



Australian Government

Department of Finance and Deregulation

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EVALUATION: RENEWED STRATEGIC EMPHASIS

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Today's Presentation

1. What is evaluation?
2. What have we been doing in evaluation in the APS?
3. How well is the APS evaluating?
4. What needs to be improved?
5. Way forward



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PART 1

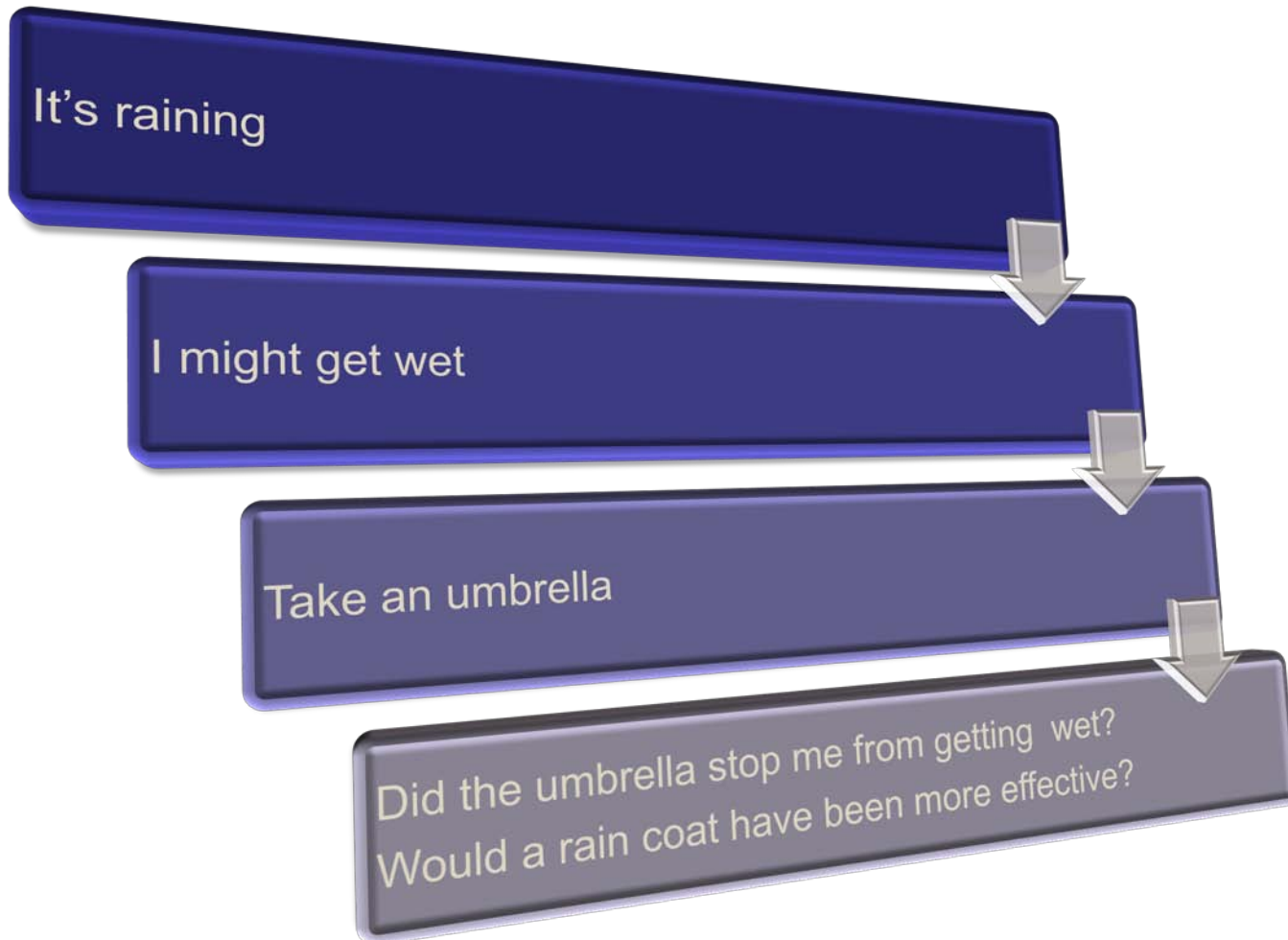
What is Evaluation?



Why evaluate?

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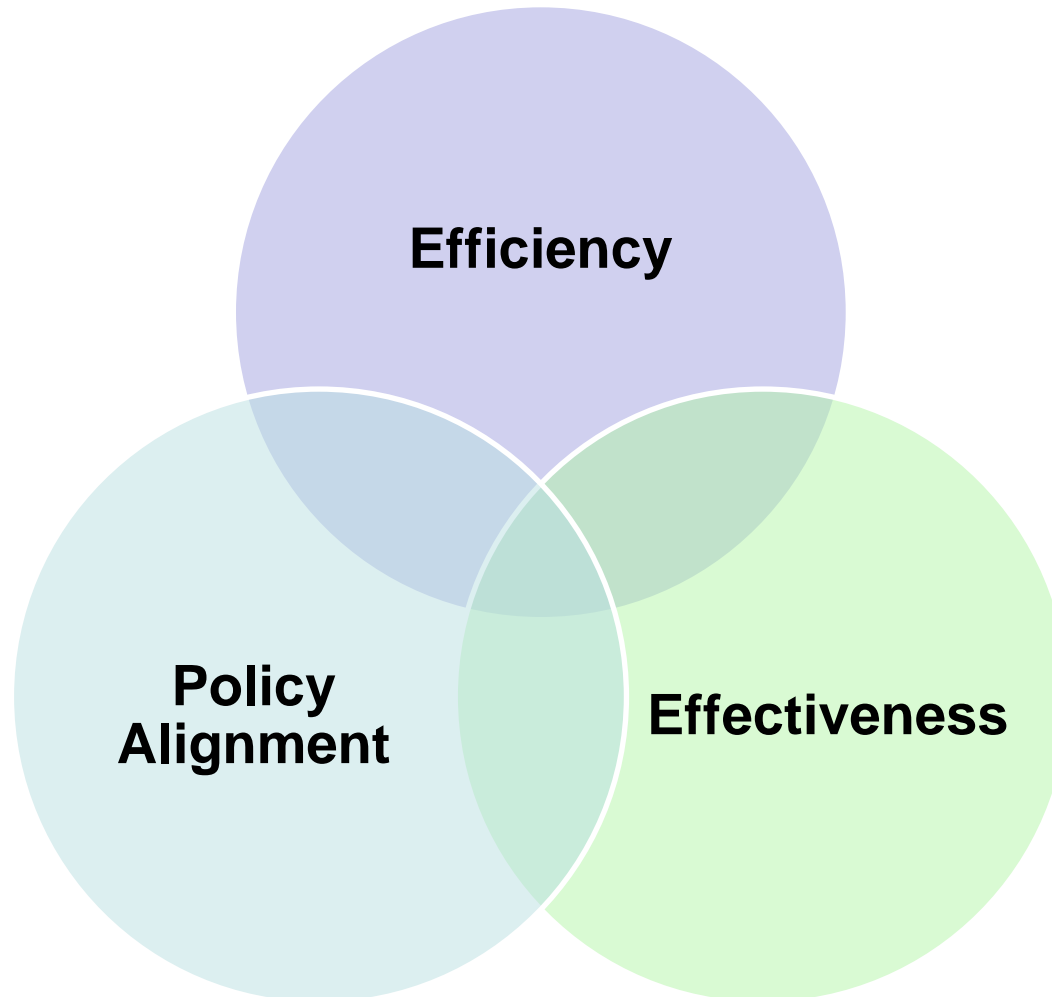






What is program evaluation?

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Why is it important?

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Objectives of program evaluation

Help the design of new policies and programs

Support policy making and implementation

Support budget decision-making
(also known as "performance-based budgeting")

Assist departments and agencies in their ongoing program management

Strengthen accountability



Why now? Reform in the APS



The goal is to transform the APS into a strategic, forward looking organisation, with an intrinsic culture of evaluation and innovation.'



How evaluations should be approached?

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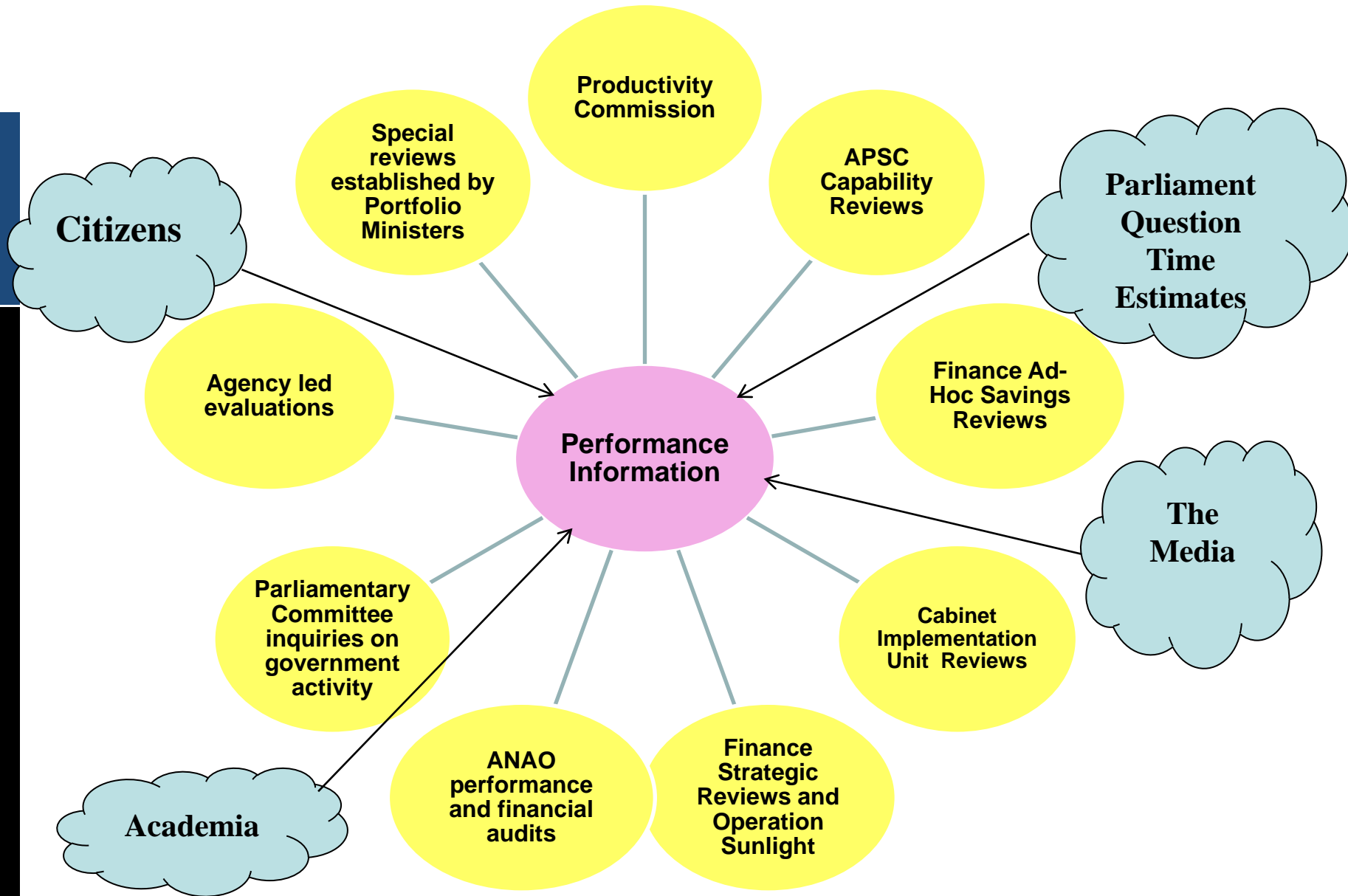
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PART 2 – What have we been doing in evaluation in the APS?



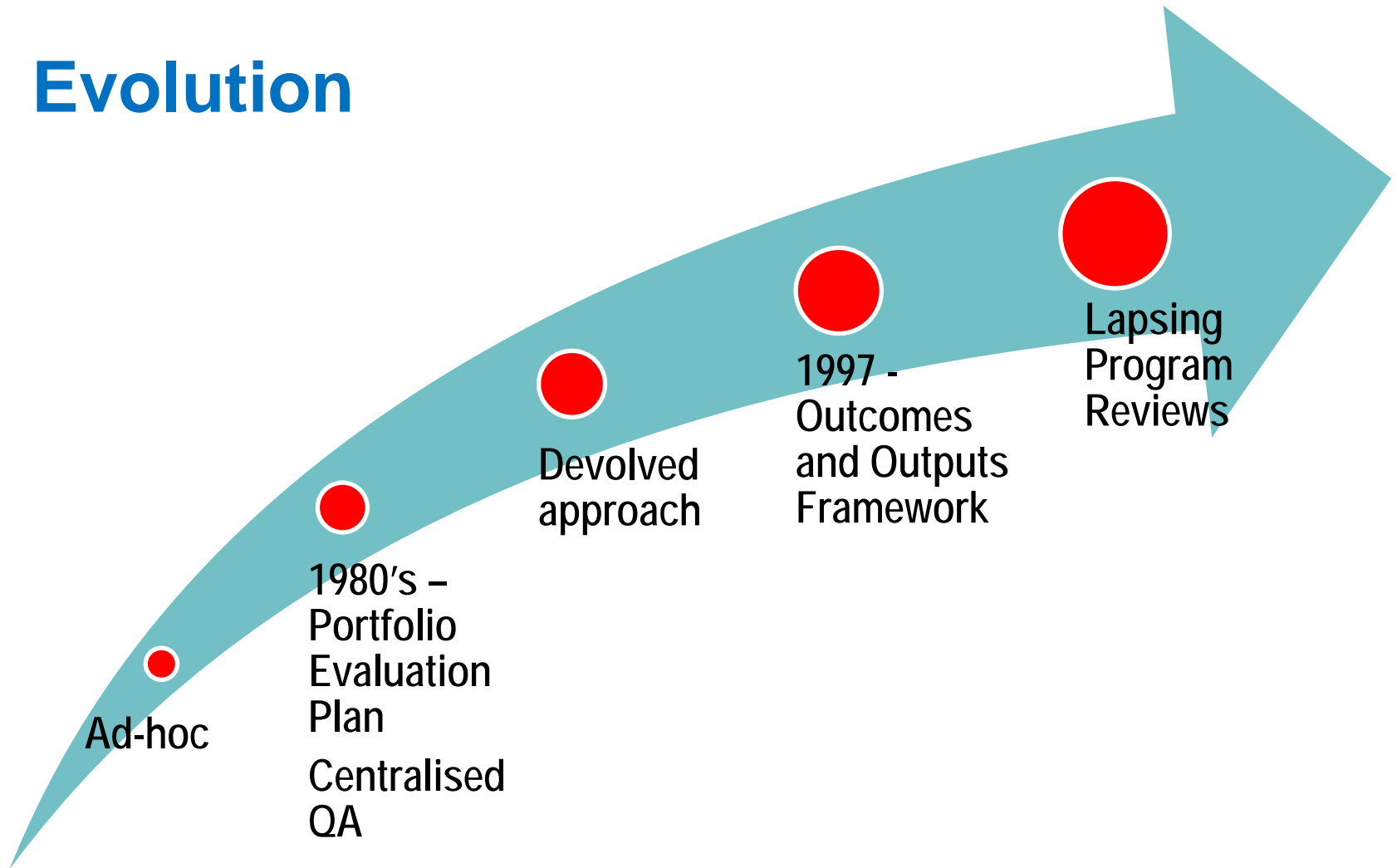
Current evaluation and review arrangements





Evolution

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Budget reform led to demise of Finance involvement (and later) of Portfolio Evaluation Plans

- PEP detailed plan of activity
- Need to evaluate all programs every 3-5 years
- Original finance role in TOR, QA, steering committees /working parties

- **Too cumbersome**
- **Resource intensive for all parties**
- **Skills issue**



Recent history

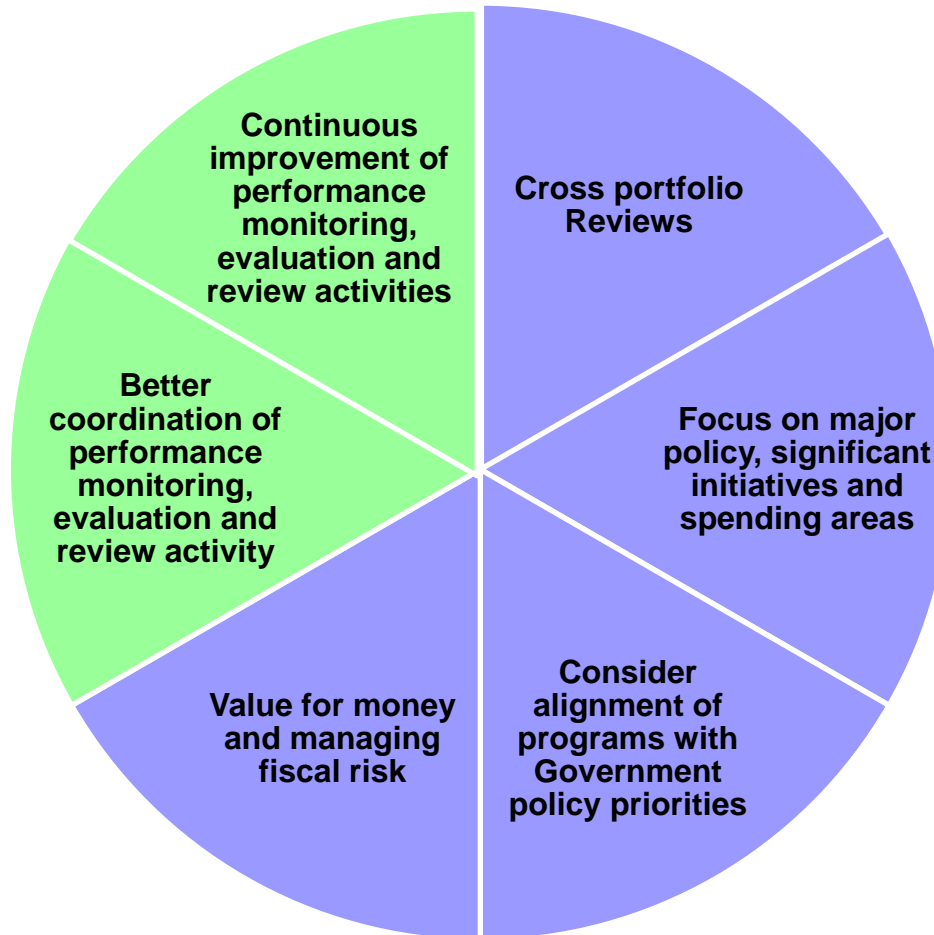
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Mixed approach = devolution (with very limited central direction / oversight of monitoring, evaluation and review)
+ a small number of reviews done centrally:

- Strategic Review Framework (2006-07)
- Comprehensive review of Government expenditure (2008)
- Expenditure Review principles established (2008)
- Budget rules requiring NPPs to outline program evaluation plans and KPIs (2009)



The Strategic Review Framework





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PART 3 How well is the APS evaluating?

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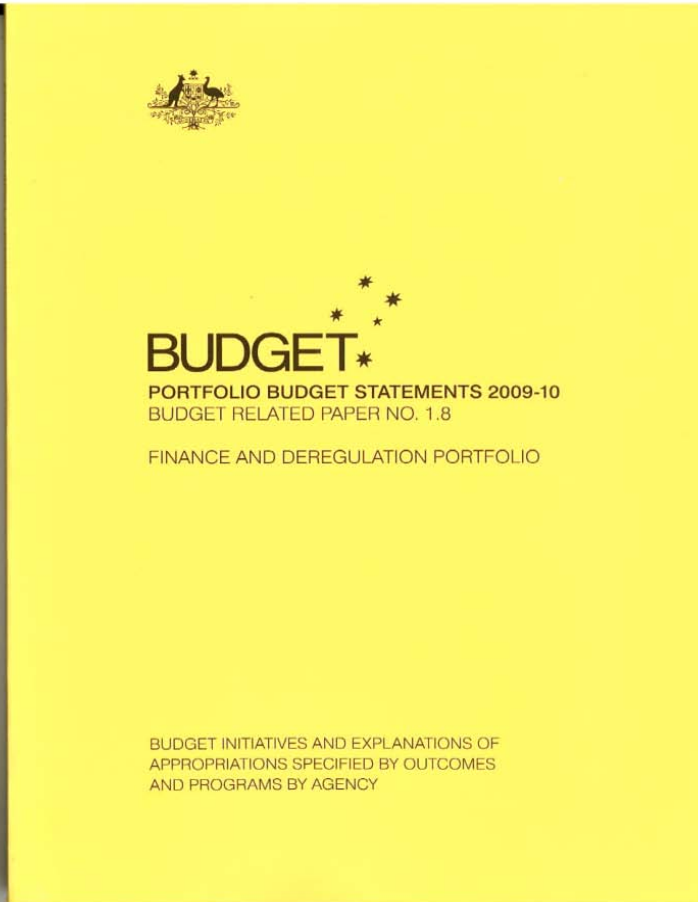
APS Evaluation Score card – Limited evaluation activity.

- ***Ahead of the Game*** reports: clear need to build and embed a stronger evaluation and review culture
- **Government 2.0 & Web 2.0** - need for evidence gathering and citizen assessment of program effectiveness
- **ANAO** – numerous adverse audits highlighting poor quality and unreliable performance information produced by portfolios
- **Agency led reviews** (as evidenced by lapsing program reviews) at best variable quality but not very visible
- **Productivity Commission (an opportunity?)**



Finance Yellow book

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Outcome 1:
Informed decisions on Government finances and continuous improvement in regulation making through: budgetary management and advice; transparent financial reporting; a robust financial framework; and best practice regulatory processes.



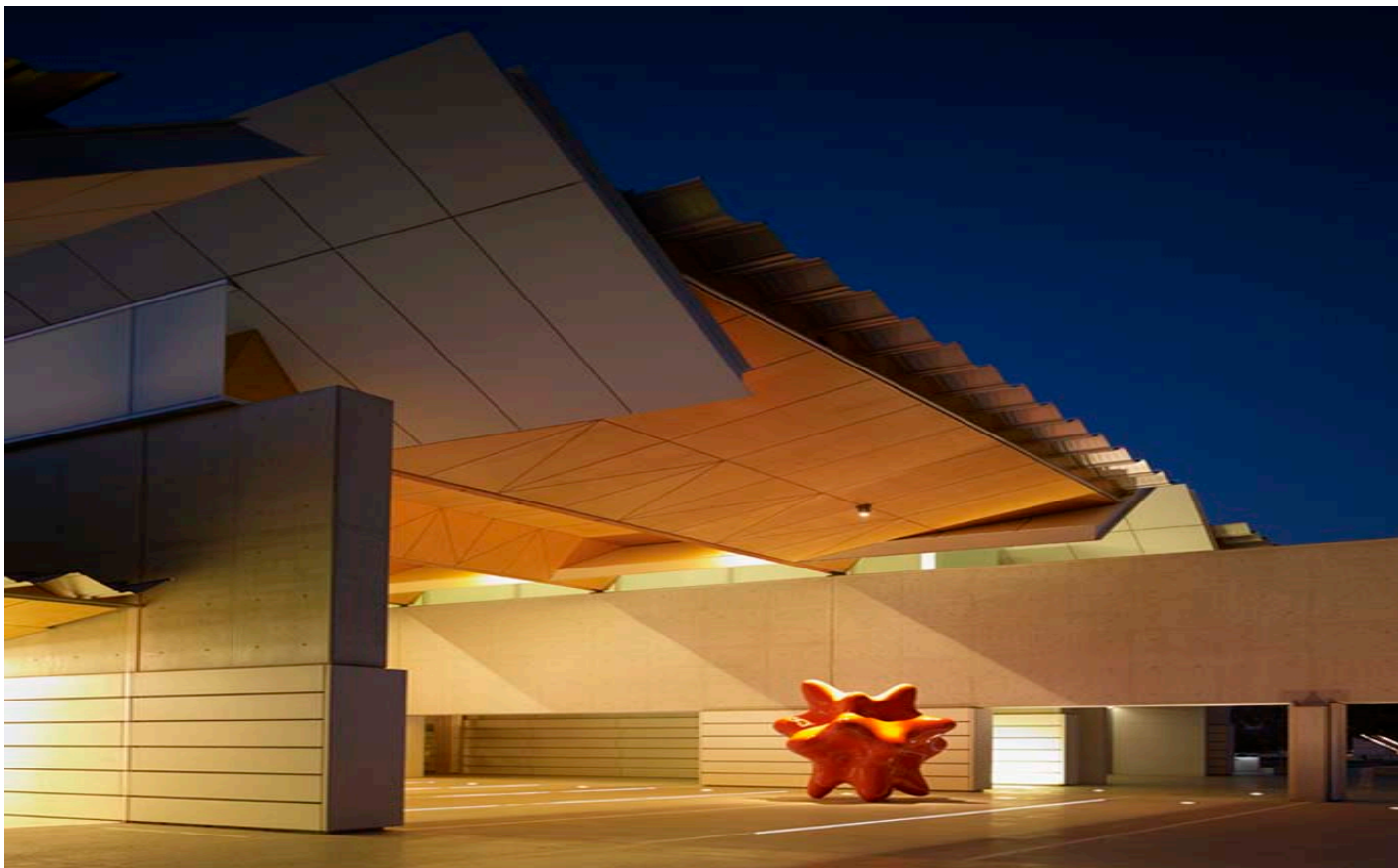
KPIs – Program 1.1 – Budget component

- Advice is relevant, well-founded and useful in decision making.
- Costings are accurate and appropriate and meet ERC and Budget deadlines for provision of information and analysis.
- Budget estimates, process and documentation delivered in accordance with the requirements and timetable agreed by Cabinet.
- Accurate budget estimates targets, measured as follows, after allowing for the effects of policy decisions, movements in economic parameters and changes in accounting treatments:
 - 2.0% difference between first forward year estimated expenses and final outcome.
 - 1.5% difference between budget estimated expenses and final outcome.
 - 1.0% difference between revised estimated expenses at Mid Year Economic and Fiscal Outlook (MYEFO) and final outcome.
 - 0.5% difference between revised estimated expenses at Budget time and final outcome.



How do we evaluate?

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How do we account for multiple influences?

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Cause and effect can be hard to get.

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**Ideally we should measure outcomes
But often.....**

- **Hard** to measure
- **Hard** to attribute the measured outcome to the program being evaluated
- **Hard** to account/consider other variables



Current arrangements may not be sufficient

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- **Forward looking** and linked to critical economic, social and environmental issues
- **Integrated** into budgetary decision making processes
- **Rigorous** in their performance assessment and robust, quality data to inform future policy
- Capable of cumulatively building evidence
- Promoting whole-of-government analysis and learning
- **Transparent** or accessible



Getting the drivers right!

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The problems with evaluation quality are likely to be a consequence of:

- Structural factors (design & integration)
- Ownership and leadership commitment
- Incentives
- Issues related to embedding a culture of accountability
- Capability and experience



Incentives and defending the patch

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1. The perverse incentives may mean that agencies are reluctant to undertake arms-length, objective evaluations and to publish evaluation reports
2. Treatment of savings
3. Address current disincentives
 - E.g. FOI, Parliamentary Committee Scrutiny



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Part 4 – What needs to be improved?



Lessons from international experience – need to get a balance

- Many have more **active** and developed evaluation procedures than Australia
 - political culture more ‘conducive’ to **publish** adverse evaluation results
- More rigour from the Centre - no parallel with Australia’s very **decentralised** approach
 - a **centralised** evaluation approach (or at least central QA)
 - evaluations commissioned by the Finance Ministry



The Canadian Way Strategic review

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4-year cycle to assess if programs are:

- Effective and Efficient
- Meet the priorities of Canadians
- Aligned with federal responsibilities
- Bottom 5%
- No “Musical Ride”



Desired outcomes

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1. **Aimed at making programs efficient ,effective and aligned**
2. **Useful performance information** that supports:
 - The APS Reform Agenda
 - Budgetary decision making process
 - Results based management decision making
 - Program management
 - Open government
 - Better services for citizens

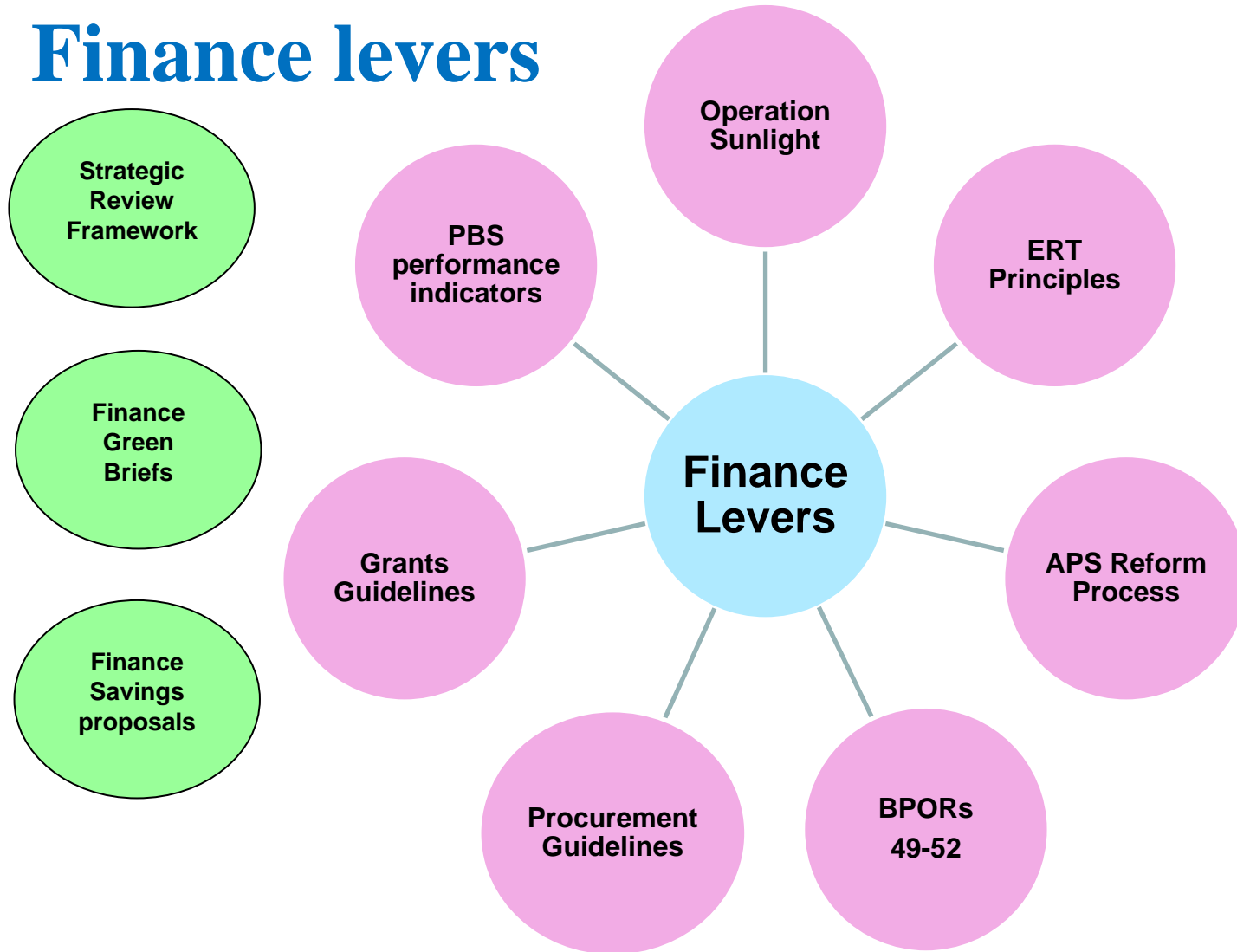


PART 5 Way forward



Finance levers

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Some Possible Questions for Dialogue...

Things to Consider...

- How do we get the balance between central agencies and departments responsibility?
- Degree of evaluation coverage: comprehensive vs Strategic prioritisation
- Can the perverse incentives be addressed? (*How do we make sure evaluation outcomes are more visible to the centre.*)
- Sequencing and pacing of any change (*incrementally or alongside broader reforms?*)
- Current impediments to a strong evaluation culture
- Mix of motivators and incentives needed to improve evaluation and review practices and culture.
- Skills base required and available to support enhanced evaluation and review activities



Possible Paths

1. More study before we do anything?
2. Adjust or strengthen the current Strategic Review model and/or consider a cyclic Canadian-type model.
3. Enhance rigour and/or visibility of agency evaluations.
4. More central commissioning of major reviews.



Discussion