Measuring What Matters: Effective Performance Indicators

Global Symposium on Development Financial Institutions

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We will explore three areas…

✓ Measurement: Why Does It Matter?
✓ Standards for Measurement
✓ World Bank Group Practice
✓ What Does this Mean for You
Measurement: Why Does It Matter?
Sustainability: Balancing Different Demands

Environmental

Financial

Economic

Social

Measuring What Matters: Effective Performance Indicators
Accountability & Learning

Source: Terry Smutylo & Daniel Morales-Gomez
The Cost of (Not) Knowing
Standards for Measurement
Overall DFI Contributions

Financial Standards

Social & Economic Objectives

Environmental & Social Standards
Contribution to Social & Economic Objectives

- **Target Groups**
  - Market failure you aim to address

- **Impacts on Clients**
  - Positive and/or negative impacts resulting from your services

- **Distributional Effects**
  - Broader economic effects

For example:
- SME → Number & volume of loans to target group
- Market Development → New (client, location, industry-specific) products

For example:
- Business performance
- Social impacts
- Demonstration effects

For example:
- Creating markets → Market failure resolved
- Growth → Jobs, businesses, income
- Inclusive Growth
Environmental and Social Standards

IFC Performance Standards – IFC Leadership
Online Resources
World Bank Group Practice
World Bank Group

Shareholders
- Shareholders
- Client Countries

Mandate
- Poverty Reduction
- Shared Prosperity

Development Outcomes
- Corporate Score Cards
- RMS for IDA
- President’s Dashboard
- Self-evaluation Systems
- Impact Evaluations
- Independent Evaluation

Performance and Results
- Progress of Client Countries
- WBG Contributions
- Development Effectiveness
- WBG Performance
- Effectiveness, Efficiency, Financial

Accountability

Learning

Learning
IFC in Practice

**Development Impact**
- % of Projects

**Delivery to Clients**
- *Largely focused on reach measures*
  1) Total LTF, with specific milestone targets
  2) Number of signed projects
  3) Client satisfaction (feedback)
  Plus sector-specific targets

**Financial Sustainability**
- 1) Debt income over average debt outstanding
- 2) Equity portfolio return less MSCI EM total return
- 3) NPL adjusted for write-offs over loan portfolio
- 4) RAROC of debt portfolio
What Does this Mean for You
Watch Out for Hurdles

- Required, but not guaranteed
- Clarity, Up-to-date
- Integrate into MIS
- M&E Framework and Data Collection System
- Financial Performance
- Social, Economic, Environmental Data
- Goals

Clarity and Alignment
Hard/expensive to get, proxies
Measurement: Stay Informed, Take Timely Action

Clarity about Market Failure → Your Mandate

Defining Specific Outcomes and Meaningful Metrics
- Financial
- Social, Economic, Environmental

Identify Sources of Data and Partnerships

Institute Data Collection and Analysis Systems

Embed and Use Data in Decision Processes

Lead by Example and Share Data
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