

# **Development of a Performance Measurement System for the Competitiveness Rating of Cities**

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## **Abstract**

The world's urban population is growing at a rapid rate. Filipinos living in urban areas are estimated to be 62.6% and growing at a rate of 2.7% annually. Due to the growing majority of the population residing in urban areas, efforts to measure relative performance and capability of each city to support its citizens and become competitive globally is very important. Overall city performance must cover the effect of both the city government and the private sector thus rendering most of the existing self-assessment tools incomplete and incapable of giving a complete picture of city competitiveness. This research looks into the existing measures being used by city governments in order to find out the underlying structure of the performance indicators through the use of Structural Equation Modeling methodology. Using the drivers of competitiveness as promoted and advocated by the proponents of the Philippine Cities Competitiveness Ranking Project as a starting framework, a total of 114 indicators and 57 underlying factors were examined, analyzed and refined until an economical and fitted structure emerged. Secondary data gathered from the previous editions of the project were subjected to variance and covariance analysis that points to the validity of theoretical relationships. The resulting model has confirmed the structural linkages among the various performance indicators and the underlying variables they are meant to measure.