

# Issues Paper: Performance Measurement for Better Regional Development Policy Outcomes



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## Introduction

The Government of Croatia is striving to develop and implement a robust performance measurement framework to support the ongoing implementation of the National Development Strategy (NDS) 2030 and subnational development plans. This framework aims to provide all levels of government with the necessary evidence to: (1) track the achievement of territorial development objectives specified in the NDS and the different county and local development plans; and (2) to make informed decisions on how to improve the efficiency and effectiveness of regional development policy and actions.

There are, however, a series of challenges that will need to be resolved in order to improve evidence-informed decision making in Croatia. At the national level, these include the untimely availability and inadequate granularity of performance data, and a lack of sufficient expertise and skills to fully support the monitoring and evaluation of strategic planning documents (MRDEUF, 2022<sup>[1]</sup>). At the county level, these challenges include limited technical infrastructure (e.g. digital databases, data analysis software) to monitor performance, a lack of feedback loops to support the use of monitoring and evaluation results to adjust programming, the limited reliability of collected data and a lack of data on different topics (OECD, 2022<sup>[2]</sup>).

The first section of this issues paper looks at the overall purpose of performance measurement for regional development as well as a series of challenges that all levels of government face in terms of tracking progress in meeting territorial development objectives. The second section explores the Government of Croatia's current approach to regional development performance measurement, including key mechanisms and tools being used at the national and subnational levels to track progress. The third section looks at the availability of Croatian local-level data as a key enabler to performance measurement. The fourth section discusses the scope for building capacity and creating an institutional culture that is geared towards learning from data. The fifth and final section briefly looks at how Croatia can build and maintain a publicly accessible performance measurement platform. Each of these sections contains a list of key issues that can inform discussion in the forthcoming knowledge-sharing forum "Reinforcing performance measurement for better regional development policy outcomes"<sup>1</sup> and can help national and subnational governments identify measures to better track their performance and improve the efficacy of regional development strategies and plans.

## Performance measurement for regional development: aims and common challenges

The quality of performance measurement instruments and processes are critical factors for successful regional development policy. A robust performance measurement framework can provide all levels of government with the necessary evidence to make informed decisions on how to best use scarce public resources to achieve regional development aims (Mizell, 2008<sup>[3]</sup>; Phillips, 2018<sup>[4]</sup>). More specifically, a well-established performance measurement framework can help generate important information from past and ongoing activities to be used as a basis for bolstering ongoing policy initiatives and improving future planning. Moreover, it can support policy makers in identifying whether the goals and targets that are set out in national, regional and local development strategies and plans are being met, to what extent, and

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<sup>1</sup> The forum, which takes place on 2-3 February in Osijek, Croatia, is part of the "Enhanced Strategic Planning at Regional and Local Levels in Croatia" project. It seeks to create opportunities for dialogue and exchange among Croatian national and subnational policy makers about advances in and challenges to effectively monitoring regional development policy outcomes and learning from policy success and failure. In addition, it seeks to facilitate learning from national and international good practices and identify innovative tools to help all levels of government gather, analyse and use territorially-disaggregated data to support policy makers make informed decisions to better achieve regional development objectives.

why. Performance measurement also contributes to learning by giving information to decision makers on where and how to revise policy design and implementation strategies to better meet their regional development goals.

Without an effective performance measurement system, it is difficult (if not impossible) to assess the effectiveness of strategies in delivering territorial and local development outcomes. At the same time, performance measurement can support increased transparency in terms of the funding, financing and implementation of public policies and actions, which is an important, albeit not sufficient, pre-condition for citizen trust in government. Performance measurement can also help mobilise non-governmental actors (e.g. businesses, academia and individual citizens) in support of territorial development initiatives by demonstrating how government activities are leading to increased economic development, improved public service delivery and greater citizen well-being (European Commission, 2022<sup>[5]</sup>).

### *Common challenges to effective performance measurement*

Regional development performance measurement frameworks typically include both monitoring and evaluation. Monitoring consists of systematic data collection for a holistic set of performance indicators, thereby helping to measure progress towards targets and identify implementation roadblocks (OECD, 2021<sup>[6]</sup>). Evaluation is the structured and evidence-based assessment of the design, implementation or impacts of a planned, ongoing or completed public intervention, its design, implementation or results (OECD, 2022<sup>[7]</sup>). For example, evaluation can build on monitoring data to clarify to what extent the government’s overarching objectives were met, and the reasons for success or failure.

There are a number of common challenges that governments face to effectively measure regional development performance. These relate to:

- Building a robust results framework that clearly defines the desired impact and outcomes of a given regional development strategy, policy or plan, as well as the metrics that are necessary to measure success, which include indicators and targets;
- Ensuring the necessary human, financial and infrastructure resources needed to generate, collect, analyse and disseminate performance data;
- Systematically embedding monitoring and evaluation processes in territorial strategy design and delivery; and
- Mobilising relevant governmental and non-governmental actors to support performance measurement activities.

### *Defining the appropriate indicators to track progress*

A common challenge when developing a performance measurement framework is designing a results framework with appropriate indicators to track progress towards the fulfillment of a strategy or plan’s objectives. A key step in developing such a system is determining performance indicators that are appropriate for the objectives at hand. There is also a need for monitoring frameworks to strike a balance between qualitative and quantitative indicators, domestic and international indicators, and indicators that track short- and long-term results, in order to develop a holistic picture of progress (European Commission, 2022<sup>[5]</sup>; UK Local Government Association, 2022<sup>[8]</sup>).

### Box 1. Distinguishing between different types of indicators

An indicator is a measure that can capture different types of information and provides insight for evidence-informed decision making. Indicators are generally divided into four categories:

- **Input indicators** reveal what resources (e.g. people, money and time) are used in what amounts to produce and deliver goods and services.
- **Output indicators** capture the goods and services that activities produce (e.g. number of local civil servants trained, the number of SMEs that received financial support, kilometres of roads built).
- **Outcome indicators** capture the dimension that is expected to change as a result of an intervention (policy, programme or project). Outcome indicators show the real-world changes that practical outputs will produce (e.g. the percentage of people who have improved their situation in the labour market within a certain number of months after their participation in training).
- **Impact indicators** relate to the expected impact of a policy intervention on the economy or society in general. They measure changes in the long term.

In determining what to measure, two factors are particularly important: the objectives of the performance measurement system, and the objectives of the strategy, policy, programme or project.

Source: Author's elaboration, based on (OECD, 2009<sup>[9]</sup>).

#### *Ensuring the availability of necessary human, financial and infrastructure resources*

Another common performance measurement challenge is ensuring sufficient resources (e.g. human, financial and technical infrastructure) to support the availability of datasets and arrangements for collecting, analysing, disseminating and learning from performance data. This entails building and maintaining the capacities of relevant authorities at all levels of government to collect, analyse and disseminate data, while encouraging collaboration among and across levels of government for data provision. National governments can play a strong role in facilitating these elements, for instance by providing dedicated trainings to strengthen the data management capacity of subnational governments and through the development of vertical and horizontal data co-ordination mechanisms, including digital platforms and shared databases.

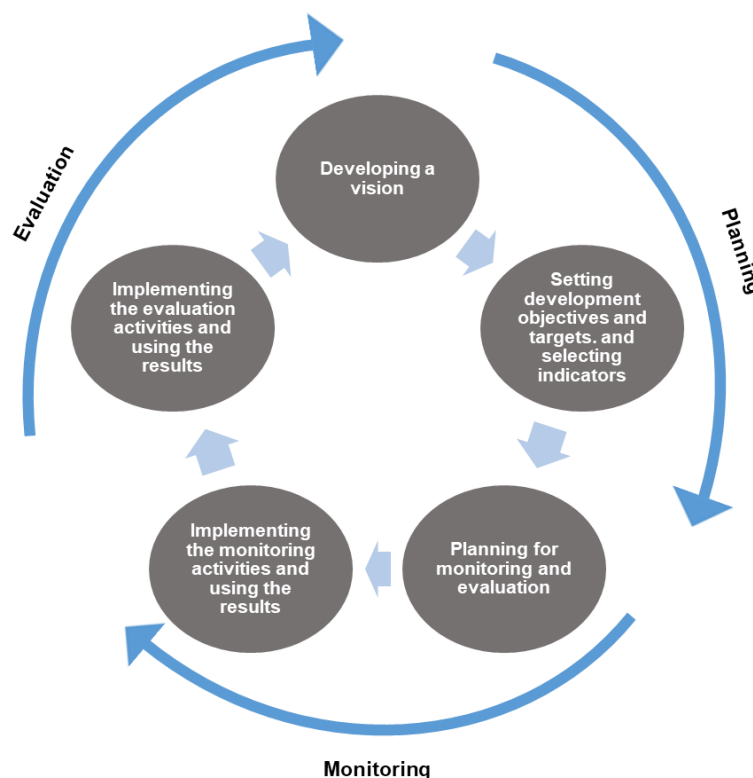
It also requires all levels of government to be clear about their data needs. It is important for all governments to develop a data collection plan for performance measurement, which can identify what specific data are needed, how they will be collected, who is responsible for collecting and reporting the data, when the data will be collected and reported, and how frequently (European Commission, 2022<sup>[5]</sup>). Such a plan could also identify needs national or subnational governments might have in terms of acquiring data analysis software and building the necessary technical skills to operate these.

Different OECD member countries are also going a step further by ensuring that data production is based on a careful assessment of how data will be used. For example, Canada and the United States have developed holistic national data governance strategies to manage, protect and share data within the public sector to promote evidence-informed decision making. In the United States, for example, the 2019 Federal Data Strategy presents a ten-year vision to unlock the full potential of the country's federal data assets while safeguarding security, privacy and confidentiality (Executive Office of the President of the USA, 2019<sup>[10]</sup>). This data strategy builds on the Foundations for Evidence-Based Policy-Making Act of 2018, which aims for federal agencies to better acquire, access, and use evidence to inform decision making.

*Embedding performance measurement in the strategic planning life-cycle*

A further common performance measurement-related challenge is embedding monitoring and evaluation throughout the public policy cycle to improve strategy design and delivery. The continuous process of planning, implementing, learning and improving is known as the results-based management (RBM) life-cycle approach (Figure 1). RBM has been adopted by governments across the OECD and beyond—particularly by actors working on international development co-operation. It can be defined as a management strategy whose objective is to achieve better performance and demonstrable results (UNDP, 2009<sup>[11]</sup>). RBM is an ongoing process, which implies constant feedback, learning and improvement. In other words, existing policies and other planning documents must be regularly reviewed and updated based on lessons learned through monitoring and evaluation exercises.

**Figure 1. Combined strategic planning and performance measurement-cycle**



Source: Author's elaboration, based on (UNDP, 2009<sup>[11]</sup>).

In addition to improving policy planning and programming, well-designed performance measurement systems can provide a basis for public communication with relevant stakeholders (e.g. general public, project beneficiaries) on the effectiveness and efficiency of public policy (European Commission, 2022<sup>[5]</sup>; Sanderson, 2001<sup>[12]</sup>; OECD, 2021<sup>[6]</sup>).

The versatility of strategic applications for performance monitoring highlights the importance of generating regular, 'user-friendly' and accessible monitoring outputs that are fit for purpose. Monitoring and evaluation reports need to be produced with potential audiences in mind (e.g. policy makers/politicians, general public, business sector), with the dissemination of actionable, clear and concise information, enabling stakeholders to evaluate performance, as well as identify potential gaps and corrective solutions, at all stages of the policy making cycle.

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*Ensuring engagement of relevant stakeholders to support performance measurement*

An additional performance measurement-related challenge is mobilising relevant actors, including citizens, in monitoring activities. Engaging relevant stakeholders and citizens in monitoring can strengthen transparency, accountability and ownership of territorial development strategies. It can also generate feedback and learning to support the refinement of performance measurement systems. Non-governmental actors can support performance measurement in a variety of ways, for instance by: a) contributing to the definition of development objectives and targets, as well as the identification of performance indicators, b) providing data to governments (e.g. collected by businesses, academia etc.) and c) reviewing public monitoring and evaluation reports. At the same time, participatory performance measurement can be impeded by capacity challenges, with certain stakeholders unable to participate owing to a lack of skills and capabilities. A lack of consultative opportunities for different actors—be they virtual or in-person—can also hamper public participation in performance measurement.

One way to address this issue is by ensuring that monitoring reports are made public in an easily understandable and accessible format. The co-design of performance measurement systems in collaboration with local communities can also shed additional light on the content, process and results of monitoring and evaluation activities, as well as avenues for effective stakeholder engagement. In certain cases, policy makers can may also wish to consider capacity building actions (e.g. training, toolkits and peer exchanges) for civil society groups and other stakeholders, which could help them to more effectively monitor, report and communicate data) (European Commission, 2022<sup>[5]</sup>).

**State of Play: performance measurement for regional development in Croatia**

The Government of Croatia has already made important advances in the field of regional development performance measurement. Monitoring and evaluation mechanisms have been set up both to track progress towards the completion of the National Development Strategy 2030, and regional and local development plans. The MRDEUF will support subnational performance measurement, for example by developing Annual Evaluation Plans, in collaboration with regional and local governments. The Plans, which will be prepared as of 2023 and in subsequent years, will provide subnational authorities with an indicative list of monitoring and evaluation activities to be carried out, their content and purpose, the timing, cost and data requirements, as well as data collection methodology. Such data will be used to inform the Croatian government and parliament regarding the contribution of regional and local self-government units to the fulfillment of the NDS 2030. They also feed mid-term and ex-post evaluations of regional and local development plans. These evaluations include recommendations to adjust policies and programmes to better meet regional development objectives and priorities.

The MRDEUF has also established the Library of Indicators. This is an official, standardised register of impact and outcome level indicators that must be used by all public authorities when designing monitoring and evaluation frameworks for mid-term and long-term strategic planning documents. New indicators can be proposed by subnational governments to the MRDEUF, which must first confirm their suitability against EU RACER<sup>2</sup> criteria. Using standardised indicators for the monitoring of regional and local governments ensures more effective monitoring and evaluation of public policies at the subnational level, while benchmarking the efficiency and effectiveness of different self-government units.

Monitoring of the NDS 2030 and the county development plans is at an early stage. The first monitoring report for the NDS is expected to be published in 2023. At a later stage, the MRDEUF will develop a mid-term evaluation of the NDS that will include with recommendations to improve implementation (MRDEUF,

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<sup>2</sup> Relevant, Acceptable, Credible, Easy and Robust

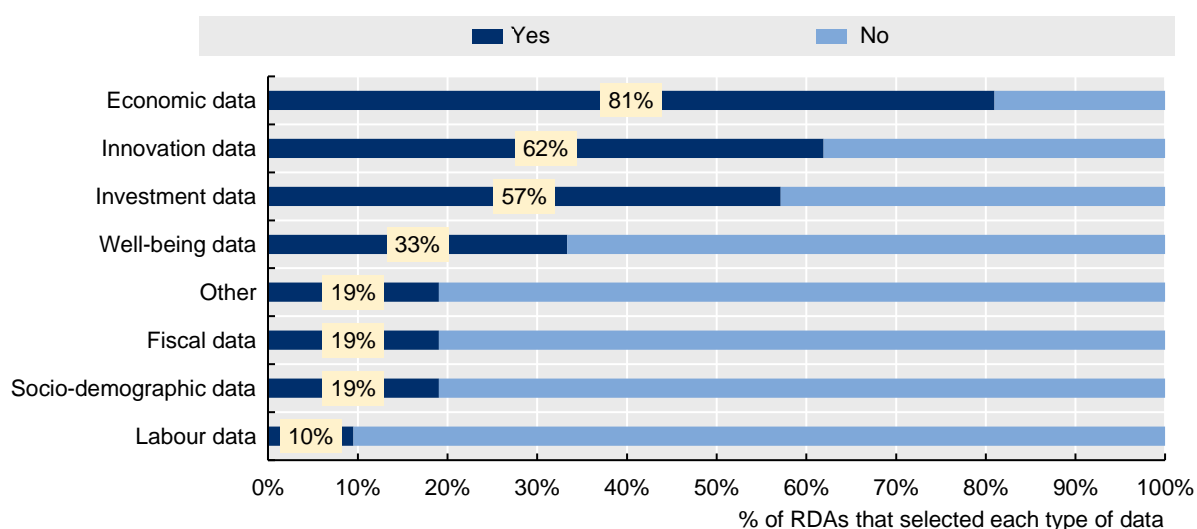
2022<sup>[11]</sup>). As the county development plans were developed and approved in 2022, the first county-level monitoring reports will likely be published in 2024.

One of the challenges to performance measurement in Croatia is ensuring sufficient subnational capacity to monitor regional and local development plans (OECD, 2022<sup>[21]</sup>). This is not only important for ensuring that regional and local governments can track progress towards their objectives, but also because regional and local monitoring reports supply the national government with data regarding the implementation of the NDS’s strategic goals. Croatia’s 21 regional development agencies reported several capacity challenges that could impede their ability to monitor and evaluate their county’s regional development plan. These include limited technical infrastructure (e.g. digital databases, data analysis software) (67%), lack of mechanisms to use the monitoring and evaluation results to adjust programming (57%), limited reliability of collected data (43%) and lack of data (38%) (OECD, 2022<sup>[21]</sup>). The responses to a national-level OECD questionnaire highlight limited expertise, and skills in monitoring and evaluating strategic planning documents at all levels of government as additional challenges to the effective monitoring and evaluation of regional and local development plans (MRDEUF, 2022<sup>[11]</sup>).

### Availability of local-level data

Ensuring the availability of relevant territorially-disaggregated data is critical to regional development performance measurement. In particular, it can help identify specific development challenges at the county, city or even community level. It can also facilitate comparison across territories and shed light on changes in performance. There are indications that in certain areas, local-level data may be broadly sufficient to enable subnational governments to track the achievement of NDS goals and those reflected in the county development plans. For example, of Croatia’s 21 RDAs, only 10% reported that additional labour data could help them improve evidence-informed decision making. At the same time, sizeable majorities of RDAs felt that their decision making could be improved through additional economic data (81%), innovation data (62%) and investment data (57%) (Figure 2).

**Figure 2. Types of data that could help to improve evidence-informed decision making, according to the RDAs.**



Note: Survey question: What type of territorially disaggregated data (data by region and/or local-self-government) could help your RDA improve evidence-based decision making? Please select 3 options.

Source: Author's elaboration, based on: (OECD, 2022<sup>[2]</sup>)

These findings suggest that there are gaps in subnational data collection that may need to be addressed in order to improve performance measurement. For instance, several RDAs noted that some aspects of regional economic and innovation performance have become more difficult to evaluate, owing to the fact that data for the regional competitiveness index are no longer collected and there is a lack of datasets that can measure the value of private sector innovation for the regional economy. With regard to investment, several RDAs noted that there are a lack of datasets quantifying the value of foreign direct investments at the subnational level (OECD, 2022<sup>[2]</sup>).

## Creating an institutional culture geared towards learning from data

Effective performance measurement depends on national and subnational governments having sufficient institutional capacity to conduct a range of monitoring and evaluation activities. It also depends on whether policy makers encourage policy learning from data that can lead to tangible improvements in performance. In particular, governments need to know how to identify successes and failures, how to establish early-warning mechanisms so that failures are identified too late in the implementation process, and how to identify corrective actions so that performance gaps can be addressed (Daddow, 2019<sup>[13]</sup>).

The creation of an institutional culture geared towards learning from evidence relies, at least in part, on sufficient human, financial and technical resources to generate, analyse and disseminate data. Effectively policy learning also relies on monitoring and evaluation findings being presented to policy makers in a clear, concise and timely manner. Highly rigid and hierarchal governing structures in which lower-level staff are afraid to share negative results to their superiors tend to lead to more policy mistakes.

Many OECD countries have established institutional frameworks that create feedback loops that enable systematic use of performance evidence in decision making. These frameworks can take on a variety of forms and can be embedded in legislation or softer instruments, such as guidelines. Similarly, these feedback loops can be incorporated into key existing decision making processes, such as the budget or policy planning process, or can require the creation of *ad hoc* mechanisms. The latter applies to countries that have put in place a performance dialogue between the Centre-of-Government and line ministries, or between national and local governments. In Finland, for example, the Prime Minister's Office is in charge of monitoring the government programme in co-operation with line ministries.

There are indications that, at the subnational level, there may be room for improvement in several of these areas (OECD, 2022<sup>[2]</sup>). For example, leading challenges to monitoring and evaluation cited by RDAs included both technical challenges (e.g. limited technical infrastructure to collect, analyse and disseminate data) (67%) and governance-related ones (e.g. lack of mechanisms to use the monitoring and evaluation results to adjust programming) (57%) (OECD, 2022<sup>[2]</sup>).

## Building and maintaining publicly accessible performance measurement platform

Building and maintaining a publicly accessible performance measurement platform, with clear objectives, measurable targets and appropriate indicators has the potential to improve strategic planning, transparency and accountability for regional development in Croatia. It can enable national and subnational governments, as well as civil society and the private sector, to better understand the impact of regional development policies, strategies and investment projects. It could also offer insight into the factors contributing to or detracting from regional and local attractiveness, and potentially improve policy continuity and be used as a tool to communicate regional development priorities to relevant stakeholders (e.g. businesses, civil society organisation, academia, individual citizens).



Many national and subnational governments use performance monitoring platforms to facilitate communication about their development objectives, targets, indicators and results. For example, Scotland set up the National Performance Framework to communicate the country's high-level development goals (Government of Scotland, n.d.<sup>[14]</sup>; OECD, 2020<sup>[15]</sup>). This platform is designed to help citizens and other stakeholders track Scotland's progress across 11 prioritised dimensions. Each dimension is associated with a vision statement, linked to the Sustainable Development Goals of the 2030 Agenda, as well as a series of indicators that citizens can consult to see progress over time.

Another good practice is the platform of the 2030 Strategic Plan of the Government of the State of Nuevo León, Mexico, which presents information on its long-term objectives, as well as the State's progress in meeting the goals of the plan. An interesting element of this platform is that two goals were defined per indicator, one optimistic and one conservative (OECD, 2021<sup>[6]</sup>; Consejo Nuevo León, 2021<sup>[16]</sup>).

Generating similar publicly accessible performance monitoring platform may help Croatia's national government, as well as subnational authorities, communicate both internally and externally their territorial development objectives. At the same time, it could enrich the public debate on the effectiveness of public policy on regional development and how it affects, for example, local economic development, job creation and citizen well-being. However, keeping such platforms up-to-date over time requires continued effort on the part of the involved government institutions and may imply substantial investment in terms of staff time and technical infrastructure.

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