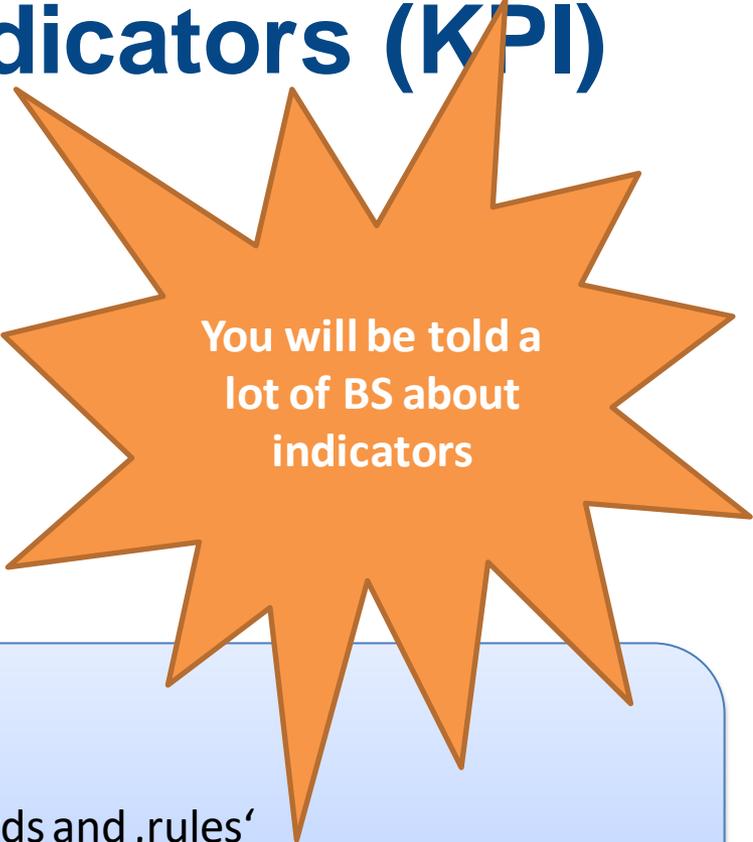Center
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Key performance indicators (KPI)

The basic problem:

You will be told a lot of BS about indicators

BS stands for:

Pretending this is science, not common sense

Inventing unnecessary classifications, standards and ‚rules'

Engaging in unproductive formalistic discussions

Pretending you can discuss indicators without ever seriously looking at the data

Believing indicators are more important than they really are

KPI are a tool for monitori

How is this related to PPB?

|	
Monitoring of implementation	• *Were planned activities **implemented**, and were they implemented **on time** and within the **planned budget**?* • *Use KPI related to implementation of activities* • Quarterly or semi-annual reports, addressed to decision makers, to improve implementation
Monitoring of results	• *Did the strategy / program deliver **expected real-life improvements** for key target groups?* • *Use KPI related to expected results of measures/pillars* • Annual reports addressed to all stakeholders, to adjust the measures
Evaluation	• ***Comprehensive** external **assessment** of the quality of the strategy / programme, its implementation and **impact*** • ***There is no such thing as „good impact indicators"*** • At least at the end of implementation period, to inform preparation of a new strategy / programme

Fiscal Implications of Structural Reforms

Implementation monitoring and KPI

Key issues

➢ To allow monitoring, activities in Action Plans must
- ❑ be specified in terms of outputs to be delivered,
- ❑ include targets for performance indicators,
- ❑ include implementation timelines.

➢ To allow financial monitoring:
- ❑ planned activities must be costed and budgeted,
- ❑ financial reporting must be activity/output based.

Example: Monitoring implementation

Related to activity?

Helpful in monitoring implementation?

Are these good indicators?
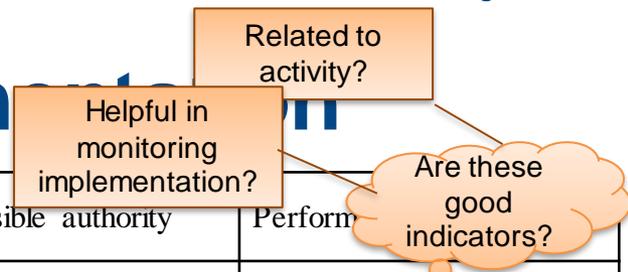
	Action	Budget	Development partners	Uncovered	Time period	Responsible authority	Perform...
4.2.5	Organize training for business incubator managers		300 thousand lei		2015-2017	ODIMM / Chamber of Commerce & Industry	**Number of organized training courses; Number of trained people**

Is there something missing?

Is this good reporting?

Is this good implementation?

4.2.5	Organize training for business incubator managers	2015-2017	ODIMM Chamber of Comm. and Industry	o Within the 11 Business Incubators, over **2877 consult...** ...ed entrepreneurs in the Business Incubators operating area. o Business Incubators have organized **185 events** dedicated to entrepreneurship ... ...ended by the Business Incubators Management Team. o There were two sessions on the role of IA, in which over **100 people** participated. o During the year 2017, the **Cahul district councilors**, who were responsible for the establishment of the IA entity, were advised and guided in the procedure for registering the status of the institution […] o On April 11, 2017, ODIMM organized an **informative session** on the opportunities offered by the Business Incubator. […] More than **30 potential entrepreneurs** wishing to start their own business at the Business Incubator participated in the information session. o On 13.06.2017 ODIMM organized **a training course** on "Business Planning". […] The training course was attended by **25 people** who are already entrepreneurs or want to open their own businesses and want to become residents of the Cahul Business Incubator. o On 24.10.2017 and 02.11.2017 at the Business Incubator in Calarasi and Cahul, ODIMM organized an **Information Session** entitled "Opportunities for the Development and Internationalization of SMEs". Over **60 residents** of the Business Incubator and economic agents from the region participated […] o On 08.12.2017 representatives of ODIMM and Business Incubators Soroca, Sangerei, Nisporeni and Stefan Voda participated in **a training** session on how to effectively apply the methodology and conduct a focus group with the exporting entrepreneurs or potential exporters in the Republic Moldova. […]

Results monitoring and KPI

Key issues

OUTCOME

IMPACT

➤ KPI range from those directly related to the measure to broader ones that are influenced by many other factors.

➤ Where to look for indicators?
- Start with data used to describe the situation and underline the problem, then look further
- Regularly published statistical data (statistical office, central bank) or readily available (published!) administrative data
- Regular and comparative international reports

➤ Guiding principles for the choice of indicators:
- Relevant, quantitative, reliable, available
- Target values must be motivational, but achievable

BEWARE!

KPI never tell the whole story.
Combine them with other information and analysis.
For evaluation, engage external expertise and stakeholder consultations.

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Example 2: SME Strategy 2016-2020

Checking the overall targets set in the strategy

Relevant?
Reliable?
Clear?

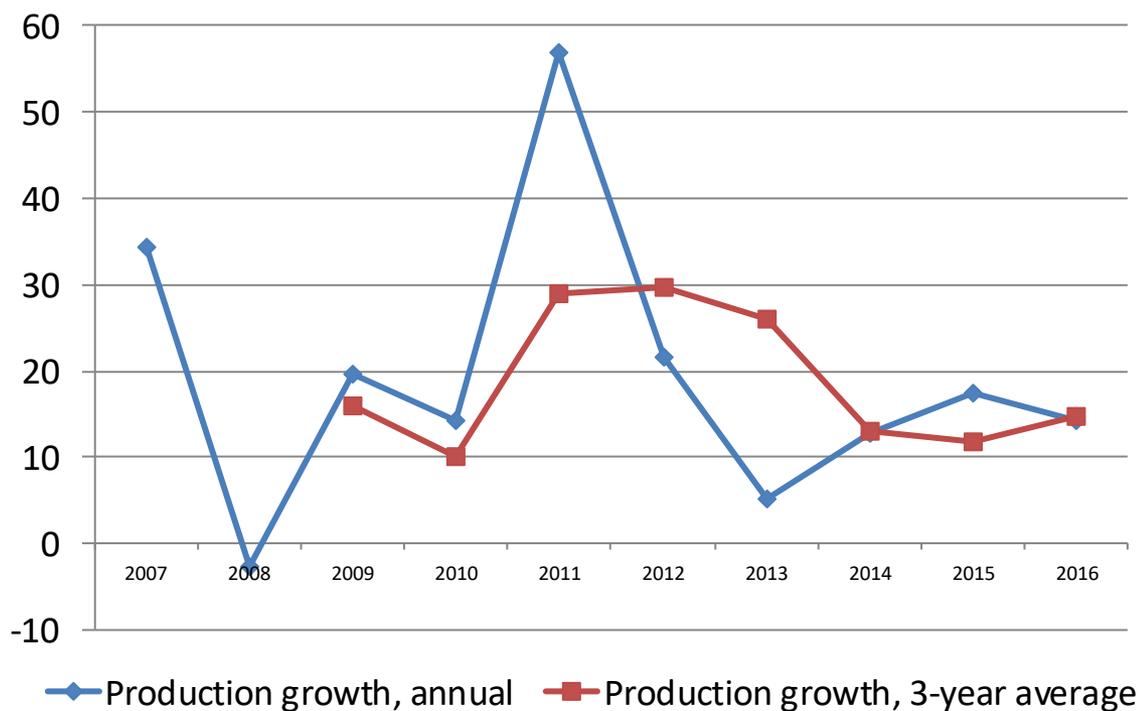**Targets** of effective implementation of SME Development Strategy are as follows (baseline – 2013):

1. Growth SMEs output by average 10% annually by 2020;

2. Growth of number of employees in SMEs by 15% by 2020;

3. Productivity growth by 7% by 2020.

Reformulation of indicators:

1. Average annual growth of production value of SMEs over the last three years;

2. Increase in the number of persons employed in SMEs since 2013;

3. Increase in productivity (value added per person employed) in SMEs since 2013.

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Example 2 (Cntd')

Checking the realism / ambition of targets

Production growth, annual   Production growth, 3-year average

Is the target realistic / ambitious?

Average annual growth of production value of SMEs over the last three years.

Target for 2020: 10%.

Estimate for 2017 (on quarterly data): 9 %.

Example 3: Choosing indicators

From objectives to ideas for indicators

| STRATEGIC DIRECTION: INCREASE OF SME COMPETITIVENESS AND INNOVATION SPIRIT	
OBJECTIVES	EXPECTED IMPACT
Improvement and development of technical and **innovation potential** of SMEs.	Direct and obvious effect of work in this priority direction will be **growth of the GDP share contributed by SMEs** and **increase of investments** and **fixed capital**.
Assistance in the formation of SMEs **clusters**, development of business incubators, etc.	
Support of **intellectual property** for SMEs.	
Facilitation of **access** for SMEs **to** domestic and foreign **markets**.	
Implementation of **management systems** based on the international and European standards.	

Fiscal Implications of Structural Reforms

Example 3 (Ctnd')
Sugestions made

- **Businesss financial statements** could be used to calculate total investment by SME
- NBS now conducts an **innovation survey**. In 2015-15, 20.8 % all companies were innovative. Out of these, 62.1 % were small (10-49 empl), the rest were medium-sized.
- Number of **patent applications** (by SME): Intellectual Property Office
- **Sectoral structure of GDP** produced by SME
- **Share of SME in total exports**: add to business survey or into the balance sheets.
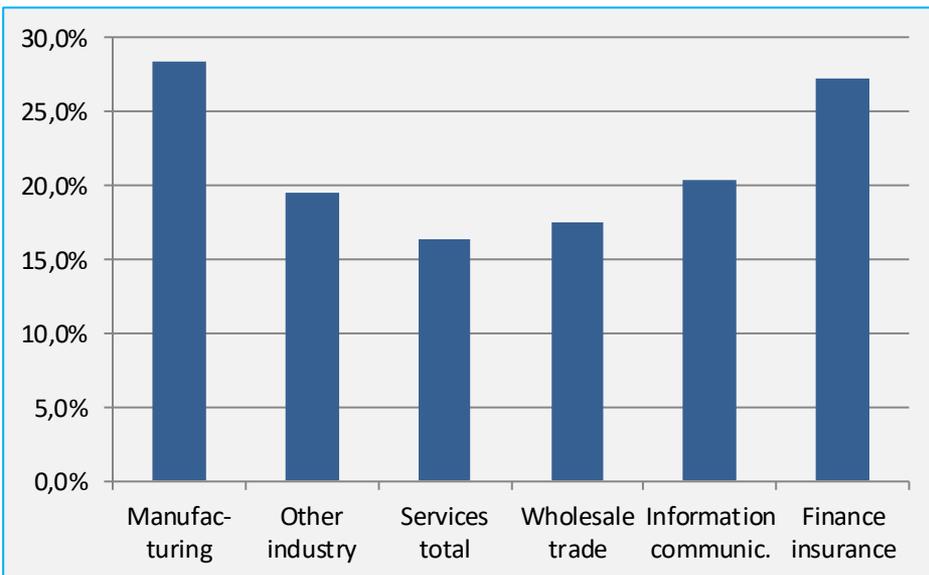
Share of innovative enterprises by sectors
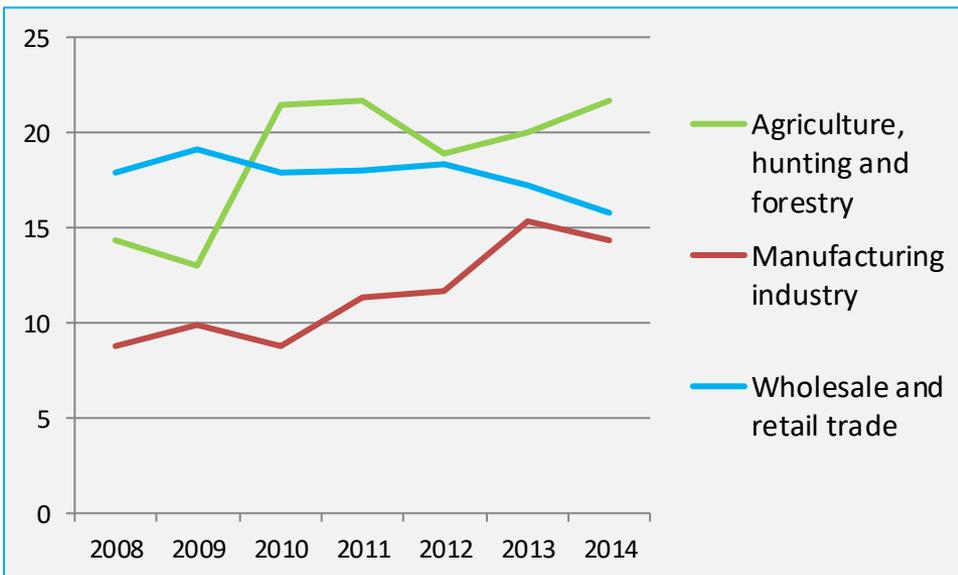
Sectoral structure of GDP produced by SME

Example 4

Data issues: comparability

Definitions of SME

National definitions typically include different thresholds for turnover. Why?

Eurostat, by convention, produces SME data based on employment-only definition:
- 1-9 & individual entrepreneurs
- 10-49 (small)
- 50-249 (medium)

Example from one of the countries [SME employment share in 2017]

Long enough time-series of data based on national definition. **[72.7 %]**

OECD, with national statistics, produced internationally comparable data, but published only for 2017 and partly 2016. **[63.7 %]**

National statistics published backward time series on employment only-definition, but did not include individual entrepreneurs in the 1-0 category. **[49.3 %]**

Example of a possible approach: Criteria for selection of KPI for ERP measures

Based on OECD's ERP Monitoring Tool

SCREENING (CUT-OFF) QUESTIONS:

Timely? *(for year X in year X+1, at least annually)*

Transparent methodology?

Additional efforts to produce the data?

SELECTION QUESTIONS:

Relevant? *(for the measure's objective / expected results)*

Specific? *(depends on the measure or on many other influences)*

Credible? *(official, international sources)*

Comparable? *(internationally, with past years)*

Breakdowns? *(sectors, size, regions, gender)*

Evaluation

Key questions to be addressed

How is this related to PPB?

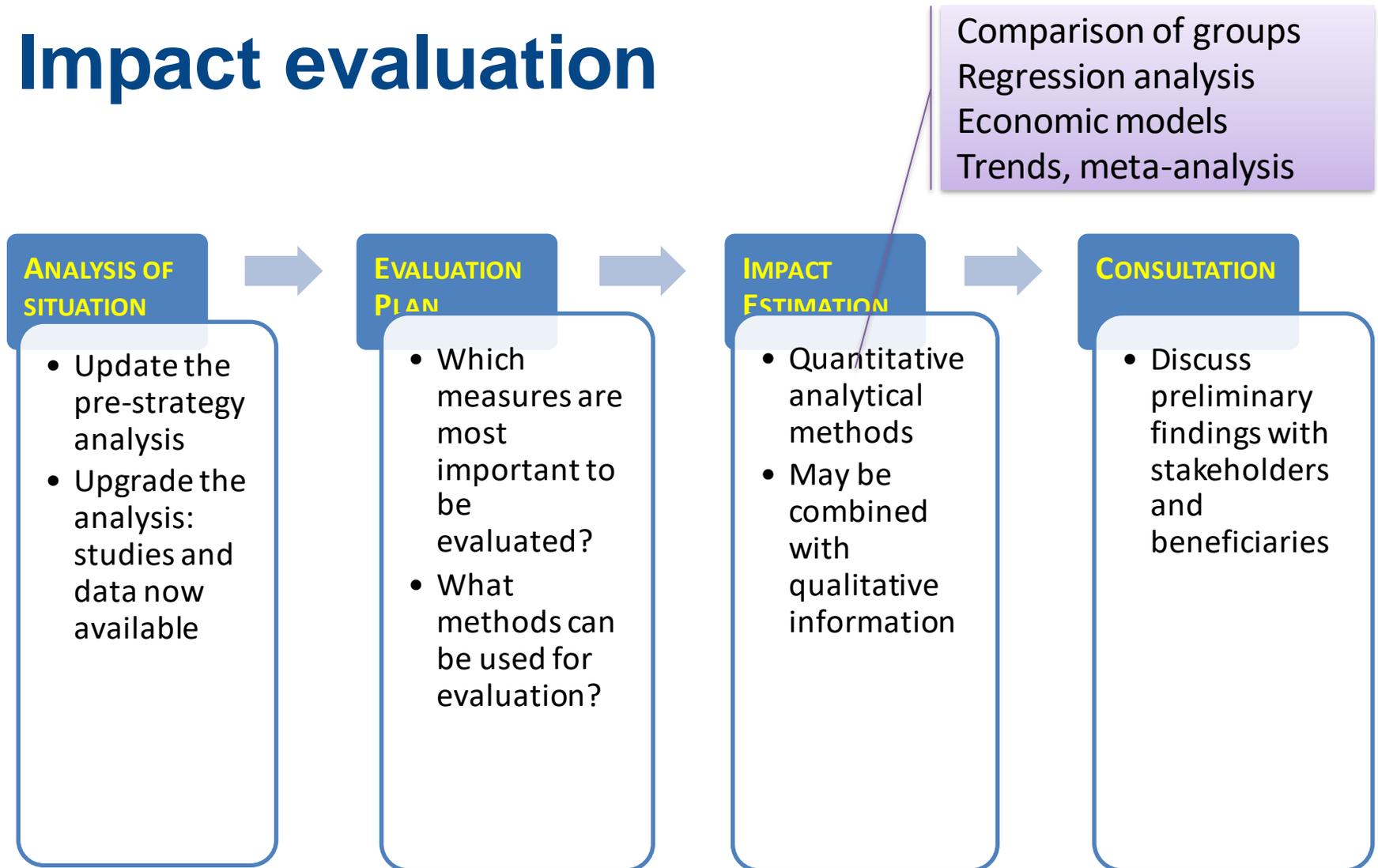|		
Appropriateness of the strategy	*Was the strategy designed and implemented in such a way that it could have had a meaningful impact on growth / competitiveness / employment?*	**PROCESS EVALUATION**
Effectiveness (impact) of the strategy	*How much of the improvement may be attributed to measures / actions of the strategy?*	**IMPACT EVALUATION**
Efficiency of the strategy	*Could similar results be achieved with similar resources / Could better results be achieved by allocating resources to other policies?*	**ECONOMIC (FINANCIAL) EVALUATION**

Dead-weight losses?
Displacement effects?

Process evaluation

Technical quality	*Was the strategy based on sound analysis of the situation?* *Did measures address key obstacles to SME development?*	Desk analysis of: ○ background studies ○ official reports Qualitative information from: ○ surveys ○ focus groups ○ Interviews Expert judgement
Inclusiveness	*How were stakeholders involved in the design of the strategy?* *How was their feedback reflected in the strategy / implementation?*	
Quality of implementation	*To what extent were planned measures implemented?* *What difficulties were encountered during implementation?* *How effective were monitoring and reporting arrangements?*	

Fiscal Implications of Structural Reforms

Impact evaluation

Comparison of groups
Regression analysis
Economic models
Trends, meta-analysis

ANALYSIS OF SITUATION	**EVALUATION PLAN**	**IMPACT ESTIMATION**	**CONSULTATION**
• Update the pre-strategy analysis • Upgrade the analysis: studies and data now available	• Which measures are most important to be evaluated? • What methods can be used for evaluation?	• Quantitative analytical methods • May be combined with qualitative information	• Discuss preliminary findings with stakeholders and beneficiaries

Group exercise 3

Analyse KPIs for selected 3 measures from different ERPs

Fill in a simplified scoring table based on OECD's ERP Monitoring Tool and decide if an indicator is good, acceptable or not acceptable

	Implementation/ results?	Clear?	Relevant?	Specific?	Realiable?	Targets?
KPI 1						
KPI 2						
KPI 3						

Compare and discuss your results with the other group that worked on the same measure (1=4; 2=5; 3=6).

Groups 1 and 4, example 1

Agricultural cooperatives

Indicator	2019	2020	2021
Number of agriculture cooperatives using new investments	33	43	53
Agriculture cooperatives capacity presented in ha arable land	1,225	1,600	2,000
% of young farmers (age below 40) members of agriculture cooperatives	23	25	27
% of women associated to agriculture cooperatives	19	20	21

Groups 1 and 4, example 2

Youth guarantee

- % of successful participants in the Youth Guarantee for a period of 4 months, in relation to the total number of participants in the measure,

- % of successful participants in the Youth Guarantee according to the grounds for exit from the measure (employment, measure),

- The situation of young people after leaving the Youth Guarantee (in the 6, 12 and 18 month intervals).

Groups 1 and 4, example 3

Improving effectiveness of inspection oversight

	2018	2019	2020	2021
Annual plans of all Inspections adopted	December	December	December	December
Action Plan for the Employment of Young Inspectors adopted	-	Q3	30% implemented	60%
Implementation of the e-Inspector software in central-level inspectorates	Four inspectorates	All central-level inspectorates	All central-level inspectorates	All central-level inspectorates
Media Plan for Promoting the Profession of Inspector prepared	-	100% prepared	100%	100%
New portal of the Coordination Committee for Inspection Oversight developed	Public procurement procedure implemented	50%	50%	-

Groups 2 and 5, example 1

Financial support to research and development

Indicators	2016	2017	2018	2019	2020	2021
Number of newly established project partnerships between the business and academic sector	22	36	36	46	56	66
Number of newly established innovative companies	156	233	279	320	360	400
Number of registered patents	58	65	71	76	81	86
Number of highly-skilled staff employed through the supported projects	459	641	700**	750	800	850
Number of published papers in the Web of Science (*All documents*) *	7221	7038*	7100 (5071)*	7200	7300	7400
Number of researchers per million inhabitants	1238	1570	1600	1650	1700	1750

Fiscal Implications of Structural Reforms

Groups 2 and 5, example 2

Single and transparent investment legal regime

- Increase of FDI (in % and amount);

- % of investor enquires completed;

- Percentage of transition from enquiry to project e-Invest

Groups 2 and 5, example 3

Enhancement of financial benefits in social assistance

- Reduction of the poverty rate to 16% by 2021.

- Inclusion in the labour market of about 20% of existing social welfare beneficiaries

Groups 3 and 6, example 1

Raising competitiveness of industry

Indicators	2015	2016	2017	2018	2019	2020
Share of goods exports in GDP, in % - TV: 40.5% in 2021	33.7	36.6	38.4	35.7	37.1	38.9
Growth rate of industrial GVA, in % – TV: 5% (2021)	/	3,5	2,8	2,7	4,7	4,9
Number of participants in export promotion programmes who are involved in new export activities -TV: 1150 (2021)	85	90	95	100	105	110
Number of documented interest expressed by investors – TV: 108 (2021)	61	67	74	82	90	99

Groups 3 and 6, example 2

Reduce regulatory burden to business

- Number of business licences;

- % of businesses satisfied;

- % of businesses that file a complaint/number of complaints filed;

- Number of hours reduced for administrative procedures/cost of applications

Groups 3 and 6, example 3

Qualifications oriented to labour market requirements

Indicators	2018 (BV)	2019	2020	2021
Number of qualifications entered in the qualifications database/register	140	190	240	290
Number of students attending the dual education system	3500	3850	4235	4665
Number of companies in which learning through work is conducted	600	800	900	1000
Number of established education training centres and excellence centres for the purpose of supporting dual education	1	6	6	6

Group exercise 3

Analyse KPIs for selected 3 measures from different ERPs

Fill in a simplified scoring table based on OECD's ERP Monitoring Tool and decide if an indicator is good, acceptable or not acceptable

	Implementation/ results?	Clear?	Relevant?	Specific?	Realiable?	Targets?
KPI 1						
KPI 2						
KPI 3						

Compare and discuss your results with the other group that worked on the same measure (1=4; 2=5; 3=6).

Discussion – how useful do you find such KPI for:

- *Improving policies and implementation*

- *Strenghtening accountability of policy implementing institution*

- *Allocation of budget*