

**Report on the INTOSAI Working Group on Key National Indicators activity
for 2008 - 2010**

XX INCOSAI

(Johannesburg, November 22-27, 2010)

Dear Colleagues,

The INTOSAI Working Group on Key National Indicators (KNI) was established in November 2007 in Mexico City (Mexico) according to the decision of the XIXth INTOSAI Congress.

This decision was extremely timely and relevant, particularly in light of the limitations of current socioeconomic indicators that became apparent following the global financial crisis.

Currently, a number of international and national efforts are related to the issues around the development and use of KNI, including the OECD-sponsored Global Project on “Measuring the Progress of Societies”, French President Sarkozy’s Commission on the Measurement of Economic Performance and Social Progress, and the establishment of a special Commission on KNI to oversee the development of a KNI system for the USA, with the participation of GAO and the US National Academy of Sciences.

Researching in this direction, the Working Group on KNI has undertaken a number of significant efforts which I would like to present to you.

Since the Group’s establishment, five SAIs have become full members of the Working Group on KNI in addition to those participating in its formation. Thus, now the Working Group includes 21 full members and five observers. I would like to mention that we are open for cooperation and invite all interested SAIs to join the Working group.

To date, three meetings of the Working Group have been held: in Moscow (Russia), Beijing (China), and Astana (Kazakhstan). The fourth meeting is planned to be held in April 2011 in Helsinki (Finland), and the sixth meeting in April 2013 in Warsaw (Poland). (The time and venue of the fifth meeting has yet to be confirmed.) The report on the activities of the Working Group for 2008-2010 was presented at the second meeting of the INTOSAI Knowledge-Sharing Committee's Steering Committee this past August in Mexico City.

Within the frameworks of past meetings the Rules of Procedures and the Terms of Reference were approved. In accordance with the Terms of Reference the Working Group on KNI sees its mission as supporting the coordinated efforts of SAIs and INTOSAI in supporting development and use of KNI in economic, social and environmental fields at national and supranational levels. It also specifies Working Group strategic goals and activities.

In order to cover more spheres relative to the development and use of KNI, within the framework of the Working Group activity 5 subprojects are coordinated and analytical materials are prepared:

- The U.S. SAI, GAO, in active cooperation with the OECD has developed "KNI: Guide to Terms and Concepts". Unlike a common dictionary, this document, in addition to terms and definitions, provides comments and explanations. Terms from this Guide will be the part of the INTOSAI Glossary of Auditing Terms.

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

- The SAI of Hungary has prepared a review of KNI describing the processes of a knowledge-based economy and society. This subproject is intended

to develop a set of indicators that can be used for international comparisons in this area.

- The SAI of Russia coordinates the subproject on KNI within the framework of the Commonwealth of Independent States (CIS). Nine CIS member-states are members of this subproject and form an Expert Group on KNI. In line with the subproject, guidelines for the use of key national indicators in performance audits, which includes an English-Russian glossary, was prepared. In addition, a survey of international experience was conducted, the results of which are described in "Analysis of International Experience and Perspectives on the Use of KNI in the CIS Member-States". All materials concerning the Expert Group's activity are available at its website (www.ach.gov.ru/ru/cis).

- Taking into account the importance of SAIs' participation in the development and use of KNI, the SAI of Denmark developed "Principles for SAIs' application of KNI". These principles are generic, which means that they are applicable for countries irrespective of a model of progress and a level of socio-economic development. This document specifies SAIs' functions in the sphere of the effective use of KNI and other topical issues.

I would like to point out the significant input of the Governing Board to the development of relations between the Working Group and the Organization of Economic Cooperation and Development (OECD). In the beginning of 2009, the Memorandum of Understanding for cooperation between the OECD and INTOSAI on issues of measuring social progress was signed. We have a very good foundation for cooperation with the OECD not only with respect to key national indicators, but also for developing our cooperation in the future in relation to other issues of mutual interest.

Over the last 3 years, the Global Project on Measuring the Progress of Societies has been a partner of the Working Group in the field of knowledge sharing.

Within the framework of cooperation with the OECD, Working Group members participated in several meetings: the first meeting of the Global Project on Measuring the Progress of Societies Board, which was held in September 2008 in Tunis (Tunisia); the OECD Third World Forum, “Statistics, Knowledge and Policy,” which was held in October 2009 in Busan (Republic of Korea); and the OECD Forum, “Road to Recovery: Innovation, Jobs and Clean Growth,” which was held in May 2010 in Paris (France).

During the OECD Third World Forum, the Working Group on KNI organized a parallel session “Key National Indicators in the System of External Control”. Five members of the Group participated in 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 SAIs’ activity were touched upon.

In addition, the Secretariat of the Working Group, using OECD information resources, is completing the development of an electronic Knowledge base on KNI available to all INTOSAI members. This tool is intended to draw on multiple data sources (IMF, World Bank, OECD, etc.) in order to analyze the economic processes over different time periods, countries, regions and economic activity areas. Knowledge base is a tool for data visualization and it is already possible to work with them through mobile technologies. I would like to point out that this Knowledge base includes information on CIS countries’ use of KNI and socio-economic strategies.

A major activity of the Working Group over the past three years has been the preparation of a White Paper on the development and use of KNI in SAIs activity.

The White Paper is based on all the materials developed by the Working Group; it not only provides information that can help understand the complex issues around the development and use of KNI but also proposes some specific recommendations.

We consider the White Paper as the basis for a reference model of SAIs activity related to KNI for the evaluation of development, implementation and comparison of national strategies of socio-economic development. In this connection, development of the Knowledge Base on KNI should be considered as an opportunity to work on the White Paper on KNI.

To continue the development of the documents mentioned above, the lines of activity for the next 3 years were approved by the Working Group at its most recent meeting. Accordingly, the draft Working plan for 2011-2013 was prepared and now is presented to you. I would like to point out its main items.

The Working Group considers it important to continue working on the White Paper on the development and use of KNI by SAIs. Within the framework of this activity, by the end of the next year, a draft Methodology for KNI selection for the assessment of the effectiveness of socio-economic development will be prepared. I rely on your support to present for INTOSAI members' consideration in early 2012 the draft White Paper on KNI as a draft Guide on development and use of KNI in SAIs activity.

Further development of the White Paper is directly interdependent with the Knowledge base on KNI functioning which will be conducted by its information content and its organizational support.

Nowadays many countries face the problem of the selection and assessment of socio-economic development indicators. This problem will be addressed by the Working Group through the development of methodological and informational support. In particular, we expect that the outcomes of the Working Group activity can be used for international comparisons of national economies. To this end, in 2011, the Working Group will monitor and analyze the best practices of international comparisons in the sphere of socio-economic development, and by the end of 2012, opportunities to use KNI for international comparisons will be analyzed and recommendations on this topic will be prepared.

Due to the fact that these projects and program evaluation are fairly new activities for SAIs, the Working Group considers it appropriate to investigate the use of KNI in the evaluation and audits of national and transnational projects and programs.

A significant aspect of our future activity will be to develop relationships between the Working Group on KNI and other international organizations and regional associations in the sphere of socio-economic development assessment. For this reason, during 2011-2013, we intend to continue cooperation with the OECD, as well as to develop contacts with other international organizations, including the World Bank, the World Economic Forum, regional SAIs associations and regional economic organizations.

I would like to draw your attention to the fact that all the information and documents, including the results of the Working Group's subprojects and draft White Paper, are available on our website (www.ach.gov.ru/en/intosaikni).

Also, materials on the Working Group's activity were prepared for publications in the International Journal of Government Audit (January 2009, July 2010); in the Asian Journal of Government Audit in the issue of "Key National Indicators: experience in concern of development" (April 2009); and information on the Group's activity was submitted for publication in the OECD Information bulletin.

As you see, the Working Group has done a great deal of work to better understand some of the issues related to the development and use of KNI and the role of SAIs in this process. However, we understand that we are still at the beginning of our way and much more has to be done in coming years. This is underscored by the February 2010 IMF report, "Rethinking Macroeconomic Policy", that suggests extending the set of key indicators and traditional regulatory tools.

It is evident that the selection and use of indicators is a very complex problem that both national governments and international institutions are still

attempting to better understand. For this reason, we propose to continue the Working Group's activity, and we rely on the support of the INTOSAI Governing Board and the INTOSAI Congress. Today, KNI are especially important as we consider the monitoring of risks, opportunities and trends in the aftermath of the global financial crisis.

In conclusion, I would like to thank all my colleagues - members of the Group - for their productive work, and I look forward to their continued active participation in the Working Group.

Thank you!

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of the Russian Federation,
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on Key National Indicators