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Promoting Performance - Using Indicators to Enhance the Effectiveness of Sub-Central Spending

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PROMOTING PERFORMANCE: USING INDICATORS TO ENHANCE THE EFFECTIVENESS OF SUB CENTRAL SPENDING

WORKING PAPER No. 5

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Introduction and main findings

1. On average, one-third of public expenditures in OECD countries occur at the sub-central level, a figure that has risen slightly over time. This is due, in part, to the decentralisation of competences for public services in many OECD countries. Not surprisingly, the efficiency and effectiveness of spending for public services are a concern for both central and sub-central governments. Various mechanisms are used to affect the efficiency and improve the effectiveness of sub-central spending. This report examines one tool that aims to do so: indicator systems for measuring and monitoring sub-central service delivery. Specifically, the report aims to assess if and how central governments use such systems, the critical choices they face when designing and implementing them, and the constraints under which the systems operate.

2. Broadly, an "indicator system" refers to the systematic collection of information to measure and monitor the activities of government. Regular collection, use, and/or dissemination of information help to distinguish between ad hoc use of indicators and indicator systems. Such systems are not new, but gained prominence in the 1980s and early 1990s as part of "new public management" reforms in many OECD countries. The result is an abundant literature on performance measurement and management in the public sector. However, this literature focuses largely on the horizontal use of performance measurement – either by central governments to monitor national policies and programmes or by sub-central governments to monitor their own performance or to compare themselves with like authorities. By contrast, this report examines the specific case of systems used by central (or regional) governments to measure and monitor public service delivery at lower levels of government.[1] It focuses on the use of indicators to improve the efficiency or effectiveness of service delivery, rather than on their inclusion in transfer mechanisms.

3. Key findings which emerge are:

- Indicators contribute to enhancing the efficiency and effectiveness of sub-central service delivery by 1) revealing information and reducing information asymmetries which exist among levels of government, and 2) encouraging performance improvements by altering the incentives which sub-central governments face.

- The choice of the objectives the systems will serve is a critical. The objectives contribute to subsequent decisions regarding design, link directly to decisions regarding the use of the indicators, and ultimately form the basis for assessing if the system has been effective. Countries generally aim to achieve multiple objectives with their indicator systems. As a result there is no "optimal" design for indicator systems.

- A predominately top-down approach to design and use of indicators by the central government can be perceived as an ex-post substitute for ex-ante control of sub-central public services. Intergovernmental collaboration is essential for ameliorating this tension and producing relevant and useful information.

- Incorporating incentives into the design of an indicator system is not optional. Incentives are inevitable. The choice is whether or not, and to what extent, the system will rely on implicit or explicit incentives to achieve objectives.

- Indicator systems are not static. There are likely to be persistent challenges regarding data quality and measurement, ongoing opportunities to enhance the use of information, new technologies to

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1 Here "central" and "sub-central" are also used to refer to relationships between supra national and national governments, and regional and sub regional governments.

reduce administrative burden, or opportunities to enhance information partnerships between central and sub-central authorities. As a result, indicator systems should be seen in a dynamic and collaborative context.

4. These findings draw on multiple sources of information: a questionnaire circulated to the OECD Network on Fiscal Relations Across Levels of Government ("Fiscal Network") (OECD, 2007a), proceedings of the workshop co-organised by the Fiscal Network and the French Budget Directorate of the Ministry of Economy and Finance in May 2006 (OECD, 2006), and relevant literature on performance measurement in the public sector. (See Annex 2 for a summary of questionnaire responses.)

Why indicators in intergovernmental relations?

5. Why might central governments design and use indicator systems to measure and monitor public services and spending at lower levels of government? Indicators can help the central government gain knowledge about or transfer knowledge to stakeholders at sub-central levels in order to fulfil its institutional obligations. The central government's obligations are many, but with respect to sub-central public goods and services these obligations include accountability for and control of service delivery and spending. The extent of this obligation varies by country, due in large part to differing constitutional arrangements and authorities of the central government. Ultimately, however, when undertaken by the central government, measuring and monitoring activities help to ensure that local or regional public services achieve national objectives – be they objectives about quality, quantity, equity, cost, etc.

6. Indicators can play a role in this environment in two important ways. First, they can reveal information – about the context in which policies must operate, about the utilization of inputs, the outputs being produced, the efficiency of sub-central spending, the quality of services delivered, etc. In revealing information they help to reduce information asymmetries which exist among levels of government. In addition, the central government's position as a node in a network of governments also enables it to transfer information across sub-central entities.[1] (Kelman, 2006) Second, they can be used to encourage performance improvements by altering the incentives which sub-central governments face. For example, indicators can be associated with targets that sub-central governments must meet with the aim of facilitating achievement of performance goals. Alternatively, information can be publicly disseminated to help citizens hold policy makers and service providers accountable for performance. In short, indicators can be used to share information across levels of government and to increase the likelihood of achieving national goals for public services delivered at the sub-national level.

Designing and implementing indicator systems

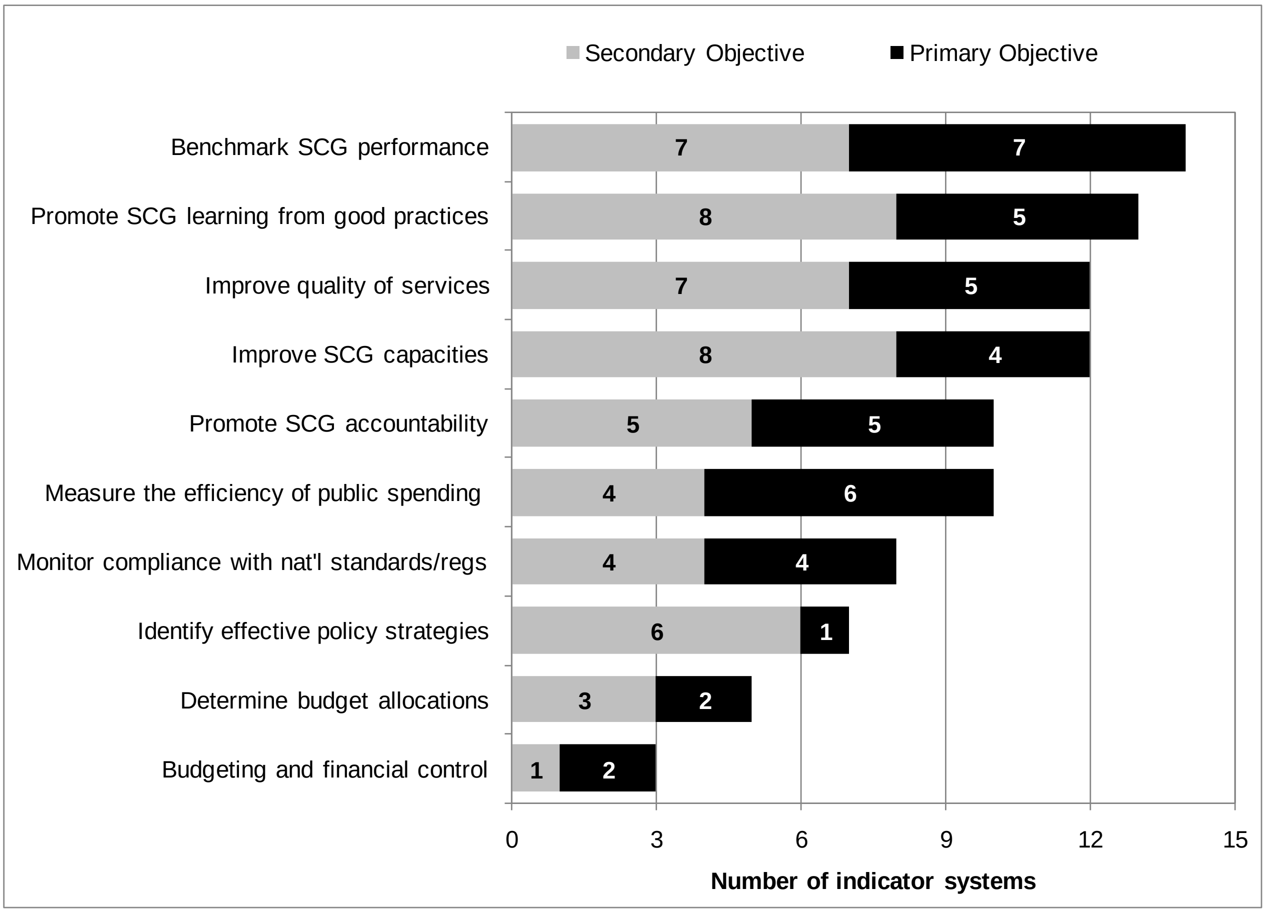
7. Countries can choose different strategies when designing and implementing indicator systems. This section examines four important issues to be considered: the objectives the system will serve, the extent to which it will be characterised by a top-down approach, what will be measured, and the target audience for performance information.

What objectives?

8. The design and use of indicator systems depend on the objectives to be achieved and the constraints under which the system must operate. Differences in the level and quality of information held by the central and sub-central levels of government are inevitable and no indicator system will produce "perfect information." Instead, governments must choose the types and extent of information they wish to collect based on the objectives they want to achieve. The objectives contribute to subsequent decisions regarding design, link directly to decisions regarding use of information, and ultimately form the basis for assessing if the system has been effective. As a result, there is no "optimal" design for indicator systems.

9. In addition to the broad purposes described previously, indicator systems can serve a variety of specific objectives: allocation of resources, control of resources, evaluation of quality, cost, and coverage, transparency and communication with citizen stakeholders, promoting efficiency, etc. A central government could choose, for example, to facilitate comparison and competition to enhance cost-effectiveness by benchmarking specific aspects of service delivery. Alternatively, the objective might be to transform the quality or availability of services by attaching targets to indicators, by monitoring and supporting local capacity to deliver services, or both. Finally, in a transition from centrally controlled to decentralised service delivery, local authorities may have legal responsibility for services but political responsibility is shared. In this environment, indicators might be used to monitor the decentralisation process, its impact on services, and citizen satisfaction. These and other objectives are not mutually exclusive. In fact, results from the Fiscal Network questionnaire (Figure 1) reveal that indicator systems often serve multiple objectives, not all of which are equally important for the central government.

Figure 1. Objectives of performance indicator systems



Note: "Secondary objective" refers to objectives marked as "secondary" on the questionnaire, as well as those marked "an objective, but I don't know how to rank it". This may understate the primacy of some objectives. Objectives that were marked "not an objective" or were not marked at all were considered "not an objective" of the system.

Source: 2007 Fiscal Network questionnaire

10. The two most frequently identified "primary objectives" of indicator systems in the Fiscal Network questionnaire were benchmarking sub-central government performance and measuring the efficiency of sub-central spending. Although measuring efficiency stands out as a primary objective, its position on the graph clearly indicates that, compared to objectives such as learning from good practice or improving quality of services, it is less frequently referenced overall. Moreover, it appears that objectives

related to learning and service improvement are more common than objectives related to compliance and control. This suggests that the purpose of many indicator systems is to promote goals related to public services in an "indirect" manner by sharing information with sub-central authorities.

11. The overlap between the two primary objectives of benchmarking and measuring efficiency deserves comment. Benchmarking is best thought of an approach that achieves other goals.[2] It has intuitive appeal not only because it suggests an opportunity for learning and improvement through comparison, but also efficiency gains through competition and adjustment. The effect of competition may occur at the level of government, as well as for providers if municipal data are linked to specific services and specific providers (e.g. county hospitals, school districts) and citizens have the ability to choose where to obtain services. An example of the link between competition and comparison is the introduction of the Best Value regime as a replacement for competitive compulsory tendering in the UK in 1999. (Weaver and Parker, 2002) Local government councils were required to compare their services to other councils, to private and non-profit service providers, and to national Best Value Performance Indicators (BVPIs). As part of an effort to streamline the number of indicators monitored locally, BVPIs will be phased out by April 2008 and requirements under the Best Value regime will be lessened considerably. (DCLG, 2006a; DCLG, 2007)

12. Care should be taken when using indicators for benchmarking. Efficiency gains are not automatic or guaranteed. In fact, "[a] weakness of benchmarking of public services can be that citizens tend to be interested mostly in the quality of the services they use personally and less in cost efficiency of the wider range of municipal activities. Benchmarking and transparency therefore risk reinforcing an asymmetric interest group pressure to drive up public spending and, in turn, taxes. Thus, there may be a case for combining benchmarking with enhanced fiscal procedures to ensure that in the case of below average efficiency, any expansion of service provision is funded by first exhausting the potential for productivity improvements and reductions in unit costs before increasing municipal tax rates." (Lundsgaard, 2005)

13. There are multiple examples of indicator systems which can be used to benchmark sub-central performance (see annex 2). They include (but are not limited to):

- Australia's Review of Government Service Provision, a comprehensive assessment that provides performance information on 14 areas of public services (see Box 1);
- Denmark's system for monitoring municipal performance. Since 1984, the Ministry of the Interior has published comparative data for benchmarking municipalities and regions. The data describe social conditions, economic background, local financial data, and outputs; and
- Norway's KOSTRA system which collects and disseminates information about local government performance (see Box 2).

14. Systems that provide information for benchmarking, such as in Australia or Norway, also provide information that can be used for evaluating the efficiency of sub-central spending. The Australian Review of Government Service Provision monitors the extent to which the service achieves the equity, efficiency, and effectiveness goals. KOSTRA also monitors equity, efficiency and effectiveness indicators.

Box 1. Australia - Review of Government Service Provision

The Review of Government Service Provision was established by agreement of the heads of the Australian and state governments in 1993 to provide information on the efficiency and effectiveness of government services. Generally, public service delivery in Australia is the responsibility of sub-national governments, though the national government provides funding to the states in most service sectors. A steering committee of representatives from the central agencies of the national and sub-national governments, supported by a secretariat provided by the Productivity Commission, manages the review. Each year, the Productivity Commission issues a report monitoring 14 areas of government service provision which, in 2005-06, represented approximately 60 per cent of recurrent expenditure (approx. 11% of GDP). They are:

Education	Health management
Vocational education and training	Aged care
Police services, court administration	Disability services
Corrective services	Children's services
Emergency management	Protection and support services
Public hospitals	Housing
Primary and community health	Health management

An outcome-oriented framework has been developed to monitor performance in the different service areas in terms of equity (how well a service is meeting the needs of identified "special needs groups"), effectiveness (how well service outputs achieve stated objectives according to characteristics such as access, appropriateness and quality), and efficiency (how well services use resources to produce outputs and achieve outcomes). The Report is used for strategic budget planning, policy development and evaluation, assessing resource needs, encouraging common approaches to data collection, identifying good practice, and facilitating comparison and improvement.

Sources: Country response to "Efficiency of Sub-Central Spending: Questionnaire on Performance Indicators", COM/CTPA/ECO/GOV(2007)2/REV1; SCRGSP (Steering Committee for the Review of Government Service Provision) (2007), "Report on Government Services 2007", Productivity Commission: Canberra.

Box 2. KOSTRA - Data reporting and information system in Norway

KOSTRA is Norway's information system for conveying data from the municipalities to the central government, between municipalities, and to the public. Launched for all municipalities in 2002, the system transformed the collection, processing, and dissemination of statistical information from local governments. Emphasis is placed on electronic transmission of data by municipalities to the central government. The latter adds value by combining municipal data and producing key indicators on financial figures, productivity, coverage rates, and priorities. At the municipal level there are about 40 key indicators and an additional 1 000 indicators covering 16 service areas.

The introduction of KOSTRA benefited both the central and sub-central governments. At the central level, the system rationalised data collection and processing, contributed to uniform standards thereby enhancing the comparability of municipalities and service sectors, helped the central government to determine if municipalities are complying with national standards and regulations, and facilitated a common assessment of the local economic situation which is used as the basis of a parliamentary discussion on the transfer of resources to municipalities. For the municipalities, KOSTRA lessened the administrative burden of reporting. It also provided a tool for internal planning, budgeting, and communication at the local level. In addition, it facilitated the sharing of knowledge between municipalities which are able to use indicators for the purpose of benchmarking performance.

While KOSTRA has brought benefits, there are limitations in the current system. First, the large amount of data collected makes ensuring quality challenging. Second, there is a tendency for the central government to request more and more data, causing both the administrative burden and the costs of data collection to rise in municipalities. Municipalities also receive much more data than in the past.

Overall, KOSTRA has been perceived as a very successful information system with potential for further refinement. Looking forward, focus is being placed on collecting data regarding quality of public services and developing indicators of quality. "Soft data" collected outside of KOSTRA (test scores, reading proficiency and user satisfaction for various service, etc.) are gradually being used in combination with data from the KOSTRA system. This will permit policy makers and citizens to assess outcomes as well as outputs.

Sources: OECD (2006), "Workshop Proceedings: The Efficiency of Sub-central Spending" GOV/TDPC/RD(2006)12, Statistics Norway (2002), "KOSTRA" online at http://www.ssb.no/english/subjects/00/00/20/kostra_en/

What role for the centre?

15. All indicator systems considered here are used by the central government to measure and monitor the delivery of sub-central public services. However, the degree of central influence in the design and use of the system can vary. Systems with high degrees of central influence can be thought of as classically vertical systems that focus on central government priorities and issues of national relevance. Traditionally, their design and implementation does not rely greatly on consultation with sub-central authorities. By contrast, what might be deemed a "horizontal" system aims to facilitate collection and exchange of information across sub-central units. Priority is given to issues of local relevance. (Goddard and Mannion, 2004) The extent to which vertical or horizontal characteristics dominate is determined in large part by the objectives established for the indicator system and the institutional context in which it operates.

The influence of objectives

16. Certain objectives, such as promoting sub-central accountability for national objectives, monitoring compliance with and/or achieving national standards, determining budget allocations, or establishing financial control can be well-accommodated by systems with traditional vertical elements. What these objectives have in common is an emphasis on accountability and/or change in performance. Evidence from the UK suggests that taking a predominately top-down approach has translated into performance improvement in various services areas, such as education, crime, and health. (Goddard and Mannion, 2004) By contrast, objectives that emphasise sub-central learning, building sub-central capacities, or identifying effective policy strategies can be achieved through systems that emphasise local participation in design, implementation, and use. Administrative culture matters as it influences the choice of objectives and the vertical/horizontal nature of the system. For example, research suggests a Nordic model that emphasises "stakeholders" (and thus dialogue and learning) more than "shareholders" (and thus accountability and control). (Johnsen, Nørreklit, and Vakkuri, 2006)

The influence of institutional context

17. Institutional context is also important. Where expenditure responsibilities are substantially decentralised and/or where public services are heavily financed by sub-central authorities, indicator systems which emphasise upwardly accountable performance and central control are likely to meet with some resistance from sub-central authorities. In the context of decentralisation and devolution, performance measurement in exchange for greater sub-central influence over service delivery (e.g. the UK Best Value regime) can be perceived as an extension of central control. (Bowerman, Ball, and Francis, 2001) Seen purely as a requirement imposed from above, sub-central governments may comply with central government requirements but fail to use the information produced by indicators for achieving real performance improvement. Moreover the indicator system developed may fail to reflect the complexity of local public service delivery precisely because the central government does not possess perfect knowledge about sub-national authorities or the context in which they operate. The indicators selected may be divorced from sub-national needs and context, faulty in their measurement of important constructs, and less useful for decision makers than they otherwise could be if sub-national authorities collaborated in the construction of the indicator system.

The role of intergovernmental collaboration

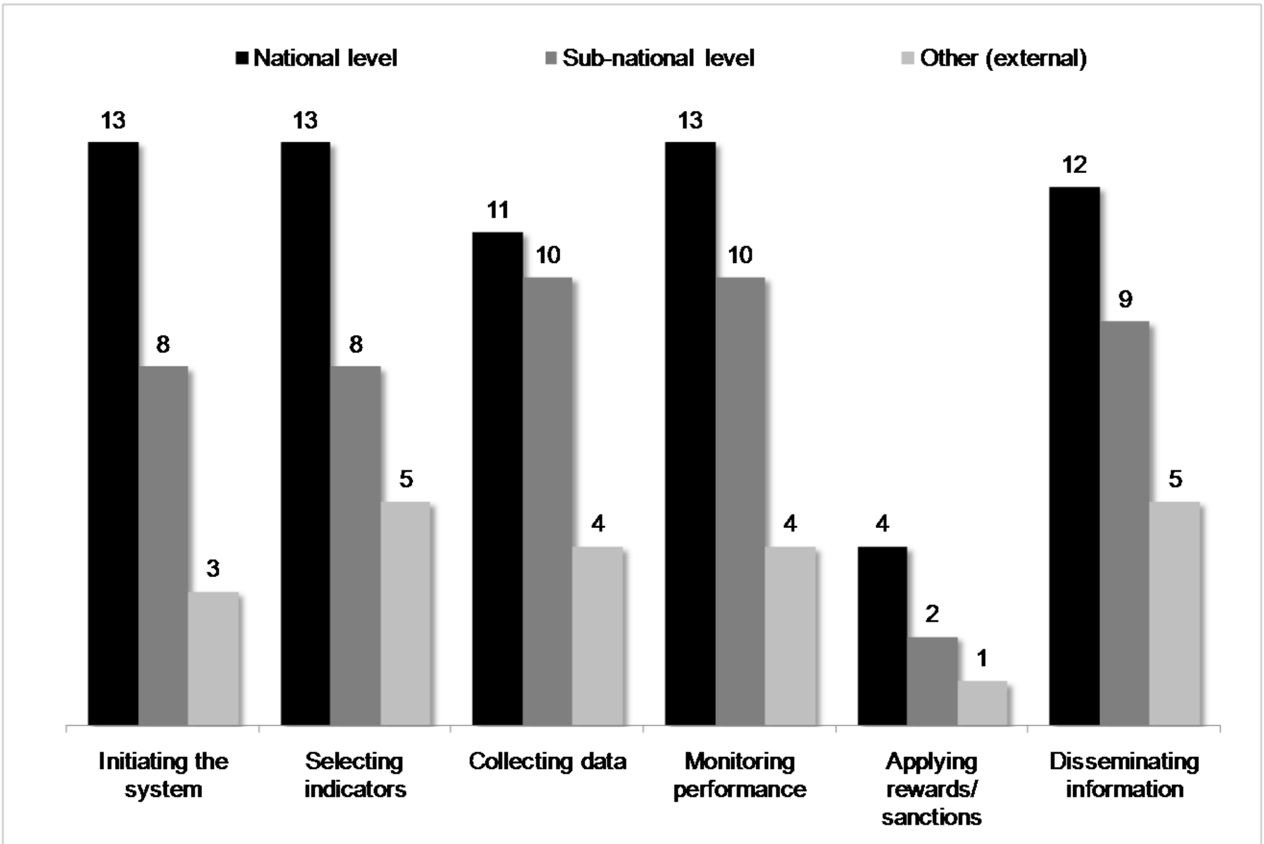
18. Intergovernmental collaboration can be a useful approach to increase the relevance and usefulness of indicator systems. Both levels of government may be motivated to collaborate if they perceive it will lead to new or better information for enhancing service delivery and/or if they can share the additional resources which result from efficiency gains. Positioned as a central node in a network of

governments, the central authorities are well positioned to add value by combining information from multiple sources and facilitating information sharing across the network in ways that add to knowledge - both for the central as well as for the sub-central authorities. In this context, sub-national authorities enter into an information partnership with the central government. Both parties gain as information asymmetries are reduced across and between levels of government.

19. Figure 2 suggests that multi-level collaboration is characteristic of each stage of design and implementation. For example, countries report 13 cases in which the central government initiated the indicator system. In over half of these cases, the sub-central authorities also played an initiating role and in some cases external actors did so. External actors included evaluators and civil society (Norway), the health profession (Sweden), and a supranational organisation (the EU for Italy). The Land of Berlin initiated its system of indicators in conjunction with its boroughs. In Sweden, the Swedish Association of Local Authorities and Regions (SALAR) and the National Board of Health and Welfare historically presented separate reports on health care. The recent report "Open comparisons of the quality and efficiency of health care" is the first to be produced jointly and provides 57 indicators of health care by county. In Ireland, the national and local governments have developed, monitored, and reviewed the Local Authorities service indicators in partnership. In addition, NGOs/civil society, external evaluator(s), and recipients of services played a role in the selection of indicators. Only three systems rely almost exclusively on the national government: Sweden's systems for monitoring education and elder care and the Dutch system for measuring local government performance. The latter is centrally driven but makes use of external evaluators.

Figure 2. Multi-level collaboration in the design and implementation of indicator systems

Number of systems



Source: 2007 OECD Fiscal Network questionnaire

20. Three countries offer examples of multi-level government collaboration: Italy's indicator system for monitoring the implementation of EU Structural Funds for 2000-2006, Norway's KOSTRA system, and the Australian Review of Government Service Provision. Italy relied on a strong partnership between central and regional governments to identify well-defined indicators and targets that were clearly linked to policy (see Box 3). A six-member independent technical group with representation from the Ministry of Economy, the Regional Evaluation Unit Network for Public Investment and experts appointed by the European Commission monitored the system. Participatory design and objective implementation are credited for the successful implementation of the system which incorporated indicators, targets, and financial incentives for performance. (OECD, 2007c)

21. In Norway, the creation of KOSTRA was also a collaborative process. An important motivation to develop KOSTRA was to make the production of information more effective both for the central and the local governments. As such, representatives from both levels played active roles in the development of the new system. Today, the system is overseen by a government-appointed commission, along with 16 task forces that focus on the different areas of data collection which make up the overall system. (OECD, 2006) Likewise, Australia's Review of Government Service Provision was initiated in 1993 by the national and sub-central heads of government. Today the Review is managed by a Steering Committee composed of senior officials from the Commonwealth, States and Territories, which is in turn supported by working groups for each of the sectors covered by the report. (Banks, 2002) Close collaboration between levels of government is important for ensuring the availability of comparable data.

22. There are also examples where intergovernmental collaboration was not perceived to be completely effective, such as for the first round of Local Public Service Agreements (LPSAs) in the UK. LPSAs, described in Box 4, coupled indicators of local government performance with targets to be achieved. Although local authorities were involved in target selection, the process was centrally driven, often resulting in targets that did not necessarily reflect local priorities. As part of recent reforms to measurement and monitoring of sub-national government, the UK has committed to setting local public service targets through "genuine negotiation between central Government and the local area. [The central government] will not mandate them. Even where [national public service] targets are set … local areas will have the flexibility to respond to these national ambitions in the most appropriate way in negotiation with Government Offices." (DCLG, 2007)

What will be measured?

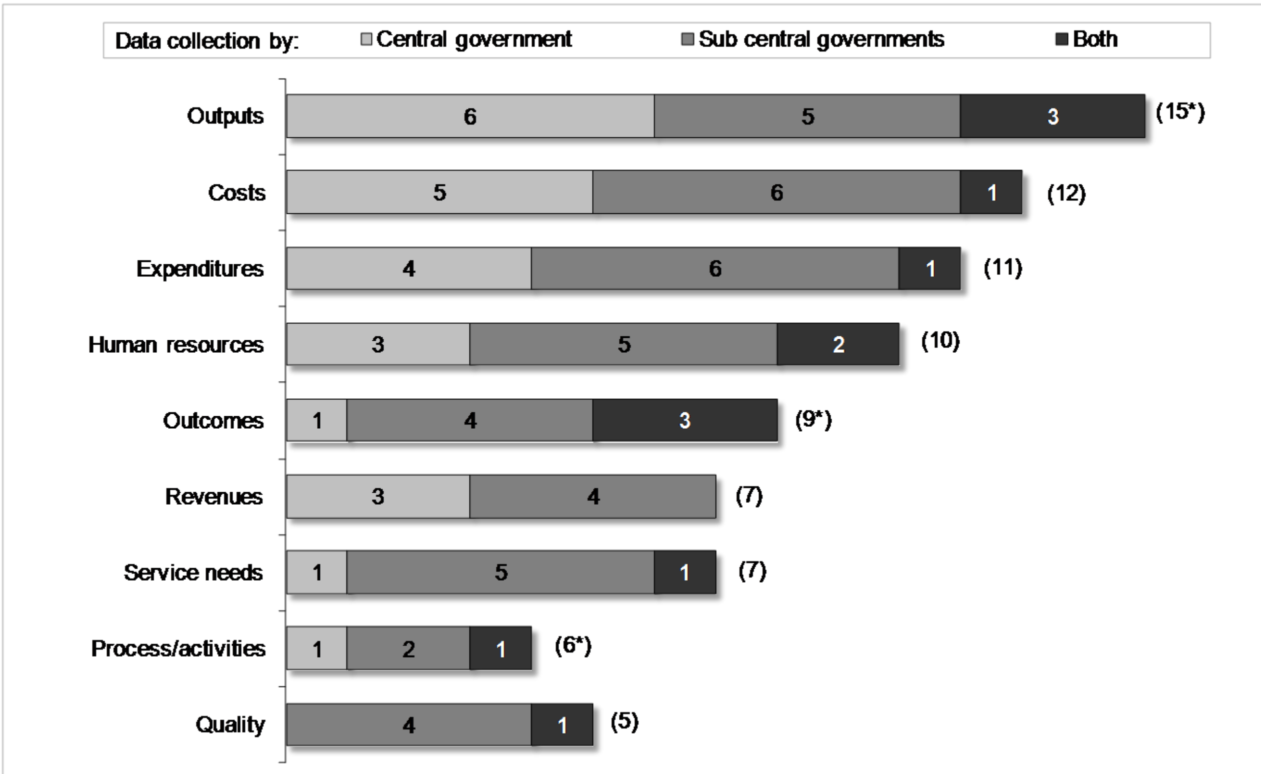
23. In selecting the indicators, the central government must determine 1) what aspects of production it aims to monitor or affect (e.g. inputs, processes, outputs, and outcomes) and 2) the aspects of performance for which it will hold sub-central governments accountable (e.g. economy, efficiency, effectiveness). The choice of indicators is not merely a task for the central government. Involving sub-central actors in the selection of indicators can ensure the system is useful for meeting both central and sub-central information needs. Increasing the usefulness of the indicator system reduces the opportunity cost for sub-central authorities of compiling and providing data to the central government.

24. Input data – as well as data on the socioeconomic context of service delivery – are frequently used to allocate resources from the central to sub-central levels. However, while monitoring inputs may be useful for financial oversight, this reveals little about what services are delivered, their quality, or policy impacts. As one moves from inputs to outcomes these aspects of production become increasingly difficult to measure, more so for some services (e.g. education) than for others (e.g. transportation). Despite this, there has been a movement over time toward measuring outputs and related concepts (e.g. efficiency and productivity) and more recently toward outcomes. The shift toward outcome measurement reflects an increasing desire to hold policy makers and providers accountable not only for what services are delivered but if providing those services achieves policy goals (e.g. a better educated society, a less polluted

environment, a more competitive economy, etc.) There is also increasing attention given to the characteristics of public services - and quality in particular. Figure 3 summarises the categories of data collected by countries. Examples of indicators are provided in Annex 1.

Figure 3. Categories of data collected

Number of systems



Notes: (1) The number of systems which collect different categories of information is provided in parentheses. Discrepancies between the sum of the bar segments and the total in the parentheses is attributable to missing data regarding who collects the information. Discrepancies are indicated by (*). (2) "Sub-central governments" refer to regional and local governments.

Source: 2007 OECD Fiscal Network questionnaire

25. Countries are more likely to collect certain types of information and monitor certain indicators more than others. For example, data on outputs are more likely to be available than outcomes in the systems described by the Fiscal Network questionnaire. Along the same lines, 12 systems described in the questionnaire have efficiency indicators associated with them as compared to seven that report effectiveness indicators and six which monitor equity. This is likely to be due in large part to the difficulties associated with developing sound and useful measures of the latter two constructs. Although only a handful of systems collect data on service needs and quality, in only one case is this information collected by the central government alone. Figure 3 shows that responsibility for data collection often involves both levels of government. However, information on service needs and quality tends to be collected by the sub-central government.

26. In a system of indicators used by the central government, the scope and choice of indicators will be influenced by the priorities of the central government and the constraints under which the system will operate. The influence of priorities is evident, for example, in the case of regional policy in Italy. It designed indicators to assess the level of policy effort to deliver public services as well as an indicator to measure the efficiency (timeliness) of budgetary payments – both deemed integral to its goal: to measure and influence sub-central capacity for delivering services. The influence of constraints (discussed in more

detail in a subsequent section) is evident in recent reforms to reduce the number of indicators monitored, such as in the UK. On the one hand, a set of indicators should provide a comprehensive assessment of sub-national service delivery. On the other hand, an excessive number of indicators can produce a substantial administrative burden. The challenge is balancing parsimony, comprehensiveness, and accountability. For example, in reducing the number of local government indicators it monitors from about 1 200 to 198, the UK government noted that some local services are not captured by the indicator set. However, this "does not mean those activities should stop. It means that it is right for local authorities, and not [the central government], to set their own priorities, and monitor performance themselves." (DCLG, 2007)

Who is the audience?

27. Because accountability plays a central role in the purpose of indicator systems, audience matters. However, accountability in the public sector is complex and indicators are often used to communicate with a variety of stakeholders. Both central and sub-central levels of government are clearly an audience for information produced by a system designed for addressing intergovernmental relations. At the central level, audiences include decision makers and planners in ministries, as well as parliaments, budget officials, auditors, and the like. The precise audience will be determined by the system objectives and how the information is expected to be used. For example, a system that collects information primarily for the purpose of asserting budgetary control will clearly have budget officials as its intended audience. By contrast, a system developed for producing information about efficiency and effectiveness of multiple services may find a broader audience. In Ireland, the annual report associated with the indicator system for monitoring local public service delivery is provided to the Minister by the Local Government Management Services Board. However, it is designed to be accessible to a range of readers and is available on the department website.

28. A highly top-down system developed to monitor compliance or assert budgetary control may be of limited use for sub-national authorities. As indicated previously, collaboration with sub-national stakeholders is important for creating buy-in, for enhancing the quality of information that is shared, and increasing the usefulness of the system. In this context, systems which have broader goals, particularly those that seek to reveal and transfer knowledge across sub-national units, will find an audience among local authorities.

29. Clearly the public is an important audience for performance information. Public stakeholders include not just taxpayers but also consumers who seek information about the availability, cost, and quality of services provided. The public is an important audience not only from the perspective of information dissemination, but also because in publicising indicators, policy makers often rely on the feedback effect of an informed public to achieve goals related to accountability, competition, and efficiency.

30. In order for publicly disseminated information to be useful, it must be consumable by the average citizen. Smith (1993) argues that a combination of (dis)incentives and the complexities associated with understanding performance produce an environment characteristic of the prisoner's dilemma: "The costs of scrutinizing the data vastly exceed the potential benefits for the individual voter, even though the community as a whole might benefit from such scrutiny." (p. 138) This implies that public presentation should not be overly complex and also suggests the need for an "expert intermediary" to act on behalf of the community – a role that can be played by the central government.[3] In disseminating information for public scrutiny, it is important to ensure that striving for clear and concise presentation does not result in an inadequate or incomplete picture of performance. For example, composite indicators, such as those produced by the Comprehensive Performance Assessment in the UK, are easy for citizens to consume but present both pros and cons.[4]

31. Finally, information dissemination strategies need to match the objectives of the system, the choice of incentive structure (discussed in the next section), and the information needs and capabilities of the intended audience. An illustration of the relationship between objectives, incentives, and information dissemination comes from Italy's experience attaching rewards and sanctions to indicators. In assessing this approach, Barca et al (2005) conclude that communication to the public and the mass media coverage regarding indicators and performance was insufficient and therefore, the impact of the system of indicators on the achievement of goals regarding sub-national accountability proved inadequate.

Influencing efficiency and effectiveness

32. Indicator systems are designed to measure and monitor sub-central spending and service provision. However, because accountability and control underpin the use of indicator systems, governments may go beyond measurement and often aim to influence the efficiency and effectiveness of spending. In this regard, indicator systems are one among other tools available to central governments, such as introduction of market mechanisms or altering the scale of service provision. It is difficult to evaluate the impact of indicator systems on changes to efficiency and effectiveness, although there is research to suggest that they do have a positive influence.[5] (ODPM, 2005; Goddard and Mannion, 2004) Specific choices can be made to increase their effectiveness. Two issues are critical: the choice of incentives and how information will be used.

What types of incentives?

33. It is tempting to believe that the central government can choose to include or exclude incentive mechanisms when designing indicator systems. In fact, the choice is not between including or excluding incentive mechanisms – because incentives are inevitable. Rather the choice is whether or not, and to what degree, the central government will rely on implicit and explicit incentives.[6] Both are a function of system design and should be given careful consideration, particularly because incentives affect both the information revealed by sub-central authorities and their behaviour in positive and negative ways.

34. Implicit incentives arise because reporting performance data is not neutral.[7] The strength of these implicit incentives will depend on how the information is used and by whom. For example, systems can be designed to produce competition through public ranking of performance. For sub-central governments comparatively poorer performance in this context – along the dimensions of cost, efficiency, quality, etc. – raises a variety of risks not least when households "vote with their feet." Invoked in this way, reputation effects can be used to generate external pressure for accountability and reform. Alternatively, the central government may choose not to rank sub-central authorities, but rather to make data available for comparisons and rely on intrinsically motivated public servants to identify and learn from good practices. There will be little disincentive to reveal information if the risks to sub-central authorities and the burden associated with providing it are low. Risks are low if the use of information has a net positive (or zero) consequence for sub-national authorities and if this use is predictable. By contrast, as risks to sub-central authorities increase, the incentive to reveal information declines and the incentive to alter behaviours to avoid risk (in perverse and legitimate ways) increases.

35. In contrast to reliance on implicit incentives, countries can attach explicit rewards and sanctions to indicators to stimulate effort by sub-national actors where specific performance objectives are to be met. These incentives are traditionally of two types: financial and administrative. Financial incentives refer to the availability of funds based on performance. Administrative incentives are changes to central rules and regulations that affect sub-national authorities, such as a relaxation (or tightening) of budgetary rules, decreased (or increased) oversight, etc.[8]

36. The use of explicit incentives is challenging. The relationship between inputs, activities, outputs, and outcomes must be known and measurable, the indicators associated with incentives must capture performance under the control of the sub-national actor, and they must be able to be affected in the time frame being measured. These conditions are difficult to achieve in many policy areas because outcomes can be difficult to measure, there is often a substantial lag between policy implementation and result, and the causal relationship faces numerous threats to internal validity. Under these conditions, the use of explicit incentives is not impossible, but rather requires careful selection of the indicators to which incentives will be attached. Once indicators and incentives are selected, other difficulties can arise when setting targets. Targets can be too open-ended (and thus not binding), too heavily specified (resulting in formalistic satisfaction of targets), or too easy to renegotiate. (OECD, 2006)

37. In general, use of explicit incentives comes with risk. Benefits associated with information sharing can be attenuated if rewards or sanctions create perverse incentives for gaming, misrepresentation of data, etc. In this environment, policy makers' decisions regarding resource allocation, policy priorities, and the like can be made on incomplete or inaccurate information.

38. Italy differentiated between "soft" and "hard" use of indicators to address this challenge (see Box 3). "Soft" use did not involve rewards or sanctions and was applied in cases where "problems resulting both from the incompleteness of information, that prevents from turning desired outcomes into verifiable indicators, and from the fuzziness of causality link between policy actions and objectives" could not be resolved. (Barca et al, 2005) Indicators of intermediate outcomes (e.g. institutional capacity building) linked to the achievement of policy objectives were chosen as the basis for rewards and sanctions. Even in this case, defining the indicators was not easy and required both time and technical partnership among the different levels of government.

Box 3. Indicators and incentives – Regional development policy in Italy, 2000-2006

Due to the decentralisation of public services to local and regional levels in Italy, the knowledge needed to implement policies is distributed among several levels of government. Cooperation among different levels of government and the measurement of policy objectives has thus become increasingly important. A comprehensive system of indicators was designed for this purpose in the area of regional development policy for 2000-2006.

Measuring the achievement of policy objectives can be challenging, especially when it is difficult to translate the final objectives into quantifiable and verifiable measures and difficult to establish a clear link between policy actions and changes in indicator values. In this situation, Italy chose to develop three categories of indicators ("context indicators," "monitoring indicators," and "policy effort indicators") that could be used to improve the targeting of policy actions and broadly assess their effectiveness. This approach is described as "soft use." Context indicators were used to 1) identify regional strengths and weaknesses, 2) improve the clarity of regional policy objectives, and 3) increase the accountability of decision makers. Policy effort indicators were used to 1) establish reference values for assessing outputs and outcomes, 2) assess if policies are pursued correctly, 3) identify the types of expenditures that create synergies, and 4) assess the roles of different levels of government.

Italy also attached a series of indicators to rewards/sanctions for performance; an approach described as "hard use." This scheme built on the 4% performance reserve for the EU Structural Funds by adding a 6% national performance reserve, effectively setting aside 10% of funds available for regional development policy. To access these funds, regions had to achieve targets in the areas of good management of funds, modernisation of public administration, and implementation of reforms. The overarching goal of this sanction/reward system was to promote institutional capacity building for regional development. It relied on a strong partnership process, transparent public information, objective monitoring by a technical group, and reliable, replicable, and complete information.

How successful were the "soft" and "hard" use of indicators? The impact of context indicators appears to be limited. The local partners have not used the results of the context indicators extensively to improve regional performance. By contrast, the system of rewards and sanctions did stimulate sub-central governments' efforts to improve their performance - a real need in lagging regions. More than 57% of targets associated with the incentive system were achieved.

Sources: OECD (2006), "Workshop Proceedings: The Efficiency of Sub-central Spending" GOV/TDPC/RD(2006)12; Country response to "Efficiency of Sub-Central Spending: Questionnaire on Performance Indicators", COM/CTPA/ECO/GOV(2007)2/REV1

Box 4. Indicators and incentives – Local Public Service Agreements in the UK

In 2000, the UK introduced voluntary incentive-based performance agreements with the local governments as part of its effort to improve local public services. Called "Local Public Service Agreements" (LPSAs), these 3-year agreements with upper-tier Local Authorities (LAs) established 12 outcome-based "stretch targets" in multiple service areas. Three categories of incentives were incorporated into the LPSAs. First, "pump-priming grants" were offered up front to enable local authorities to invest in capabilities to meet their targets. Second, if a local authority met at least 60% of the stretch target after three years, it could then receive a performance grant of up to 2.5% of its net annual budget. The amount received equalled the proportion(s) of the target(s) achieved up to 100%. Finally, they were offered scope for additional borrowing and possible relaxations in administrative requirements.

On the positive side, LPSAs appear to have strengthened incentives for local public service delivery, due in part to the financial rewards and in part to the fact that local authorities participated in the establishment of the specific targets. They also strengthened local partnerships (as some targets could only be achieved collaboratively), and contributed to local capacity development and learning. Financial incentives were useful, particularly prime-pumping grants, for investing in capacities, encouraging partners to participate, and leveraging additional funds.

With respect to challenges, a few stand out: First, negotiating targets proved to be time-consuming for the central government and local authorities. The central government perceived some "gaming" in the sense that LAs attempted to negotiate in targets that they would find easiest to address. Second, limited understanding of causal mechanisms and inadequate data may have hampered realistic target setting by LAs. Third, although local authorities were involved in target selection, the process was centrally driven, often resulting in targets that did not necessarily reflect local priorities. Finally, administrative flexibilities proved harder to deliver than anticipated.

Second generation LPSAs were launched at the end of 2003. A significant change was greater local involvement to increase the relevance of indicators and targets. In 2007, the LPSAs were integrated as an incentive mechanism into Local Area Agreements as part of an effort to streamline the number of agreements. The central government also plans to cap the number of indicators (198) to be monitored at the local level. From this set of 198, local authorities will select 35 against which targets will be established in negotiation with the central government.

Sources: Blake, J. (2007), "Local Public Service Agreements and Local Area Agreements: the UK experience", unpublished presentation at the OECD TDPC Symposium: "Setting standards for local public goods provision", Rome, 20 June 2007.; DCLG (n.d.), "National Targets for Local PSAs." ; ODPM (2005), "National Evaluation of Local Public Service Agreements, First Interim Report", August 2005.; ODPM (2003), "Building on Success: A guide to the second generation of local public service agreements", December 2003.; DCLG (2007), "The New Performance Framework for Local Authorities & Local Authority Partnerships: Single Set of National Indicators".

39. The UK has used a combination of strong implicit incentives (reputation effects), as well as financial rewards and administrative flexibilities to improve local public services. Reputation effects have been promoted by scoring and ranking the performance of local government such as through Comprehensive Performance Assessment (an approach that will be replaced in 2009).[9] Financial incentives and administrative flexibilities have also been provided through Local Public Service Agreements (Box 4), which currently constitute the voluntary incentive mechanism for Local Area Agreements, a tool for the central government, local authorities and their partners to co-ordinate local services and manage performance.

40. Note should be made of the enforcement context for applying incentives. Proper enforcement mechanisms – such as accountability to citizens, peer enforcement, and recourse to a third authoritative party - can minimise renegotiation of targets and enhance the credibility of the incentive mechanism. In the case of Italy, through partnership "[a] widespread consensus was created which strongly reduced attempts to renegotiate and indeed allowed no renegotiation and prevented legal disputes after rewards and sanctions were decided." (Barca et al, 2005) In the UK, a formal appeals process is available (and has been used) for local councils which disagree with the Audit Commission's Comprehensive Performance Assessment score. (Audit Commission, n.d.) By contrast, Australian states and territories must report efficiency indicators for specific purpose payments to which penalties for performance are attached. However, there is a reluctance to enforce the penalties due to concerns regarding adverse consequences.

How will the information be used?

Use by the centre

41. In selecting the objectives of the system, the central government should anticipate and plan for the use of the information. For example, if information transfer is a primary objective, the central government may choose to do little more than to take advantage of its network position to collect, manipulate, and disseminate information for use by sub-central authorities (and the public). Alternatively, if the goal is to transform the quality, cost, or availability of public services, it may choose to link performance indicators and policy or budgetary decisions. Coherence between objectives and use increases the efficiency of the system (by minimising the collection of data that goes unused) and its effectiveness (by increasing the impact on public policies).

42. Choices about the use of information are not to be taken lightly. These choices fundamentally affect the incentives facing governments. Indicators, even if carefully selected, are unlikely to provide a comprehensive picture of service delivery or fully reveal the causes of (good or) poor performance. This is because some aspects of performance are difficult to measure, because the results of interest may not occur in the time frame considered, because causal relationships may not be well understood, and because limits on information processing make it undesirable to provide measures of everything. The less complete the information provided by indicators, the less tightly coupled indicators should be to "high stakes" decisions, such as budgetary allocations. For example, mechanisms which penalise sub-national authorities by cutting or withholding funds or decreasing flexibilities may inadvertently exacerbate the situation if the broader context of performance is not sufficiently understood. Moreover, as noted previously, rewards and sanctions which are tightly coupled with performance indicators can introduce perverse incentives for negative behaviours such as gaming or data manipulation. (OECD, 2007b)

43. Overall, responses to the OECD questionnaire suggest that the link between performance indicators and national decision making is relatively weak. In nine cases there is no clear link between the two (Table 1). Where a link exists, the most frequent use of sub-central performance information is to determine or adjust policy strategies and priorities. This link is likely to be indirect, incorporating both performance and other information in the decision making process. For example, in Norway, information produced by KOSTRA is used to facilitate assessment of the local economic situation which, in turn, is used as the basis of a parliamentary discussion regarding the transfer of resources to municipalities. In only one system is a link reported between performance information and budget allocations: the municipal monitoring system of the Land of Berlin (Germany). The relatively indirect relationship between performance information and budget allocations is consistent with recent OECD research on performance-based budgeting at the national level (OECD, 2007b), as well as recommendations regarding tight coupling between budgets and performance data. Swiss (2005) highlights multiple shortcomings of tight linkages, including the incentive to overemphasise short-term goals when performance is connected to annual budgets.

Table 1. Consequences for national decision making

No clear link between the indicators and feedback in policy decision making (9)	Policy priorities or strategies are determined or adjusted (5)	Performance targets are determined or adjusted (2)	Budgets are determined or adjusted (1)
Denmark (Municipalities) Finland (Health) Ireland (Local authorities)[1] Italy (Health) Netherlands (Local govt) Norway (All) Sweden (Education) Sweden (Health) Sweden (Transport)	Finland (SOTKANet) Germany (Berlin) Italy (Regional Policy) Netherlands (Transport)[2] Sweden (Eldercare)	Finland (SOTKANet) Germany (Berlin)	Germany (Berlin)

Notes: (1) In Ireland, no consequences for national policy decisions were reported. It was noted that as the indicator system has only existed for 3 years it is too early to determine policy objectives, but the information is provided to policy makers.
(2) The use of indicators for determining or adjusting policy strategies for public transport in the Netherlands is an anticipated future development.

Source: 2007 OECD Fiscal Network questionnaire

44. Turning to the consequences of performance information for sub-central governments, the primary use of performance information is public dissemination of information (Table 2). The emphasis on information dissemination suggests that central governments rely mostly on reputation effects to encourage performance and increase sub-central accountability. Only four systems rely on indicators to reward or sanction sub-central performance: the Land of Berlin and Italy's past and planned system for regional development policy use performance information for both rewards and sanctions. In Finland it is used to sanction hospital performance.

Table 2. Consequences for sub-central authorities

Public dissemination of performance information (11)	Central (regional) govt oversight only and/or no direct consequences (6)	Technical assistance for enhancing data collection/utilisation (6)	Rewards/sanctions for performance (4)	Technical assistance for improving public service delivery (3)
Australia (All) Denmark (Municipalities) Finland (SOTKANet) Finland (Hospitals) Germany (Berlin) Ireland (Local authorities) Italy (Regional Policy) Norway (All) Sweden (Education) Sweden (Health) Sweden (Eldercare)	Finland (Health) Finland (Education) Italy (Health) Netherlands (Local govt) Netherlands (Transport) Sweden (Transport)	Finland (SOTKANet) Finland (Hospitals) Germany (Berlin) Ireland (Local authorities) Italy (Health) Norway (All)	Finland (Hospitals) Germany (Berlin) Italy (Regional Policy [2])	Finland (Hospitals) Italy (Health) Italy (Regional Policy)[1]

Note: (1) Indicator system for regional development policy for 2007-2013

Source: 2007 OECD Fiscal Network questionnaire

45. In some cases, technical assistance is provided by the central government for improving public service delivery or for enhancing data collection and utilisation. While Finland does not reward performance of hospitals, it does couple its sanctions with technical assistance to improve public service delivery. Technical assistance divorced from sanctions include: process evaluation and development (Finland, hospitals), information technology (Germany, Ireland, Norway), creation of the legislative and administrative framework for the specified policy areas, definition of implementation guidelines, and

identification of good practices (Italy, regional policy), and provision of on-site experts and help preparing financial and organisational improvement strategies (Italy, health).

Use by sub-central authorities

46. Although the indicator systems examined here are used by the central government, if well-designed, the data they produce can be useful for sub-central governments as well.[10] Thirteen of the 16 systems are reportedly used by sub-central authorities. For example, state and territorial governments in Australia use the Review of Government Service Provision "to identify areas of improvement and to assess the strengths and weaknesses in particular approaches to delivering services, for example, input or output based funding for public hospitals". (OECD, 2007c) In Norway, KOSTRA is used as a tool for internal planning, budgeting, and communication by counties and municipalities. Local authorities are also able to use indicators for the purpose of benchmarking performance.

47. In general, the primary uses of the indicator systems by sub-central authorities are:

- To monitor their own performance over time (11 systems)
- To compare performance with other sub-central authorities (11 systems)
- To disseminate information to citizens and other stakeholders (11 systems)
- To set or adjust policy priorities (10 systems)
- To determine budget allocations (7 systems)
- To establish or adjust public service delivery processes (7 systems) (OECD, 2007c)

The feedback effect of performance information at the sub-central level is perceived to be strong. In addition to learning through benchmarking and public accountability, a greater number of systems are assumed to be used for setting policy priorities or adjusting budget allocations than appears to be the case for the national level.

48. The experience of Italy also suggests that national success using performance indicators can cascade down to the sub-central level. Specifically, based on the positive experience of the Italian national performance reserve used with the EU Structural Funds, "regional governments have been encouraged, through ad hoc transfers from the central government, to implement similar mechanisms within their territories. Regional performance reserves are [used to reward] high quality projects in selected sectors (environmental protection, urban and landscape systems, cultural goods) as well as administrative processes to enhance institutional capacity building". (OECD, 2007c)

Constraints on design and implementation

Institutional constraints

49. Implementing a standardised system of indicators is likely to be easier where the central government has leverage over sub-central entities and the power to mandate performance measurement. The extent of central government authority and ability to monitor sub-central performance is determined by an interplay of factors: institutional arrangements and autonomy of sub-central governments, allocation of responsibilities for service provision, and the design and share of intergovernmental transfers.[11] For example, attaching rewards and sanctions to performance indicators in Italy was possible despite the decentralized institutional setting in force because sub-central governments remain considerably financially dependent on grants coming from the central government. In other cases, the leverage of the central government to require performance information may be low if regional (or local) governments have

high levels of autonomy, central government transfers come in the form of non-earmarked grants, and/or overall transfers represent a small percentage of local revenues. (OECD, 2006) From the central government's perspective, indicator systems may appear to have limited usefulness if it cannot intervene locally to improve service delivery. Moreover, sub-central governments may resist the use of standardised performance systems fearing a loss of autonomy and potentially inappropriate comparisons with other regions.

50. The limited power of the central government appears to be an important stumbling block for countries. Three of the six countries responding to the OECD Fiscal Network questionnaire which did not have indicator systems in place to monitor sub-central authorities explicitly indicated that the national (and/or regional) government has no formal power to introduce such a system (Germany, Spain and Switzerland). For example, in Switzerland, the majority of public services are provided by the cantons or the communes. In most cases, the federal government plays a minor role, often only setting the minimum standards required to receive financial contributions. A similar relationship exists between the canton and its communes. A national indicator system is not perceived to be particularly useful. Other countries also noted institutional impediments to developing an indicator system:

- In France, each sub-central authority may develop its own system to meet its information needs. However, due to the constitutional principle of self-regulation of local authorities, the national and the sub-national governments have not agreed to adopt a general system of indicators.

- In Mexico, there is no legal framework, specific laws, or regulations regarding indicator systems for monitoring sub-national performance – although the federal and sub-national governments do possess their own information systems in some sectors.

51. Because indicator systems can be used to promote learning and diffusion of good practice, failure to implement any type of information system can represent lost opportunities for learning and improvement. Thus, despite institutional hurdles, there are examples of voluntary participation in a common system such as in the United States. Cases in the U.S. are most successful where central government adds value to the sub-central data, depoliticises its use, and enters into an information partnership with sub-central authorities that emphasise learning as a primary benefit. (Metzenbaum, 2003)

52. Although six countries indicated that they do not have an indicator system for measuring and monitoring sub-national service delivery, in five (France, Mexico, Switzerland, Spain and Turkey) the topic is under discussion. In Spain, the introduction of an indicator system for measuring the performance of social services is in a first phase and under continuous progress (see Box 5). In addition, the recently created national agency for the evaluation of public services quality and public policies is taking the first steps for the promotion and implementation of indicators reaching agreements with autonomous communities. While Turkey does not report a national system of indicators for tracking sub-national service delivery, recent steps have been taken to monitor performance at the municipal level (see Box 6). In Switzerland the introduction of an indicator system for measuring the performance of hospitals is being discussed among cantons.

Box 5. Monitoring sub-national social services in Spain

In Spain, social services are provided by the central government as well as by the autonomous communities and local entities. In 1988, a plan was established for the development of Basic Social Services for Local Corporations, which lead to the development and consolidation of a basic network of “primary attention social services”, based on cooperation among the three levels of government.

In accordance with the plan, the Ministry of Labour and Social Affairs has promoted the development of two information systems to evaluate the public system of social services: the Basic Plan of Social Services (PBSS) and the Social Services User Information System (SIUSS). Autonomous communities are responsible for collecting the information from the Social Services Centres and local entities within their territory and providing this information to the central government. Data collected will be used to help improve social services, evaluate the system, assess needs and resources, and facilitate readjustment, increases and growth of social resources.

Data are routinely collected in a variety of domains: 1) sub-national revenues (regional and local), 2) sub-national expenditures (regional and local), 3) human resources required to produce services at the regional level, 4) costs, 5) capital investment, 6) throughputs or activities and outputs, and 7) users (total users, users in each activity and characteristics of users: nationality, age, gender, studies, social conditions, homeless, etc.). Some of the information obtained by these systems is available in an annual report of the plan. Data from the SIUSS is partly published online. Some of the information is confidential and available only within the Ministry and sub-central governments. It is used to develop the statistical treatment of the data, for the purposes above mentioned, in accordance with the Personal Data Protection Act (Ley Orgánica 15/1999).

Two groups support this data collection effort: the Working Group on Evaluation and the Working Group on Indicators. The Working Group on Evaluation has set a calendar to analyse and improve the information obtained through the PBSS and SIUSS, to develop specific statistical treatment of this information, and to implement different indicators that facilitate the measurement of primary attention social services outcomes. As part of the National Action Plan on Social Inclusion, the Working Group on Indicators is preparing a document on indicator system for poverty and social exclusion that incorporates social protection indicators, such as primary attention social services. Autonomous communities participate in both working groups.

Source: Document provided by the Spanish Ministry of Economy and Finance, summarizing “The Public System of Social Services (SPSS)” <http://www.mtas.es/SGAS/ServiciosSocDep/ServiciosSociales/Sistema/Sistema.htm>, “The Social Services User Information System (SIUSS)”, <http://www.mtas.es/SGAS/ServiciosSocDep/ServiciosSociales/siuss/SIUSS.htm>,and “Report on Agreed Plan 2005”, <http://www.mtas.es/SGAS/ServiciosSocDep/ServiciosSociales/PlanConcertado/Memoria.pdf>

Box 6. Monitoring municipal performance in Turkey

Passed in 2003, the Public Financial Management and Control Law No 5018 requires that public administrations in Turkey use performance-based budgeting in order to enhance accountability, transparency, and outcome-based management. This requirement extends to municipalities with 50 000 inhabitants or more, and all special provincial administrations. These municipalities are required to prepare a strategic management plan, accompanied by input, output and result indicators, with the first submissions for fiscal year 2007. Performance indicators are defined by the local administrations with guidance provided by the Ministry of Finance. Each local administration will prepare accountability reports in April 2008 which present information on the results and evaluation of the performance indicators defined in 2007 performance programs. These reports are forwarded to the Court of Accounts and to the Ministry of the Interior. The latter evaluates the reports and issues its own general government accountability report for the year under review. The performance of sub-national governments is not linked to a system of bonuses or sanctions.

In addition to requiring performance-based budgeting at the municipal level, in 2002 the Turkish Ministry of Interior General Directorate for Local Authorities introduced a pilot measurement system to monitor the performance of municipalities. Called BEPER, the objective of the project was to identify indicators for goods and services produced by municipalities, to develop a model that would permit comparison across municipalities, and increase the quality of service provision. Data were collected in 2002, 2003, and 2004. The pilot project was completed in 2005. No decision has been taken on the extension of the BEPER system.

Sources: Turkish response to 2006 questionnaire prepared for the workshop on the efficiency of sub-national spending co-organized by the OECD Network on Fiscal Relations Across Levels of Government and by the French Budget Directorate of the Ministry of Economy and Finance, held in Paris in May 2006; Email correspondence, 2008

Capacity constraints

53. Technical challenges also pose obstacles to the implementation of indicator systems. With respect to capacity, although a central government is more likely to have the resources and expertise available to develop and implement a system of indicators across or within sectors, the capacity to do so is not a foregone conclusion. Capacity challenges, such as experience defining good performance indicators, negotiating appropriate targets, or accessing good quality data, can occur at both the central and sub-central levels of government. (ODPM, 2005) At least one country (France) indicated that a lack of capacity at the national level complicated the task of implementing such as system. Limited sub-central capacity was also reported by France and by Mexico among the main obstacles to preventing the implementation of a system of indicators.

54. Importantly, reaping the benefits of knowledge transfer and producing performance gains can be limited by sub-central (or provider) capacity to absorb and transform information into improvements.[12] The capacity of sub-central governments may differ by size. For example, a 2001 study from The U.S. National Association of Counties found that U.S. rural counties were less likely to posses some categories of professional staff than metropolitan counties. (Kraybill and Lobao, 2001) Anticipating and budgeting for training, as well as establishing learning networks can be useful mechanisms for mitigating these risks.

Cost considerations

55. There are also concerns about cost. There are both financial and nonfinancial “costs” to using indicators. On the financial side, investments need to be made in information systems, training, information dissemination, etc. Different approaches to data collection also affect financial costs. For example, use of existing administrative data, national surveys, or census data can reduce data collection costs. Most of the systems described in the Fiscal Network questionnaires appear to take this approach. The use of new or ad hoc data collection is reported in a small number of cases.

56. Unfortunately, there is little data on the financial cost of indicator systems. According to questionnaire respondents, the cost of the indicator system had been assessed in five of 16 cases. However, in only two cases were figures available. The system of the Land of Berlin reportedly costs €1.26 million to operate, while the reports produced by the Dutch Social and Cultural Planning Office (which are based on pre-existing data collected by the central government) cost €50,000. In both cases costs are borne by the higher level of government operating the system. The dramatic differences in cost most likely reflect the scope of the projects and associated staffing and information technology needs. In Berlin, the indicator system is based on the results of the cost accounting system for the region’s 12 boroughs. The annual operating cost for this system includes €0.5 million for information technology and €0.06 million for staff. The annual operating cost for the catalogue of the products/indicators and the indicator based allocation of the budgets is €0.7 million (largely attributable to staff).[13]

57. On the non-financial side, producing data can represent a substantial administrative burden, particularly for sub-national authorities which may have to produce information for multiple audiences at the central level. The administrative burden may be disproportionately high for small municipalities or for services where national funds represent a small proportion of sub-national resources.[14] The burden of performance management for local governments in the UK prompted the creation the “Lifting the Burdens Task Force” to examine how it can be reduced. Mechanisms for minimising burden include coordinating data reporting requirements, guidelines, and submission frequencies across sectors and programmes where possible, enhancing the capacity to submit information electronically, maximising information sharing at the central level to reduce redundant requests for information, and reducing the overall number of indicators to be monitored to those deemed essential for achieving national (or local) priorities.[15] Ireland

has taken steps to reduce the administrative burden associated with the indicator system for monitoring local public service delivery by aiming to provide clear methodologies, using existing ICT systems to collect data, and providing assistance and quality assurance. Overall, countries report that steps have or will be taken to reduce the administrative burden for sub-national governments for five systems.[16]

58. There also "costs" of using performance indicator systems that are best thought of as "risks". These unintended negative consequences of using performance indicators can be highly problematic and are well-documented.[17] They include, but are not limited to, stifling innovation and responsiveness to new challenges (ossification), prioritization (and possible diversion) of resources to what is measured at the expense of what is not, strategic behaviours (gaming), or misrepresentation of data.[18] The risks associated with these behaviours include decisions made on inaccurate information, outputs and outcome goals that are not achieved, and public service delivery that is sub-optimal. These risks are noteworthy, not least because Goddard, Mannion, and Smith (2000) demonstrate that behaviours derive from the use of indicators in a principal-agent context, which frequently applies to central-sub-central relations.

Issues of measurement and data quality

59. The selection and development of indicators raises a fundamental issue of the measurability of public sector performance. Numerous factors contribute to difficulties in this regard: the complexity of public service delivery, the nature of outputs produced and outcomes achieved, and the lag between activities and results. The challenge of choosing measures and compiling indicators is further constrained by basic issues such as the validity, reliability, and comparability of data. Not only is the selection of indicators constrained by data quality and availability, but the production of knowledge about efficiency and effectiveness is subsequently constrained. For example, the Finnish Government Institute for Economic Research (VATT) currently pursues research on the efficiency of spending in health and education. However, its ability to produce annual figures is limited by the availability and cost of appropriate data, particularly in the area of vocational education.[19]

60. Table 3 highlights the major challenges reported regarding assessment of sub-national public service delivery. Data quality and comparability clearly top the list.

Table 3. Difficulties encountered when assessing sub-national service delivery

Data quality (13)	Comparability of data (10)	Measuring policy outcomes (7)	Identification of performance targets (4)	Cost of obtaining information (2)
Australia (All) Denmark (Municipalities) Finland (SOTKANet) Finland (Hospitals) Germany (Berlin) Ireland (Local authorities) Italy (Health) Italy (Regional Policy [2]) Netherlands (Local govt) Sweden (Transport) Sweden (Health) Sweden (Eldercare)	Australia (All) Denmark (Municipalities) Finland (SOTKANet) Finland (Hospitals) Germany (Berlin) Ireland (Local authorities) Italy (Health) Netherlands (Local govt) Sweden (Transport) Sweden (Health)	Australia (All) Finland (SOTKANet) Germany (Berlin) Italy (Health) Netherlands (Transport) Norway (All) Sweden (Education)	Finland (SOTKANet) Finland (Hospitals) Italy (Regional Policy [2])	Finland (SOTKANet) Germany (Berlin)

Source: 2007 OECD Fiscal Network questionnaire

61. Two countries (Australia and Denmark) explicitly noted the trade-off between timeliness and data quality. Using timely data can enhance the relevance of indicators for decision making but it may be harder to review and validate recent data. Auditing can improve data quality, but may delay its availability

for decision making. Data are audited in only nine of the 16 systems described by the questionnaire. In at least one case, however, auditing does not appear to delay the availability of data. Specifically, Statistics Norway audits incoming data for the KOSTRA system, which has an average lag time of 1.5 months between data reporting and availability. Approximately 96% of municipalities and 100% of counties report their data on-time. Less formal mechanisms can also enhance data quality. In Australia, "[t]he ongoing nature of the Review of Government Service Provision provides opportunities for data to be improved over time and public scrutiny of the Report encourages improvements in data quality". (OECD, 2007c) Improvements over time in both data quality and identification of performance targets are also characteristics of Norway's KOSTRA system.

62. The effect of the various constraints described here, as well as the effectiveness of decisions regarding design and use of indicator systems can be assessed at an early stage through careful use of pilot programmes. Systems such as KOSTRA in Norway and initiatives such as Local Public Services Agreements in the UK used pilot arrangements before rolling out the system nationwide. This approach allows for cost-effective experimentation, learning, and adjustment. This is particularly important if the central government anticipates attaching explicit incentives to its indicator system. Credible, reliable, and valid data are integral for a system rewards and sanctions to function effectively. (GAO, 2006b) While pilot initiatives can help reveal good practices and challenges at an early stage, ongoing adjustment is necessary. The past and/or planned improvement that countries report most frequently is the revision of indicators (11 cases).

Conclusions

63. Performance indicator systems are one of many tools in the "public policy toolkit." Well-designed indicator systems are information tools that can enhance the quality of decision making by reducing information asymmetries, and can promote the accountability of public services to national, sub-national, and citizens' priorities. Careful attention to the manipulation of both implicit and explicit incentives can be a powerful tool for altering the environment in which governments operate. As a "powerful" tool it has its strengths and weaknesses. On the one hand, in the absence of central-sub-central communication and collaboration, the use of indicator systems can introduce tension in intergovernmental relations if used by the central government as an ex-post substitute for ex-ante control of public services. On the other hand, its strength is that it contributes to a persistent need: information. Unlike other tools which alter the operating environment for sub-central governments (e.g. market mechanisms), decision making in the public sector is not a choice. It is inevitable. The question is if and how the environment for decision making should be altered.

64. Indicator systems are not static, neither is the environment in which they operate. The sequence of issues and choices presented here is not intended to suggest a lack of flexibility in system design or an optimal outcome. However, sequencing of decisions regarding the development of a performance indicator system can enhance effectiveness. With respect to flexibility, policy goals and information needs change over time. As the implementation context, policy objectives, and/or information needs change, the systems must also evolve. There are also likely to be persistent challenges regarding data quality and measurement, ongoing opportunities to enhance the use of information, new technologies to reduce administrative burden, or opportunities to enhance information partnerships between central and sub-central authorities. As a result, indicator systems should be seen in a dynamic and collaborative context.

ENDNOTES

1 A justifiable role regarding information transfer does not necessarily mean that the central government should impose knowledge. "[T]here is also a tendency coercively to impose practices with insufficient evidence they work, or to impose them universally though they work only in certain situations or when applied in specific ways. In such situations, subunits may be set marching off a cliff." (Kelman, 2006, p. 399)

2 Benchmarking goes beyond just comparison. According to the 2007 Australian Report on Government Services, "[b]enchmarking service delivery is a systematic process of searching for and encouraging the introduction of best practice in the use of scarce resources, so as to deliver more efficient and effective services." (SCRGSP, 2007, pg. 1.10)

3 The expert intermediary is proposed by Smith (1993). This is a role that can also be played by observatories. Urban observatories, for example, play this role in connection with indicators of performance of city services such as health, business services, crime prevention, environment, urban sanitation, etc.

4 For a discussion of the pros and cons of composite indicators, see for example Smith (2002) and Jacobs, R., Goddard, M. and P. Smith (2007).

5 See Pollit (1995) for a discussion of the difficulties associated with evaluating the tools of New Public Management (such as the use of indicators).

6 A slightly different presentation of implicit and explicit incentives is found in Burgess, Propper and Wilson (2002).

7 Smith (1993, pp. 138-139) discusses why "[p]erformance data are not a neutral reporting device".

8 For a description of incentives that can be attached to grants, see "Table 1: Examples of Accountability Provisions" in U.S. Government Accountability Office (2006), "Grants Management: Enhancing Performance Accountability Provisions Could Lead to Better Results", GAO-06-1046, September 2006, pg. 16.

9 Comprehensive Performance Assessments (CPAs) produce composite performance scores (number of stars) that incorporate information about seven service areas, resource utilisation, and management practice. Scores can be compared across localities and are made publicly available in league tables. Localities with a higher score can receive "freedoms and flexibilities" such as (but not limited to) reductions in revenue earmarking, reductions in inspections, and wider use of income from fines. The performance incentive effective of the prospect of such "earned autonomy" appears to be limited, however. (DCLG, 2006) CPAs will be replaced by the Comprehensive Area Assessment (CAA) in April 2009. (Audit Commission, 2007)

10 Sub-central authorities also have or initiate their own systems of indicators. For example, in 2006 the Association of Netherlands Municipalities launched "what is your municipality doing", a project that gathers and publicises data from multiple sources to increase transparency and to support improvements in the quality of local public services. Statistical organizations, ministries, private interest groups, and about one-third of municipalities participate in the project. Information is made available online, where visitors can compare municipal performance by policy area (www.watdoetjegemeente.nl/index.php). (OECD, 2006)

11 For a discussion of the relationship between grant design and performance assessment in a federal country, see U.S. Government Accounting Office (GAO) (1995), "Block Grants: Issues in Designing Accountability Provisions", GAO/AIMD-95-226, September 1995, GAO: Washington, DC.; GAO (1998), "Grant Programs: Design Features Shape Flexibility, Accountability, and Performance Information", GAO/GGD-98-137, June 1998, GAO: Washington, DC., GAO "Grants Management: Enhancing Performance Accountability Provisions Could Lead to Better Results", GAO-06-1046, September 2006, GAO: Washington, DC.

12 A discussion of the limitations of schools to transform performance data into performance improvements is provided in Visscher et al (2000). The importance of individual capacity to transform information into improvements in results-based management initiatives within organisations is discussed in Swiss (2005).

[13] Estimated costs of operating Berlin's system of performance indicators provided via follow-up to the Fiscal Network questionnaire.

[14] A sub-national authority may choose to forego receipt of national funds if it perceives the burden of collecting and reporting performance data to exceed the benefits associated with the (small) amount of funding. (GAO, 2006b)

[15] See for example, Lifting the Burdens Task Force (2007), "13 steps to reduce performance management burdens" and U.S. GAO (2006) "Grantees' Concerns with Efforts to Streamline and Simplify Processes" for administrative burden issues and remedies.

[16] The five systems are Ireland's Service Indicators for Local Authorities, Finland's SOTKA-Net, Finland's system for hospital benchmarking, Norway's KOSTRA system, and Sweden's system of indicators for education.

[17] Van Thiel & Leeuw (2002) provide an overview of important literature on this topic. References to relevant literature and discussion on this topic can also be found in Goddard, Mannion, and Smith (2000), Burgess, Propper & Wilson (2002), and Goddard and Mannion (2004), among others.

[18] These categories of unintended consequences are frequently cited. They derive from a more comprehensive list of consequences attributable to Smith (1995) which are also summarized in Smith (1993).

[19] Information on data challenges encountered provided via follow-up to the Fiscal Network questionnaire.

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ANNEX 1: EXAMPLES OF INDICATORS USED BY DIFFERENT COUNTRIES

CATEGORY		EXAMPLES	COUNTRY/SYSTEM
CONTEXT	Demographics	• Population, gender, age, marital status, births, deaths	
	Service context	• Irregularities in water distribution • Per capita average expenses for theatre and concerts • Air pollution due to transportation	Italy (regional policy)
INPUTS	Materials	• Municipal nursing home beds	Finland
	Staff	• Number of required staff for the service • Numbers and qualifications of teachers	Turkey/BEPER Finland
	Finances	• Net operating expenditures • Education expenditures • Deflated expenditures and revenues	Norway/KOSTRA Finland Netherlands
	Policy effort	• Capital expenditure by level of government and sector • Preparation and approval of territorial and landscape programming documents	Italy (regional policy)
OUTPUTS	Policy outputs	• Number of inhabitants served • Amount of solid waste collected • Visits to physician, dental care visits • Building permits issued • Number of passports, drivers licenses issued	Turkey / BEPER Finland Australia Netherlands
	Service coverage	• Percent of aged inhabitants receiving home services • Percent of children enrolled in kindergarten • Recipients of social services as percent of the population	Norway/KOSTRA
	Efficiency	• Government funding per unit of output delivered • Spending efficiency: Achievement of payment level equal to 100% of previous year's financial appropriation • Children 1-5 years in kindergartens per full time equivalent • Number of children per teacher • Cost per user	Australia Italy (regional policy) Norway/KOSTRA Sweden (education) Sweden (elder care)
OUTCOMES	Policy outcomes	• Education transition rates • Response times to structure fires • Improved language skills of immigrants	Norway/KOSTRA Australia Netherlands
	Effectiveness	• Effectiveness of outputs according to characteristics important for the service (e.g. timeliness, affordability) • Disease-specific cost-effectiveness measures • Passengers • Share of completion of students in secondary schools	Australia Finland (hospitals) Netherlands (transport) Sweden (education)
	Equity	• Geographic variation in the use of services • Units per 1,000 members of target group • Recipients of home based care as of share inhabitants in different age groups	Finland (hospitals) Germany (Berlin) Norway/KOSTRA
	Quality	• Number of days taken to provide an individual with needed assistance (e.g. youth) • Number of different caregivers providing elder home care to a single individual	Netherlands Denmark
	Public opinion	• User satisfaction with local services	Netherlands

Sources: OECD (2006), "Workshop Proceedings: The Efficiency of Sub-central Spending" GOV/TDPC/RD(2006)12; 2007 OECD Fiscal Network questionnaire.

ANNEX 2: SYSTEM PROFILES

65. A total of 14 national governments and one regional government responded to the 2007 OECD Fiscal Network questionnaire. Eight countries and one region reported on 16 indicator systems. The remaining six countries reported that they do not have indicator systems at the national or regional levels (except Germany which submitted information about a regional system). Countries which contributed descriptions of indicator systems did so in areas for which combined sub-central spending tends to be greatest: education, health, transport, and social protection – or other areas if desired. Because the questionnaire responses span a variety of policy fields and constitute a relatively small sample, the data do not lend themselves to generalising about specific policy areas. Moreover, they are not an exhaustive list of central government indicator systems for monitoring sub-central spending and services in OECD countries. Rather the description and analysis in the main text drawn from the questionnaire is best viewed as common lessons from different national cases. This annex provides extracts and brief summaries of answers from the questionnaires provided by countries that reported on indicator systems.

Table 4. Questionnaire responses by country and sector

RESPONDENT COUNTRY	SECTOR COVERED BY INDICATOR SYSTEM(S)					
	Multiple	Education	Health	Transport	Social protection	Other
Australia	X					
Denmark	X					
Finland[1]			X		X	
Germany (Länder)[2]	X					
Ireland[3]	X					
Italy[4]			X			Regional policy 2000-2006 Regional policy 2007-2013
Netherlands	X			X		
Norway	X					
Sweden		X	X	X	X	
France	No national or regional systems					
Mexico						
Spain						
Switzerland						
Turkey						
Germany (nat'l)	No national system					

Notes:

1. Finland submitted two additional questionnaires that summarised research undertaken at the central level to assess the efficiency of sub-central provision of health and education. As the questionnaires described research as opposed to an indicator system, report, or project with present or planned ongoing use, they are not summarised here for reasons of comparability.
2. Land Berlin
3. Ireland submitted an additional questionnaire summarising the National Service Plan for Health. As the questionnaire described national monitoring of a service that is a national responsibility, the data were not incorporated for reasons of comparability.
4. Italy submitted information regarding three systems – one associated with regional policy for the period 2000-2006; one associated with regional policy for the period 2007-2013; and one associated with health.

AUSTRALIA - REVIEW OF GOVERNMENT SERVICE PROVISION

Description	The Review of Government Service Provision was established by agreement of the heads of the Australian and state governments in 1995 to provide information on the efficiency and effectiveness of government service provision. The focus of the Review is on the cost effectiveness of service delivery, as distinct from policy considerations that determine the quality and level of services. A steering committee of representatives from the central agencies of all governments, supported by a secretariat provided by the Productivity Commission, manages the Review. An annual report is produced which covers 14 areas of government service provision which, in 2004-05, represented around 61 per cent of recurrent expenditure. For each sector, a performance reporting framework has been developed to measure the extent to which the service outputs achieve the outcomes desired by governments. Each framework is divided into the key areas of equity (how well a service is meeting the needs of identified “special needs groups”); effectiveness (how well the outputs of a service achieve stated objectives according to characteristics such as access, appropriateness and quality); and efficiency (how well services use their resources to produce outputs and achieve outcomes). Generally, the delivery of public services to the community is the responsibility of sub-national governments in Australia, though the national government provides funding to the states in most service sectors. Hence, the performance reported by the Review is mostly that of the states, though the Australian Government's contribution is reflected in indicators where relevant (e.g. national funding effort is reflected in cost effectiveness indicators).
URL	www.pc.gov.au/gsp/reports/rogs/index.html
Level of gov’t in charge	(Shared) National, regional
Level of gov’t monitored	Regional
Objectives of the system	Primary objectives: • To measure the efficiency of public spending • To identify effective policy strategies Other objectives: • To benchmark sub-national performance • To determine budget allocations • To improve quality of services • To improve sub-national capacities • To promote sub-national learning from good practices
Number of indicators	-
Efficiency indicators?	Yes – no targets
Equity indicators?	Yes – no targets
Effectiveness indicators?	Yes – no targets
Data audited? By whom?	No

How are performance results disseminated?	• Internal meetings • Publicly available report • Press-release • On-line open access
Main categories of findings	• Cost-effectiveness of public services at the sub-national level • Quality of public services at the sub-national level
Consequence for national policy decisions	• The Report is used as a tool for strategic planning at the national level; however there is no direct link between findings and budget allocations.
Consequences for sub-national authorities	• Public dissemination of performance information
Type of rewards	None
Type of sanctions	None
Type of technical assistance	None
Challenges in assessment of sub-national public service delivery	• Data quality • Comparability of data • Measuring policy outcomes Timeliness of data is an important consideration for policy making. However, there is a trade-off between timeliness and accuracy of data. In particular, data that is more contemporary may have had fewer opportunities to undergo rigorous validation. This trade-off is managed by providing data with appropriate qualifications. The ongoing nature of the Review of Government Service Provision provides opportunities for data to be improved over time and public scrutiny of the Report encourages improvements in data quality.
Challenges in establishing consequences	-
How is system used by sub-national authorities	• To compare performance with other sub-national authorities • To monitor their own performance over time • To determine budget allocations • To set or adjust policy priorities • To establish or adjust public service delivery processes • To disseminate information to citizens and other stakeholders State governments use the Review of Government Service Provision as a benchmark to identify areas of improvement and to assess the strengths and weaknesses in particular approaches to delivering services, for example, input or output based funding for public hospitals.
Changes to the system	• Revising indicators (past and planned)

DENMARK – MUNICIPAL MONITORING

Description	This indicator system was introduced by the Danish Ministry of the Interior and Health in the early 1990s. It was initially published on a yearly basis and is currently available on-line. This system contains about 200 indicators for each municipality (average population of about 50 000) in all major areas of municipal activity. These are primary education, social protection, elder care and child day care. Examples of indicators include the amount spent on primary education per pupil and the average size of school classes in the municipality. A group of indicators also cover the area of municipal finance, taxes and general expenditures while another group of indicators describe the "structural" reality of each municipality (e.g. size of population, area covered, age distribution, share of urban vs. rural areas).
URL	www.noegletal.dk
Level of gov't in charge	National
Level of gov't monitored	Local
Objectives of the system	Primary objectives: • To measure the efficiency of public spending • To assert budgeting and financial control • To benchmark sub-national performance • To determine budget allocations • To improve quality of services • To improve sub-national capacities • To promote sub-national accountability Other objectives: • To monitor compliance with national standards/regulations • To promote sub-national learning from good practices
Number of indicators	200
Efficiency indicators?	Yes – no targets
Equity indicators?	-
Effectiveness indicators?	-
Data audited? By whom?	No
How are performance results disseminated?	• On-line open access
Main categories of findings	The system provides citizens and municipalities with information on how much money each municipality spends on various service areas per recipient of the service. The system also provides various measures of the service provided such as average school class size in primary education.

Consequence for national policy decisions	• There is no clear link between the indicators and feedback in policy decision making
Consequences for sub-national authorities	• Public dissemination of performance information
Type of rewards	-
Type of sanctions	-
Type of technical assistance	-
Challenges in assessment of sub-national public service delivery	• Data quality • Comparability of data It is difficult to obtain a good quantitative measure of "quality". A substantial issue is the trade off between the quality of data and accessing up- to-date data.
Challenges in establishing consequences	-
How is system used by sub-national authorities	• To compare performance with other sub-national authorities • To monitor their own performance over time • To disseminate information to citizens and other stakeholders
Changes to the system	• Revising indicators (past) • Changing diffusion of results (past) • Changing the periodicity of performance assessment (past) Expanding focus to include qualitative measures rather than strictly quantitative. Better measures of "quality" (planned)

FINLAND – SOTKA-NET

Description	SOTKAnet Indicator Bank is the STAKES (National Research and Development Centre for Welfare and Health) online information service. It is designed to support decision-makers, social welfare, and health care services experts with planning, evaluation, and decision-making. SOTKAnet offers key population welfare and health related data in Finland. The data can also be freely utilised by others interested in such information. The data is available at multiple regional levels: municipality, sub-region, region, hospital district, province and entire country. The SOTKAnet Indicator Bank provides information in Finnish, Swedish and English.
URL	www.sotkanet.fi
Level of gov't in charge	National
Level of gov't monitored	Regional, local
Objectives of the system	Primary objective: • To benchmark sub-national performance Other objectives: • To measure the efficiency of public spending • To identify effective policy strategies • To improve quality of services • To improve sub-national capacities • To monitor compliance with national standards/regulations • To promote sub-national accountability • To promote sub-national learning from good practices
Number of indicators	1500, with approximately 60 "core indicators"
Efficiency indicators?	-
Equity indicators?	-
Effectiveness indicators?	-
Data audited? By whom?	No
How are performance results disseminated?	• On-line open access
Main categories of findings	• Disparities in access to public service delivery at the sub-national level • Cost-effectiveness of public services at the sub-national level • Strengths/weaknesses of sub-national capabilities for delivering public services
Consequence for national policy decisions	• Policy priorities are determined or adjusted • Policy strategies are determined or adjusted • Performance targets are determined or adjusted
Consequences for sub-national authorities	• Public dissemination of performance information • Technical assistance for enhancing data collection/utilisation

Type of rewards	None
Type of sanctions	None
Type of technical assistance	Technical assistance is provided by STAKES usually by e-mail or telephone.
Challenges in assessment of sub-national public service delivery	• Data quality • Cost of obtaining information • Comparability of data • Identification of performance targets • Measuring policy outcomes
Challenges in establishing consequences	Somewhat important: • Lack of clarity regarding the goals of measuring performance • Lack of motivation among sub-national authorities for collaboration • Lack of internal expertise to develop and implement the system
How is system used by sub-national authorities	• To compare performance with other sub-national authorities • To monitor their own performance over time • To set or adjust policy priorities • To disseminate information to citizens and other stakeholders
Changes to the system	• Reducing costs (past and planned) • Revising indicators (past and planned) • Reducing the administrative burden for sub-national governments (past and planned)

FINLAND – HOSPITAL BENCHMARKING PROJECT

Description	The Hospital Benchmarking project, launched in 1997, is a joint venture between STAKES, hospital districts and two foundation hospitals in Finland. The project provides versatile information on inpatient and outpatient care, costs, and productivity of hospitals. Hospitals can use this information for comparative purposes, to identify areas of poor performance, and learn from good practices.
URL	info.stakes.fi/benchmarking/EN/benchmarking.htm
Level of gov't in charge	National
Level of gov't monitored	Regional, local
Objectives of the system	[Objectives not ranked] • To measure the efficiency of public spending • To benchmark sub-national performance • To identify effective policy strategies • To improve quality of services • To promote sub-national accountability • To promote sub-national learning from good practices
Number of indicators	-
Efficiency indicators?	Yes, no targets
Equity indicators?	Yes, no targets
Effectiveness indicators?	Yes, no targets
Data audited? By whom?	No
How are performance results disseminated?	• Internal meetings • Publicly available report • On-line open access
Main categories of findings	• Cost-effectiveness of public services at the sub-national level • Strengths/weaknesses of sub-national capabilities for delivering public services
Consequence for national policy decisions	• There is no clear link between the indicators and feedback in policy decision making
Consequences for sub-national authorities	• Public dissemination of performance information • Financial or other sanctions for performance • Technical assistance for enhancing data collection/utilisation • Technical assistance for improving public service delivery
Type of rewards	None
Type of sanctions	• Budgetary restrictions • Increased administrative oversight

Type of technical assistance	Process evaluation and development provided by consultants
Challenges in assessment of sub-national public service delivery	• Data quality • Comparability of data • Identification of performance targets
Challenges in establishing consequences	Very important: • Lack of clarity regarding the allocation of responsibilities among actors • Lack of motivation among sub-national authorities for collaboration • Lack of internal expertise to develop and implement the system
How is system used by sub-national authorities	• To compare performance with other sub-national authorities • To monitor their own performance over time • To determine budget allocations • To establish or adjust public service delivery processes • To disseminate information to citizens and other stakeholders
Changes to the system	• Revising indicators (past and planned) • Changing diffusion of results (planned) • Reducing the administrative burden for sub-national governments (past and planned)

GERMANY (LAND BERLIN) – LOCAL GOVERNMENT INDICATORS

Description	Berlin is the capital of Germany and one of its 16 federal states. In 1999, Berlin established an indicator-based control-system for its 12 boroughs. Every borough has about 300 000 citizens, a yearly budget of approximately 6 000 million Euros, and carries out functions similar to those of municipalities in the other federal states. The indicators are based on 500 “products”, one for every service offered to citizens. Every “product” contains a description, a definition of cost-drivers and information on the minimum quality of the service. The products are also cost units in the cost accounting system. Cost accounting information and other figures about the different social structure of the boroughs are the basis for the indicator-based budgeting system for the boroughs.
URL	www.berlin.de/sen/finanzen/haushalt/bezirke/index.html
Level of gov’t in charge	Regional
Level of gov’t monitored	Local
Objectives of the system	Primary objectives: • To measure the efficiency of public spending • To assert budgeting and financial control • To benchmark sub-national performance • To determine budget allocations • To improve sub-national capacities • To promote sub-national learning from good practices Other objectives: • To identify effective policy strategies • To improve quality of services • To promote sub-national accountability
Number of indicators	Approximately 60 indicators, of which 3-4 are considered “core indicators”
Efficiency indicators?	Yes – with both absolute and relative targets
Equity indicators?	Yes – with relative targets
Effectiveness indicators?	-
Data audited? By whom?	Yes, by: • Ministry of Finance • Internal controllers in the relevant ministry
How are performance results disseminated?	• Internal meetings • Events open to the public • Publicly available report
Main categories of findings	• Disparities in access to public service delivery at the sub-national level • Cost-effectiveness of public services at the sub-national level • Strengths/weaknesses of sub-national capabilities for delivering public services A better database for appreciating the influence of social structures on the needs of public goods and services

Consequence for regional policy decisions	• Policy priorities are determined or adjusted • Policy strategies are determined or adjusted • Budgets are determined or adjusted • Performance targets are determined or adjusted
Consequences for sub-regional authorities	• Public dissemination of performance information • Financial or other rewards for performance • Financial or other sanctions for performance • Technical assistance for enhancing data collection/utilisation
Type of rewards	Relaxation of budget rules; other
Type of sanctions	Budgetary restrictions
Type of technical assistance	Provision of hardware and software paid for by the Land
Challenges in assessment	• Data quality • Cost of obtaining information • Comparability of data
Challenges in establishing consequences	Very important: • Lack of clarity regarding the goals of measuring performance Somewhat important: • Lack of clarity regarding allocation of responsibilities among actors • Lack of consensus among sub-national authorities on legitimacy of the system • Lack of motivation among sub-national authorities for collaboration • Lack of internal expertise to develop and implement the system
How is system used by sub-national authorities	• To compare performance with other sub-regional authorities • To determine budget allocations • To set or adjust policy priorities • To disseminate information to citizens and other stakeholders Annual brochure is produced: "Was kostet wo wie viel?" It contains benchmarking information about the cost of important goods and services of the boroughs for all citizens
Changes to the system	• Revising indicators (past and planned) • Revising targets (past and planned) • Altering rewards or sanctions (past and planned)

IRELAND – SERVICE INDICATORS IN LOCAL AUTHORITIES

Description	Service indicators in Local Authorities in their present format were introduced in 2004 and cover a range of topics including library services, housing, planning, fire service, and environment. Prior to 2004 there were a small number of service indicators but no formal reporting mechanism. In total, there are 42 different indicators and approximately 160 sub-indicators. The primary units of local government in Ireland are (29) county councils and (5) city councils, and the full range of local authority functions rests with them. Both the county councils and the city councils are sometimes referred to as local authorities. In addition, within the counties there are 80 town authorities (5 titled as borough councils) who are responsible to varying degrees for a lesser range of services. The functions of county councils, city councils, and town authorities are classified into eight programme groups: housing, roads, water supply/sewerage, development planning, environment (water, air and waste), fire safety/emergency planning, and amenities and community development (parks, libraries, beaches). The Service Indicators are published for all 34 local authorities with input from Town Councils. They are part of the modernisation of local government and are reflected in current and previous partnership agreements. They have been developed in partnership with local authorities. There are no specific indicators for town councils however they do provide data for relevant indicators (planning) to the appropriate local authority. The Local Government Management Services Board's (LGMSB) role is to collect and process the data, publish the annual report and comment on trends.
URL	All of the service indicators reports are available at www.lgmsb.ie. Background material is available at www.environ.ie.
Level of gov't in charge	National
Level of gov't monitored	Local
Objectives of the system	Primary objective: • To improve quality of services • To promote sub-national learning from good practices Other objectives: • To measure the efficiency of public spending • To benchmark sub-national performance • To identify effective policy strategies • To improve sub-national capacities • To promote sub-national accountability The objective of the indicator system is to encourage performance year on year, to inform policy developments and to identify areas where effectiveness and efficiency could be enhanced.
Number of indicators	42 indicators with 160 sub-indicators; all considered core indicators
Efficiency indicators?	Yes – no targets
Equity indicators?	Yes – no targets
Effectiveness indicators?	Yes – no targets
Data audited? By whom?	Yes, by: • External audit body • Internal Audit in local authorities
How are performance	• Internal meetings

results disseminated?	• Publicly available report • Press-release • On-line open access
Main categories of findings	• Disparities in access to public service delivery at the sub-national level • Quality of public services at the sub-national level • Strengths/weaknesses of sub-national capabilities for delivering public services
Consequence for national policy decisions	Since the indicators are only 3 years in existence it is too early yet to determine policy objectives but the information is made available to policy makers
Consequences for sub-national authorities	• Public dissemination of performance information • Technical assistance for enhancing data collection/utilisation • Information made available to elected members
Type of rewards	-
Type of sanctions	-
Type of technical assistance	The IT system E-return has been devised by the Local Computer Service Board (LGCSB); it is available to all local authorities. Technical assistance is provided for E-returns and clarifications regarding methodology and its application. There is also ongoing assistance on all aspects of the indicator system (e.g. definitions, methodology). The LGCSB is responsible to the provision of technical assistance. It is paid for by the national and local governments.
Challenges assessing sub-national public services	• Data quality • Comparability of data Difficulties in ensuring consistency between data collated for the service indicator process and other existing data sets. Initially, there were problems with different datasets but this has been addressed.
Challenges in establishing consequences	Very important: • Lack of internal expertise to develop and implement the system • Ensuring that the methodology for indicators is easily understood and that a consistent approach is taken Somewhat important: • Lack of clarity regarding allocation of responsibilities among actors • Lack of clarity regarding the goals of measuring performance • Lack of consensus among sub-national authorities on legitimacy of the system • Lack of motivation among sub-national authorities for collaboration
How is system used by sub-national authorities	• To compare performance with other sub-national authorities • To monitor their own performance over time • To set or adjust policy priorities • To establish or adjust public service delivery processes • To disseminate information to citizens and other stakeholders
Changes to the system	• Revising indicators (past and planned) • Reducing the administrative burden for sub-national governments (past and planned) • Establishing Clustering Analysis to ensure the best use of indicator and to enable local authorities to compare themselves to one another (planned)

ITALY - HEALTH

Description	In Italy, responsibility for health care is shared by the central government and the regions. The former has responsibility for defining, in consultation with the regions, the levels of care guaranteed to all citizens regardless of residence. The latter have primary responsibility for the organisation and administration of health care. The system referred to here first provided information in 2006 and considers the period 2002-2003. The national Ministry of Health runs the system which serves to monitor all health services. The data includes information on activities, costs, services, and health conditions. The National Statistical Office gathers the data for the system on a regular basis.
URL	www.ministerosalute.it
Level of gov't in charge	National
Level of gov't monitored	Regional
Objectives of the system	Primary objectives: • To monitor compliance with national standards/regulations • To promote sub-national accountability Other objectives: • To improve quality of services • To improve sub-national capacities
Number of indicators	-
Efficiency indicators?	Indicators of this level are only constructed occasionally
Equity indicators?	
Effectiveness indicators?	
Data audited? By whom?	No
How are performance results disseminated?	• Internal meetings • Events open to the public • Publicly available report • Press release • On-line open access
Main categories of findings	• Disparities in access to public service delivery at the sub-national level • Quality of public services at the sub-national level • Strengths/weaknesses of sub-national capabilities for delivering public services
Consequence for national policy decisions	• There is no clear link between the indicators and feedback in policy decision making
Consequences for sub-national authorities	• Central (or regional) government oversight only • Technical assistance for enhancing data collection/utilisation • Technical assistance for improving public service delivery
Type of rewards	None

Type of sanctions	None
Type of technical assistance	• Experts sent on-site • Help in preparing financial and organisational improvement strategies Provided by the Ministry of Health and the regions. Financed by the national and regional governments.
Challenges assessing sub-national public services	• Data quality • Comparability of data • Measuring policy outcomes
Challenges in establishing consequences	Very important: • Lack of consensus among sub-national authorities on legitimacy of the system Somewhat important: • Lack of clarity regarding allocation of responsibilities among actors • Lack of motivation among sub-national authorities for collaboration • Lack of internal expertise to develop and implement the system
How is system used by sub-national authorities	Not used by sub-national authorities
Changes to the system	• Revising indicators (planned)

ITALY – REGIONAL POLICY, 2000-2006

Description	The performance reserve for the Structural Funds 2000-2006 makes reference to an indicator system designed to improve the management of EU funds and the effectiveness of public spending. The system was addressed to Objective 1 regions (Sicilia, Sardinia, Calabria, Puglia, Campania e Basilicata) as well as to some administrations operating at the central level of government. The indicator system was designed within the context of the broad Italian decentralization process, which has been taking place since the late 1990s and aims at increasing regional responsibilities. As a result, one of the objectives of the system was to support decentralization by encouraging regions' capacity building. The system required that regions achieve targeted results for a set of selected indicators in the fields of good management of funds, modernisation of public administration and implementation of administrative reforms to receive a monetary reward equal to, on the aggregate, to 10% of the Structural Funds 2000-2006 (including their national co-financing). This represents 1.43% of national public capital spending (0.41% of public expenditure) or 3.9% of public capital spending directed to the South. The system was first introduced in the EU Structural Funds' regulations which encompassed a performance reserve equal to 4% of EU funds (and national co-financing) with the aim of speeding and improving the spending of those funds. Italy then decided to reinforce the European rule by adding to the same amount of funds, a national reserve equal to 6%. The national system included two sets of achievements. The first set considered conditions necessary for improving the effectiveness of public administration (e.g. delegation of managerial responsibilities to officials; set-up and implementation of an internal control management unit; set-up of central and regional administration evaluation units). The second set of achievements was designed to speed up and complete the implementation of some administrative reforms started in the mid-nineties in sectors such as: waste and water management; public employment services; environmental monitoring; administrative innovation to support local development (one-stop shop for business activities). Both mechanisms covered the first half of the programming period. The performance reserves were allocated at mid-period in order to be spent during the 2000-2006 programming cycle.
URL	www.dps.tesoro.it/documentazione/uval/materiali_uval/MUVAL9_eng.pdf
Level of gov't in charge	National
Level of gov't monitored	Regional
Objectives of the system	Primary objectives: • To improve quality of services • To improve sub-national capacities • To promote sub-national accountability Other objectives: • To benchmark sub-national performance • To promote sub-national learning from good practices
Number of indicators	Eight indicators for the European reserve and 12 for the national reserve; all are considered “core indicators”.

Efficiency indicators?	Yes. Most of the indicators included in the "efficiency" category required information on the implementation of administrative process/activities. All the indicators are associated with absolute targets.
Equity indicators?	-
Effectiveness indicators?	-
Data audited? By whom?	Yes, by internal controllers in the relevant ministry
How are performance results disseminated?	• Internal meetings • Publicly available report • On-line open access
Main categories of findings	• Systematic bottle-necks/challenges facing public service delivery at a sub-national level • Strengths/weaknesses of sub-national capabilities for delivering public services
Consequence for national policy decisions	• Policy priorities are determined or adjusted • Policy strategies are determined or adjusted
Consequences for sub-national authorities	• Public dissemination of performance information • Financial or other rewards for performance • Financial or other sanctions for performance
Type of rewards	Additional/supplemental monetary allocation
Type of sanctions	No access to supplemental funds
Type of technical assistance	-
Challenges assessing sub-national public services	• Data quality • Identification of performance targets A great effort was made at the central and regional levels to identify indicators and targets precisely defined and clearly linked to policy. A strong partnership between central and regional governments and a great internal consensus, also at the political level, were considered relevant features in designing the system.
Challenges in establishing consequences	Very important: • Lack of clarity regarding allocation of responsibilities among actors • Lack of consensus among sub-national authorities on legitimacy of the system Somewhat important: • Lack of clarity regarding the goals of measuring performance • Lack of motivation among sub-national authorities for collaboration • Lack of internal expertise to develop and implement the system
How is system used by sub-national authorities	• To set or adjust policy priorities • To establish or adjust public service delivery processes Following the successful results of the performance reserve on Structural Funds 2000-2006, regional governments have been encouraged, through ad hoc transfers from the central government, to implement similar mechanisms within their territories. Regional performance reserves are currently rewarding high quality projects in selected sectors (environmental protection, urban and landscape systems, cultural goods) as well as administrative processes aimed at enhancing institutional capacity building.
Changes to the system	-

ITALY – REGIONAL POLICY, 2007-2013

Description	The following refers to an indicator system for the Italian strategy program on regional development for the period 2007-2013 – as defined in the National Strategic Framework (Quadro Strategico Nazionale, QSN). The system is financed by the European Structural Funds and through national resources. The indicator system focuses on Italy's Southern Regions (Campania, Basilicata, Puglia, Calabria, Sicilia, Sardinia, Molise and Abruzzo) and aims to increase uniformity of access and quality of public service provision in policy areas where Southern Italy lags behind. The following public services were selected as key priorities for regional development: secondary education; child care; elderly assistance; water supply and urban waste management. The aim of the system is to improve areas where people live (to which the quality of public service provision is connected) through regional policies. The system monitors the regional level of government as it is directly responsible for the sectors considered or serves coordinator of sub-regional authorities. Among the innovations of the system is that it allows a choice of outcome and equity indicators to assess policy actions in the selected sectors of spending. It goes beyond previous Italian regional policy experiences which were mainly based on output/process indicators. Each region will receive supplementary monetary allocations according to the accomplishment of a restricted number of indicators and targets, which are chosen through a partnership process together with regional governments and those central administrations responsible for the selected policy fields. In implementing the system, regions are free to choose the technology and means they consider most appropriate to achieve the objectives. The beneficiary regions draw up an Action Plan for adoption in March 2008 which defines how to reach the targets. The allocation of resources to the regions will occur in two stages (2009 and 2013). A first assignment of the reward grants is scheduled for the year 2009 on the basis of the progress achieved at that stage in order to fulfil the final target scheduled for 2013. Even though the amount of financial resources directed to the regions for these objectives is not substantial (0.60% of national public capital spending or 1.50% of public capital spending directed to the South), the system makes it possible to channel other national resources towards the same objectives.
URL	Not available
Level of gov't in charge	(Shared) National and regional
Level of gov't monitored	Regional and local
Objectives of the system	Primary objectives: • To improve quality of services • To promote sub-national accountability • (Other) To increase equity in public service provision by guaranteeing access and uniformity of public service provision Other objectives: • To benchmark sub-national performance • To improve sub-national capacities • To monitor compliance with national standards/regulations • To promote sub-national learning from good practices

Number of indicators	10, all considered “core indicators.”
Efficiency indicators?	-
Equity indicators?	Yes, with absolute target
Effectiveness indicators?	Yes, with absolute targets
Data audited? By whom?	Yes, by internal controllers in the relevant ministry
How are performance results disseminated?	• Publicly available report • On-line open access
Main categories of findings	Information not yet available.*
Consequence for national policy decisions	
Consequences for sub-national authorities	• Financial rewards for performance • Sanctions for performance • Technical assistance
Type of rewards	Additional/supplemental monetary allocation
Type of sanctions	No access to supplemental funds
Type of technical assistance	• Establishing legislative and administrative frameworks for the specified policy areas • Definition of guidelines for system's implementation • Identification of good practices Provided by the central and regional administrations responsible for the selected policy areas. Financed by the national and regional governments.
Challenges assessing sub-national public services	• Data quality • Identification of performance targets • Measuring policy outcomes
Challenges in establishing consequences	Information not yet available.*
How is system used by sub-national authorities	
Changes to the system	

Note: (*) The questionnaire response was provided when this indicator system was in a planning stage. It was subsequently implemented in August 3, 2007.

NETHERLANDS – MUNICIPAL PERFORMANCE

Description	This indicator system is an initiative taken at the central level to measure sub-central governments (local) performance. In 2001 the Dutch Ministry of the Interior and Kingdom Relations (BZK) asked the Social and Cultural Planning Office (SCP) to carry out a study on the possibility of increasing the transparency of local authority expenditure by linking that expenditure to municipal output. Reports were published in 2001, 2003, 2004, 2005 and 2006. The purpose of the SCP reports is to assess municipalities' performance over time, rather than to compare their relative performance. The SCP reports are based on pre-existing data collected by the central government. These include macro level data about expenditures and responsibilities. The indicators used include physical indicators (performance indicators, usage indicators, quality standard), value indicators (deflated expenditures, deflated revenues), and other indicators of quality. Each report represents a step in a multi-year process that is designed to increase knowledge regarding the relationship between municipal output and funding. As such, they focus on the relationship between the services offered at municipal level (measured as an output), and the money they cost (input). No distinction is made between sources of income.
URL	www.scp.nl/publicaties/boeken/9037702538/maten_voor_gemeenten-Bijlagen.pdf www.scp.nl/english/publications/summaries/9037702538.html
Level of gov't in charge	National
Level of gov't monitored	Local
Objectives of the system	Primary objectives: • To increase the understanding of the relationship between municipal output and funding (input) • To assess municipalities' performance over time
Number of indicators	110
Efficiency indicators?	Yes – no targets
Equity indicators?	-
Effectiveness indicators?	-
Data audited? By whom?	No
How are performance results disseminated?	Publicly available report
Main categories of findings	• Quality of public services at the sub-national level • Strengths/weaknesses of sub-national capabilities for delivering public services
Consequence for national policy decisions	• There is no clear link between the indicators and feedback in policy decision making
Consequences for sub-national authorities	• Central (or regional) government oversight only • No direct consequences

Type of rewards	-
Type of sanctions	-
Type of technical assistance	-
Challenges assessing sub-national public services	• Data quality • Comparability of data
Challenges in establishing consequences	-
How is system used by sub-national authorities	System is not used by sub-national authorities
Changes to the system	• Revising indicators (past and planned) • Involve local government (planned)

NETHERLANDS – TRANSPORTATION

Description	The Netherlands has a system for monitoring the market mechanism of public transport since 2006. Information and insights concerning the tendered concessions are collected by a short and factual questionnaire and an interview. The information is provided to the national, regional, and local governments to keep them abreast of the functioning of the mechanism of public tendering in the market of public transport and to assess if the line of policy and rules are consistent with the policy of market mechanism. The market monitor is also used to exchange best practices. The monitor collects the following data: • Domain of the concession (term, area, modalities, scale) • Procedure followed (design, allocation criteria, procedure deadlines) • Public tendering process (interested parties, number of applicants) • Result of the procedure (concessionaire, some indicators as expected development of number of seat miles, ambition customer satisfaction, material)
URL	-
Level of gov't in charge	National
Level of gov't monitored	Regional, local
Objectives of the system	Primary objectives: • To benchmark sub-national performance • To promote sub-national learning from good practices
Number of indicators	15, all considered core indicators
Efficiency indicators?	Yes
Equity indicators?	-
Effectiveness indicators?	Yes
Data audited? By whom?	No
How are performance results disseminated?	Internal reporting only
Main categories of findings	• Cost-effectiveness of public services at the sub-national level • Quality of public services at the sub-national level
Consequence for national policy decisions	There will be future development to assess policy strategies
Consequences for sub-national authorities	• Central government oversight only
Type of rewards	-
Type of sanctions	-
Type of technical assistance	-
Challenges assessing sub-national public services	• Measuring policy outcomes
Challenges in establishing consequences	-
How is system used by sub-national authorities	• To monitor their own performance over time • To disseminate information to citizens and other stakeholders
Changes to the system	• No changes

NORWAY - KOSTRA

Description	The Local Government Data Registration and Information Scheme (KOSTRA) is a data registration and information system designed to help the central government keep track of resource use in the local government sector. It also serves to aid local governments with planning and budgeting. Each year, the local government sector submits finance and service production data in electronic form to Statistics Norway (the Norwegian Central Bureau of Statistics). Statistics Norway combines this material with various other types of information, for instance demographics data, and generates various key indicators for prioritisation of services, degree of coverage and productivity. These figures are publicly accessible in an internet-based environment, and can be used by county and municipal government administrations to compare their resource use with other administrations of a similar size and makeup. Comparisons of this type are useful to both central and local government authorities, since they may help identify potential service areas for which efficiency measures could be introduced in order to improve resource use.
URL	www.ssb.no/kostra ; www.ssb.no/english/subjects/00/00/20/kostra_en/
Level of gov't in charge	National
Level of gov't monitored	Regional and local
Objectives of the system	Primary objectives: • To measure the efficiency of public spending • To benchmark sub-national performance • To promote sub-national accountability • To promote sub-national learning from good practices Other objectives: • To identify effective policy strategies • To improve quality of services • To improve sub-national capacities • To monitor compliance with national standards/regulations
Number of indicators	There are above 2200 indicators in the system (over 1400 for municipalities and about 800 for regions). 70 are considered "core indicators".
Efficiency indicators?	Yes – no targets
Equity indicators?	Yes – no targets
Effectiveness indicators?	Yes – no targets
Data audited? By whom?	Yes, by: • Sub-national audit body • Statistics Norway
How are performance results disseminated?	• Press-release • On-line open access
Main categories of findings	• Disparities in access to public service delivery at the sub-national level • Cost-effectiveness of public services at the sub-national level

Consequence for national policy decisions	• There is no clear link between the indicators and feedback in policy decision making
Consequences for sub-national authorities	• Public dissemination of performance information • Technical assistance for enhancing data collection/utilisation
Type of rewards	-
Type of sanctions	-
Type of technical assistance	• Enhancing online solutions and software to facilitate information flow provided (primarily) and paid for by Statistics Norway
Challenges in assessment	• Measuring policy outcomes Data quality and identification of performance targets might have been a challenge in the past, but is steadily improving.
Challenges in establishing consequences	-
How is system used by sub-national authorities	• To compare performance with other sub-national authorities • To monitor their own performance over time • To determine budget allocations • To set or adjust policy priorities • To establish or adjust public service delivery processes • To disseminate information to citizens and other stakeholders Indicators are used in the financial report, which is the basis for assessment, planning, budgeting and future priorities
Changes to the system	• Revising indicators (past and planned) • Changing the diffusion of results (past and planned)

SWEDEN – EDUCATION

Description	Education-related data has been collected in Sweden for many years. In the mid 1990s, when the responsibility for education was transferred from the central to local level (municipalities), its importance grew to ensure adequate quality provision. Data is collected for all levels of education including childcare. In the area of education, data is collected yearly on number of students, number of teachers, costs, etc. The official statistics for childcare and education is based on 25 different statistical surveys and is published in three parts: 1. February: Results - grades 2. May: Children, pupils and personnel 3. September: Expenditures
URL	www.skolverket.se
Level of gov't in charge	National
Level of gov't monitored	Local
Objectives of the system	Primary objectives: • To benchmark sub-national performance • To improve sub-national capacities • To monitor compliance with national standards/regulations Other objectives: • To determine budget allocations • To promote sub-national learning from good practices
Number of indicators	-
Efficiency indicators?	Yes, no targets
Equity indicators?	-
Effectiveness indicators?	-
Data audited? By whom?	-
How are performance results disseminated?	• Publicly available report • Press-release • On-line open access
Main categories of findings	• Quality of public services at the sub-national level
Consequence for national policy decisions	• There is no clear link between the indicators and feedback in policy decision making
Consequences for sub-national authorities	• Public dissemination of performance information
Type of rewards	-
Type of sanctions	-

Type of technical assistance	-
Challenges assessing sub-national public services	• Measuring policy outcomes
Challenges in establishing consequences	Somewhat important: • (Other) New public management
How is system used by sub-national authorities	• To compare performance with other sub-national authorities • To monitor their own performance over time • To determine budget allocations • To set or adjust policy priorities
Changes to the system	• Revising indicators (past and planned) • Revising targets (past and planned) • Reducing the administrative burden for sub-national governments (past and planned)

SWEDEN – HEALTH

Description	In the report "Öppna jämförelser av hälso-och sjukvårdens kvalitet och effektivitet" ("Open comparisons of the quality and efficiency of health care"), the Swedish Association of Local Authorities and Regions (SALAR) and the National Board of Health and Welfare compare different measures of quality and efficiency in health care across county councils. Previously, SALAR and the National Board of Health and Welfare presented separate reports on different dimensions of health care. It is the first report to be produced jointly, making it possible to combine data sources, skills and experience. The report compares medical results, patient experiences, accessibility, and costs. Its primary aim is to give relevant authorities supporting material on health care and encourage in-depth analysis and discussion. It also aims to encourage improvements in health care such as quality enhancements. Indirectly, the report also serves to prompt improved access to and quality of data. The report is considered a first step to facilitate comparisons in health care and to disseminate good practices to other care sectors. While the comparisons in the report represent "snapshots" of the health care situation, they will be gradually developed and increased in number to provide a better understanding of health care issues. In the future, it is hoped that comparisons will also be made between hospitals and clinics.
URL	brs.skl.se/brsbibl/kata_documents/doc38434_1.pdf www.euro.who.int/document/e88669.pdf www.skl.se/artikel.asp?A=24188&C=3424
Level of gov't in charge	National
Level of gov't monitored	Local
Objectives of the system	Primary objectives: • To benchmark sub-national performance • To improve quality of services • To monitor compliance with national standards/regulations • To promote sub-national learning from good practices • (Other) Patient safety Other objectives: • To measure the efficiency of public spending • To improve sub-national capacities • To promote sub-national accountability
Number of indicators	57, with 35 "core indicators"
Efficiency indicators?	Yes, no targets
Equity indicators?	-
Effectiveness indicators?	Yes, no targets
Data audited? By whom?	Yes, by: The Swedish Association of Local and Welfare Authorities and Regions and The National Board of Health

How are performance results disseminated?	• Publicly available report • Press-release • On-line open access
Main categories of findings	• Quality of public services at the sub-national level
Consequence for national policy decisions	• There is no clear link between the indicators and feedback in policy decision making
Consequences for sub-national authorities	• Public dissemination of performance information
Type of rewards	-
Type of sanctions	-
Type of technical assistance	-
Challenges assessing sub-national public services	• Data quality • Comparability of data
Challenges in establishing consequences	Very important: • Comparisons to drive development and quality enhancements
How is system used by sub-national authorities	• To compare performance with other sub-national authorities • To monitor their own performance over time • To determine budget allocations • To set or adjust policy priorities • To establish or adjust public service delivery processes • To disseminate information to citizens and other stakeholders
Changes to the system	• No changes

SWEDEN – TRANSPORTATION

Description	This indicator system focuses on local public transport. Statistics on local public transport describe how authorities responsible for transport provide services at the sub-national level. The system aims to describe the development of public transport at the national level as well as the sub-national level. The indicators describe how the services are offered, their cost, and use of the services by the public. Once a year, authorities in all counties for transport are surveyed on the services offered, finances, the number of journeys and passengers kilometres by mode of transport. This system has been used since the mid-1980s by the Swedish Public Transport Association (SLTF). The Swedish Institute for Transport and Communications Analysis (SIKA) has run this system since 2004.
URL	-
Level of gov't in charge	National
Level of gov't monitored	Local
Objectives of the system	Primary objective: • To measure the efficiency of public spending Other objectives: • To assert budgeting and financial control • To benchmark sub-national performance • To determine budget allocations • To identify effective policy strategies • To improve quality of services • To improve sub-national capacities • To promote sub-national learning from good practices
Number of indicators	-
Efficiency indicators?	-
Equity indicators?	-
Effectiveness indicators?	-
Data audited? By whom?	Yes, by: • Internal controllers in the relevant ministry
How are performance results disseminated?	• Publicly available report • Press-release • On-line open access
Main categories of findings	• (Other) To measure the public services over time
Consequence for national policy decisions	• There is no clear link between the indicators and feedback in policy decision making
Consequences for sub-national authorities	• Central (or regional) government oversight only

Type of rewards	-
Type of sanctions	-
Type of technical assistance	-
Challenges assessing sub-national public services	• Data quality • Comparability of data
Challenges in establishing consequences	Somewhat important: • Lack of clarity regarding the goals of measuring performance • Lack of motivation among sub-national authorities for collaboration • Lack of internal expertise to develop and implement the system
How is system used by sub-national authorities	• To compare performance with other sub-national authorities • To monitor their own performance over time • To determine budget allocations • To set or adjust policy priorities • To establish or adjust public service delivery processes • To disseminate information to citizens and other stakeholders
Changes to the system	• No changes

SWEDEN – SOCIAL WELFARE / ELDER CARE

Description	The municipalities' responsibility for the elderly is stipulated by law. Since 1994, Statistics Sweden collects data on the behalf of the National Board of Health and Welfare that is used for national follow-up and evaluation.
URL	www.socialstyrelsen.se
Level of gov't in charge	National
Level of gov't monitored	Local
Objectives of the system	Primary objective: • To monitor compliance with national standards/regulations Other objectives: • To benchmark sub-national performance
Number of indicators	-
Efficiency indicators?	Yes – no targets
Equity indicators?	Yes – no targets
Effectiveness indicators?	-
Data audited? By whom?	Yes, by: • Statistics Sweden • The National Board of Health and Welfare
How are performance results disseminated?	• Publicly available report • On-line open access
Main categories of findings	• Quality of public services at the sub-national level
Consequence for national policy decisions	• Policy priorities are determined or adjusted • Policy strategies are determined or adjusted
Consequences for sub-national authorities	• Public dissemination of performance information
Type of rewards	-
Type of sanctions	-
Type of technical assistance	-
Challenges assessing sub-national public services	• Data quality
Challenges in establishing consequences	-
How is system used by sub-national authorities	• To compare performance with other sub-national authorities • To monitor their own performance over time • To set or adjust policy priorities • To disseminate information to citizens and other stakeholders
Changes to the system	• Revising indicators (past and planned)