OECD Public Governance Reviews

POLAND

DEVELOPING GOOD GOVERNANCE INDICATORS FOR PROGRAMMES FUNDED BY THE EUROPEAN UNION



OECD

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BETTER POLICIES FOR BETTER LIVES

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Foreword

The development of an effective set of indicators to measure the performance of public administrations is fundamental to the success of reform in this crucial area. It, however, raises special challenges. These include: the definition of public policy objectives and accountability for meeting them, identification of what needs to be measured so that achievements can be clearly highlighted, issues of data availability, and the temptation to focus on activities and outputs at the expense of outcomes and impacts.

This report proposes a practical, country-based framework for addressing some of these challenges. It is a synthesis of the OECD's concluding work on Poland's Human Capital Operational Programme Priority V: Good Governance indicators. It was undertaken at the request of the Polish Ministry of Regional Development. Completed in December 2011, the report supports Poland in its development of good governance indicators for policies and programmes associated with European Union funding. The concepts presented and the challenges discussed are, however, relevant to a wide range of OECD member and non-member countries in the development of indicator-based performance measurement systems.

The report also forms the first part of a major public governance project, the *OECD Public Governance Review of Poland,* which started in early 2011 and will conclude at the end of 2013. Since its accession to the European Union, Poland has registered impressive development, with EU funding a major contributing factor. However, growth rates are slowing and Poland faces social, fiscal and regional challenges. Poland commissioned the OECD to carry out this project to obtain advice on how best to meet EU objectives and achieve strategic-state capability, including institutions and capacities to set, steer, operationalise, monitor and evaluate strategies to address the challenges. This also coincides with the upcoming 2014-2020 European Union programming period, which offers the opportunity to take stock of progress and initiate further reforms in the pursuit of good governance. The second part of the project is an in-depth analysis and recommendations on strategic-state capability, with a report to be published in early 2013. The third and final part of the project will offer support and advice on the implementation of strategic-state capabilities through 2013.

The work underlying this report was led by Caroline Varley, Head of Programme, Public Governance Reviews, in the OECD Public Governance and Territorial Development Directorate. M. Varinia Michalun was project manager and wrote the report, which is set within the overall context of OECD Public Governance and Partnerships Programme directed by Martin Forst and overseen by Rolf Alter. Special thanks for their expert contributions go to Christiane Arndt (OECD Secretariat), Simon Burall (Involve Foundation, United Kingdom), Ian Hawkesworth (OECD Secretariat), Zsuzsanna Lonti (OECD Secretariat), Noel Rubotham (Irish Courts Service, Ireland), Daniel Trnka (OECD Secretariat), and Wouter van Dooren (University of Antwerp), Henrik Frykman (OECD Secretariat), Valentina Kostyleva (OECD Secretariat) and Oscar Huerta Melchor (OECD Secretariat). Administrative and production assistance was provided by Katarzyna Weil and Jennifer Allain. Special thanks also go to the Polish team at the Ministry of Regional Development who worked patiently with the OECD Secretariat throughout the process.

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Introduction

Setting the national context: Poland's strategic planning reforms

Poland has made significant progress over the last two years in streamlining and clarifying its strategic planning framework, moving from more than 400 sector strategies to a unified strategic framework guided by a long-term vision and implemented through nine cross-sectoral strategies.

Box 0.1. **Strategic vision and planning: Recent developments**

In November 2009, the Council of Ministers passed the *Development Strategy Rearrangement Plan (2009),* updated in April 2011, as a means to reduce the number – and rearrange the importance – of binding strategies. Since 2010, only strategic initiatives compatible with the new system have been developed by ministries and agencies and approved by the Council of Ministers. The Development Management Framework marks a departure from the narrow, sector-based approach of traditional strategies by identifying interdependencies between various policy issues and focusing on enhancing policy integration as a means to build synergies between strategic plans to optimise the achievement of integrated development policy outcomes.

The key national, long-term development strategy for the country is articulated in *Poland 2030: The Third Wave of Modernity – A Long-term National Development Strategy*. This strategy identifies key domestic and international challenges that are affecting Poland's development. It presents a comprehensive long-term vision for Poland's national development that takes into account the country's social, economic, environmental, territorial and institutional dimensions.

The vision is implemented through nine medium-term integrated development strategies funded through EU and national resources:

- innovation and the efficiency of the economy;
- the development of human capital;
- the development of transport;

Box 0.1. **Strategic vision and planning: Recent developments** (*cont.*)

- energy security and the environment;
- the effective state;
- the development of social capital;
- regional development;
- national security; and
- sustainable development of rural areas and agriculture.

Over the upcoming EU programming period (2014-2020), it will be important for the Polish government to ensure that each of these nine integrated strategies transposes the relevant EU strategic objectives defined in Europe 2020 and integrates the horizontal strategic objectives of Poland's National Strategic Reference Framework into the nine national strategies for implementation.

Setting the EU context: European structural funds in support of Poland's strategic planning and good governance

Each member of the European Union that receives Structural Funds must determine how these funds will be used in a National Strategic Reference Framework (NSRF) document. One of the primary horizontal objectives stated in Poland's NSRF document for 2007-2013 is to "improve the functioning standard of public institutions and the development of partnership mechanisms". This aim is integrated into the Human Capital Operational Programme (HCOP), designed to help meet NSRF aims. For the 2007-2013 period, Poland has decided to apply the entirety of its European Social Fund (ESF) allocation to the HCOP (Ministry of Regional Development, 2007).

The HCOP is anchored in six key objectives, including to enhance "…the potential of public administration as regards the development of law and policies, the provision of high-quality services and the strengthening of partnership mechanisms". It is divided into nine priority areas, implemented in parallel at the central and regional levels.

Priority V: Good Governance is one of the nine priority areas. It is far-reaching in its scope, as it aims to improve the government's administrative potential in areas necessary for implementing high-level European strategies (e.g. the Lisbon Agenda and Europe 2020) and Poland's

own national strategies, such as the National Reform Programme and the 9-Pillar Development Strategy, thereby contributing to the conditions for Poland's social and economic growth (Ministry of Regional Development, 2007). It seeks to modernise Poland's public administration at all levels and in almost every major public administration domain: regulatory environment, human resource management, public finance management, judiciary administration and management, central and self-government unit's administrative capacity, and relations with social partners and NGOs.

In order to measure the success of its initiatives in public administration reform during the current funding period, and in accordance with requisites for EU funding to support these initiatives, a series of output and result indicators associated with Priority V activities were established by Poland in 2007. These were evaluated and tested by the OECD, as explained below.

Development of effective good governance indicators for Poland

OECD evaluation report on Polish good governance indicators

As part of the *OECD Public Governance Review of Poland*, and of the European Commission's mid-term review of Poland's HCOP, the Polish Ministry of Regional Development asked the OECD to support Poland in setting improved Priority V: Good Governance indicators. In June 2011, the OECD submitted an initial report evaluating the appropriateness of existing performance indicators developed by Poland. The report also provided a series of recommendations and outlined a seven-step methodology to support Poland's development of improved indicators and ensure more effective performance measurement (Annex B). The report did not evaluate Poland's performance against the existing set of indicators. Research for the report was conducted in March 2011 through a series of interviews and focus groups with relevant stakeholders within and external to the Polish public administration (Annex B).

The report found that Poland faced a range of challenges: dispersed and confused responsibility and accountability; low or lack of stakeholder "ownership" of indicators; lack of clarity and agreement regarding basic definitions; lack of alignment among indicator system components i.e. objectives, policies, targets, activities and indicators; and poor linkages with nationally funded reforms.

OECD seminar on the development of good governance indicators

In order to address the issues in a practical way, the report was followed by an OECD Seminar on Performance Measurement and Indicator Development held in Warsaw on 4 October 2011 for Polish civil servants responsible for indicator development.

Using the methodology outlined below, the seminar aimed to: *i)* build capacity within the Polish public administration for future development of national and EU-oriented indicators; *ii)* build a common vocabulary and approach to indicator development for future application; *iii)* lay the foundation for clearer accountability frameworks and greater horizontal co-ordination in policy implementation and performance measurement.

This report brings together the analysis, methodology and findings of the seminar. It begins with general background on Poland's Priority V: Good Governance indicators and presents key findings from the OECD's initial evaluation report on this indicator set. It then draws conclusions on the challenges with respect to Priority V indicator development in Poland. This is followed by a description of the seminar, including key points regarding performance measurement and the main issues that arose during the thematic working group sessions. It concludes with some additional recommendations for Poland, should it choose to further utilise the seven-step methodology for indicator development. Annexes include the recommendations from the first indicator report and copies of key documents directly associated with the seminar.

OECD seven-step methodology for effective good governance indicator development

The OECD has developed a methodology of seven sequential steps for indicator development (Box 0.2). This methodology is intended to address such critical issues as:

- establishing policy priorities;
- ensuring that targets are realistic and clearly expressed;
- defining indicators as precisely as possible;
- establishing more tailored impact indicators where possible or developing a statement of desired impact.

Box 0.2. **Seven-step methodology for indicator development**

1. Establish priority policies for meeting each specific objective.
2. Define targets.
3. Identify key activities that support the achievement of each target.
4. Establish output indicators.
5. Establish result indicators.
6. Identify desired impact.
7. Identify qualitative research methods to complement the quantitative indicators.

Figures 0.1 and 0.2 below provide examples of how this methodology flows from one step to the next using first a general policy example and then an administrative policy example. The cornerstone – a strategic objective – has been added, and the seventh step, not captured in the figures, is associated with identifying qualitative research methods. Annex A, document 3 provides a full schematic illustrating how priority policies have more than one target, etc. Equally important, a strategic objective can have more than one priority policy associated with it, and more often than not this multiplicity is desirable (Annex A, document 3).

Figure 0.1. **Seven-step methodology flow: General public policy context**

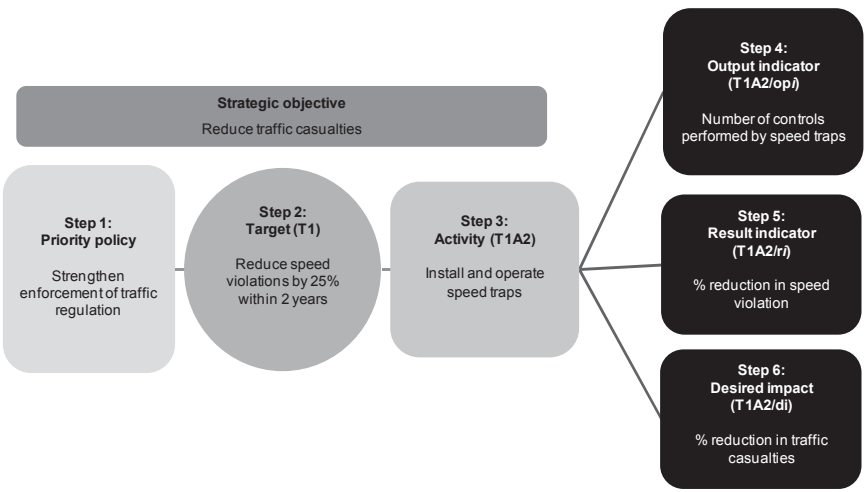
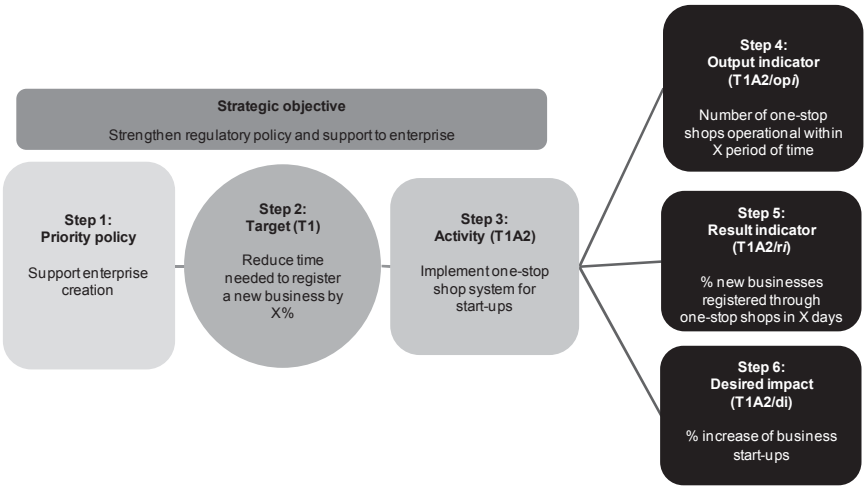


Figure 0.2. **Seven-step methodology flow: Administrative policy context**



Chapter 1

The OECD seminar: Main findings and recommendations

This chapter highlights the main practical findings from the OECD-Poland seminar on the development of good governance indicators. It is useful to set up working groups for indicator development to promote co-ordination and ownership by stakeholders; to establish clear strategic direction and prioritse supporting policies; to use precise language and terminology that is understood by stakeholders; and to clarify accountability for indicator development. The chapter concludes with a set of specific recommendations to Poland.

The seminar and its individual working group sessions (Box 1.1) highlighted four significant obstacles preventing the development of more effective indicators for Priority V: Good Governance:

- an organisational culture which may inhibit broad-based co-ordination and building ownership;
- an insufficient appreciation of the relationship and links between strategies, policies, targets and activity-related outputs;
- a lack of clarity in policy articulation;
- a lack of precision in articulating precise indicators.

Box 1.1. **Working groups for Priority V: Good Governance indicator development**

- Working Group 1: Strengthening regulatory policy and support to enterprise
- Working Group 2.1: Strengthening the potential of public administration: Central and self-government units
- Working Group 2.2: Strengthening the potential of public administration: Human resource capacity
- Working Group 2.3: Strengthening the potential of public administration: Public finance management
- Working Group 2.4: Strengthening the potential of public administration: Judiciary administration and management
- Working Group 3: Strengthening the potential of social partners and NGOs

These issues are also likely to impact indicator development for other initiatives associated with public governance strategies and policies. The reasons behind these factors need to be explored in greater depth, for example through the full *OECD Public Governance Review of Poland.* However, some hypotheses can be put forward based on observations and statements generated during the seminar.

On co-ordination and "ownership": The value of working groups

When developing indicators, input from all relevant stakeholders is critical, especially when policy effectiveness depends on the participation of multiple actors with complex relationships and differing interests.

In addition, effective co-ordination ensures, at the least, that the relevant stakeholders share information. A co-ordinated approach can then be expected to generate more pro-active relationships among stakeholders and stimulate a culture of collaboration and co-operation, paving the way for shared ownership.

Given the need to build ownership, highlighted in the initial indicators report, it was important that all relevant internal and external-to-government stakeholders participate in the working group sessions. Working group participants, however, generally came from the same ministry (most often the intermediate body), with a representative from the Ministry of Regional Development (the managing authority) also present, suggesting:

- an underestimation by ministries of the importance of a broad-based (including external) contribution to evaluating objectives and establishing indicators; and/or
- a difficulty with co-ordination.

Since most working groups lacked diverse stakeholder representation to varying degrees, the conclusion regarding a general co-ordination problem – i.e. an inability to bring the appropriate people together – could be supported. This difficulty of bringing all relevant stakeholders together needs to be addressed if ownership of future indicator development is to be well anchored.

Co-ordination was already recognised as a problem with the development of prior Priority V indicator sets. One seminar participant commented that a key challenge facing the Polish public administration is the lack of co-operation inside and across ministries. This implies that effective co-ordination is a general challenge within the Polish public administration culture and its mode of operation needs to be addressed in-depth in the full *OECD Public Governance Review of Poland*.

At the same time, the working groups showed that there is considerable potential and unexploited capacity for co-operation and collaboration once the relevant actors are brought together. At least in the "controlled environment" of a seminar, once together, individuals demonstrated an ability and willingness to co-operate and collaborate with their peers, and working group participants discovered that they could hold productive discussions and collaborate successfully in the development of indicator sets, which had not been fully experienced before. These working group sessions prompted discussion about what is realistic and possible in terms of policies, targets and activities. In addition, they provided participants with insight into how much stronger the result can be when developed in a co-ordinated, joined-up fashion. In most of the group discussions, it became

clear that once priority policies were identified, indicator development flowed more easily, pointing to a problem not entirely rooted in low capacity (see next section).

In addition, the public administration officials in several groups recognised the importance of dialogue – especially with respect to policies and activities – and were able to reach consensus. At least one group spent time discussing how properly identifying key activities required a conversation as to how the activities might actually work, and who would be responsible for them. In cases where key stakeholders were absent, it was acknowledged by those present that their contributions would be valuable. This was particularly the case in Working Groups 1, 2.1 and 3, and one group intended to actively seek this external input, also stating its intention to move present and future indicator work forward in a co-ordinated manner.

By the end of the session, in at least one group there also appeared to be a solid understanding that ownership not only of the indicators themselves but of the whole process – i.e. the ability to bring everyone together to discuss the various components required to successfully create an indicator set – was as important as completing the seven methodological steps, and that this is only possible if all the right people are in place.

One overall conclusion to draw is that by using a working group approach, stronger indicators can be developed and their management may be easier. In addition, such an approach can contribute to building a "co-ordination culture" more generally within the Polish public administration. This will only be effective, however, if such structures (i.e. working groups) are sustained over time, as the seminar brought people together only for this specific event.

On priority policies: A need for clear strategic objectives and prioritisation

Priority policies are the foundations of indicator sets. Through the submissions of pre-seminar documents and working group discussions, it was clear that priority policies represented one of the greatest stumbling blocks to successful indicator development. There are at least two critical reasons for this.

First, relevant strategic objectives are not clearly articulated. Strategic objectives represent the high-level goals that the government or the ministry wishes to realise. Strategic objectives that are relevant and realistic, and which are understood by both the political and administrative levels, are the anchors for public policy. They are what the public administration is

working toward, and their achievement drives policy design and implementation. Poland is currently working toward developing a 9-Pillar Development Strategy which would serve as the strategic objectives for the government and, hence, the public administration. As presented to the OECD, this 9-Pillar Development Strategy remains too high level, even in its sub-parts, to serve as a strategic objective for the development of indicators, regardless of links to national or EU aims. This said, it does provide a strong road map for the development of more precise strategic objectives.

Only when strategic objectives are in place and expressed with sufficient clarity and precision can priority policies be identified, and policy statements structured in terms of cause and effect. While identification or articulation of a strategic objective is not a step in the seven-step methodology,[1] because the methodology assumed that strategic objectives were already well-articulated, some groups did recognise the need to anchor priority policies in such an objective. Strategic objectives are not absent as such, but those contained in key planning documents such as the National Strategic Reference Framework 2007-2013 and the National Reform Programme 2008-2011 appear to be insufficiently specific or precise.

Based on the initial information shared with the OECD, and at least one instance observed during the seminar, the same risks are true of the 9-Pillar Development Strategy. For example, Working Group 2.4 initially based its exercise on a strategic objective driven by the 9-Pillars: Increasing the effectiveness of justice, including management (effective justice administration). Ministry of Justice participants variously attributed different outcomes to that objective, e.g. a rationalised organisation, expedited court proceedings and removal of pending case backlogs. While such diversity of expectations may be legitimate, a lack of precision when defining the strategic objective could lead to a lack of definition of priority or other policies. It can also lead to confusion and differing expectations regarding outcomes among those responsible for implementation.

In the case of Working Group 2.4, the working group format and the seven-step methodology proved their value by enabling ministry participants to discuss critically with each other and agree upon such factors as: what was meant by the strategic objective; which policies that support that objective must be addressed with greatest urgency; how should these priorities be implemented through the selection of targets; and how should these targets be achieved. Together, this working group refined the objective for the exercise to make it more precise and useful as a policy anchor: Increase the effectiveness of the justice system through better management in order to expedite court proceedings and remove backlogs.

At least one group expressed some frustration in the lack of a strategic objective from higher level decision makers. In such cases, ministries may need to be enabled or empowered to identify an objective within their domain on which to anchor policies and move indicator development forward in an effective fashion. Working Group 2.1 used as their basis the Priority V: Good Governance specific objective – modernise management in the public and judicial administration/strengthen the potential of government administration – which, as in the case of Working Group 2.4, was too broad. Thus the group, for the purpose of the exercise, developed their own strategic objective – Faster, better, more cost-efficient public services for citizens. Generally, once the strategic objective was refined, the groups were better able to articulate a priority policy that was directly linked to what they wanted to accomplish.

The second main difficulty was lack of prioritisation. An inability to prioritise policies either leads to everything becoming a priority – the equivalent of no prioritisation – or trying to capture too much in one policy statement, making it difficult to associate it with a precise and concrete target. One issue that surfaced was how to prioritise when confronted with a range of policies, all of which are important. In the case of Poland's public governance and modernisation reforms, this is particularly relevant given dependence on two and potentially unequal funding streams: the national budget and European Structural Funds. Not all policies can be funded nor might they be equally important. If a ministry tries to fund as many of its policies as possible without prioritising, sequencing and determining a realistic timeframe, it risks inefficiencies and being less than effective in realising its aims. In addition, as was discussed during the seminar's plenary session, performance measurement is becoming more firmly entrenched in how governments manage their administrations and policies. However, if policy makers and administrators try to develop indicator sets for every policy, it will quickly become overwhelming, inefficient and meaningless. Therefore, associating indicator sets with key policy initiatives – i.e. with priority policies – is one way to make the process manageable.

On precision: Questions of language and accountability

Precision, be it in articulating priority policies, targets, activities or indicators, proved challenging for all working groups. Two issues were identified that may be affecting the ability to be precise when developing indicators. One has to do with language, the second with accountability.

Language issues

With language, it became clear in two groups that there was a terminology problem, particularly with respect to the terms "policy", "objective", "target", "output" and "result." It appears that in Polish, the last four terms could be considered almost synonymous, where this is not the case in English. The "Glossary of Key Terms" provided by the OECD to seminar participants defined how each of the terms was being used for the purpose of the exercise. However, the nuance may have been lost in translation.

In at least one group this terminology barrier surfaced early on and they were able to work together to develop a common vocabulary. It was discovered that the single Polish word *cel* appears to cover three concepts in English: objective, goal and target. The group developed its own Polish-language differentiation which then permitted the group to move forward: "target" would be translated as *cel kierunkowy* and "strategic objective" would be referred to as *cel strategiczny*.

Accountability issues

Accountability concerns may also be inhibiting precision. Given that ESF financing is linked to reaching targets, it is understandable if no one person, ministry or group wants the full responsibility for developing a measurement that may not be met and which then jeopardises funding. Many of the working groups were hesitant to be precise until they understood that the intention of the exercise was to practice the methodology and that outcomes were not binding. They were very clear with the facilitators that whatever was being developed was for the purpose of the exercise and should not be considered an agreed-upon indicator for implementation. If this concern drives behaviour in a practice setting, it may also be driving behaviour in a real setting.

While the language problem can be addressed with a Polish language glossary of key terms (see recommendations – below), there is no immediate remedy for the accountability concern. It may be a matter of evaluating in greater detail the accountability and incentive structures within the Polish public administration in general and with respect to ESF financing.

Recommendations to Poland

Maintain the working groups over time based on Priority V-specific objectives. The seminar highlighted the value of bringing stakeholders together, sometimes from different departments of the same ministry, to discuss the components of an indicator set, identify what is meant by a particular policy, how an activity will be carried out, clarify matters of responsibility and accountability, etc. Consideration should be given to strengthening working groups by ensuring that external stakeholders are included, particularly where currently not represented. This highlights the value of developing working groups comprised of relevant stakeholders, brought together for the duration of the programming period. Unless a forum is created for discussions of this nature, the indicators will continue to be developed in a vacuum, a "co-ordination culture" will not be built, and problems of "ownership" will persist.

Develop capacity within individual ministries. Capacity to develop policies and indicators exists, but it needs to be strengthened. Poland's ministries should consider selecting one or two civil servants from each ministry responsible for developing indicators and train them extensively on indicator development, so that they can act as mentors and "go-tos" for other colleagues involved with developing indicator sets. Care should be taken, however, that responsibility for developing indicators does not rest strictly with these "indicator experts", as this would affect ownership. The best indicators are developed in co-operative exchange between stakeholders, sector and indicator experts.

Define and communicate strategic objectives more clearly. In order to identify a workable and effective set of priority policies, decision makers must either provide strategic objectives that are precise and clearly understood, or empower ministries to do so for their domain. Once these foundations are in place an appropriate set of priority policies can be identified, indicators will flow more easily and attention can turn to strengthening capacity in indicator development. If strategic objectives and corresponding priority policies are absent, effective indicators cannot be developed. When creating indicators, if there is a focus strictly on what is measurable, and indicator sets are developed around what is measurable rather than what needs to be accomplished from a public policy perspective, they will not be critical measures of performance. Why there is a problem with clearly articulating strategies is not yet evident, and research into Poland's strategic planning process would be an important source of insight. This will be explored further in the full *OECD Public Governance Review of Poland.*

Strengthen prioritisation and ensure that priority policies are identified. Improving Priority V: Good Governance indicators may require more than stronger internal capacity, clearer definitions and a straightforward methodology to facilitate development. It will also need clearer prioritisation of objectives and policies by political and administrative decision makers.

Develop a Polish language glossary of terms. Such a glossary should capture the nuances of what is meant by the various components of an indicator set, and be constructed with input by those who must develop the indicators. Ownership must begin with the definitions of what is being created.

Recommendations to Poland (*cont.*)

Review accountability mechanisms within the Polish public administration generally and with respect to Priority V: Good Governance indicators specifically. If the problem with precision truly lies in accountability concerns given the direct link to ESF financing, some consideration must be given to funding structures and accountability mechanisms, as accountability provides the boundaries and incentives for actions and behaviour.

Notes

1. A methodological revision is planned and will include adding a "strategic objective" statement as Step 1.

Chapter 2

The OECD seminar: Methodology and detailed findings

This chapter sets out the key issues for effective performance measurement. It starts with a discussion on the meaning and evolution of performance measurement. It goes on to explain the seven-step methodology developed by the OECD to establish effective indicators of performance. These are: establish priority policies; establish targets; identify key activities; build indicators (output-result-impact); and identify supporting qualitative research methods. The chapter concludes with a review of the use of international comparative indicators and other external data sources.

The seminar highlighted the value of establishing working groups to build Priority V: Good Governance indicators according to the priority's specific objectives. These working groups gave the relevant stakeholders the opportunity to discuss the practicality and feasibility of what was being proposed, and to ensure that everyone understood and agreed with what was meant and intended to be accomplished. They were also useful in building ownership.

The seminar put the challenges – co-ordination, ownership, precision and accountability – in a practical light and showed where future attention could be placed when improving the performance of the Polish public administration, particularly with respect to accomplishing its public governance objectives.

This one-day seminar was structured in five parts, with participants spending time in a general session and then in parallel working group sessions corresponding to each of Priority V's specific objectives. Prior to the seminar each working group submitted a completed schematic diagram for methodological steps one through three (priority policy, target and key activities), corresponding to their specific objective. Using this as a basis, the working groups were led through the practical application of the seven-step methodology by OECD facilitators (Annex A).

The sections that follow review the key messages presented during the seminar and findings from the individual working groups, including their feedback from the experience.

The meaning and evolution of performance measurement

Performance measurement is the process of quantifying the output and outcomes of activities and/or programmes. It is different from performance management, which is the use of performance information in public management.

Performance measurement's roots are in New Public Management where it was applied for various reasons, including as a means to build accountability, for example through league tables, annual reporting and performance contracts. The reasons for using performance measurement are evolving across a spectrum, complemented by a variety of different tools, as highlighted in Table 2.1.

Table 2.1. **Evolution in reasons for measuring performance**

	To build accountability	To steer and control	To learn
Key question	How to communicate performance?	How to be in command of activities?	How to improve policy or management?
Focus	External	Internal	Internal
Orientation	Survival/past	Control/present	Change/future
Examples of instruments	League tables, citizen charters and annual reporting, performance contracts	Monitors and management scorecards, performance pay, performance budgeting	Strategic planning, benchmarking, risk analysis, business process re-engineering

Source: Van Dooren, W., G. Bouckaert and J. Halligan (2010), *Performance Management in the Public Sector*, Routledge, London.

In order to be effective, performance measurement requires government capacity in terms of human, financial and infrastructure resources. Government aspirations for performance measurement systems can fall short of expectations when there is a capacity gap, as illustrated in the United Kingdom's experience and captured by its Public Administration Select Committee (Box 2.1).

Box 2.1. **Performance culture *vs* measurement culture: The experience of the United Kingdom**

According to the United Kingdom's Public Administration Select Committee report on performance measurement, the government articulated five aims for what its targets ought to provide:

- a clear statement of what government is trying to achieve;
- a clear sense of direction and ambition;
- a focus on delivering results;
- a basis for what is working and not working;
- better accountability.

What was found, however, was that these aims were often not achieved, nor recognised as aims by those responsible for delivering them. Among the reasons for this disconnect were insufficient integration between the need to build an organisation's capacity in performance measurement through a "performance culture" and tracking qualitative results in public services through a "measurement culture". This appears to have created a strain or pressure between those responsible at a central level for performance and those responsible for the decentralised – or dispersed – delivery of public services.

Source: House of Commons, Public Administration Select Committee (2003), *On Target? Government by Measurement*, The Stationary Office Limited, London.

A key challenge facing all governments is how to most effectively design indicator systems so that they can harvest good quality data to inform decision making. Informed evidence is equally important for public servants, ministers and parliamentarians when planning, implementing, adjusting and monitoring public policy initiatives.

Dedicated effort to build effective performance measurement systems needs to be matched with equal dedication in building capacity within the public administration – capacity not only in developing the appropriate indicators, but also in recognising their value, using the information they provide as a tool to help improve policy outcomes and communicate findings to ministers and parliamentarians as well as the wider public. In this way, a measurement culture and a performance culture might begin to co-exist in a constructive fashion.

The seven-step methodology for indicator development: Working through its implementation

Performance indicators in the context of Priority V: Good Governance and the EU indicator logic are comprised of output, result and impact indicators. One of the weaknesses identified by the OECD with respect to Poland's Priority V indicator set was the lack of coherent and agreed definitions for the components of an indicator set as required by the EU. Thus, the OECD established a list of definitions for these various components in an effort to provide greater clarity in application (Glossary). These components and their definitions comprise the seven steps grounding the indicator development methodology presented by the OECD and practiced by the working groups during the seminar.

Step 1: Establish priority policies

For indicators to provide valuable information, they must be properly rooted in policy itself. At the same time, it is unrealistic, and perhaps undesirable, to link indicators to all policy initiatives. Thus, policies need to be prioritised according to their ability to help government meet its strategic objectives.

While the main challenge is how to prioritise policies, the OECD also noted – in both the prior indicator sets as well as in the pre-seminar submissions – that there was often difficulty in articulating the policy itself. One reason behind this appeared to be confusion as to what was meant by the terms "policy" and "priority policy" (Box 2.2).

Box 2.2. **Defining "policy"**

A public policy is a consistent course of action that responds to a perceived problem and is designed by a public body (e.g. a ministry, agency, etc.). Public policies may be implemented by public institutions or others.

An administrative policy is a public policy intended to respond to the problems within public administration and to promote the effective functioning of government institutions. They are implemented by those institutions, the whole-of-government, or the Centre of Government, as appropriate. Administrative policy deals with reform and optimising the function of the administration. Such policies are also enablers for sectoral policies such as health or education.

A priority policy is the consistent course of action that matters most for the progress of reform, be it in the public or administrative realm. For the purpose of developing indicators, a priority policy should be articulated as a consistent course of action expressed as a causal and concrete statement.

Sample priority policy statements

Yes, this is a priority policy statement	No, this is not a priority policy statement
Improve consultation processes between central government, and social partners and NGOs to increase their trust in government.	Ensure a more productive relationship between central government, and social partners and NGOs.
Improve capacity of judiciary management to ensure expeditious disposal of civil caseload.	Provide ICT capacity to all courts.

Each of the six working groups spent a significant amount of time discussing the priority policies that were submitted by groups prior to the seminar. For the most part, the priority policies submitted were quite broad, rather vague and did not fit the definitions as outlined in Box 2.2. In some cases, the policies were really activities, in others they did not represent a consistent course of action, and still others missed the causality element. For example, the priority policy submitted by Working Group 2.4, "Rationalisation of justice", could be considered an activity rather than a policy (it remains too broad regardless). A representative from the Ministry of Justice had a clear idea as to what this referred to contextually, which was shared with the group. Based on this context, the group was challenged to identify the causal relationship and, working together, eventually reached consensus on a priority policy for the purpose of the exercise: To improve efficiency in the conduct of proceedings in the common courts for the purpose of expediting case disposal and removing backlogs.

Other groups worked on refining the priority policy statements to be more precise in causality and the issues addressed. For example, Working Group 3 agreed that its initial priority policy statement correctly identified the perceived problem as a need for more social participation in the process of creating policy. Through discussion, however, the group also agreed that the initial priority policy statement – Social participation as a part of good governance and modern management of the public sphere in the process of shaping (creating) public policies – required more focus. In sub-groups, two, more focused statements were articulated, and finally for the purpose of the exercise it was decided to use the following as a basis: Increasing social participation in the process of developing public policies in order to ensure that they better respond to the needs of citizens. The group recognised that what it developed had a number of concepts embedded within and it could be broken out into separate priority policies relating to shaping policy, implementing policy and evaluating public programmes.

In Working Group 2.1 there was a clear evolution in the understanding and articulation of a priority policy. In this group, the key difficulty was in articulating a consistent course of action. Figure 2.1 provides an illustration of the priority policy statement's evolution during the course of the discussion. While the final articulation is not ideal as it remains broad in several ways[1] the group agreed that it met the definitional criteria and was relevant to the ministry's ambitions for building sub-national capacity.

Figure 2.1. **Evolution of Working Group 2.1's priority policy statement**



Failure to identify essential priorities can jeopardise achieving the strategic objective. In the future, it would be important to stress that it is possible, and often necessary, to have more than one priority policy for a strategic objective. Limiting the number of priority policies to only one could result in too much weight being placed on the success of that single policy.

Step 2: Establish targets

A target is a concrete goal that states the degree or level of achievement expected with respect to its associated priority policy. Targets are most directly linked to results indicators, and the degree or level of achievement that a target measures can be based on a variety of comparative parameters, depending on the base comparator and the results being sought (Table 2.2).

Table 2.2. **Parameters around which to construct targets**

Parameter	Example
Time	Reduce the number of youth in special care compared to previous years by X%.
Other organisations within the sector	The stress-index for personnel of the organisation compared to the public average. Reduce the crime figures of city A to the levels of a comparable city.
Other organisations outside the sector	Reduce sick leave in the public sector to the private sector average.
Other countries	Improve educational achievement as measured by the PISA score to the OECD average.
Scientific standards	Bring the polio vaccination level of the population to 86% – the community immunity threshold.
Political and ideological norms	A zero norm for traffic casualties (e.g. Vision Zero in Sweden).

One of the key problems associated with Poland's previous Priority V: Good Governance indicators set was the poor and often confused articulation of targets, many times not expressed in a quantified manner. Table 2.3 below provides an example of how target statements can be worded quantifiably.

Table 2.3. **Sample target statements**

Yes, this is a target statement	No, this is not a target statement
Reduce the time needed to register a new business by X%	Optimisation of impact assessment system
% increase in positive 360 degree evaluation of senior managers.	Undertake workforce planning.

The confused articulation of targets may be due in part to linguistic nuances. Seminar facilitators noted some confusion among participants regarding terminology, particularly with respect to the terms "objective", "target", "output" and "result". For example, it was discovered in one group that the single Polish word *cel* appears to cover three concepts in English: objective, goal and target. The group (Working Group 3) developed its own Polish-language differentiation which then permitted the group to move forward: "target" would be translated as *cel kierunkowy* and "strategic objective" would be referred to as *cel strategiczny*.

The difficulty with articulating **precise** targets – i.e. in a quantifiable manner – resurfaced in the work submitted by almost all groups prior to the seminar, and specific problems were worked through during the individual group sessions. For example, Working Group 2.1 had a more difficult time with precision regarding the level of self-government unit being measured than with constructing a quantifiable target. Here the tendency was to put all three types of self-government unit together. While a priority policy can be equally relevant for all types of self-government units, the target (and its corresponding activities) may be relevant for only one.[2] If the priority policy is applicable to more than one type of unit, targets can be developed for all three. This makes data collection, reporting, measurement and analysis "cleaner" and easier to interpret, and ultimately provides a stronger evidence base. Otherwise, when data is grouped or consolidated, it is difficult to identify or determine where real improvement lies.

In addition, at least one group was hesitant to establish targets that were concrete and measurable, particularly with respect to results (this hesitation would also impact the development of result indicators). While the group understood the value of such targets, they were concerned about an inability to deliver and the subsequent criticism that would arise. This hesitation diminished as the group moved forward with the exercise. However, it highlights one of the problems with indicators when used strictly for accountability, especially if developed without input from various stakeholders who can contribute a perspective on realism and feasibility, and who are also accountable for their achievement.

The participation of a broad set of stakeholders is also important in order to minimise the risk of developing indicators that are "too safe." In other words, if those who develop indicators are also responsible for implementing the activities that the indicators measure, and monitoring results, there can be a temptation to construct "easy-to-meet" targets and indicators. Thus, indicators should be developed as a collaborative effort among those who design the policy, implement the associated activities and undertake the monitoring of results achieved.

Over the course of the sessions participants became more adept at, and comfortable with, concretely defining the target for their priority policy.

Step 3: Identify key activities

An activity is a specific programme, initiative or project that clearly supports reaching a target. Activities must be systematically and clearly linked to targets and should be expressed as action verbs. Thus, "train", "implement" and "build" all work well to lead an "activity statement" but "improve", "strengthen" or "enhance" for example, do not (Table 2.4).

Table 2.4. **Sample key activity statements**

Yes, this is a key activity statement	No, this is not a key activity statement
Implement one-stop-shops for business start-ups.	Improve legislative methods and techniques in the public administration to further support business creation.
Set up a General Accountability Framework.	Enhance managerial flexibility.

While the European Commission does not prescribe how many indicators should be developed for ESF-financed projects, if too many activities are selected for an indicator set there is risk of: *i)* indicator proliferation; *ii)* inefficiency in terms of the amount of data gathered that is not used. It is important to keep the costs associated with data collection and reporting in mind. In addition, gathering precise, high-quality data is more important than gathering volumes of unused or low-quality data. At the same time, if only one activity is measured, a similar situation arises as when there is only one priority policy: too much pressure is put on the success of that one activity. It is better to spread the risk across several – though not necessarily all – activities key to achieving the target and priority policy.

Activity statements faced some of the same challenges as priority policies and targets in that they often were not measurable and/or too broad. In some cases, there was a "quick fix". For instance, in Working Group 1, the sample activity selected was Identify the most burdensome/troublesome information obligations for business. While technically valid as an activity statement, the group realised that: *i)* if a significant amount of troublesome information is identified there would be difficulty; *ii)* the implementation is not straightforward; *iii)* it was not possible to link indicators to it as the measurement phase does not have any clear impact. However, by adding the word "simplify" – Identify *and simplify* the most burdensome/troublesome information obligations for business – the problem was resolved. In some instances key activities were confused with other indicator set components, for instance with targets. One example is the suggestion of rationalisation/simplification of court procedures as a target when in fact it is an activity. Generally, however, these difficulties were overcome as the groups began to understand the process more clearly and see how key activities must move the target and priority policy forward.

At least one group spent time discussing that properly identifying key activities requires a conversation on how the activities might actually work, and who would be responsible for them. This highlights the value of developing working groups comprised of relevant stakeholders, brought together for the duration of the programming period. Unless a forum is created for such discussion, indicators risk being developed in a vacuum and problems of "ownership" will persist.

Despite these challenges, as with targets, there was a marked evolution in the articulation of activities by most groups over the course of the day.

Steps 4-6: Build indicators

When constructing indicators it is important to keep in mind for what, or how, the indicators will be used. Is their primary purpose to build accountability, to steer and control or to learn? In addition, if they are linked to resources, such as ESF financing, it is essential to make sure there is a direct and causal link between activities and indicators.

Causality and causal links, particularly with respect to indicators, is a complex and not always straightforward matter. In many OECD countries, work is ongoing with respect to establishing and measuring causal links. In Poland, too, this issue of causal links seemed to pose problems for the working groups. In most cases, there was a need to guide people back to the fact that the output indicator must support the activity and also give an indication of success with the priority policy. This matter of causality may be at the origins of the difficulty with developing indicators in general. There were, however, moments of enlightenment, when working group members realised that each step links to the preceding one and that it is essential to keep referring back and ensuring linkages throughout the indicator development process. It also became clear that it might sometimes be difficult to predict at the beginning of the exercise what an indicator will look like.

In most groups there appeared to be a genuine desire to "get it right" with respect to developing indicators and to be able to check if indicators are effective (in terms of relevance). Thus, for the most part groups approached the exercise with a desire to learn. Strengthening capacity in indicator development will take time and practice, but the goodwill to do so appears to be in place.

Step 4: Build output indicators

Output indicators measure progress with an activity, and therefore these two components should be clearly linked. A well-constructed output indicator is measurable. Thus, it must be quantitative (i.e. expressed in

physical or monetary units) and time bound (i.e. limited to the lifetime of the corresponding activity) (Table 2.5). One key question to ask when establishing an output indicator is what will be produced by the activity being measured?

Table 2.5. **Sample output indicator statements**

Yes, this is an output indicator statement	No, this is not an output indicator statement
Number of local government officials trained in project management in an X-year period.	Number of public administration entities that are covered by assistance concerning the improvement of management standards broken down by type of government or self-government unit.

Because the submissions made by groups prior to the seminar ended with activities, the exercise of developing indicators began at zero. Among the various difficulties confronting groups with respect to output indicators was ensuring that they were concrete, specific and measurable. Also, in at least one group there was some difficulty at first to establish an output indicator rather than a result indicator.

All groups, however, were able to establish at least one output indicator for one activity associated to their target and priority policy, and there was a marked difference between "official" output indicators (i.e. those developed for submission to the European Commission) and the ones developed during the working group sessions (Table 2.6).

Table 2.6. **Examples of output indicators from before and after the working group sessions**

Before working group session	After working group session
Number of proposals on simplifications of legal acts most relevant in terms of conducting economic activity (target value by 2013 = 70).	% of regulations in the priority areas for which information obligations were quantified.
Number of judiciary employees who completed participation in projects within the measure, including court and public prosecutors' offices employees and judge and prosecutor trainees (target value by 2013 = 19 000) and judges adjudicating in commercial and bankruptcy and reorganisation departments of courts as well as their assistants (target value by 2013 = 750).	Production of a draft of the amendments to the civil procedure code within one year.

Step 5: Build result indicators

Result indicators answer the questions: what is the direct result of having implemented the specific activity? And, are they directly linked to the target? Thus, they measure the results of an activity in terms of their contribution to corresponding targets (Table 2.7).

Table 2.7. **Sample result indicator statements**

Yes, this is a result indicator statement	No, this is not a result indicator statement
% new businesses registered through one-stop shops in X days.	Number of people trained in regulatory impact assessment.
% of courts where e-Court is operational in period of time.	ICT services developed to support e-Court set-up and operation.

Almost all groups were able to complete the result indicator component of the exercise, recognising that if the target is properly established, developing a result indicator should not be too difficult.

As with output indicators, there was a significant difference in terms of precision with respect to the result indicators initially developed for Priority V and submitted to the European Commission, and those developed during the working group sessions (Table 2.8).

Table 2.8. **Examples of result indicators developed before and during the working group sessions**

Before working group session	After working group session
% share of public administration units covered by assistance concerning improvement of management broken down by: central public administration offices (ministries and central offices; *voivodships*); marshall offices; *poviat* offices; *gmina* offices.	% of *gminas* that provide the same 20 (basic) specific services electronically by 2015.
% share of public administration units, which consulted on and created normative legal acts in co-operation with NGOs and social partners, broken down by: *gmina* offices, *poviat* offices, marshall offices, *voivoidship* offices, ministries, central offices.	The number of laws for which the time period is adhered to/the number of entities which consulted within the period.

Step 6: Build impact indicators

Impact indicators are set in a longer term perspective. They provide insight on the effect that one or more key activities have on the priority policy, and ultimately on the strategic objective. Impact indicators are particularly difficult to develop because attribution or causality is hard to establish – i.e. making a direct and complete link between the activity's impact and policy objective can be difficult. This is because other factors, often not within the control of government, may be involved with meeting a strategic or policy objective.

Thus, it may be more rewarding and appropriate to identify desired impact: what is the sought-after impact of an activity on a priority policy, and more fundamentally the desired impact of a priority policy on a strategic

objective? Such a conversation can: *i)* help focus policy thinking by providing a framework or an orientation within which other decisions can be made; *ii)* inspire extended institutional and individual effort (OECD, 2009). This type of discussion, however, should come early on in the process (for example when identifying which policies to prioritise, or even earlier, when identifying which policies are appropriate for meeting a particular strategic objective) and should involve all relevant stakeholders.

Most groups were not able to develop impact indicators due in part to the reasons of causality stated above (the exception was Working Group 1) and in part to time constraints. Generally, discussions regarding desired impact were wrapped up in conversations regarding priority policies.

Step 7: Identify appropriate qualitative research methods

There are many approaches to determining the effectiveness of activities and/or priority policies. The question to ask in the context of indicator development is whether qualitative research methods would add value to the indicators and an understanding of activity or policy effectiveness. Such research methods can include case studies, focus groups, interviews and reviews (e.g. OECD peer reviews).

In Poland, as in other countries, there is a strong desire to measure the effectiveness of activities or initiatives in terms of the quality of their outcomes. This is highly appropriate. However, it is important to make a distinction between measuring the effectiveness or quality of the results of an activity, and the concept of a "qualitative indicator". It was observed in Poland that the terminology can cause confusion (Box 2.3). To avoid such confusion, the term "qualitative research method(s)" should be used rather than qualitative indicator, as quantitative indicators can also provide insight on an activity's effectiveness, particularly if these quantitative indicators are built using information captured through qualitative research.

International comparative indicators and other external data sources

International comparative indicators can be used to track progress over time, and also help countries benchmark their performance and practices to selected comparators. They can also be a good source of inspiration when determining which areas of performance to measure. These comparative indicators include *Government at a Glance* and *Regions at a Glance* by the OECD, and others, such as the World Bank's *Doing Business* indicators, Bertelsmann-Stiftung's *Sustainable Governance Indicators*, Transparency International's *Corruption Perceptions Index*, etc. (Annex B, document 6).

Box 2.3. **How the term "qualitative indicator" has been used with respect to Priority V indicators**

The term "qualitative indicator" is used to mean different things, and its use can be misleading. For example, during the course of interviews in Poland for the indicator report that forms part of the *OECD Public Governance Review of Poland*, the term was observed to be variously applied to:

- qualitative research methods such as peer reviews, case studies, etc.;
- categorical indicators or indicators that are based on qualitative information (e.g. good to poor ratings by observers);
- outcome/results indicators or indicators that provide information on the quality of projects;
- high-quality indicators, in other words indicators that could be considered "good";
- perception-based indicators, such as trust data.

Developing internal indicator sets exclusively through the direct use of external data sources (including international comparative indicators), however, can raise significant challenges. The OECD recommends using external data sources for Priority V: Good Governance indicator sets (and other national-level strategic initiatives) only if the following issues have been sufficiently considered:

1. Make sure the "ready-made" indicator tracks the policy objective to be achieved – i.e. make sure there is a link between what is being done and the indicator.
2. Understand what the indicator measures and how it does so.
3. If confronted with a composite indicator comprised of different unique data points, understand how it is created and the weight attributed to each element, otherwise it will be difficult to measure real progress.
4. If wishing to track progress over time, it is important to make sure that indicators are indeed comparable over time (many are not), as changes over time correspond to what can be influenced.

Notes

1. There are some points of caution with this priority policy: *i)* it is not clear if the points of co-operation are vertical (i.e. between the central and sub-national levels) or horizontal; *ii)* targets and activities developed would need to either promote co-operation or their achievement would need to require greater co-operation; *iii)* it may be more effective if the policy focused on one aim – either increasing quality or increasing standardisation – rather than both, leaving the other for a second priority policy.

2. The group eventually agreed to proceed in the exercise with only one self-government level (*gmina)*. Moving forward, it would be important to stay with this approach.

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Glossary

Activity A specific programme, initiative or project to support reaching a target. Activities should be systematically and clearly linked to targets, and support their achievement. Activities are closely associated with output indicators.

Europe 2020 Europe 2020 is the EU strategy to promote smart, sustainable and inclusive growth, which followed the Lisbon Strategy (see definition) and was adopted by the European Council in 2010. It sets objectives to be achieved by 2020 in five main areas:

- **employment:** 75 % of the population aged 20-64 employed;
- **innovation:** 3% of the EU's GDP invested in research & development;
- **climate change:** "20-20-20" targets achieved:
  - reduction in EU greenhouse gas emissions of at least 20% below 1990 levels;
  - 20% of EU energy consumption to come from renewable resources;
  - 20% reduction in primary energy use compared with projected levels, to be achieved by improving energy efficiency;
- **education:** share of early school leavers under 10% and at least 40% of 30-34 years completed a tertiary or equivalent education;
- **poverty:** 20 million people lifted out of the risk of poverty or exclusion.

European Structural and Cohesion Funds	The funds are the financial tools to implement the regional policy of the EU. They include the European Regional Development Fund, the European Social Fund and the Cohesion Fund. They support job creation, competitiveness, economic growth, improved quality of life and sustainable development to achieve the objectives of the Lisbon Strategy and Europe 2020 (see definitions). The current funding programme covers the period 2007-2013.
Impact indicator (Final outcome indicator)	An indicator that is set in a longer term perspective and should provide information on whether an objective is being met. The EU uses the term "impact" indicator and defines it as the longer term effect on a wider population, which should capture significant high-level changes in the socio-economic environment, and the contribution made by European Social Funds (ESF) to these changes. In the context of the Human Capital Operational Programme (HCOP) it thus needs to help answer the question: to what degree has the ESF intervention influenced the achievement of the HCOP strategic objective? The EU further notes that impact indicators should be established *ex ante* to set the strategic orientation of an OP. The OECD uses the term "final outcome indicator".
Indicator	A quantitative or qualitative measure derived from a series of observed facts that can reveal relative positions (e.g. of a country) in a given area. When evaluated at regular intervals, an indicator can point out the direction of change across different units and through time. The guidelines established by the European Commission (EU guidelines) define an indicator as the measurement of an objective to be met, a resource to be mobilised, an effect obtained, a gage of quality or a context variable.
Intermediate body	Body to which the managing authority (see definition) has delegated some of the tasks related to the implementation of the operational programme for which the authority is responsible.

Lisbon Agenda The Lisbon Agenda, also known as the Lisbon Strategy, was adopted by the heads of state and government at the Lisbon European Council in 2000 as a ten-year action and development plan for jobs and economic growth in the EU. Policy measures proposed under the Lisbon Agenda have supported knowledge and innovation to make Europe a more attractive place to invest and work, and create more and better jobs. Following a 2005 mid-term review, the link between the Lisbon Strategy and the cohesion and regional policy was reinforced, with increased spending under the Structural and Cohesion Funds on priority activities that contribute to the achievement of the objectives of the Lisbon Strategy for the programming period 2007-2013. The Lisbon Strategy has been superseded by Europe 2020 (see definition).

Managing authority Authority at the national or local level responsible for the preparation and implementation of operational programmes. Responsibilities include informing potential beneficiaries, selecting the projects and generally monitoring implementation.

National Strategic Reference Framework The National Strategic Reference Framework (NSRF) is the reference document for programming Structural Funds and Cohesion Fund interventions, in line with the objectives of the programming period 2007-2013. The NSRF is prepared by each member country to present strategic objectives and national and regional operational programmes (see definition) to achieve them, including an indicative annual financial allocation for each operational programme. NSRFs are expected to be consistent with each member country's National Reform Programme and the Lisbon Strategy (see definition).

New Public Management A government reform movement that began in English-speaking countries in the 1990s and has spread to a number of OECD countries. It comprises essentially: *i)* organisational separation of policy execution from policy development; *ii)* giving managers more autonomy together with greater accountability; *iii)* guiding public policies on the basis of their performance; *iv)* outsourcing more services to the private sector.

Operational programmes	On the basis of the National Strategic Reference Framework (see definition), the operational programmes implement EU Structural Funds and the Cohesion Fund. They set out a development strategy with a coherent set of priorities. They were approved by the European Commission at the beginning of the programming period 2007-2013.
Outcome indicator	An outcome indicator can be broken down into two types: intermediate and final. Intermediate outcome indicators can be more directly attributed to public sector activities than final outcome indicators which, while they significantly reflect the intended or unintended results of government actions, are also a function of other factors less within government control.
Output indicator	Indicator to measure progress with an activity. It should be measurable, which implies that it must be quantitative – can be expressed numerically (i.e. physical or monetary units) – and time bound (i.e. limited to the lifetime of the corresponding activity).
Perception-based indicators	Indicators based on qualitative, subjective opinions. The credibility and reliability of perception-based indicators depend to a large extent on whose opinions are represented, on the transparency of the process of indicator design and measurement, and on sound survey design.
Performance management	Use of performance information in public management.
Performance measurement	Process of quantifying the output and outcomes of activities and/or programmes.
Priority policy	The consistent course of action that matters most for the progress of reform, be it in the public or administrative domain. When developing indicators, a priority policy should be articulated as a consistent course of action expressed as a causal and concrete statement.
Result indicator (Intermediate outcome indicator)	An indicator that measures the results of activities in terms of their contribution to corresponding targets. Thus, they are closely associated with targets. EU guidelines use the term "result" indicator, and define it as shedding light on the direct result of an activity undertaken within the framework of the operational programme. The OECD uses the term "intermediate outcome indicator".

Strategic objective	A high-level goal. For example, to reduce poverty among the youth population.
Target	A concrete goal that states the degree of achievement that is expected with respect to an associated policy. Targets should be defined as a concrete, realistic, tangible, measurable goal, against which actual achievement can be compared, including as a quantitative standard, value or rate. It could be stated as what is changed thanks to the implementation of the relevant policy. Targets are closely associated with results indicators.

Annex A
Seminar documents

This annex brings together the documents prepared by the OECD for the seminar and the individual working group sessions.

Document 1: Seminar programme

Structure

This capacity-building seminar is structured around five broad parts:

Part 1 – What is performance measurement: explains why performance measurement is important, how it can be applied to specific public management domains and the elements essential for good measurements and good measurement outcomes. (All participants)

Part 2 – The seven-step methodology for building indicators for performance measurement in governance policy: reviews each of the seven steps for developing indicators, taking time to describe what the step means, what to look for and what questions to ask when working through the step. In addition, the importance of prioritising policies will be discussed, as well as quantitative indicators versus qualitative data, the nuances of impact indicators, and the rational and importance of establishing horizontal working groups. (All participants)

Part 3 – International and comparative indicators: how indicators are used for cross-country/international comparison and when such international comparative indicators can be used at a domestic policy level. This is based on the OECD's *Government at a Glance* work. (All participants)

Part 4 – Applying the concepts: the group will move into individual working groups according to their area of expertise. Each group will work through indicator development by building examples relevant to their public policy and management domain using the seven-step methodology and the information presented in the morning. To begin, a discussion regarding strategic priorities is critical (both ESF-driven policies and those on the

domestic agenda, particularly the Efficient State pillar), which will then lead to discussion regarding the remaining six steps. The OECD facilitator(s) will work with their group to facilitate discussion and guide a thorough understanding of the concepts and development of examples. (Six simultaneous working group break-out sessions)

Part 5 – General conclusions and wrap-up: each group will have five minutes to present what they have learned and how they can apply it moving forward. The workshop will end with a general wrap-up by the OECD, reiterating what it is hoped participants have gained, and what they should be able to do on their own with respect to developing indicators, both for the EU and for national programmes. (All participants)

Agenda

Day 1: Tuesday, 4 October 2011		
9:00-9:15	Caroline Varley	***Introduction*** – Why we are here and what participants can expect to gain – Review agenda and seminar structure – The importance of establishing horizontal working groups – Discussion of how the information captured will be used
9:15-10:15	Wouter van Dooren	***What is performance measurement*** – The importance of performance measurement – How performance measurement applies to public management and building an efficient state – Essential elements for good measurement and measurement outcomes – Questions and answers
10:15-11:15	Christiane Arndt	***The seven-step methodology for building performance measurement indicators in public governance*** – Establishing a common language: definitions for indicator development: – Reviewing the seven-step methodology – Reviewing definitions – Identifying priority policies – Quantitative indicators versus qualitative data: – The nuances of impact indicators – Evaluating indicators once they are developed? – Questions and answers
11:15-11:30	*Break*	
11:30-12:00	Zsuzsanna Lonti	***International and comparative indicators*** – Using indicators for cross-country perspectives – When international comparative indicators can be used for domestic policy performance measurement – Questions and answers
12:00-13:00	*Break/Lunch*	

13:00-15:30	Working group sessions	***Applying the concepts*** – Identifying strategic public governance policy priorities (ESF and domestic) – Developing sector specific examples to illustrate indicator development process – Determining if qualitative data would be of value – Evaluating indicators once they are developed
15:30-15:50	*Break*	
15:50-16:30		***Wrap-up and conclusions*** – 5 minute presentation by a member of each Working Group what has been learned and how they expect to apply it – OECD conclusions and how lessons from the seminar will be used

Document 2: List of working groups and OECD facilitators

1. **Working Group 1:** Strengthening regulatory policy and support to enterprises

   OECD facilitator: Christiane Arndt (OECD Secretariat) and Daniel Trnka (OECD Secretariat)

2. **Working Group 2.1:** Strengthening the potential of public administration: Central and self-government units

   OECD facilitator: Wouter van Dooren (University of Antwerp) and M. Varinia Michalun (OECD Secretariat)

3. **Working Group 2.2:** Strengthening the potential of public administration: Human resource management

   OECD facilitator: Zsuzsanna Lonti (OECD Secretariat)

4. **Working Group 2.3:** Strengthening the potential of public administration: Public finance management

   OECD facilitator: Ian Hawkesworth (OECD Secretariat)

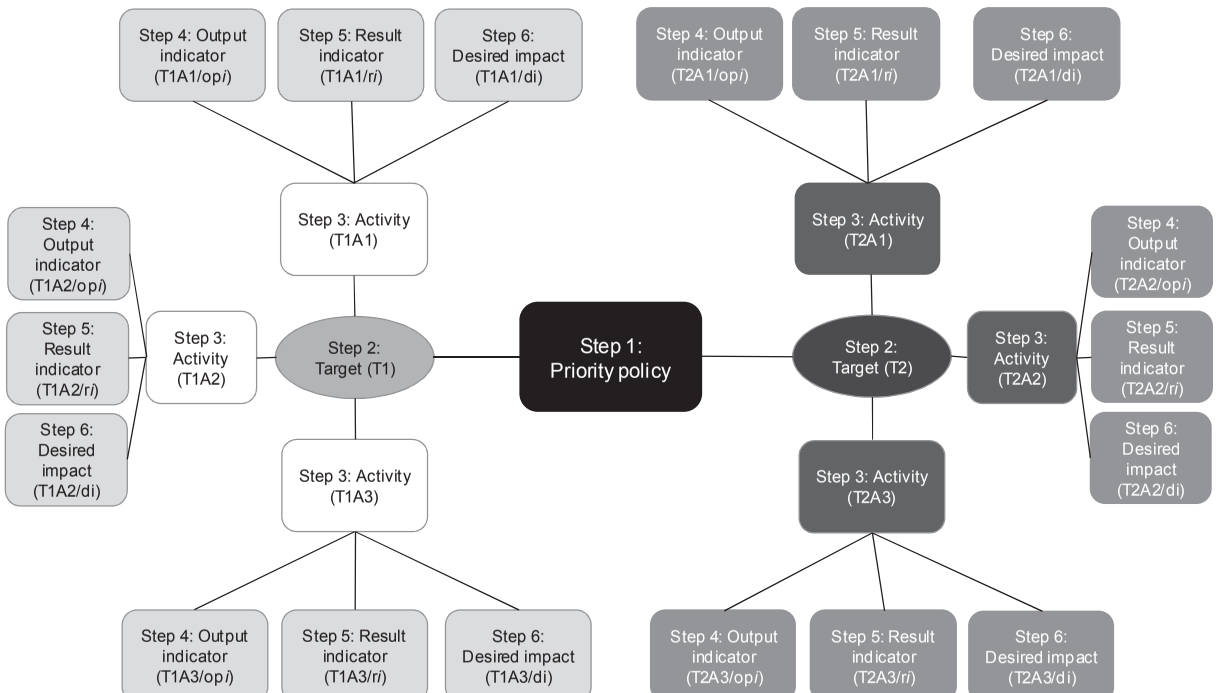
5. **Working Group 2.4:** Strengthening the potential of public administration: Judiciary administration and management

   OECD facilitator: Noel Rubotham (Irish Courts Service) and Caroline Varley (OECD Secretariat)

6. **Working Group 3:** Strengthening the potential of Social Partners and NGOs[1]

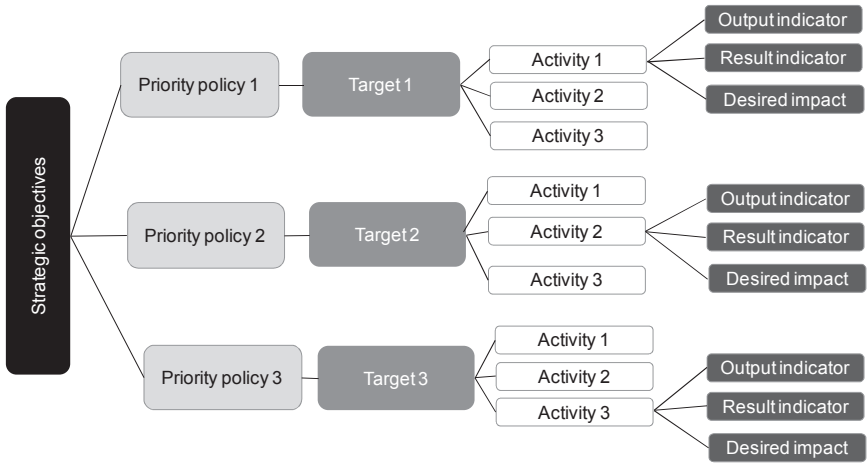
   OECD facilitator: Simon Burall (INVOLVE Foundation)

Document 3: Complete schematic for seven-step methodology per priority policy



Document 4: Complete schematic diagram for one strategic objective

Note: Each key activity should have an associated output and result indicator. Desired impact can be per activity or per priority policy.



Document 5: Additional references and reading for public governance indicators

OECD indicators of good government:

- *Government at a Glance*, *www.oecd.org/gov/indicators*
- *Measuring Government Activity*, *www.oecd.org/document/19/0,3746,en_2649_33735_42858259_1_1_1_1,00.html*
- OECD Non-technical guidance on most widely-used governance indicators: Oman, C. and C. Arndt (2006), *Uses and Abuses of Governance Indicators*, Development Centre Studies, OECD Publishing, Paris, *www.oecd.org/dev/publications/governanceindicators*.

World Bank indicators of governance:

- World Bank Overview of Indicators of Governance and Institutional Quality, and of literature on governance indicators *http://web.worldbank.org/wbsite/external/topics/extpublicsectorandgovernance/0,,contentmdk:20773712~menupk:433525~pagepk:210058~pipk:210062~thesitepk:286305,00.html*

- World Bank "actionable Governance Indicators Data Portal", *hwww.agidata.org/main/ Home.ashx*

Other sources

- *Quality of Government Database* (University of Gothenburg), *www.qog.pol.gu.se/ data/data_1.htm*
- *Governance Indicator Database* (IADB), *www.iadb.org/datagob*
- UNDP User's guide on "governance indicators" and on "measuring public administration performance", *www.undp.org/oslocentre/flagship/democratic_governance_ assessments.html*

Some OECD reviews of public governance issues and public management in Poland

OECD (2010), *Economic Surveys: Poland*, Vol. 2010/8, OECD Publishing, Paris.

OECD (2010), *OECD Territorial Reviews: Poland 2010*, OECD Publishing, Paris.

OECD (2011), "Performance Budgeting in Poland, an OECD Review", *OECD Journal on Budgeting*, Vol 2011/1, OECD Publishing, Paris.

OECD (2011), *Cutting Red Tape: Administrative Simplification in Poland*, OECD Publishing, Paris.

Some OECD sources for public governance matters and indicator development in general

OECD (2005), *Building Competitive Regions: Strategies and Governance*. OECD Publishing, Paris.

OECD (2005), *E-Government for Better Government*, OECD Publishing, Paris.

OECD (2005), *Modernising Government: The Way Forward*, OECD Publishing, Paris.

OECD (2008), *OECD Public Management Reviews: Ireland – Towards an Integrated Public Service*, OECD Publishing, Paris.

OECD (2009), *Measuring Government Activity*, OECD Publishing, Paris.

OECD (2009), *Governing Regional Development Policy: The Use of Performance Indicators*, OECD Publishing, Paris.

OECD (2010), *OECD Public Governance Reviews. Finland: Working Together to Sustain Success*, OECD Publishing, Paris.

OECD (2010), *OECD Rural Policy Reviews: Strategies to Improve Rural Service Delivery*, OECD Publishing, Paris.

OECD (2010), *Making Reform Happen: Lessons from OECD Countries*, OECD Publishing, Paris.

OECD (2010), *Regional Development Policies in OECD Countries*, OECD Publishing, Paris.

OECD (2011), *OECD Public Governance Reviews. Estonia: Towards a Single Government Approach*, OECD Publishing, Paris.

OECD (2011), *Government at a Glance 2011*, OECD Publishing, Paris.

OECD (2011), *Regions at a Glance 2011*, OECD Publishing, Paris.

OECD (2011), *Making the Most of Public Investment in a Tight Fiscal Environment: Multi-level Governance Lessons from the Crisis*, OECD Publishing, Paris.

Charbit, Claire (2011), "Governance of Public Policies in Decentralised Contexts: The Multi-level Approach", *OECD Regional Development Working Papers*, No. 2011/04, OECD Publishing, Paris.

Note

1. The full name is: Strengthening the potential of social partners and non-government organisations oriented at enhancing their active participation the process of implementing the Lisbon Strategy.

Annex B
The Indicator Report

Background and context

The fundamental purpose for creating indicator systems – and for justifying their financial and human resource costs – is to ensure that policies, programmes and initiatives are performing as desired. Indicator systems are critical for evidence-based decisions, highlighting what works, what does not work, and where adjustments need to be made in resource allocation and programme execution.

The European Union (EU) requires individual members to establish indicator systems that monitor and evaluate programmes funded by European Social Funds (ESF) (Box B.1). Therefore, ensuring that correct indicators are established is essential to the success of monitoring and evaluation exercises. If indicators are wrong, imprecise or missing, the task of checking what has been achieved becomes very difficult if not impossible.

Box B.1. **Monitoring versus evaluation**

Although they fulfil a different purpose, monitoring and evaluation are closely linked, and both rely at least in part of effective indicators, as well as qualitative evaluation techniques.

- **Monitoring** considers whether the work is on track, based on output and results (intermediate outcome) indicators. These must enable the monitoring entity to track progress.
- **Evaluation** considers whether the work is delivering on high-level objectives, based on impact (final outcome) indicators. These too must enable the monitoring authority to track progress.

Under the ESF system, responsibility for monitoring rests with the member country. Monitoring in the ESF context is linked to a three-step indicator system: outputs, results and impacts. These elements (or stages) should show the evolution in the implementation of operational programmes (OP). Indicator definitions, as well as target values, are established by an OP's managing authority – in the case of Poland's Priority V: Good Governance, this is the Ministry of Regional Development – and approved by the European Commission.

Key findings

The report found that there was indeed a need for new, more precisely defined indicators to be established, as the current set was not up to the task for the reasons outlined below.

- **Priority V: Good Governance is difficult to manage as structured**, particularly at the level of specific objectives. Responsibilities and accountability are dispersed, often across multiple ministries. For example, in the case of human resource management, the Chancellery covers the central aspects and the Ministry of Interior the sub-national ones, but there seems to be little co-ordination between the two. In addition, the priority's structure does not reflect structures within the Polish public administration. This, combined with the lack of a single and coherent document to guide the implementation of Priority V: Good Governance, resulted in the development of a more operationally manageable internal document (and thus an "unofficial" restructuring) of the priority, which can ultimately create inefficiencies in reporting.
- There is a lack of alignment between the Priority V: Good Governance indicator system and Poland's own national reform strategies. This goes hand in hand with a lack of coherence between domestic policies (and their related indicators) and those housed under Priority V. The indicators established for such domestic programmes as the National Reform Programme 2008-2011 were set and used internally, and seem not only to have created confusion *vis-à-vis* Priority V indicators, but also potentially resulted in a dispersion of effort. This is compounded by lack of guidance on prioritisation of action – i.e. should ministry activities emphasise Priority V initiatives, or those associated with national strategies? Internal indicators have an important place in policy monitoring and evaluation as the ESF indicator system cannot and does not capture everything. However, internal indicators should be coherent with

ESF indicators. This could also promote alignment of nationally funded policies and programmes with those financed through ESF.

- **Co-ordination and communication will need to be strengthened.** The complicated cascade of objectives underpinning the Priority V: Good Governance indicator set may not be very well understood by internal and external stakeholders (Box B.2). In addition, there is a need for very strong horizontal co-ordination to address cross-cutting issues and shared responsibilities (e.g. human resource management, skills of self-government units, public finance management, procedures for enterprise creation, etc.), as these cannot be attributed to one stakeholder.

- **Fragmentation and a lack of steering impacts effectiveness and accountability.** The substantive ESF portfolio is divided between the Ministries of Finance, Interior, Regional Development and the Chancellery of the Prime Minister. There is no single ministry or department responsible for public administration, and the centre does not appear to play a strong role in ESF programming matters. This makes it a challenge to effectively structure and steer the ESF work relating to public governance. Given the breadth of Priority V: Good Governance the number of actors is wide, and such fragmentation results in unclear lines (or allocation) of responsibility. While this can lead to overlap of activity and duplication of effort, in Poland it also results in a lack of "ownership" and accountability issues.

- **The link between indicator target values and HCOP financial expenditures is unclear.** It appears that the system generates a dependency on ESF funds and self-justification for their continuation. For example, the availability of public funding means that many NGOs stop looking for funding from other sources or end their engagement in commercial activities once they receive access to EU funding. The fact that ESF beneficiaries are sometimes both the recipients of funds and those responsible for justifying their use also means that they may try to put their work in the best possible light in order to justify continued funding.

- **Links between targets and indicators are unclear and there appears to have been some "reverse engineering".** Links between objectives, targets, activities and corresponding indicators are often confused. For example, many indicators were not explicitly linked to targets. There was also evidence of "reverse engineering" where the indicator was developed before the targets or activities associated with their accomplishment. This is likely to result in an

ineffective indicator system since objectives and targets should drive the indicators put in place, and not the other way around.

- **A broader, more strategic evaluation of Poland's public governance frameworks and institutions, administration, and related policies and programmes is required** to better identify what works, what does not work, and how frameworks could be structured to work better.

Box B.2. **The hierarchy of objectives for Poland's operational programmes**

National Strategic Reference Framework objectives

Poland's National Strategic Reference Framework (NSRF) for 2007-2013 articulates a set of six horizontal, high-level strategic objectives:

1. improving the functioning standard of public institutions and the development of partnership mechanisms;
2. improving the quality of human capital and enhancing social cohesion;
3. establishing and modernising technical and social infrastructure, crucial for enhancing Poland's competitiveness;
4. improving the competitiveness and innovativeness of enterprises, particularly in the manufacturing sector with high value-added, and development of the services sector;
5. increasing the competitiveness of Polish regions and preventing their social, economic and territorial marginalisation;
6. balancing growth opportunities and supporting structural changes in rural areas.

Operational programmes

Poland's NSRF is supported by 21 operational programmes (OPs) that detail specific actions structured to realise the six NSRF strategic objectives. Five of these OPs are at the national level, and the remaining 16 are regional operational programmes (ROPs), each corresponding to a Polish region (*vovoidship*).

The high-level NSRF strategic objective supported by the Human Capital Operational Programme (HCOP) is number two (listed above): "Improving the quality of human capital and enhancing social cohesion".

Each OP also has its own set of aims which, if realised, should support the achievement of the larger NSRF strategic objectives.

Strategic objective for OP priority areas

Each OP is further divided into priority areas, each with their own strategic objectives. The Human Capital OP has ten priority areas, one of which is Priority V: Good Governance.

Box B.2. **The hierarchy of objectives for Poland's operational programmes** (*cont.*)

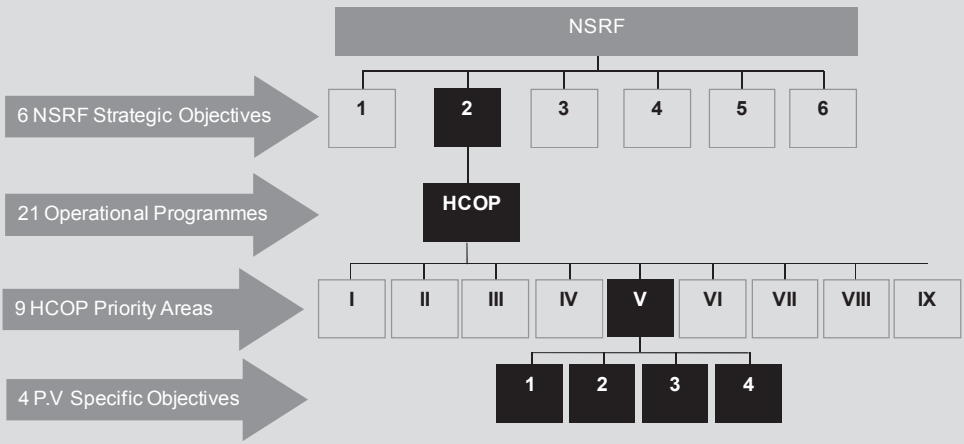
The strategic objective for Priority V: Good Governance is "Increasing the potential of public administration in terms of developing policies and providing high-quality services".

Specific objectives for Priority V

Priority V: Good Governance is divided along four broad specific objectives which, if realised, should help achieve the aims of the HCOP:

1. **Improve the regulatory potential of the public administration:** key issues: regulatory impact assessment; legal simplification; legislative techniques and processes; transposition of EU directives; capacity building for regulatory management.
2. **Improve the quality of the public policies and services related to enterprise creation and business operation:** key issues: one-stop shops; procedures for enterprise creation; tax services; administrative burden reduction; judicial handling of business cases.
3. **Modernise management in the public administration and justice administration:** key issues: functional review of public administration; public finance management and budget planning; indicators for evaluation of public tasks; skills of self-government units; co-operation mechanisms; public management; service delivery; ICT support; HR and integrity reforms; judiciary management.
4. **Strengthen the potential of social partners and non-government organisations** oriented at enhancing their active participation in the process of implementing the Lisbon Strategy: key issues: civic dialogue; administration-civil society co-operation; role of social partners and NGOs; public consultation; EU aspects.

Schematic flow for Poland's Human Capital OP and Priority V: Good Performance



Key recommendations of the Indicator Report

The recommendations contained in the original Indicator Report were developed with the idea that Poland would need to completely adjust the Priority V: Good Governance indicator set as part of the HCOP mid-term review. For various reasons, including the lack of time to undertake a full revision, Poland did not incorporate the recommendations presented below as part of the revised indicator sets submitted for the mid-term review of Priority V. However, the recommendations below remain valid for future undertakings of indicator development, both to meet EU obligations and as part of national strategies.

The following recommendations, taken from the Indicator Report, are intended to correct the weaknesses found in the original indicator set:

- **Restructure Priority V into six policy clusters.** This would provide greater consistency across the specific objectives in terms of breadth and depth and reduce confusion and overlap. The six policy clusters identified by the OECD translate into a set of specific objectives which fully retain the objectives of the original four specific objectives, but which are more targeted in their purpose, provide greater clarity for identifying stakeholders and targeting their participation and intervention, and render the development of targets, activities and indicators more precise and manageable (Figure B.1).
- **Ensure that a new indicator system takes full account of national reform programmes.** Where they do not already exist, ensure that indicators are in place for those aspects of reform not covered by the ESF system. For example, it would be important to develop indicators for those elements of the "9 Pillars" strategic development plan (i.e. the Effective State pillar, and select components of the Innovation and Economic Efficiency and Social Capital pillars) that are not covered by indicators associated with Priority V: Good Governance. Such alignment can help clarify priorities of action.

Figure B.1. **Recommended restructuring of Priority V specific objectives**

Original Priority V Specific Objectives	*Policy clusters and restructured Priority V Specific Objectives*
1. Improving the regulatory potential of public administration	1. Strengthening regulatory policy and the support to enterprise
2. Improving the quality of public policies and services related to enterprise creation and business operation	
3. Modernisation of management in public administration and justice administration	2.1 Strengthening the potential of public administration: Central and self government units
	2.2 Strengthening the potential of public administration: Human resource management
	2.3 Strengthening the potential of public administration: Public finance management
	2.4 Strengthening the potential of public administration: Judiciary administration and management
4. Strengthening the potential of social partners and non-government organisations oriented at enhancing their active participation in the process of implementing the Lisbon Strategy	3. Strengthening the potential of social partners and NGOs.

- **Review management systems to encourage greater ownership from the entities that implement the activities and programmes.** Establish working groups for each of the specific objectives that will work together to develop the new indicator system and to monitor subsequent progress. The working groups should be led by a "lead ministry" for the specific objective, responsible for the overall achievement of the specific objective, and supported in its efforts by the "responsible bodies" – i.e. those other ministries and stakeholders (internal and external) who are also accountable for implementing activities that will meet targets and which are measured by the established indicators. Within these working groups, and more broadly across the Polish public administration, consider actions to strengthen capacities and competences for managing the indicator system. Finally, a strong communication strategy for the ESF system should be established, both internally and for external stakeholders.

- **Establish and communicate a full and clear glossary of terms** with clear and agreed upon definitions for all entities which are engaged in activities associated with the ESF indicator system. This can build agreement and a common understanding with respect to terminology as well as expectations, regardless of whether the indicators are for ESF programming or for nationally funded policies.
- **Implement a sequence of steps for the definition and development of a new indicator system:** policy priorities, targets, activities, output indicators, result indicators, impact indicators and qualitative research methods. This would help better link indicators to targets, and improve overall alignment among the various components of an indicator system. (This point is captured in the seven-step methodology.)

List of Polish institutions and stakeholders interviewed for the report: 28 March-2 April 2011

Between 28 March and 2 April 2011, the OECD interviewed a series of Polish stakeholders, both internal and external to government, regarding Poland's Priority V: Good Governance indicators. Interviews were conducted with the following institutions, listed alphabetically:

Alliance of Polish *Voivodships*

Bialystok Region, Regional Court

Board of Strategic Advisors to the Prime Minister

Business Centre Club

Chancellery of the President

Chancellery of the Prime Minister

Employers of Poland

Independent Self-Governing Trade Union – "Solidarity"

Institute for Logistics

Ministry of Economy

Ministry of Finance

Ministry of Interior

Ministry of Justice

Ministry of Labour and Social Affairs

Ministry of Regional Development

Mobilna Kooltura

National Economics Chamber

National Federation of Non-Government Organisations

National School of Judiciary and Public Prosecution

Polish Confederation of Private Employers – Lewiatan

Polish Craft Association

Trade Unions Forum

Union of Polish Cities

Union of Polish Counties

Union of Polish Towns

University of Warsaw

Warsaw School of Economics

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OECD Public Governance Reviews

POLAND

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Chapter 2. The OECD seminar: Methodology and detailed findings

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