Key Performance Indicators for International Financial Institutions

A project between the EIB and Sciences Po
Presentation Outline

- Background

- Themes

- Indicators
  - Internal indicators
  - Operational indicators

- Survey questions

- Challenges we came across
Background, Brainstorming & Themes
Background

The team

Goal

Research process

Defining KPIs

Key performance indicators (KPIs) vs. common performance indicators

Tools used
Mindmap brainstorming
Common Key Performance Indicators (KPIs)
Internal indicators: Financial efficiency

**Cost income ratio**

The cost income ratio helps the institution assess its profitability. The ratio gives a clear view about how the institution is being run.

\[
\text{Cost income ratio} = \frac{\text{Operating expenses}}{\text{Operating income}}
\]

**Current ratio**

The current ratio is a liquidity ratio that measures a company's ability to pay short-term and long-term obligations. To gauge this ability, the current ratio considers the current total assets of a company (both liquid and illiquid) relative to that company’s current total liabilities.

\[
\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}
\]
Internal indicators: Gender Equality

**Gender Balance**

The percentage of women in management positions.

**Gender Wage Gap**

Difference in wages between men and women (special focus on premiums and bonuses)

As a percentage.
Internal indicators: Innovation

- **Level of employee’s innovativeness**: Number of ideas submitted by employees that contribute to the progress of different projects/Total number of projects in a fiscal year

- **Number of training programs for innovation promotion**: Number of training programs put in place to promote innovation among employees
Internal indicators: Environmental performance

GreenMetric Score

A numerical score developed by the University of Singapore. Assessing institutional environmental performance in six categories.

- Major universities participate (e.g. University of Oxford, University of Life Science and Natural Resources in Vienna, ...)

Categories and their respective weights:
- Climate & energy: 21%
- Setting & infrastructure: 15%
- Waste: 18%
- Water: 10%
- Transportation: 18%
- Education: 18%
Operational
Regional Integration
Gender Equality
Green Economic Development
Inclusive Growth
Health
Human Capital & Education
Infrastructure Development
Policy & institutions
Operational
Operational indicators: Regional Integration

Cross-border transport links

Defined as number of roads, rails and regular flights connecting the country to its neighbors. For example, if the building of a new bridge linking two countries is part of a project, the “cross border transport links” will increase.

Cross-border fundings

Total sum invested for cross border projects (involving several countries in the region), ppp: A project is taking place in a border region and stakeholders from country A and country B participate.
Gender dimension of funded projects

Number of funded projects submitted with, at the head, at least one woman

or

Do the bank finance projects targeting gender equality? We observe whether or not there is a selection bias on the part of the IFIs when selecting the projects to be funded (proportion)
**Operational indicators: Green Economic Development**

**Green projects**, measured in $PPP: quantitative aspect aiming at measuring the number of green projects containing the goal of “improving human well-being and social equity, while significantly reducing environmental risks and ecological scarcities.”. It’s the Ratio of the among of money (in dollar-PPP) spent on green projects compared with the overall spending.

**Cooperation between IFIs on green sustainability**: qualitative aspect reflecting whether or not do IFIs cooperate with each other in order to promote Green Sustainability. This an indicator would be measured by looking at initiatives undertaken by IFIs in order to work in common on green economic topics such as forums on the issue or common funding projects.
Operational indicators: Inclusive Growth

**Poverty reduction**

Estimated number of people lifted out of poverty

Defined as, no longer living below:
- the national poverty line
- The absolute poverty line, defined by WB at 1.90 $PPP per person per day

**Finance for MSMEs**

Mobilised funding for the following categories

- Micro enterprises
- Small enterprises
- Medium enterprises
Operational indicators: Health

Access to Health

Measured as:
- The number of people who got access to essential medicines (WHO or national lists)

Trained Healthcare Providers

Measured as:
- An increase in the number of trained health workers, such as nurses, clinical officers, and medical doctors as an absolute value or per 1,000 people
Quality Education Project Performance Grade, similar to a school grade (form 1-6).

E.g. used by the IFAD, criteria:
- Rural poverty impact, with four impact domains
- Project performance
- Other performance criteria
- Overall project achievement
- Performance of partners (IFAD, governments)

Harmonization work is happening through the ECGroup.

Operational indicators: Human Capital & Innovation

Mobilised funding for innovation environments, mobilized through:
- seed funds
- incubators (provider of office space, support staff and equipment for new businesses)
- startup accelerators (fixed-term mentorship programs, investment in exchange for equity)
- follow-on funds
- business angels funds
- equity-crowd platforms
- and venture capital funds

E.g. Boost Africa by AfDB
Operational indicators: Infrastructure Development

Level of investment in a fiscal year

Mobilised funding allocated to infrastructure projects in a fiscal year.

The infrastructure projects put in place in a fiscal year include the following areas:
- Rail lines
- Water and sanitation
- Transport
- Telecom
- Energy
- Other

Growth of the number of people benefiting from access to ICT / fiscal year

This indicator helps the institution to assess its contribution in improving access to mobile, wire-line services and internet based services.
Operational indicators: Policy and institutions

**Good Governance of Funded Projects**

Measured as:
- The percentage of total funded projects that explicitly consider good governance practices.
- Good governance practices include: transparency, accountability, and responsiveness to the needs of the people

**Institutional Support**

Measured as:
- Mobilised funds directed into the following fields: rule of law and accountability, safety, economic stability and effectiveness, anti-corruption, human rights, and public welfare
Survey
Survey: Structure

1. The context of performance assessment: general questions

2. The performance of the IFIs: the internal indicators

3. The impact of the IFIs’ activities: the operational indicators
Survey: General questions

Questions 1 and 2: setting the ground for common performance evaluation

- Evaluation Coordination Group (ECG), since 1996
- PARIS21, since 1999
- Rome Declaration on Harmonisation, in 2003
- Common Performance Assessment System (COMPAS), since 2005, by Managing for Development Results (MfDR)
- Paris Declaration on Aid Effectiveness, in 2005
- Accra Agenda for Action (AAA), in 2008
- Sustainable Development Goal 17, in 2015

Question 3: towards enhanced impact evaluation? The challenge of the data
Survey: Internal indicators

Questions 1 to 4

Internal Indicators

Cost-income ratio  % of women in management  Innovation schemes  GreenMetric Score
Survey: Operational indicators

Question 1: Classification

Do you think the framework in figure 2 would fully and appropriately cover your activities? If no, please elaborate briefly.

Source: COMPAS, 2014
Survey: Operational indicators

Questions 2 to 4

Operational Indicators

- Investment mobilized
- Harmonized evaluation framework
- Number of people reached

Examples from existing IFIs’ performance indicators

- **EIB**: “Estimated EFSI (IIW) facilitated”
- **AfDB**: “Mo Ibrahim Index of African Governance”
- **IsDB**: “people reached with basic social services”
Challenges
Challenges

Main challenges:

➔ Ability to collect data

➔ Credibility of the data

➔ Variables have different time scales:
  ◆ Can all the indicators be measured at the same time to evaluate the impact of a project?
  ◆ Example: level of investment in a fiscal year vs poverty reduction

➔ Exogeneity
Thank you.