

## **Evaluation: Renewed Strategic Emphasis**

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### **Speaking Notes to Accompany PowerPoint Presentation**

#### **Slide 1**

The CEF plays an important role in providing a space for learning and sharing information about evaluation and I especially want to acknowledge the work of Noel and the other CEF volunteers who put together this forum.

As many of you will be aware, the Forum was first established in 1990 through a Department of Finance initiative with the aim of promoting better practice in evaluation.

Since the late 1990s, when it became a not for profit, unincorporated networking Association, the Forum has continued to develop the profession of evaluation and to provide a place for people wanting to learn more about how others are applying and developing evaluative methods.

The CEF has gone from strength to strength and each year a diverse program, charting the progress of evaluation practice, is delivered.

It's timely to be here, asking how we can build a stronger and more strategic, and forward looking evaluation framework. Regardless of who is in government after next weekend, we need to ensure our framework for evaluation supports government as it addresses the domestic and global forces which present.

I am delighted to have the opportunity to be here.

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Today, I'd like to outline what I see as essential going forward and why we need to work on this together, but first I'll briefly summarise what we (in the APS), have been doing in this space, the way we have been doing this business, and if we are to improve, what might be areas to focus on.

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When I think of evaluation I see it as a part of everyday life. We spend so much of our lives making decisions on what to do, what to buy, which way to go, and we base these decisions on our past experience, value for money and the promised benefits of the product in front of us. We do it with everything from our dealings with banks, insurance companies, in supermarkets and in life decisions like who we marry and where we live. In the workplace we are evaluated by our bosses, and formally or informally the bosses get evaluated by their staff.

This Saturday we will determine the extent to which the government has performed when we cast our vote.

## Slide 4

The purpose of government is to improve the wellbeing of the community in ways that may not be possible by individuals acting alone. However, policy makers can get it wrong, be ineffective or fail to foresee unintended consequences. There is often considerable debate about whether government action has actually led to an improvement and, if so, the extent of the gains. Incorporating evaluation and review into the policy development process is one way to improve outcomes. It is built on the premise that better quality decisions around, program relevance and appropriateness, will be made if the process is informed by robust evidence.

Evaluation also provides the ability to test the extent to which programs are achieving their stated objectives and provides advice on how efficient programs are and if there are better ways of achieving these objectives and better ways of spending taxpayers money.

Whether we are involved in policy, program administration, coordinating the Budget process or evaluation, this should be of interest to all of us. At Finance, and in agencies, it represents part of our core work.

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A simple example of the place of evaluation and review is as follows: the influence is that it's raining; the issue is that you might get wet, your response is to take an umbrella – now in terms of evaluating the effectiveness of your response – you have to ask – Did the umbrella stop you from getting wet? If the rain was mixed with gale force winds then perhaps a rain coat would have been better.

## Slide 6

What is program evaluation?

Program Evaluation involves the systematic and objective assessment of government programs, or parts of programs, to assist the Government and other decision-makers to:

- assess the continued relevance and priority of program objectives in the light of current circumstances, including government policy changes (that is, appropriateness of the program);
- test whether the program outcomes achieve stated objectives (that is, its effectiveness); and
- ascertain whether there are better ways of achieving these objectives (that is, its efficiency).

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**Why is it important?**

Program evaluation is important because it:

- contributes to improved accountability to the Parliament and the public;
- provides a better information base to assist managers in improving program performance;
- assists government decision making and setting priorities, particularly in the Budget process; and
- evaluation is of considerable value to agency managers, external decision makers and other stakeholders. It is also a critical tool in assessing performance and in this way contributes to sound management practice.

Now you may be aware that in 2009, when the Productivity Commission hosted the Roundtable on Evidence Based Policy Making, I suggested that the emphasis on evaluation may have faded over the last decade and that it was desirable to build a stronger evaluation culture.

Now, if you have read the transcripts from these proceedings on the Commission's website you will see how my personal experience as a policy adviser has contributed to my belief in the importance of good quality evaluation.

As an adviser, I learnt that there are often conflicting objectives in policy making. For example, between excellence in design of a spending program and fiscal cost. A good policy idea can be proposed 5 or 6 times over a decade or more, without ever gaining support, and then be accepted and implemented because various political and other forces have moved into alignment.

Similarly, times of crisis can also facilitate initiatives that couldn't otherwise have been undertaken. The presence of robust evidence can be influential when such opportunities arise.

Public servants need to be equipped to anticipate the evidence requirements that would facilitate policy change. This can be difficult, but with forward thinking and a strategic outlook it is entirely possible to achieve. One successful example was precautionary thinking within the Commonwealth Treasury some 4 or 5 years ago about how governments should respond when faced with the threat of financial crisis. That exploration of the evidence paid dividends in advice permitting a speedy response to the global financial crisis.

Responding to the GFC and drawing on the evidence, including how governments had responded to other economic downturns demonstrates the importance of having timely, robust information.

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*Ahead of the Game: Blueprint for Reform of Australian Government Administration* outlines an ambitious agenda for improving the performance of government agencies' services, policies and programs for Australian citizens.

This makes it timely to be asking how we can build a stronger and more strategic, and forward looking culture of evaluation to underpin the reform agendas. Performance Monitoring, Evaluation and Review play an important role within this.

It also links nicely to other recent changes which improve government transparency. Some of which you may, or may not be aware of. At Finance we have been working to raise the bar on budgetary transparency and accountability in decision making and this work has led to the improvement of the quality of public documents and the completeness of information released by government.

The last few years saw significant changes to agency Portfolio Budget Statements and to the Budget Papers – to provide more comprehensive and better targeted information on the appropriations approved by Parliament, and the activities towards which the funds are directed.

The Portfolio Budget Statements of agencies have also undergone major change.

In 2008-09 they were designed and streamlined, to reduce duplication and to increase the emphasis on performance, with the mandatory inclusion of performance targets and key performance indicators.

I'm pleased to be able to advise you that in the APS we have made some progress in regard to outcomes. The outcomes and outputs framework, which forms the basis of parliamentary appropriations, has been revised to focus on outcomes and programs, with outcome statements made more specific and targeted.

The intention is to provide clarity and transparency on the outcomes to be achieved by government agencies. However, this is only part of the story.

Outcomes may be the basis on which Parliament appropriates funds, but agencies deliver results through programs.

They will provide a comprehensive basis on which to assess the actual performance detailed in agencies' Annual Reports and the extent to which progress is being made towards medium and longer term targets and policy objectives.

These changes significantly improve the transparency of government expenditure across the different appropriation types.

Transparency and accountability is also demonstrated by the recent release of the entire 2010-11 Budget under a Creative Commons Attribution license. This means that the deficit strategy, the fiscal aggregates, and the government's responses to the economic crisis - is all available for free reuse, by anyone, for any purpose, without the need for additional permissions as long as the source is attributed.

Also, in response to the Gov 2.0 Report, the Parliament endorsed open access to the resources that it publishes as the preferred default position.

### Slide 9

Now I'm sure as evaluation experts you are all much more familiar than I in how evaluations should be approached. I included this diagram not to tell you how to do your job but instead to emphasise that evaluation in our context is a planned activity and a formal organised process. There are many different approaches but important common elements are setting goals and determining evaluation design. Difficulties are in collecting data and this is a challenge where robust data is not available. What is also a key in evaluation is integrating results and findings and lining these up to the program under study.

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### Slide 11

There is much happening in the evaluation and review space across the service but there is not much of a framework around it currently and this in itself creates a challenge.

Here you see the formal mechanisms in place and there is much happening within agencies, ANAO, PC, also within Finance the Strategic reviews and ad-hoc savings reviews. APSC too will increasingly move into the monitoring space as it commences undertaking its capability reviews.

There is also another layer of reviewing and evaluation going on all the time (not always evidence based) that we don't always think about but these informal channels hold strong influence and include the Media, Question-time, Academics, and private citizens (again with quite a variable degree of evidence).

## Slide 12

Processes for the assessment and improvement of public policies have evolved incrementally over time, until the 80's it was relatively ad-hoc and focused more on desk-top policy review and then moved to a centralised, comprehensive evaluation approach driven by Finance. More recently, it has moved to a more devolved approach where program performance management is the responsibility of individual Ministers and their Chief Executive Officers.

I would like to speak a little though on the 80/90's, as these were glory days for Evaluation.

A strategy was introduced in the Commonwealth in the 1980's to better integrate program evaluation within the central budgetary process through **Portfolio Evaluation Plans** that provided for the systematic evaluation of all programs over a three to five year period. The strategy was designed to achieve a "greater focus on outcomes and cost effectiveness, rather than simply on inputs and processes" and to develop "an ethos of management for results and achieving value for money".

The reforms, in which evaluation played a big part, had three main objectives:

- To provide a better information base to assist managers in improving program performance;
- To assist government decision making and prioritisation, particularly in the Budget process; and
- To contribute to improved accountability to Parliament and the public.

In 1997 the *Financial Management and Accountability Act* (FMA Act) set out the principles of efficient and effective and ethical use of Government resources. The introduction of the **Outcomes and Outputs Framework** into the 1999-2000 Budget processes sought to generate a greater focus and accountability for intended outcomes. This framework requires agencies to establish performance indicators and report information on key areas of performance in Portfolio Budget Statements and Annual Reports.

Lapsing Program Reviews (LPR) were required for program measures which did not have a termination date and needed ERC or Cabinet re-consideration before they could be extended.

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

The PEP process which included a detail plan of activity, and the need to evaluate all programs every 3-5 years was seen as cumbersome and an administrative burden on all.

- The processes around evaluation in this time were managed by the Finance Department.
- Evaluations were mandatory – every 3-5 years for every program;
- Line departments were required to prepare rolling, 3-year plans for major evaluations; and

- Finance approved all Terms of References and conducted a quality assurance role.

Now to give you an idea of the volume of activity which this resulted in - by mid-1990s, there were more than 160 evaluations underway at any point in time. In the circumstances of the time, it was just too much to sustain at least in terms of Finance involvement.

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Now more recently the approach has become more mixed. Finance has retained its overall responsibility for the Commonwealth Government's monitoring, evaluation and review. However, evaluation is largely devolved to line agencies with very limited central direction/oversight of monitoring, evaluation and review, PLUS there are a small number of reviews which are done centrally.

Other important reforms that have been implemented within Finance and that have particular significance for the evaluation community include:

The **Strategic Review Framework** was implemented in 2006-07. Finance-led Strategic reviews focus on major policy and spending across programs and/or agencies and significant Government initiatives including entitlements, services delivery and tax expenditures. These reviews assess the alignment of programs with Government priorities, assess effectiveness and the efficiency of programs and identify potential duplication or budget savings;

A comprehensive **Review of Government Expenditure** across all areas of government spending in 2008; and

In 2009, the requirement for all new programs to include evaluation plans. Finance Agency advice units (AAUs) are required to assess the performance assessment and monitoring and review activities proposed by agencies in the NPP process. Key questions are:

#### **Monitoring and Review**

- How will the program be monitored?
- When will the program be reviewed?

All NPPs should also include the Key Performance Indicators (KPIs) proposed for the measure or the program and these KPIs should be discussed with Finance on the lodging of costings of the NPP.

#### **Performance assessment**

- What are the Key Performance Indicators for assessing the benefits of the proposal?
- How will they indicate whether the measure is on track to deliver its expected benefits?
- How and when will the benefits be assessed?

These have all been valuable initiatives, and provide first steps towards improving the information available to decision makers.

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Attached is the framework for Finance led Strategic Reviews. A small number of Strategic Reviews are conducted each year and report directly to Cabinet. The reviews are largely cross portfolio and focus on major policy, significant initiatives and spending areas. The reviews look at alignment of the programs with government policy priorities, value for money (efficiency and effectiveness) and managing fiscal risk.

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### Slide 17

Notwithstanding all the good work done by agencies and yourselves, the availability of useful evaluation information across the APS is uneven.

While some agencies maintain a best practice, coherent and well coordinated evaluation function, with well developed and stable internal evaluation capability and partnerships with external expert consultants, others appears to be less focussed and there can be questions about usefulness, objectivity, transparency and openness.

In terms of an APS score card for evaluation the Ahead of the Game report is quite critical of our collective performance and seeks a clear need to build and embed a stronger evaluation and review culture. The report notes a low investment in evaluation in Australia in comparison to other countries although I suspect that not all of what we are doing is accounted for.

Government 2.0 & Web 2.0 - reports the need for evidence gathering and citizen assessment of program effectiveness

Recent ANAO reports have been critical of the availability of useful evaluation information upon which to base judgements of some programs performance. This unevenness of useful information makes performance management and policy and budget decision-making and prioritization more difficult.

Our agency led reviews are variable in quality but more importantly they are just not very visible. And although agencies might use reports to improve their program management, they are not releasing evaluation outcomes as they have in the past and as is much more common in other jurisdictions.

Further the extent to which agencies are in a position to conduct independent assessments of programs varies – perhaps there are opportunities for more involvement from the Productivity Commission.

### Slide 18

Now so you don't feel I am only concentrating on line agencies, I can tell you that even in a central agency such as Finance it can be difficult to provide an objective robust assessment of performance.

Here is Finance's PBS and our:

**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**

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Now looking at the KPIs for the 'Budget component' of Outcome 1, Program 1.1: Budget, Financial Management and Deregulation.

It highlights the difficulty of defining KPIs when Finance is just one variable influencing the outcome of the Budget. It's even hard for us at Finance!

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Now to look again at Finance and to determine how successful we are in meeting our objectives – I need only look from the John Gorton Building over the road to the National Portrait Gallery.

What is hard though for us to determine is how we evaluate how successful our building projects are. How so with respect to the Gallery? It's easier to get a grip on a building project for evaluation purposes (easy to measure on-time and on-cost) but even in that case:

- some things i.e. Architecturally hard to measure;
- some outcomes hard to attribute – for example was it good weather that got us on-time and on-cost

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How do we account for multiple influences which interrupted us? For example here on Christmas Island – in Construction on the island we needed also to consider the locals, (especially the red crabs) and minimise any unintended consequences but still achieve our objectives, within timeframes and budgets?

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A quote from a well known graduate of the London School of Economics – “you can't always get what you want”

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The question I keep asking myself in all of this is are our current arrangements sufficient, are they:

- Forward looking and linked to critical economic, social and environmental issues;
- Integrated into budgetary decision making processes;
- Rigorous in their performance assessment and robust, providing quality data to inform future policy;

- Capable of cumulatively building evidence;
- Promoting whole-of-government analysis and learning; and
- Transparent or accessible.

#### Slide 24

There seems to be some problems with getting things right and when I speak to Secretaries about evaluation they also seem to say there are some barriers to evaluation and they include:

**Structural** - The monitoring, evaluation and review system is coherent across all of its elements, integrated with strategic decision making processes, and capable of delivering a sufficient quantity and quality of information for robust performance assessment.

**Within a culture of accountability** - Managers are responsible for achieving clearly specified objectives and held accountable for the decisions they make, and appropriate incentives and sanctions in place.

**Ownership and leadership commitment** - Monitoring, evaluation and review is seen as valuable with the benefits outweighing the costs.

**Capability and experience** - The skills and expertise to deliver and use performance information are built and sustained.

#### Slide 25

I would like to dwell on the issue of incentives for a minute.

Sometimes perverse incentives mean that agencies are reluctant to undertake arms-length, objective evaluations and to publish evaluation reports. This is due to a number of considerations including political.

It is logical for Finance Departments to grab for savings from poor performing programs – natural for departments to defend their patch. In some countries there are incentives to encourage agencies to be forthright about poor performing programs and get rid of them.

Although I digress a little here – Washington Monument Syndrome is well known in budgetary circles around the world. Agencies are asked regularly to sacrifice poorly performing programs for savings. In the USA the Washington Monument was famously put up by line agencies as possible savings, knowing full well that it would never be palatable.

We don't want to go down this path but we do need to get the incentives to do robust, independent evaluations.

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## Slide 27

There is no international consensus on the best approach to program performance review and improvement. The main themes in other governments' approaches are formalising evaluation requirements, identifying a clear role for central agencies in the process (or other independent review), and rigorous evaluation outcomes transparent to Government. There is no parallel with Australia's very decentralised approach.

### **Key lessons from recent World Bank Reports include that countries look to:**

- Derive inspiration from other experiences but not copy them
- Institutionalization of evaluation requires significant time
- Establish advisory bodies for support and legitimating
- Include representatives from academia/public sector
- Involve different levels of government
- Quality assure practices and systems
- Link policy evaluation with the assessment of the quality of services
- Use approaches according to context, needs and capacities
- Institutional location should optimize coordination, accountability, and learning
- Link policy evaluation with programming and budgeting.
- Disseminating evaluations should go beyond posting them on the Internet

## Slide 28

In terms of international experience, I would like to look by way of a case study - just one country - Canada. Canada provides an interesting case study particularly with respect to its Strategic review process.

Canada has a four year cycle to assess if programs are effective and efficient and are in keeping with the priorities of Canadians.

The concept of Strategic Review has a long history in Canada, going back to 'Program Review' in the 1990s when all ministers and portfolio secretaries were asked to assess their portfolios in order to reprioritise expenditure, thereby identifying savings. The contemporary incarnation is in its fourth year and has changed in focus as the economy moved from surplus to deficit. Initially agencies were able to determine whether there were any lower priority, lower performing programs for possible reallocation of funding to higher priority programs. However, this year agencies have been asked to identify a five per cent overall reduction in funding.

The four year strategic review cycle's main benefit is that it allows for systematic review of 100 per cent of direct agency expenditure (i.e. this does not include major statutory programs). By the end of this year, it will have reviewed 98 per cent of all government spending – I note that strategic reviews do not include major statutory spending, i.e. income support payments.

You will note on the slide I refer to the 'Musical Ride' which is what is pictured. The 'musical ride' the like the Washington Monument is a Canadian icon but too has been put forward by

departments for savings from time to time without success. In the Canadian Strategic Review process – no musical rides are allowed.

## **Background**

### **2009 Strategic Reviews**

In 2009, the third year of the Strategic Review Process, 20 federal organizations (including departments, agencies and Crown corporations) undertook strategic reviews of 100 percent of their direct program spending. In total, almost \$26 billion, or approximately 23 percent, of all government program spending was examined.

Savings of \$287 million were redirected to Budget 2010 priorities.

### **2008 Strategic Reviews**

In the second year of the Strategic Review process, 14 federal organizations (including departments, agencies and Crown corporations) undertook the assessment of 100 percent of their direct program spending. Also, six other organizations undertook a horizontal review of the government's human resources function. In total, \$25 billion, or approximately 27 percent of all government program spending was examined.

Savings of \$586 million were redirected to fund new initiatives as part of the Economic Action Plan, both within review organizations and to broader spending areas announced in Budget 2009.

## **Slide 29**

In whatever system we have we need to aim at making programs efficient, effective and aligned. We also need useful performance information that supports the APS as it changes to meet the demands of the day including:

- The APS Reform Agenda;
- Budgetary decision making process;
- Results based management decision making;
- Program management;
- Open government; and
- Better services for citizens.

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## **Slide 31**

There is opportunity to reform evaluation given the significant momentum to improve APS performance

For Finance there is opportunity to led this work by adjusting existing levers that are available to strengthen performance information

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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

### Slide 33

At Finance we are keen to have another look at evaluation within the APS and how we can do better. Keen also to add value and to support departments in their policy development and program management, particularly program implementation.

Now, by saying we are keen to have another look, I don't mean the APS needs to be evaluating everything in sight, but more picking the big things and working together to ensure these are done right, have high impact and enable us to learn from each other.

There are a few things we could do in this area, a few of my suggestions here on the slide for further thought.

Perhaps we need to do some more study before we do anything, perhaps we could strengthen the Strategic Review model. Certainly we need to look at how we ensure our agency evaluations in the APS are rigorous and visible. Agency evaluations improve program delivery, perhaps we need to look at addressing the visibility around these for example promoting best practice by publishing evaluation case studies or the like.

Perhaps we also need to address independence issues and do this by commissioning some major reviews from the centre.

I would like to emphasise that the evaluation community is a valued asset within and associated with the APS and for all of you here, if this is a challenge that you relish, it's a good time to be an evaluator.

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