S.V. Stepashin. Report on the INTOSAI Working group on Key National Indicators activity (April 2009-April 2010)

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The Third Meeting of the INTOSAI Working Group on KNI

Dear colleagues!

Today we have a very intensive agenda that is why first of all I would like to summarize some key aspects of the Working Group activity for the period of 2009-2010. It’s worth saying that the main achievements are in fact results of three years of your active work in accordance with the plans adopted by the Working Group. This meeting is of great importance for us. In November 2010, at XX Congress of INTOSAI, we’re going to present the report on the outcomes of the Working Group activity over three years and also the suggestions on the Group’s activity in the forthcoming period. We expect that the Congress will accept our report and extend the mandate of the Working Group for the next three years. Later we’ll discuss the format of the Report for 2008-2010 and the Working plan for 2013 approval.

It has been almost a year since our second meeting was held. During this period, the membership of the Working Group was extended. SAI of Bulgaria is now also a member of the Working Group. In the framework of today’s meeting we have allocated a time for the presentations of SAI of Bulgaria representative, as well as the representative of SAI of Austria, who took membership in the Working Group a bit earlier, but unfortunately was unable to take part in the second meeting.

Thus, by now the Working Group includes 21 valid members and 5 observers.

The issue of developing the relations with the Organization for Economic Cooperation and Development has become an important line of our activity. During the OECD Third World Forum in Busan (Korea) held in October 2009, within the framework of this cooperation, the Working Group on KNI organized a parallel session “Key National Indicators in the system of external control”. Five members of the Group took floor during that session: representatives of Austria, Poland, Hungary, USA and Russia. The issues of knowledge-based economies and societies, key national indicators as a tool of planning and auditing, as well as the issues of KNI use in the SAIs activity were touched upon.

In line with the Memorandum of Understanding for Cooperation between the OECD and INTOSAI signed in February last year, the Secretariat of the Working Group, based on the OECD informational resources, is completing the development of the reference model and the distributed knowledge base on KNI available to all INTOSAI members. Selection of indicators is a very complicated problem that we can’t consider solved in any country and by any international institution. As you know, we did not make it our mission to choose universal KNI for every SAI. Our aim is to develop the methodological approach and tools supporting the transparency of the national SAIs progress evaluation, including minimization of risks and consequences of the financial crises, as well as the tools to define the place and role of SAIs in this aspect.

Unfortunately, we and other national and international institutions, including G-20 and IMF, are still at the beginning of our way. Thus, the IMF Report “Rethinking Macroeconomic Policy” that was prepared in February 2010, alongside with the traditional indicators of the economic growth rate, price stability (level of inflation), suggests extending the set of key indicators, which assessment will contribute to reaching the goals and will allow rethinking the traditional regulation tools.

In particular it is suggested to shift the emphasis from the currently used indicators and measures of the monetary policy to automatic regulation taking into account threshold of financial stability indicators. In general, KNI of this type and effectiveness of their use, undoubtedly, should be in focus of SAIs, however they do not solve the whole set of problems related to KNIs selection. It’s obvious that this will require the broadest use of the advanced IT tools, including the development of special knowledge bases on KNI. These tools are to provide the possibility of simultaneous work with different sources (IMF, World Bank, OECD, etc.) in order to analyze the economic processes per periods, countries, regions and economic activity areas.

Draft Knowledge Base will be presented later at the Meeting.

Presentation of outcomes of the Working Group’s subprojects is an important item of today’s agenda.

In this respect, SAI of the USA in active cooperation with the OECD, has developed a KNI Guide to Terms and Concepts. Unlike a common dictionary, this document in addition to terms and definitions suggests recommendations on the correct use of KNI.

The SAI of Latvia has prepared the review of international experience in development and use of KNI that involves turned around current data from open sources of 47 countries in order to shape a general approach to the principles of KNI development and use.

The SAI of Hungary within the framework of the pilot project, has prepared the review of KNI describing the processes of knowledge-based economy and society. This pilot project is aimed to elaborate the set of indicators that can be used for international comparisons in this area.

Aiming to implement the subproject on KNI within the framework of the CIS, which is coordinated by the SAI of Russia, the Third Meeting of the Expert Group on KNI at the Board of Heads of SAIs of the CIS member-states was held in Moscow in November 2009. Within the framework of this meeting the Expert Group members adopted the Draft Guidelines for the use of key national indicators in Performance audit, as well as the Glossary. Also, the key lines of the Expert Group activity for 2010 were set.

Today we’ll have an opportunity to discuss outcomes of each project that will be presented by the coordinators.

Also, the representative of SAI of Denmark Mr. Rolf-Elm Larsen developed the principles for SAIs application of KNI. This document defines the authorities of SAIs in terms of effective use of KNI. The draft document with the amendments by the WG members will be presented later.

An important milestone of our activity over the previous three years is the development of the White Paper on development and use of KNI in SAIs activity which will be completed by November this year, namely by the date of the 60-s Meeting of INTOSAI Governing Board.

We consider the White Paper as a kind of basis for development of a reference model of SAIs activity within the KNI system for the purposes of development, implementation and comparison of national strategies for social and economic development.

I hope that during the meeting we’ll manage to define the structure of the White Paper and further steps on its preparation.

As you know, last year the Report by Sarkozy’s Commission on the measurement of economic performance and social progress was published. We agree with this Commission and consider KNI not as statistical data, but as indicators that reflect the level of the public consent on the development targets and priorities. Thus, KNI shall contribute to the effective changes management and public welfare improvement, as well as to the competitive advantages of the states.

I absolutely agree with Joseph Stiglitz, a Nobel prize winner, that the progress cannot be the subject of the economic analysis only and cannot be measured only by the results of the economic entities performance on micro- and macro- levels. The progress is in fact the social development towards greater liberalization meaning the ability to choose. At that, the national institutions, including SAIs, cannot and shall not be confined with the role of passive “sensors” in the world progress measurement architecture, since their mission and mandate envisage active participation in the development.

With this aim the Accounts Chamber of the Russian Federation will hold the international round table discussion entitled “KNIs in the measuring system of socio-economic development: lessons of the crisis, new paradigms and strategies” in Moscow in May 17-18. We expect your active participation in this round table discussion together with the representatives of other international institutions, including OECD, UN, CIS, etc. and representatives of the Russian governmental authorities and expert community. We plan the discussion of various approaches to socio-economic progress measurement during this round table, including the discussion of the Report by the Sarkozy’s Commission of the measurement of economic performance and social progress.

In particular, the primary analysis that we conducted shows significant problems with availability and completeness of statistical data required for wide-scale introduction of the social progress metrics suggested by Sarkozy's commission.

At that, we consider the conventional and suggested metrics of progress to be considered not as alternative ones, but as complementary visions of the international development. The informational capabilities of today's reference models allow assessing KNI irrespective of the selection of GDP, Welfare Index or other important indicators as the dominating measures. Thus, one of the possible architectures of the KNI reference model is presented on slide 11, at that the architecture of SAI methods can be like the one presented on slide 12.

I’d like to remind that all the information and documents, including the results of the Working Group’s subprojects, are published on the web-site launched by the Working Group; this site is actively supported and updated by the Secretariat members.

On the whole, outcomes of our Working Group activity confirm the wisdom of the decision made by XIX INTOSAI Congress in Mexico in November 2007 about it establishing. I hope for further fruitful cooperation, which also includes preparation of the Working Group plan for 2011 –2013.