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Monitoring the Implementation of Structural Reforms

THEORY AND PRACTICE



Funded by the
European Union

Implemented
by the CEF

PROJECT:
Strengthening Line Ministries' Capacities to Assess
Fiscal Implications of Structural Reforms (FISR project)

AUTHOR:
Jelena Rančić
in cooperation with **Janez Šušteršič**



Published by: CEF
Production editor: Nina Agić
Text editor: Kadri Põdra
Design: Sonja Eržen

February 2022

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1 Introduction

Structural reforms (SRs) are complex processes, and their design and implementation require highly specialized knowledge and skills at every stage. **This policy document focuses on the process of monitoring the implementation of SRs, and aims to help further improve the capacities and capabilities of line ministries (LMs) and Ministries of Finance (MoFs) in monitoring progress with the implementation of SRs.**

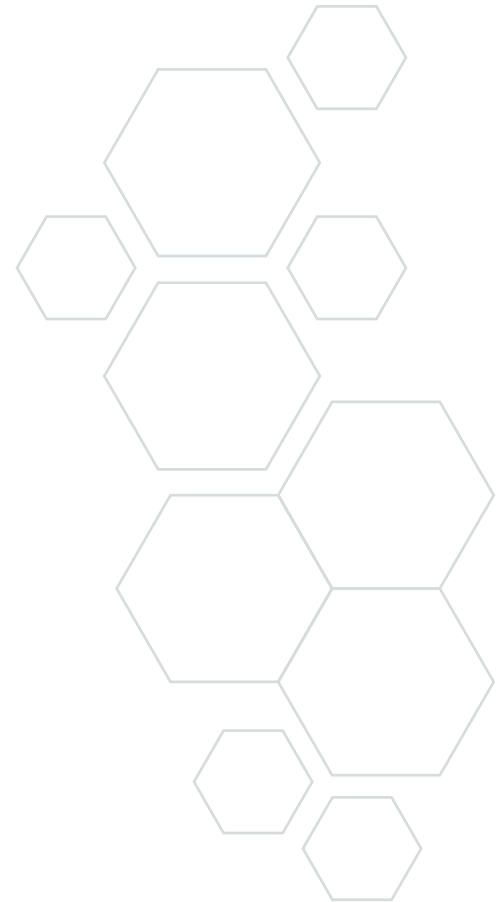
The specific objectives of this policy document are to:

- give an overview of existing theoretical frameworks that potentially support monitoring of reforms
- identify and capture some of the countries' challenges in identifying performance indicators and ways to monitor the implementation of their reforms
- provide a basis for understanding the learning needs of public officials in the region¹ to support the CEF's further work in this area of expertise

Monitoring the implementation of SRs can be understood as a qualitative and quantitative overview of the results achieved for each year of implementing a SR measure. **Monitoring the implementation of SRs includes two aspects: identification and realization of the key performance indicators (KPIs) set for a measure and financing issues** (secured sources of financing, the difference between planned and realized costs, availability of funds and their timeline, etc.).

1 Western Balkans (Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, North Macedonia and Serbia) and Turkey.

* This designation is without prejudice to positions on status and is in line with UNSC 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.





The focus of this policy document is KPIs, including their development and design, types and interpretation. Introduction of KPIs for each structural measure is not itself the goal. When properly designed, KPIs can be a very powerful and important tool for assessing the realization of activities envisaged for a particular SR, and the level and degree of achieving the expected results. **Proper and adequate definition of KPIs for each SR as well as their optimal number are important for the future work on monitoring the implementation and results of all relevant SR activities.**

This policy document was developed in line with the specific objectives, and it is based on the agreed methodology. Combining available theoretical framework with the main findings and conclusions on the practical experience of public officials,² we have prepared recommendations how to improve the whole process of monitoring the realization of SRs. These recommendations serve as a basis for identifying the learning needs of public officials that should be addressed through trainings and different types of documents in the coming periods.

This policy document consists of three main parts:

- **existing theoretical framework** of KPIs
- **practical experience** of public officials with monitoring the implementation of SRs through KPIs
- **identification of the learning needs** of public officials that should be addressed in the future

² The interviews were conducted by Nina Agić and summarized with assistance from Alketa Buqaj. Examples of ERP indicators were prepared by Janez Sušteršič.

2 Existing theoretical framework

This part of the policy document elaborates on the current theoretical framework for monitoring the implementation of SR measures. This overview is based on one of the Organization for Economic Co-operation and Development (OECD) tools for SRs related to the ERP process. Besides the Economic Reform Programme (ERP) Diagnostic and Prioritization³ Tool, the **ERP Monitoring Tool**⁴ was used for this section, providing **guidelines and examples on how to track progress with the implementation of SRs over time, as well as how to measure the immediate outputs and outcomes of realized reforms**, with some examples of well and not so well described measure activities.

The ERP Monitoring Tool should help public officials in LMs and MoFs better understand the importance of all the necessary steps and tasks that precede the monitoring and evaluation process.

The preparation of each SR is complex and consists of various important steps to integrate the reform into the ERP reform agenda. Equally or even more significant are the coordination and monitoring of the reform implementation over years, and measuring and assessing progress. The Monitoring Tool should help LMs and MoFs, who have the “ownership” of the reforms, to measure progress with the implementation of a structural measure, and if needed, to make adjustments for the sake of full and successful implementation.

Overall, the process of monitoring via observed data and information on the performance of reforms, programs and projects can, by all means, help and enable policy decisions, and improve government performance, accountability and transparency. Furthermore, LMs and MoFs can use it for policy advocacy by providing strong arguments for continuation, adjustments or termination of a particular policy.

³ Presented to the countries in the FISR project.

⁴ https://www.oecd.org/south-east-europe/programme/ERP_Monitoring_Tool.pdf



Considering the purpose of this policy document, we present key findings and recommendations as well as some examples of well and not so well prepared KPIs. In addition, we summarize the general principles of monitoring SRs.

The first step is to define the **aim and scope** of monitoring a particular SR. The process of monitoring and evaluation is related to the current state of the implementation and the expected outcome. The idea behind this is to track the input, for example the allocated budget, the direct output for the beneficiaries and the final outcome – the impact on the economy (Gross Domestic Product (GDP), competitiveness, employment, etc.). It is crucial to have a front-loaded strategy to monitor the process, using the already known inputs: the list of activities and the timeline, estimated costs and sources of financing, and the expected outcomes. The quality of these inputs is highly important for the monitoring process. To illustrate this, Table 1 presents examples of clearly and not so clearly described activities related to the ERP SR.

Table 1. Structural reform – Improvement of agricultural competitiveness

Year	Not so clearly described activities	Clearly described activities and timeline
2022	1. Adoption of the Law on Agriculture	1. Adoption of the Law on Regulation of the Market of Agricultural Products – Q1
	2. Adoption of bylaws	2. Adoption of bylaws for regulating agricultural production in all sectors – Q2
		3. Preparation of a rulebook for trainings of employees – Q4
2023	Training of employees	1. Training of employees in the Ministry and Agrarian Payment Agency – Q1/Q2
	Implementation of activities envisaged in bylaws	2. Support to private storage in the sector of sugar – Q2/Q4
		3. Support to private storage in the sector of meat (pork, beef, etc.) – Q2/Q4
2024	Full implementation of activities envisaged in bylaws	1. Support to private storage in the sector of sugar – Q1/Q4
		2. Support to private storage in the sector of meat (pork, beef, etc.) – Q1/Q4

The concept of monitoring reforms consists of two rather complementary approaches:

- **Process-based monitoring** – documenting the status of reform implementation over time enables the LM to identify potential challenges during the implementation and to make further adjustments, if needed.
- **Result-based monitoring** – measuring the performance of reform measures through quantitative and qualitative indicators details the immediate outputs and outcomes of reforms, programs or projects in comparison to plans and targets. It serves as a basis for evaluating the effects of a reform, its relevance and contribution to the achievement of wider objectives.

With respect to the outcomes and outputs,⁵ the implementation of an individual SR can be measured through **KPIs** There are two types of KPIs:

- **Quantitative indicators** show the *direct outputs in numbers* (percentage of staff trained; number of institutions, schools, etc. established; number of laws, bylaws or other regulations adopted / amended) or illustrate the change (*outcome*) *related directly to the undertaken activities* (increase in number / percentage of registered businesses, number of kilometers of highway reconstructed / built, etc.). When quantitative indicators reflect a medium or long-term outcome at a higher level (GDP growth, employment, competitiveness, etc.), they are specifically marked as **impact indicators**⁶.
- **Qualitative indicators** provide information on the *perception or experience related to the reform* (small and medium-sized enterprises (SMEs) have easier access to financing from banks after introducing the credit guarantee scheme).

Identifying suitable and adequate indicators is important, as they should be in line and consistent with policy interventions. KPIs help monitor the implementation of policy intervention and its results compared to the objectives.

⁵ The OECD Monitoring Tool states that “the literature usually classifies result indicators into **output indicators** (related to direct and short-run results) and **outcome indicators** (related to indirect and medium-run results). But it is hard to always draw a clear line between outcome and output indicators or between output indicators and indicators for implementation of measures, as it largely depends on the nature of policy interventions that are monitored. For example, for interventions that are aimed at delivering services or other benefits to target beneficiaries, output indicators would monitor delivery of such services and outcome indicators would measure improvements in conditions of the target population.”

⁶ It is important to stress that changes in impact indicators over time are not only caused by policy interventions. An estimate of how much the implementation of a structural measure has contributed to a change of macroeconomic indicators (the (un)employment rate, general government deficit and debt, etc.) can be made, but this requires using different quantitative methods.






In this respect, KPIs can be used for:

- monitoring the process of implementation of a measure, i.e. the status of the reform each year – **process indicators**
- monitoring the immediate outputs and outcomes of a measure – **result indicators**
- evaluating the economic impact of the reform on macroeconomic indicators (GDP growth, competitiveness, employment) – **impact indicators**

The first two groups of indicators serve for the process-based and result-based tracking of SRs during the monitoring phase; that is, during the implementation of the measure. The third group, assessing the overall impact, can be used later, during the evaluation phase.

Process-based monitoring is used for reporting on the stage of reform implementation, through a matrix consisting of six categories that are scored from 0 to 5 (denoting that the government did not address the measure to the stage that the reform is fully implemented). In addition, information whether the measure is implemented in accordance with the proposed timeline and estimated budget costs should be provided through the so-called heat map. The heat map has four colors – green, yellow, red and gray – scaling from the point that the reform is on track, implemented on time and in line with the planned budget to the point that the reform is not being implemented.



The next step is **monitoring the results of implementing** the reform measure for a specific economic sector or segment. These reform results can be direct or indirect, *visible in the short, medium or long term*. Direct results usually materialize in the short run after the measure has been fully implemented, and the improvements and benefits in a specific segment or sector can be *directly linked to the measure*. Indirect results typically materialize in the medium term through improvements of the economic and social situation in a specific area, *caused partly by the measure* and partly by other economic factors.

There are two types of result-based indicators: **output indicators** (for measuring the direct effects of the measure in the short run) and **outcome indicators** (for measuring indirect results in the medium term).

An example of a direct effect of the implemented measure would be lower costs for young people who want to start their own business, with the help of introduced tax reliefs and exemptions in the first year. Indirect mid-term effects could be increased production, value added or exports of the agricultural sector caused (partly) by a measure for improving agricultural competitiveness; lower unemployment of the youth thanks to a new labor policy;

better access to finance for SMEs as a result of changes in the regulatory framework (e.g. establishment of a credit guarantee scheme for SMEs); an increase in competitiveness due to a decrease in the administrative burden of businesses, etc.

In developing the KPIs, especially for each measure (result indicators), it is important to emphasize that there is no unique recipe or list to choose from. Every institution or government body has to define the KPIs based on the goal of the measure, its description, planned activities, implementation timeline, overall assessment of the economic impact, etc. However, the OECD Monitoring Tool provides guidelines and principles that can be very useful for the selection of the KPIs.

First, the **result indicators should be defined for each measure, not for the planned activities. The optimal number of indicators should be 2-3 per reform measure.** If there are measures closely related (within the same or different area), the same result indicator can be used for monitoring their implementation (e.g. the youth unemployment rate can be used as a result indicator for labor market reforms as well as for education; the share of high value-added exports can be a joint KPI for the measures related to export competitiveness in industry or agriculture). In some occasions, broader indicators may reduce the need for more specific indicators (e.g. the indicator “average number of contestants in public procurement” may make the indicator “share of tenders published electronically” redundant).

Second, the **selection of the result indicators should rely on meaningful reasoning** to make sure that all important information is included and all relevant stakeholders are involved, while avoiding repetitions and weak indicators.

The selection process should include four steps:

- **Identification of possible result indicators.** To identify the KPIs, the responsible institutions could use various sources: description of the measure (objective or expected result), diagnostics of the sector / area (key obstacle to inclusive growth or competitiveness), related policy programs (indicators used for similar strategic documents, like strategies or other programs), official statistics (data already produced by the statistics authority that are useful for measuring the results), data collected by the institutions that are also implementing the measure (data for their own needs or data that are also publicly available), standardized international reports (containing comparable data for countries that prepare ERPs), and consultations (between ERP coordinators, implementing agencies, external experts, other stakeholders, etc.).





- **Initial screening of identified possible indicators** to remove those that do not meet the essential criteria to serve as ERP result indicators. Screening is performed by checking the possible indicators against the list of selection questions, and it should be applied as soon as a possible indicator is identified. Those indicators that do not pass the test should not be used. Possible selection questions: Is the indicator measurable? Are its values numerical and based on data? Will the data for the indicator be available for all three years? Are the data for the indicator updated at least annually? Is the indicator based on the data collected by the implementing agency? Is the methodology transparent and verifiable? Will producing the indicator require substantial additional efforts and costs?
- **Final selection of result indicators.** Up to 3 indicators should be selected for each measure, from among those that passed the previous two steps. The choice of indicators, as in the previous step, is performed by checking the possible indicators against the list of selection questions. The questions relate to other quality properties, while the qualitative answers are scored in the range from zero to five. Those questions are: How relevant is the indicator for the measure? How specific is the indicator? What data is the indicator based on? Can the indicator be compared during the implementation and will the indicator provide breakdown by sectors, region, age, groups, gender or other relevant aspects?
- **Filling in the description and reporting tables of result indicators.** When the result indicators have been selected, basic information about them should be presented in two tables: the description table (presenting a summary of the key features of an indicator essential for its understanding and interpretation) and the reporting table (containing the baseline, current and target values of the indicator).



3 Capturing practical experience

This part of the policy document focuses on practical experience, using two sources of gathering the relevant information. Both were obtained at the hybrid (face-to-face and online) workshop that was held on October 26-28, 2021 in Ljubljana.


We prepared a list of questions for interviewing the event participants, analyzed their answers, and summarized them in this policy document. The agenda of the workshop envisaged also exercises, peer review and sharing of practical know-how by experts, which stimulated further discussion between the participants and provided additional inputs for the preparation of this part.

Section 3.1 presents the **problems and challenges** that we captured at the workshop and that some or all countries or particular institutions are facing in designing and monitoring the implementation of SRs. Section 3.2 offers **examples of clearly and not so clearly identified KPIs**, in terms of their measurement during the implementation, as discussed by the workshop participants and CEF experts.

3.1 Project beneficiaries' experiences

Six participants from Albania, Bosnia and Herzegovina and Kosovo* were interviewed during the workshop. Some of them were from the same beneficiary institution and they were interviewed in pairs, which resulted in four interviews. Afterwards, we conducted one additional online interview with a representative of Bosnia and Herzegovina. We interviewed the participants based on the list of questions prepared in advance (annexed to this document).





Since the workshop participants have different roles and responsibilities in the process of ERP preparation, they did not have the answers to some questions, which naturally affects the summary conclusions. Only two out of the seven interviewees are directly involved in the ERP preparation process, being the ERP coordinators. Unfortunately, there were no representatives of LMs among the participants that are working on the preparation of structural measures and related KPIs. This diminishes the quality and information of the gathered answers and possible conclusions relevant to this document. Still, the main conclusions about the KPIs and their importance are summarized and structured in line with the questions prepared for the interviews.

IMPORTANCE AND RELEVANCE OF KPIs FOR STRUCTURAL REFORMS

Although the majority of participants are not involved in the process of defining and monitoring the implementation of SRs through KPIs, they are familiar with the ERP document, its structure, content, particularly structural measures, and their implementation over time. Some of them have been working on the performance indicators; not for ERP measures but rather for other policy documents related to national infrastructure projects, Instruments for Pre-accession Assistance (IPA) or Sectoral Budget Support (SBS). Nevertheless, **all the participants agreed that KPIs are significant, important and relevant** for measuring progress with the reform implementation, irrespective of the role of any institution in the ERP preparation process.

The importance of KPIs, based on participants' views, comes from the fact that **KPIs allow stakeholders to monitor implementation over time, identify the progress made, if any, and assess whether the reform was successful**. Some participants said that the indicators are particularly important in the ERP process, since they reflect better the reform measures and make their monitoring easier.

In general, KPIs have become even more significant and relevant over the past few years, being used systematically by the private sector and international organizations for measuring the degree of implementation of specific objectives and goals.

PROCESS OF DEFINING KPIs

The process of defining KPIs is complex because it is solely the responsibility of the institution(s) proposing the SR measures, who lack knowledge of their proper design. Based on the findings from the interviews, in most of the countries, KPIs are defined by the LMs responsible for respective structural measures. The coordinators usually offer

guidance to the LMs how to define the KPIs. Furthermore, throughout the interviews it was noted that it is not easy to define the KPIs, as the institutions (public officials) lack know-how. Despite relevant trainings, LMs do not have a full understanding of what the KPIs are and how to define them.

Some participants confirmed that they occasionally compare the KPIs for similar measures in other countries but in most cases, they **do not use other countries' models or indicators for monitoring the implementation of SRs**. Particularly when the reform measures or the country's economic system are complex, they do not take into account the experiences of other countries, as their practices seem irrelevant and inapplicable. Only some participants stated that respective stakeholders refer to and analyze the KPIs of other countries, but they did not provide any examples.

Participants also claimed that **for the majority of the measures KPIs are quantitative**. Based on their experience, "number" indicators are much easier to measure and monitor over time, and communicate to the stakeholders and the wider public. On the other hand, they propose and use qualitative KPIs for monitoring the implementation of SRs. In addition, it was reported that there were only a few cases of well-defined KPIs, while many of them are still lacking in terms of clarity.

Some participants agreed that the **involvement of experts from the National Statistics Office can be very useful for defining and establishing the KPIs**, particularly if the same indicator can be used for different structural measures and it is produced for all European countries (EU and non-EU members).


As participants explained, sometimes, because of simplicity, they define an **indicator as increased spending as a % of GDP** of a particular area (government function, such as education or health), but **without explaining the purpose** (what will be achieved with higher spending).

One of the problems identified was that it is **difficult to quantify the targets** (settle baseline and target values).

USING KPIS FOR MONITORING AND EVALUATING STRUCTURAL REFORMS

In terms of **monitoring KPIs for their ex-ante plans**, only a few participants stated that **there is an ongoing process of measuring the implementation of structural measures in the medium term**. Some types of monitoring reports have been prepared but this






process is still limited due to insufficient data availability. Participants also said that the **intention is to shorten the monitoring period** to one year or a quarter and to **link monitoring reports with the medium-term budget framework (MTBF)**. This is very important in the context of financing SRs, as also mentioned at the beginning of this policy document.

Some participants stressed that **adjustments, if any, in the KPIs are usually introduced when new activities are proposed** for the structural measure in the next ERP cycle, not because of the results of monitoring the progress that has been made during the implementation.

Some of the interviewees confirmed that **non-fulfillment or delays in defining the KPIs is not identified as a key reason for abandoning or postponing a measure**. As they said, those changes are always made in the timeline of the proposed activities (significant delays comparing with the initial time frame or political reasons).

Although all the participants stated that KPIs are very important for measuring the progress of structural measures over time, the majority of them do not see it happening in practice. **Monitoring and evaluation of KPIs takes place only occasionally, whereas it should be made a regular practice.**

COORDINATION PROCESS



Participants directly involved in the coordination process stated that the **role of ERP coordinators is rather advisory** in terms of clarifications and explanations of some issues in the European Commission's (EC's) Guidance Note, number of KPIs, proposals for LMs to use the OECD Monitoring Tool, additional trainings, etc. As mentioned, many relevant institutions lack knowledge how to define and monitor the implementation of SRs through the KPIs. The main reason is that **countries have not developed a clear system for establishing the KPIs**, and in some instances, they face greater issues before KPIs become a focal point.

Participants agreed that the issue of KPIs is tightly linked to the **process of coordination between the ERP coordinators and LMs, among LMs** or institutions that are jointly implementing specific structural measures, and **between public officials responsible for defining the structural measure**, its timeline for the activities, indicators, etc. and **the budget department** in the same LM or institution.

Besides coordination, participants agreed that **organizational issues** are very important, such as who is supposed to **define** the indicators, who is supposed to **monitor** them, and who should bear the **responsibility** for not reaching the targets.

CHALLENGES AND PROBLEMS RELATED TO KPIS

The **most important challenges**, identified by the participants, are **insufficient knowledge of how to define the proper KPIS** on one side and the **scarce availability of the relevant data⁷ for monitoring** the implementation of the measure on the other side.

Other challenges include **lack of knowledge of the overall process of preparing, implementing and defining adequate means for monitoring**. LMs have trouble understanding when a measure is “**mature enough**” to be included in the ERP document, what is the **objective of the reform** (“where we want to be after the implementation”), and how to **measure progress** over time.

Discussion with the participants showed that there is **no clear understanding that one measure affects more than one indicator**. Neither is there **enough knowledge of the links and relationships between economic and fiscal policies**, particularly how changing fiscal instruments affects revenues, expenditures and the overall fiscal position of the country.

As participants stressed, **if the KPIS are not clearly defined and measurable, one cannot monitor them properly over time**.

Reporting by LMs was also seen as a challenge, as well as the fact that **there are cases when LMs do not even include KPIS in their structural measures**. In this regard, participants proposed to train the LMs about the basics of KPIS in order for them to have a better understanding of this issue.

In addition, some participants noted that **LMs and other relevant institutions continue to see the ERP as some document that they need to prepare for the EC** in the EU integration process, **rather than a strategic document on the reforms** that should be implemented and that fully affect the economy and the overall social environment of their country.

⁷ From official statistics or the database of each LM.



3.2 Examples of key performance indicators in Economic Reform Programmes

During the workshop, participants and expert advisory group's (EAG) experts discussed practical examples of clearly and not so clearly identified KPIs, taken from the latest edition of countries' ERPs (2021–2023).



Example 1: Energy sector outcomes

ERP measure: Promotion of renewable energy sources and energy efficiency improvements

Indicator	Baseline (2021)	Intermediate target (2022)	Target (2023)
Percentage of electricity generated from PV solar plants and wind turbines	4%	40%	81%
Energy saved with measures (pilot projects) in the energy efficiency sector	30%	60%	100%
Energy efficiency audit reports / Building performance certificate	2%	20%	50%

The first indicator reflects a relevant outcome of policies promoting the use of renewable energy sources. However, it also raises the question of the **realism of targets**. It is almost impossible to imagine that the share of electricity produced by solar and wind power could increase from 4% to 81% in only two years.

The second and third indicator underscore the **importance of clear formulation of indicators**. Regarding the second indicator, it is not clear what is meant by saving 100% of energy with pilot projects, i.e. 100% compared to what?

Similarly, with the third indicator, it is difficult to understand what the percentages refer to – all buildings, public buildings, residential buildings, or any other specific subset of buildings that might be the object of the measure? Neither is it clear whether the slash (/) stands for 'and' or 'or' – is the goal for buildings to have both the energy audit report and the performance certificate, or at least one of them? A better way to formulate this indicator could be the 'Share of [public / residential?] buildings with performance certificates [and / or?] energy efficiency audit reports'.

It may well be that such ambiguities could be cleared by carefully examining the measure description or by contacting the responsible authority, but **the indicators need to speak for themselves.**



Example 2: Tourism sector development

ERP measure: Increasing competitiveness in the tourism and hospitality sector

Indicator	Baseline (2019)	Intermediate target (2021)	Target (2023)
Number of arrivals of foreign visitors	4,962,335	5,210,452 excluding the negative effect of the pandemic	5,731,497
GDP (GDP by economic activity: hotels and restaurants)	1.4%	1.5%	2%
Number of jobs by accommodation activities and food services	6.4%	6.8%	7.5%

These are some of the typical indicators for the development of the tourism sector and a **good choice for monitoring the outcomes of the measure.** Other indicators that could be used include the value of tourism exports (available from the country's balance of payment) or the average spending of tourists per day (indicating improvements in the value added of the country's tourism offer).

With the third indicator, there is a discrepancy between the name of the indicator (number) and the value (%). One can understand that what is meant is probably the share of accommodation and food services employment in total employment, but nevertheless attention should be paid to **consistency between naming the indicators and the type of values used.**

The indicators table rightly points out that in evaluating the results of the measure, care needs to be taken to account for the negative effects of the pandemic on international tourist flows. How exactly the negative pandemic effect can be estimated is not – and need not be – explained in this table, but it should be explained in the following ERP when reporting on developments in the tourism sector and commenting on the updated indicator values.





Example 3: Digitalization of government services

ERP measure: Improvement to spatial development management through e-space digital platform

Indicator	Baseline (year)	Intermediate target (year)	Target (year)
Digital database of spatial and urban plans established	0 (2020)	Spatial and urban plan data for pilot areas in the digital database (2022)	Data of most spatial and urban plans in the digital database (2023)
Number of days needed to issue location conditions	33 days (2020)	25 (2022)	/
Number of days needed to issue a construction permit	11 days (2020)	/	6 (2023)

With this measure, we have a **combination of output and outcome indicators**. The first one is an output indicator, as it monitors a direct result of the government's activity, i.e. the establishment of a digital database (but not its usage or benefits). Still, as this is a complex project involving cooperation with municipal administrations, it may be considered as a valid indicator for an ERP measure. Regarding the target, it would be better to set it in numerical terms, for example 'at least 80%' instead of 'most'.

The other two indicators refer to the outcomes of the measure for the beneficiaries and are very relevant. It is not clear why some values are missing in the table. A more important issue is the lack of **clarity about the source of data for indicator values**. Data on the duration of administrative procedures are often taken from the World Bank's Doing Business or similar reports – if this is the case, this should be briefly noted in parenthesis after the indicator's name or in a footnote to the table. However, if the duration of procedures will be measured by the implementing ministry, care should be taken to develop a valid methodology and enable external verification to assure the credibility of the indicator.



Example 4: Education reform

ERP measure: Implementation of the new curricular framework in vocational education and training system

Indicator	Baseline (2021)	Intermediate target (2022)	Target (2023)
% of vocational education and training institutions (VETI) that implement the new core curriculum	25%	50%	75%
% of VETI teachers trained on the implementation of the core curriculum	25%	50%	75%
% of students in vocational education participating in workplace-based learning	10%	10% (20%)	30%

This is another example of a **combination of output and outcome indicators**. Like in the previous example, the output indicators are related to rather complex government activities, which require partnership with stakeholders, i.e. teachers and leaders of VETI.

The indicator on the share of students participating in workplace-based learning can be considered an outcome indicator, as it reflects tangible benefits for the beneficiaries of the measure, i.e. the students and their potential employers. The **intermediate target for this indicator is unclear**, as it is set by two alternative values, one of which is the same as the baseline. This probably reflects uncertainty about the dynamics of the reform implementation. A better approach would be to set only one value (20%) and explain the risks to its achievement in the ERP section on implementation risks.





Example 5: Social policy reform

ERP measure: Strengthening the system for social inclusion of the vulnerable categories of people

Indicator	Baseline (2018)	Intermediate target (2022)	Target (2023)
At-risk-of-poverty rate	21.9%	16.9%	16.5%
% of persons (0-59) living in households with very low work intensity	16.4%	15.3%	15.1%
% of the social welfare / GMA recipients in employment upon leaving support of services and measures for labour market activation	0%	25%	25%
% of severely materially deprived persons	30.5%	-	28%
Number of licensed service providers (by type of service; home-based, community-based, extra-familial care)	0	40	50

This example shows a **combination of clearly defined and well selected outcome indicators**. The indicators specific to the measure capture the outcome for the beneficiaries (% of welfare recipients successfully supported for activation) and the effectiveness of the measure in supporting the development of non-government service providers.

Other indicators are less specific for the measure, as they use **data on the general socio-economic situation in the country** (poverty rate, material deprivation rate, low work intensity rate). This may raise the question of disentangling the impact of the measure from other factors that influence such outcomes. However, since the social policy is arguably a major driver of the situation of vulnerable groups, and the measure in this example is indeed a broad and ambitious reform, the use of such broad, societal level outcome indicators is justified in this case.

CHOOSING THE BASELINE AND THE TARGET YEAR

To conclude the discussion of the examples, let's have a look at the baseline and target years used. In principle, **the baseline year for indicators should be the year before the measure was introduced in the ERP**. Looking at the evolution of indicators through time can inform us about how circumstances have improved compared to the initial situation that prompted the reform. This approach is clearly followed in Examples 2 and 5 above, where the baseline years are 2019 and 2018, respectively. Example 3 shows a useful approach where a different baseline year can be chosen for each indicator, if needed.

On the other hand, the baseline year in Examples 1 and 4 is 2021. As the ERPs were submitted in January 2021, the baseline indicators in these examples are not data but rather estimates by the LM. Such practice should be avoided in the future.

The target year for indicators in all examples is 2023, which corresponds with the planning horizon of the ERP. This is a good practice but it should be noted that it is permissible to also set the target in a later year. This applies to cases where the **results of the reform may not yet be fully reflected in the indicators within the three-year planning period**. For example, in the case of the vocational education reform, the employment rate of new graduates would be a relevant outcome indicator, but significant improvements will naturally take longer than three years to materialize.



MY NOTES





4 Learning needs of public officials

Based on the main conclusions in Section 3.1, Section 4 addresses public officials' learning needs in relation to the process of defining and monitoring KPIs. The key recommendations for the issues to be addressed in future training materials and knowledge products to help responsible ministries and other government institutions measure progress with the implementation of structural measures are:

- **Defining structural measures** – identifying the main objective, the expected outcomes and impact, and the key obstacles, and clearly describing the activities and the adequate timeline.
- **Developing KPIs** by using the OECD Monitoring Tool for the theoretical part and including plenty of **practical examples** of clearly and not so clearly identified indicators, as well as advice on how to design the KPIs, the baseline and target years, and the values.
- Explaining in detail and **distinguishing between process, result and impact indicators**, including examples. In the first stage, the focus should be on result-based indicators – **primarily outcomes** (indirect results of the measure in the medium term).
- **Ensuring relevant and available official statistics** (national and European) and **developing internal databases at LMs** for monitoring KPIs.
- **Reporting on the realization of KPIs for each year** or even a shorter period, which can be used to adjust or further improve the structural measure.
- **Costing the proposed activities** and the whole measure and **linking them with the budget / fiscal framework** – ex-ante before the implementation.
- **Monitoring and reporting the realized costs during the implementation** (ex-post) and **comparing them to the initially estimated costs** (ex-ante). **Linking the KPIs** with the policy objectives and targets in the **MTBF work**.
- **Monitoring and reporting on the availability of financing for the SR** compared to the initially planned and estimated financial resources.



List of questions for participants

HYBRID WORKSHOP: MONITORING IMPLEMENTATION OF STRUCTURAL REFORMS, OCTOBER 26-28, 2021, LJUBLJANA

Introduction

1. What is your role in the preparation of the ERP document and the KPIs?
2. Why do you think KPIs are important and relevant for the SR or structural measure you are proposing in the ERP?

The process of defining the KPIs

3. Can you explain the process of defining the KPIs?
4. How do you connect the KPIs with the objectives and activities of the SR or SM?
5. Do you check other countries' ERPs and how they define the KPIs for similar measures / reforms?
 - 5a) Do you think that the majority of KPIs should be quantitative, or do you think that qualitative KPIs are equally useful?

Using the KPIs

6. How do you evaluate the progress for each year and each KPI, and assess the overall results and impact of the measure?
7. How does this assessment impact on the measure – is it adjusted, rolled over to the next ERP or not?
8. When the SR measure is rolled over to the next ERP, do you consider changing the KPIs or do you prefer to keep the same?
9. If you decide to change or abolish KPIs, what would be the main reason for this?
 - 9a) Do you find that the indicators you have set are easy to measure (in terms of time, complexity, available data, information, etc.)?
 - 9b) When you monitor the implementation of a SR, do you also collect data on the actual costs and funding sources of the activities that have been already implemented?
 - 9c) If yes, how do you report on this and do you compare it with the initial (ex-ante) cost estimates?
 - 9d) Does this process help you assess the fulfillment of the defined KPIs?

Concluding question

10. What do you see as the biggest problem or challenge in the process of defining and measuring the KPIs?



MY NOTES



About the CEF

The CEF is an international organization with the mission to support capacity development of public officials and their institutions in South East Europe through learning and knowledge sharing. We are a leader in applying people-centred learning approaches and holding the know-how of becoming and being a learning organization. We work with our constituency to support their public financial management, tax policy and administration, and central banking reform efforts.

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