EFFICIENCY OF PERFORMANCE INDICATOR SYSTEMS IN REGIONAL DEVELOPMENT POLICY

Expert meeting

Agenda and issues for discussion

17 September 2007; 9:30-17:00
OECD Monaco Annex
2, rue du Conseiller Collignon, 75016 Paris

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AGENDA

9:30-10:00 Coffee and pastries

10:00-10:20 Welcome
Roberto VILLARREAL
Regional Competitiveness and Governance Division, OECD

Chair’s opening statement
Mr. Junghun KIM
Korea Institute of Public Finance

10:20-12:30 Part 1: Identifying the “costs” of performance indicator systems

1. The dimensions of cost
Presentation: Massimo FLORIO, Center for Industrial Studies (CSIL) (Italy)
Discussant: Claire CHARBIT, OECD

2. Factors influencing cost
Presentations: Lee MIZELL, OECD
Gunnar JOHN, Federal Ministry of Finance (Germany)
Discussant: Julie PELLEGRIN, CSIL

12:30-14:30 Lunch - Château de La Muette

14:30-16:50 Part 2: Aligning “costs” and “benefits”

1. Mechanisms for reducing cost
Presentations: Dustin BROWN, Office of Management and Budget (U.S.)
Philip AMISON, Advantage West Midlands (UK)
Discussant: Lee MIZELL, OECD

2. Increasing benefits
Presentations: Veronica GAFFEY, DG REGIO Evaluation Unit (EC)
DIACT/ Délégation interministérielle à l'aménagement et à la compétitivité des territoires (ex-DATAR, France)
Discussant: Massimo FLORIO, CSIL

16:50-17:00 Chair’s concluding remarks
BACKGROUND AND ISSUES FOR DISCUSSION

Background

1. Monitoring and evaluation systems in general, and performance indicator systems in particular, are increasingly utilised in the context of regional development policies in OECD countries. They are particularly useful in a multi-level government environment in which policy competences are distributed between different levels of government and among different actors. The information necessary to implement a regional development programme or policy is indeed unevenly scattered among the different stakeholders participating in a given programme or policy. Setting up monitoring and evaluation systems that gather, process, and share the relevant information can help address such information asymmetry and contribute to improved policy outcomes. Performance indicator systems, particularly when they are associated with targets and incentives (rewards or sanctions), are expected to be especially effective in this respect. Beyond the general aim of improved policy performance, they can serve different objectives such as promoting transparency and accountability, improving local capabilities, enhancing overall policy governance, raising awareness, mobilising stakeholders, etc.

2. At the same time, performance indicator systems can be costly to set up and run. Different categories of costs associated with the establishment of a performance indicator system include staff costs, technology costs, data collection costs, costs of incentives and other opportunity and transaction costs. Revealing information through an indicator system is also associated with risks that can be perceived as costs by actors. Actors may be concerned that their limitations may be revealed, that data may be misinterpreted, or that new burdensome performance requirements will emerge. These various types of costs occur and have different intensity depending on the types of indicators being measured (inputs, outputs, outcomes), stage of development of a performance indicator system (conception, test phase or maintenance) and the administrative level (sub-central, central or supranational) at which they materialise.

3. Achieving a general estimation of all the costs associated with a performance indicator system is especially difficult in a decentralised context. It is even more complex to relate the costs incurred to the benefits actually drawn from a system of performance indicators. Yet, this is a central issue that needs to be tackled when taking the decision to adopt a system of performance indicators. This issue will form the core of the ‘problématique’ addressed at this meeting.

4. The objective of the meeting is to provoke dialogue around the types of costs associated with performance indicator systems in a regional development context and to discuss the conditions under which the “cost-effectiveness” can be improved. Toward this end, the meeting will address the question of “cost” and strategies for increasing benefits from the supra-national, national, and regional perspectives.
Issues for discussion

1. The dimensions of cost

- What are the main dimensions of cost (development costs, transaction costs, administrative burden, capacity building, etc.)?
- Does introducing rewards/sanctions increase (or decrease) the costs of indicator systems?
- What are the main obstacles to the implementation of performance indicator systems and use of the information they produce at the national and regional levels?

2. The factors associated with cost

- What is the relationship between the goals of a performance indicator system (e.g. horizontal benchmarking vs. vertical accountability) and the costs it incurs?
- How does the introduction of effectiveness targets (more outcomes than inputs and outputs measurements) affect the structure and level of cost?
- How does the degree of decentralization and distribution of assigned competencies affect the design and costliness of performance indicator systems?

3. Mechanisms for reducing cost

- Can participatory mechanisms for designing and implementing performance indicator systems help to reduce cost (including unintended consequences such as gaming) and increase compliance?
- Careful selection of the right number of indicators can help reduce the cost of data collection and minimize unused information – but what mechanisms should be used for selecting the right indicators? When should they be selected? By whom?
- What mechanisms (e.g. participatory design, pilot projects, etc.) can be used to reduce the obstacles to the implementation of performance indicator systems and use of the information they produce?

4. Increasing benefits

- What are the primary benefits of indicator systems for sub-national actors in a regional development context? How can indicator systems be built to enable these actors to extract these benefits at acceptable “cost”?
- Does introducing incentive mechanisms increase (or decrease) the cost-effectiveness of indicator systems?
- How can performance indicator systems be used to enhance regional development policy strategies and policy making?