project are unambiguous. The trend data²⁴ published in 1996 revealed that those councils with the worst performance in the previous year had improved significantly -- the five worst councils had improved performance by between 30 per cent and 60 per cent. However, a small number of councils still perform significantly below the rest. Councils performing at or close to the average do not seem to have achieved significant improvements in performance. The comparison with similar

²³ The Citizen's Charter, launched in 1991, is a ten-year programme which aims to raise the standard of

councils, which are performing excellently for similar costs, suggests that there is scope to improve.

The Audit Commission has no powers to require local authorities to use the results benchmarking data as the basis for work to improve performance. It can work only by persuasion. The Commission therefore intends to undertake a “roadshow” of seminars for councillors and officers, meeting them in their own council areas and highlighting how the indicators can help inform the process of performance review.

The Commission has also piloted an initiative to communicate directly with the public about the performance of councils. In five main cities, it has installed a computerised version of the performance indicators in the main library and will assess the level of interest from the public before deciding whether to make this exhibition more widely available.

A number of issues bear on whether the comparison could be extended to public services in other countries. The benchmarking process requires information on the performance of specific activities to be collected. It would require a significant international project to establish a common baseline, given the varying approaches adopted by countries to the delivery of the services involved, but there would be useful lessons to be learnt.

The Annual Benchmarking of Local Government Authorities-Sweden

This case deals with the *annual benchmarking of the finances of Swedish local Government authorities* that has been implemented since 1993.²⁵ The benchmarking is

public services and to make them more responsive to the needs and wishes of users.

²⁴ The Audit Commission, *The Audit Commission Annual Report*, London, 1997

²⁵ Dahlberg Lars, Isaksson Christian, *The implementation of benchmarking from a Swedish perspective*, OECD, 1996

carried out by The Swedish Association of Local Authorities in co-operation with the Central Bureau of Statistics. Its general purpose is to clarify the general financial results of local Government authorities.

The results are published in the form of a yearly report—*How Costly Is Your Local Government Authority*—containing information from the previous year's annual accounts as reported by local Government authorities. Close to 140 different indicators for each local Government authority are developed and analysed each year.

The annual report contains analysis of indicators describing all areas of the local Government economy. The indicators used are different from those used in other comparative studies that are often restricted to a specific area. For example, the National Agency of Education and the National Board of Health and Welfare perform comparisons within their own areas. Both of these studies are considerably more detailed.

The basis of all types of indicators employed consists of statistics from the annual accounts of local Government authorities and of operational statistics, population data, and statistics on personnel.

The indicators can be grouped as follows:

- *Financial indicators* - data from income and balance statements furnished by local Government authorities. Analysis is also performed at the consolidated group level, i.e. the local Government authority including local authority-owned companies (there are about 1,300 such companies). Examples of financial indicators are different income/profit indicators, debt per inhabitant, solvency, etc.
- *Indicators for different welfare programs*. More comprehensive analysis is performed on education, child and elderly care. Examples of these types of indicators are: costs per inhabitant for an activity, schooling costs per student, care costs per pensioner, etc.

- *Indicators for transfer payments, personnel and employment.* Examples of these types of indicators are social security benefits per inhabitant, grant levels for recreational or cultural activities, number of employees per inhabitant, etc.

The analysis of indicators is reported either as: a percentage figure, as an index, as Swedish kronor per inhabitant, or as kronor per a given group targeted. In addition, analysis and comparisons of different groups (size, etc.) of local Government authorities are performed.

Variations between individual local Government authorities are substantial in many cases. For example, the expenditure for secondary schooling in the Stockholm metropolitan area spans from 46,000 kronor per student to 71,000. For primary schooling they are from 3,900 to 67,000 kronor per student, and for child-care from 42,000 to 69,000 kronor per child. The average values for some indicators in Swedish municipalities are given in the Appendix 1.

The interest for following-up and evaluating local Government activities has increased significantly in recent years. Besides explaining the annual state of local finances, a principal purpose is that of creating continued self-analysis concerning why differences exist between local Government authorities. The need to follow-up the newly introduced Government grant system has further underscored the need for good indicators used in the financial practices of local Government authorities. At the local Government level, this type of financial information is principally used when working with the budget. It is also increasingly being used independently as a basis for carrying out more in-depth comparative studies by one or more local Government authorities.

The main problem with performance indicators of this character is the insufficient degree of comparability existing between different local Government authorities. The organisational and operational methods developed, together with the standards chosen for

reporting financial and operational statistics, vary substantially between individual authorities.²⁶ However, increased use has resulted in a continuing improvement of the base data used. Consequently, the continual task of improving the quality of data as well as that of the comparative process itself—both in terms of the development and use of financial and operational statistics—has been given the highest priority.

Beginning with the closing of annual accounts for the year 1995, a new system for classifying activities, costs and income has been introduced for the collection of financial data from local Government authorities in order to improve the degree of comparability between local government authorities. Moreover, a Government commission is currently investigating proposals leading to the improvement of both the quality and comparability of financial information used in local Government. Addressing issues concerning the use of indicators in annual national follow-ups is a principal task being dealt with by the commission.

One important development aspect of the work with indicators—being carried out by the Association of Local Authorities—is that of finding the most relevant indicators that can be used at both the central and local levels of Government. An equally important task is that of devising models that can explain observed differences existing between individual or segments of local Government authorities.

When starting up a benchmark process like this, it is easy to underestimate the time needed for defining normalised key-figures and establish the common systems for division of procedures, time reporting and inquiries. Since the new systems must be used

²⁶ The local authorities in Sweden are given a lot of power from the state. They are entitled to levy taxes (as a percentage of the inhabitants' income) in order to finance their activities. The local authorities decide autonomously on the tax rate. Tax revenues are the largest source of income for the local authorities and constitute approximately two-thirds of their total income. Local governments have also been given independence to run their financial and operational statistics freely according to some guiding framework that respects their autonomy. This reflects the consequences of both accountability and auditing. This autonomy is the reason for the variation among different local authorities.

during a whole year before relevant data could be compiled, the time period from start of discussions to first results must normally be 2-3 years. A benchmark introduction therefore needs a lot of determination amongst the involved parties.

But the yield comes earlier. The introduction period creates a rapidly growing interest amongst the staff and other stakeholders on the development possibilities. In some cases we can talk about a real attitude turn-around. One important result is that the local authority managements have learned about the provision of local services from the point of view of citizens.²⁷ A strengthened interest in customer opinions and financing matters are the driving forces to seek new solutions. In addition; one of the most appreciated activities during the launching of benchmarking has been the regular thematic meetings that have been arranged between the participating cities. These possibilities for person-to-person studies of more specialised professional work are not always so easy to achieve without the framework that the benchmark project has created. One concrete result is that several local authorities have reduced the processing time for building permit applications. In fact, some of them have reduced processing time by several months, having in mind that no additional resources were allocated for achieving these improvements.

Benchmarking in the narrow sense

As previously mentioned, benchmarking in the narrow sense is defined as a process of identifying and importing best practices to improve performance. It creates the network among local authorities that will serve as means for dissemination of best practices that have been evaluated by distinct practitioners and experts. The evaluation does not necessarily include entire organisation but rather focuses on some processes in the

organisation that can be served as a role model for others. In the next section we will closely examine the Norwegian Association of Local and Regional Authorities benchmarking project, the Public Sector Benchmarking Service, supported by the Cabinet Office in the United Kingdom, and the Benchmarking project in Spain.

Norwegian Association of Local and Regional Authorities benchmarking project²⁸

In the fall 2000 the Norwegian Association of Local and Regional Authorities (the Association) approached the Ministry of Labour and Government Administration with a suggestion to start a joint project based on inter-municipal benchmarking. The ministry liked the idea, agreed to support this initiative financially, and decided to make the project a part of the Government's "Renewing Government Programme".

As a result of this, a pilot project with nine specially invited local authorities was started in May 2001. These local authorities were selected because they had a reputation as willing and able reformers.

During the fall of 2001, the parties agreed that the pilot project was successful, and decided to launch the project, together with the Ministry of Local Government and Regional Development, as a nationwide initiative denoted "Local authority networks for innovation and efficiency". In January 2002, all 435 Norwegian local authorities received invitations to participate in the project.

By March, 195 local authorities had applied, as well as ten district administrations from Oslo municipality. 133 local authorities and ten district administrations from Oslo were admitted. This was the maximum number the project saw itself fit to handle and the local

²⁷ Lars Strid, *Comparative Municipal Quality Networks*, Swedish Association of Local Authorities, 2003

²⁸ Jostein Askim, *Benchmarking in local government service delivery: Window-dressing or a potent driver for improvement*, University of Oslo, 2004

authorities were selected on a “first come first served” basis. The main project started with network seminars in March/April 2002.

The project is organised with a “Coordinating group” and a project director with staff. The Coordinating group, which has met every other month throughout the project period, is made up of the project director and representatives from the Association for Norwegian Local Governments, the Ministry of Local Government and Regional Development, the Ministry of Labour and Government Administration and the Ministry of Finance.

As for funding, the project is financed jointly by the Association for Norwegian Local Governments and the Ministry of Local Government and Regional Development. Over the whole period 2001-2003, their respective shares were about 25 and 75 percent. The project budget, which in 2003 amounts to about NOK²⁹ 8.9 millions (or EUR 1.1 million), covers all costs except the local authorities’ travelling expenses. This means that participating in the project is practically free of charge for the local authorities, apart from “opportunity costs”³⁰.

The Association for Norwegian Local Governments and the government agreed that the project was to have the following three objectives:

- To contribute to improving the quality of the service delivery in the local authorities that participated in the project.
- To contribute to improving the resource efficiency of the service delivery in the local authorities that participated in the project.
- To generate indicators for the development in quality and resource efficiency in the local government sector.

²⁹ Norwegian krone

³⁰ Opportunity costs - costs that represent the time municipality staff would have spent carrying out other tasks, if they had not engaged in activities related to the project.

A secondary objective was that half of all 435 Norwegian local authorities should participate in the project.

The main findings from the Norwegian benchmarking project can be summed up as:

- The local authorities seem to be very satisfied with the data generated through the benchmarking project
- Results indicate that the participants were highly motivated to improve
- The results from the survey on benchmarking indicate that the extent to which the benchmarking seminars gave the participants new ideas varies between different issues. 78 percent of the local authorities report that the seminars gave them ideas on how to improve overall planning of the tasks. 70 percent of the local authorities got ideas on how to improve the interaction between personnel and users; 61 percent on how to produce the services more efficiently and only 42 percent on personnel-related issues.
- Majority of the participants feels that it was far from impossible to “translate” their experiences from the project. It is however clear that the respondents feel that they should have been allowed to make even better use of their experiences in their local authorities. 68 percent complain that there has not been enough time to work thoroughly with transferring their experiences from the project.
- Benchmarking project shows that more than 80 percent has not implemented noticeable changes in the daily running of the services as a result of the project. This can be seen as a consequence of previous findings since participants have said that they did not have enough time to implement improvements from the benchmarking project. We do however see an effect of top management involvement. 21 percent of the local authorities that where the CEO was involved report that they have implemented noticeable changes. In the other group, only 16

percent have implemented such changes. The same pattern of answers appears in most questions related to implementation. Where the CEO did participate, 29 percent of the local authorities report that they have made plans to implement improvements as a result of their participation in the project. And 42 percent report that they have extended professional contact with other local authorities as a result of the project. This contrasts with 22 and 35 percent respectively for the local authorities that did not involve their CEOs.

- The big picture is that the project's approach to benchmarking has proved successful. Some tangible improvements have been implemented, and there is reason to believe that more will follow. Quite a few local authorities seem to be rather unaffected by the project, however.

The public sector benchmarking service (the PSBS)

The Public Sector Benchmarking Service, launched in November 2000, has been developed as a partnership between the Cabinet Office and HM Customs & Excise with the key aim of promoting effective benchmarking and sharing good practices across the public sector.

The aims of the PSBS are to:

- promote effective benchmarking and sharing good practices across the public sector;
- support public sector organisations undertaking benchmarking projects;
- encourage learning through sharing knowledge and good practices in support of government reform;
- provide practical information on benchmarking; and

- signpost sources of good practices identified by other quality and improvement initiatives.

The Improvement and Development Agency (IDeA)³¹ and the Public Sector Benchmarking Service (PSBS) teamed up in 2001 to offer a service to help authorities do just that. The Local Government Benchmarking Sign Posting Service is a one-stop shop for those looking to improve through benchmarking. Users get access to the full range of PSBS services including online discussions, plus case study material and information on local authority networks collated by the IDeA.

In addition to finding out what benchmarking involves, the Local Government Benchmarking Sign Posting Service provides a helpdesk/research facility and also gives information on:

- potential benchmarking partners from within local government, central government and also commercial organisations;
- the multitude of local authority benchmarking clubs and what services or activities they deal with;
- other organisations, both inside and outside the public sector, which have undertaken comparable benchmarking exercises;
- performance improvement experiences from other parts of the public sector in the UK and overseas; and
- good practice in particular areas of interest.

³¹ The Improvement and Development Agency (IDeA) was established by and for local government in April 1999. The IDeA is a non profit organisation and an advocate of the best in local government. Its mission is to support self-sustaining improvement from within local government. The aim is to deliver practical solutions to improve local government performance, develop innovative approaches to ensure the transfer of knowledge within local government and act on behalf of local government as a whole, building new platforms for joined up, locally delivered services.

In July 2003, the IDeA and the Audit Commission ran three events as part of the PSBS project, attended by representatives from a wide range of councils. The events were designed to give councils the chance to share their experiences, problems, approaches and solutions. A number of key themes emerged from the presentations, group discussions, Q&A sessions and delegates' written feedback.

The main results can be summed up as:

- It was felt strongly by delegates that the national context within which councils are operating can have a significant impact (positive and negative) on their ability to effectively manage performance.
- Where an authority shows no drive for improvement an external push can help.
- Delegates also thought that demands for information from different government departments were hampering local ownership and cross-council working.
- Many councils were integrating quality and improvement models, such as EFQM³² and Balanced Scorecard, into their own frameworks jointly with benchmarking.
- Overall, delegates felt it was important to have stability, to find one approach that suited a council's way of working, which was flexible and capable of being adapted to many different situations.
- Councils need help with the 'how' not the 'what'. For example, a local authority wanted to reduce the cost of its refuse collection service, and decided to explore the savings that wheeled bins might offer. It contacted a number of authorities that were using wheeled bins for collection, and compared the costs of the wheeled bin

³² European Foundation for Quality Management (EFQM) model

system with those of the system that it was using. It included councillors in visits to see the system in action and to talk with other councillors. Using the information it has gathered, the authority demonstrated to its councillors that the new system would produce considerable savings and that citizens were likely to regard the new service as an improvement. As a result, the system was implemented, and the savings achieved.

- The better performing local authorities can learn from their benchmarking partners. Consultants found that, although there was considerable variation in the overall performance among members involved in the benchmarking project, every member had developed some particular areas of good practice.

The report, published in December 2003, showed an overall increase in number of councils that were rated highly. Against the system that ranked them, in ascending order, Poor, Weak, Good or Excellent, 26 councils improved their rating, with 2 councils jumping 2 categories from Weak to Good. In addition, many councils had made real improvements that were not sufficient to generate a higher rating. Out of 150 councils that participated in assessment, 82 are now in the top 2 categories, compared with 76 in 2002.

The benchmarking project in Spain

Following this narrow concept of benchmarking, in 1997 the Association of Basque Municipalities (EUDEL), the Basque Foundation for Quality Management, and Bilbao Metropoli-30 launched a benchmarking project to identify the best practices in Basque local government and implement them to improve their performance.

This benchmarking project in the Basque Country uses the following six steps:

1. Select the processes and services in which the Basque local authorities are in greatest need of benchmarking. For the time being, the benchmarking project focuses on these five types of municipal services:
 - Law enforcement.
 - Personal services: social subsidies, public libraries, and sports facilities.
 - Internal services: building permits, customer information service, and tax collection.
 - Maintenance of urban infrastructure: parks and solid waste collection.
 - Economic development: training and business incubators.

2. Identify key performance indicators to track these five aspects of municipal services:
 - Mission: How the local authority achieves its general goals?
 - Output: What is the amount of a product or service delivered to the citizens?
 - Effectiveness: What is the impact of the service on its customers? This impact is measured in terms of customer satisfaction, speed in service delivery, and the service demand by potential users.
 - Efficiency: What is the ratio between the outputs delivered by the service and the inputs it requires?
 - Economy: What is the ratio between the foreseen and actual costs of delivering the service?

3. Collect data on the performance of the best-in-class local authorities and the other local authorities taking part in the project.

4. Compare and analyse the performance data of the local authorities. The benchmarking project makes both comparisons among similar services provided by the same local authority and by different local authorities.
5. Identify the best practices in each local authority and in the whole group of Basque local authorities analysed in the project.
6. Launch improvement programs to close the gaps between each local authority's performance and the best-in-class.

As a result of this benchmarking project, the participating Basque local authorities are greatly improving their performance. For instance³³, in the Municipality of Mungia (population: 13,000) waiting lists have disappeared and time consumed by administrative proceedings has decreased by 60 % in the benchmarked processes.

³³ Martinez-Cearra, Alfonso; *Benchmarking to improve performance in local government*; Bilbao-Metropoli 30; November 2001

Policy recommendations

Original hypothesis prior conducted research has been supported i.e. the introduction of benchmarking in local authorities will lead to decrease in gaps between local authorities and improvement in overall level of governance. That is the main conclusion from conducted research that can be seen from benchmarking projects in the United Kingdom, Spain, Sweden, and Norway. For example, the Local Authority Performance Indicators (UK) benchmarking project has shown that councils with the worst performance in previous years had improved significantly -- the five worst councils had improved performance by between 30 per cent and 60 per cent. The benchmarking is the most logical step in the reform of local governance having in mind current situation in local governance. It will complement current positive results in the process of reform in local governments in Bosnia and Herzegovina and disseminate them to the wider population. It will be the first step in introduction of the New Performance Management in local governance in Bosnia and Herzegovina. By entrusting the transition more to the hands of local administration, the problem of ownership of reforms and the problem of coordination will be solved.

The policy recommendation can be summed up as follows:

Duration of benchmarking

Benchmarking should be established as a continuing activity within existing local governance framework. Although some projects that lasted for a couple of years and that have been conducted in different countries (Norway or Spain) show unambiguous results in improvement of overall level of governance, best results take time to happen. It should

be a continuous process of organisational learning in which local authorities actively participate.

Percent of local authorities involved in benchmarking

Although some benchmarking projects that were conducted on regional basis (Spain), or that did not include every local authorities in the country (Norway), show positive results, the main finding opts for benchmarking that will include all local authorities in the country. The more local authorities involved in benchmarking, the better the results. This is showed by the approach that was adopted by the UK Audit Commission. All local authorities in the UK are now obliged to produce best value performance indicators (BVPIs) annually. This drives organisations toward questioning of current position and continuous improvements as well as toward increased satisfaction of citizens. The best way for involving all municipalities in the future benchmarking project in Bosnia and Herzegovina will be through creation of sound network; this will be discussed under the GAP section.

Method of introduction (top-down or bottom up)

The benchmarking in local authorities should be introduced by combining two methods. It should be initiated from existing municipal associations and local authorities but with an active support from responsible ministries at cantonal and entity levels. The upper government level support (in our case it should be the state Ministry for Justice and Local Governance) is necessary in order to overcome resistances from some local authorities that will be particularly affected (in which benchmarking will show all incompetence and

poor practices). When there is no competition or other incentive, organisations are reluctant to benchmark without a central directive.

Types of benchmarking

The external benchmarking is the key factor for successful benchmarking project in local authorities. However, it should include international experience whenever it is possible. The two main types of benchmarking -- i.e. process benchmarking and results benchmarking -- are increasingly seen as complementary methods to be used in tandem. Results benchmarking can be used to identify discrepancies in results (e.g. one local authority using double the resources of another), and process benchmarking can go on to explain why the discrepancies exist. However, process benchmarking without results benchmarking can become overly inward-looking, leading to a focus on enhancing processes for their own sake without a check on whether or not the changes are particularly relevant for clients and stakeholders. There was consensus that taking a comprehensive view of benchmarking resulted in a number of benefits, including raising challenging questions about performance, increasing knowledge of the whole range of stakeholders, and improving work processes.

The benchmarking project in Bosnia and Herzegovina should be benchmarking in broader sense that will include comparative assessment indicators established by the currently running CAF project.

The CAF

The foundation for future benchmarking activities can be found in the CAF Project, launched by the OSF's Local Governance Programme. The aim of this project is to proactively contribute in introduction of professional standards in the local authorities that will be valid for entire B&H, and their equal improvements.

Specific goals are attached to introduction of standard methodology in evaluation of local administration according to the CAF model and can be summed up as:

- Easier and improved horizontal communication and productive and constructive cooperation among all local authorities in B&H, by creating common and to everybody accessible and understandable "language" of good governance and by establishing mechanisms for mutual support and assistance.
- Standardised vertical communication and strengthened vertical interaction that will inspire qualitative changes at higher levels.
- Increase in quality of overall local governments in B&H through reducing gaps and equalising the level of quality in all local administrations in the country
- Easier transfer and exchange of good practices between local administrations in B&H and promoted process of mutual learning. Creation of the basis and implementation of the CAF model would contribute to faster introduction and dissemination of best practices and experiences. The "champions" in specific areas in local administration, as well as their results, would be identified.

The Common Assessment Framework (CAF) methodology is a result of the cooperation among the EU Ministers responsible for Public Administration. The CAF provides a

simple, easy-to-use framework, which is suitable for a self-assessment of public sector organisations.

Generally, the CAF has four main purposes:

- To capture the unique features of public sector organisations
- To serve as a tool for public administrations who want to improve the performance of their organisation
- To act as a “bridge” across the various models in quality management
- To facilitate benchmarking between public sector organisations

The CAF may be used under a wide variety of circumstances e.g. as part of systematic programme of reform or as a basis for targeting improvement efforts in public service organisations.³⁴ Using the CAF provides an organisation with a powerful framework to initiate a process of continuous improvement. The CAF provides: assessment based on evidence, a means to achieve consistency of direction and consensus on what needs to be done to improve an organisation, an assessment against set of criteria, a means of measuring progress over time, a link between goals and supportive strategies and processes, a means to focus improvement activity where it is most needed, opportunities to promote and share good practice, a means to create enthusiasm among employees by involving them in the improvement process, opportunities to identify progress and outstanding levels of achievement, a means to integrate various quality initiatives into normal business operation. In Bosnia and Herzegovina, the CAF can be used to support benchmarking in order to learn from others and not to “re-invent the wheel”.

Network

The main finding is that local authorities should share their experiences and best practice through organised events (conferences), individual contacts and panel discussion (websites). The performance indicators that will be created in benchmarking project should be organised in comparable and functional databases that can be accessible by all stakeholders. This network should be initiated and guided by an organisation that will be responsible for benchmarking in local authorities.

Institution /organisation in charge of benchmarking

The findings show that institutions/organisations in charge of benchmarking can be various, from existing local author association and NGOs to special intuitions created by upper level of government. However, if benchmarking is going to be guided by a municipal association in Bosnia and Herzegovina, it is necessary to strengthen them by providing knowledge and tools that will allow them: strategic concentration (now, their capacities are dispersed over several different operational issues), specialisation (they do not have a “critical mass” of experts capable of suggesting solutions), and practical skills for lobbying and advocating.

The GAP project

Previous assessments have shown that there is no strong, credible voice representing the interests of local governments in Bosnia and Herzegovina. Neither of the two municipal

³⁴ European Institute for Public Administration (EIPA) Improving an organization through self-assessment :

associations (the Association of Municipalities and Cities of the Federation of Bosnia and Herzegovina and the Association of Municipalities and Cities of the Republic of Srpska) has been particularly active, and both are perceived by their members, higher-level authorities, and the international community as being weak and ineffective³⁵.

Given the current lethargy of the associations and the dynamism of some elements of the NGO community, the fundamental intellectual and institutional challenge of one component of the GAP project³⁶ is seen as a two-sided struggle to accelerate and consolidate the voices that have already begun to speak out while simultaneously developing the policy and membership service capacities of the associations. The former is necessary to ensure that popular pressure is placed on B&H's ethnically divided political leadership to push forward reforms that require the support of all three constituent groups. This will be coupled with current reform of the state Ministry for Justice and Local Government through announced Public Administration Reform Agenda.³⁷ Meanwhile, the latter is necessary because over the long term there are no good substitutes for strong municipal associations in either sustaining reform over time or continually developing and disseminating best-practice techniques of municipal governance.

Common Assessment Framework, October 2002

³⁵ The USAID, *Local governance Assessment and Policy Recommendation*, Sarajevo, November 2003

³⁶ USAID's Government Accountability Project (GAP, 2004-2007) for Bosnia and Herzegovina (B&H) is designed to build the capacity of a critical mass of municipalities to better serve their citizens within a policy framework of good governance. To move B&H beyond the governance structures put in place by the Dayton Agreements, GAP will build on the achievements of previous efforts, draw relevant expertise and assistance from ongoing programs, and provide the leadership and innovation to realize impact at the national level.

³⁷ The OHR announced that State and Entity legislation will be harmonised with the European Charter on Local Self Government. Funding and responsibilities at municipalities will be harmonised. All layers of government in B&H will be co-operating on issues of local self-government and key legislation will be in place as a part of the process to reform public administration and to improve local self-governance and the cost-efficiency of public services. We expect that the ministry in charge of local governance will be established very soon (i.e. Ministry for Justice and Local Governance – the leading institution in the PAR)

Over the long term, the sustainability of reform in B&H requires strong municipal associations with better lobbying and policy analysis skills. At the same time, the immediate situation is so pressing and complex, that movement forward cannot be delayed if the municipal associations prove unwilling or unable to engage themselves immediately in such policy reform initiatives. As a result, GAP will look to build policy analysis and lobbying skills rapidly across a wide spectrum of stakeholders, including the associations. “First, as we have indicated, we will use the Policy Advisory Board to determine which policy issues are of greatest import to the program and how these policy objectives should best be pursued. As issues and agendas are identified, the associations will be given “first rights of refusal” to champion any particular issue they find especially compelling. If they choose to champion a particular issue—including taking ownership of one initially championed by others—GAP will provide them with technical and institutional support, including targeted grant funds....

Second, we will support the development of reform constituencies by convening regional peer learning and policy seminars throughout the project. We will use these regional workshops to share best practices and to develop and examine reform strategies and proposals. We will encourage these regional groupings of local government officials, NGOs, think tanks, and business representatives to champion particular policy issues by providing them with grant or expert support to develop new legislation and/or organize appropriate lobbying campaigns. Where appropriate, we will also encourage these groups to push their agendas forward by working through the associations or by mobilizing members to pressure the associations into action.”³⁸

If the associations are to become permanent and dynamic elements of the local government community, they must become much more responsive to their members' needs. This will require to make them effective players in the policy arena and helping them develop the institutional mechanisms and internal structures necessary for them to serve their members' needs. In particular, the GAP project will help municipal associations establish regular, two-way systems of communication with their members and to strengthen their internal management structures and member support systems.

The GAP project will create necessary foundation for implementation of the future benchmarking project in Bosnia and Herzegovina by starting peer learning and policy seminars, conducting workshops to share best practices and to develop and examine reform strategies and proposals. It will create stronger municipal associations with better lobbying and policy analysis skills as well as stronger management techniques.

³⁸ DAI, Government Accountability Project (GAP) in Bosnia and Herzegovina – Technical Proposal

Final remarks

By analysing evaluation tools³⁹ (interviews, questionnaires, etc.) from conducted workshops and published reports, it can be concluded that municipal officials in Bosnia and Herzegovina have been eager to participate in various local governance projects up to now. In most cases, they have reported that knowledge and experiences from other local authorities as well as established contacts and networks represent the most valuable consequence of those projects. Thus, benchmarking activities will be more than welcome in some local governments in Bosnia and Herzegovina.

On the basis of conducted research, the benchmarking project should be introduced after the CAF project that will create the foundation for performance measurement indicators (creation of databases). Municipal associations, which will be coupled with basic knowledge for advocacy and new performance management by the GAP project, and relevant NGOs in the field of local government reform should actively advocate for the future benchmarking project. They need to approach the state and entity ministries as well as the international donors in order to receive their support (financial and technical). The upper level of government will be more responsive in the future since they will put the public administration reform at the top of their agenda, as stated in the Public Administration Reform (PAR) Agenda, supported by the Office of the High Representative and the State Ministry for Justice.

The benchmarking project should include introduction seminars and creation of the databases for the best practices. Eventually, local authorities (their management) will start to use benchmarking as regular activity in order to improve their services and provide

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³⁹ Evaluation tools include questionnaires from conducted seminars and workshops that were organised by the EDA Banja Luka as a part of the OSF Local Governance Programme, questionnaires from conducted seminars and workshops organised by the Intercooperation (Municipal Development Project), and interviews with officials participating in different projects.

“best value for the money”. The provisional hypothetical logframe for future benchmarking project, based on policy analysis, is in Appendix 2.

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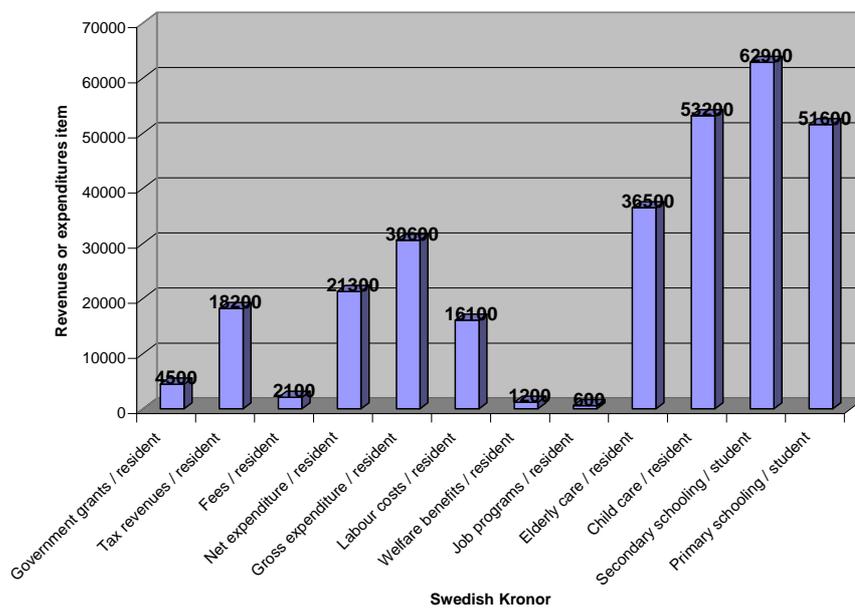
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Appendix 1- The average values for some indicators in Swedish municipalities

Indicators based on year-end closure of the accounts for 1999 (average for Swedish municipalities)



Appendix 2- The provisional logframe for the future benchmarking project in Bosnia and Herzegovina

	Intervention logic	Indicators of achievement	Sources and means of verification	Assumptions/risks
Overall objective	To decrease gaps among municipalities	The variation among municipalities have decreased	The differences in the performance measurement indicators from established databases	
	To improve overall level of good governance in B&H	The citizen satisfaction have increased	Citizen satisfaction surveys	
Specific objective	Introduction of benchmarking in local authorities in B&H	The benchmarking and related activities are introduced till the end of 200x	Benchmarking project reports	
Expected results	Municipal associations conduct benchmarking project	Plans and reports		
	Municipalities are participating in benchmarking activities	All municipalities participate in benchmarking project and they have signed MoU	Contracts Evaluation tools Seminars	
	Municipalities are more effective	Databases for important segments of the local government authorities have been created	Databases	
	Creation of databases	The value of performance measurement indicators are increased by 15 percent, especially for lower quartile of municipal community in B&H	The performance indicators databases	
Activities	Preparation of municipal association for future benchmarking project		The GAP project documentation (at the end of 2006) The MoU that have been signed among relevant stakeholders	Municipal associations will be prepared to participate in the project No political intrusion into the project
	Advocacy in order to find support (financial, technical)			
	Capacity building activities			
	Creation of practical databases			
			Precondition	The commitment to the PAR agenda by the OHR and state and entity ministries The GAP project The CAF project

