

A close-up photograph of a woman with voluminous, curly brown hair, smiling warmly. She is wearing a light grey blazer over a blue patterned blouse. The background is softly blurred, showing other people in a professional environment. A bright yellow diagonal shape is on the right side, and a series of white vertical lines of varying lengths form a curved border at the bottom left.

Government matters

From policy to implementation to improvement ...

“Every government dollar wasted on a poor program is a dollar that a working person doesn’t have to spend on groceries, health care and education. It is also a dollar that the government does not have available to spend on its policy priorities.”

Lindsay Tanner, Minister for Finance and Deregulation*, quoted in Franklin, M. “Out, out damned waste”, The Australian, 20 September 2008

Program evaluation is an essential tool for a government committed to societal change. It has the potential to improve informed policy and program design, implementation and delivery performance. It can also create the evidence necessary to inform decisions about where to spend finite public money. This report explores the difficult challenge in continuously improving the approach to program evaluation and how its potential can be realised.

This means moving from a means-based to a results-based rationale and measuring results through evaluations. Ernst & Young’s goal is to promote public policy evaluation and take part in the debate concerning its integration into the new public governance.

The role of evaluation

“Evaluation is an integral part of the policy cycle for government reform. An objective, thorough, rigorous and timely evaluation has the potential to inform policy and achieve real change in the community.”

Uschi Schreiber, Managing Partner - Government & Public sector, Ernst & Young

Governments are tasked with the role of designing, planning, implementing, and administering policies and programs that benefit the community by addressing some of society’s most difficult problems.

In order to perform that role, it is recognised that governments have to make significant investments in the process of policy and program development, implementation and administration.

Less well recognised, however, is the need for governments to invest in another important part of the policy and program development process - program evaluation.

Program evaluation is an integral part of the process of policy and program development, implementation and administration. While it can be expensive and time consuming, program evaluation is an important tool for determining whether the desired goals have been achieved. It can also assess if future additional funds are warranted to provide potential reform improvements to the program.

Evaluation provides deeper insights into program cause and effect than what is available through other performance assessment tools. It is effective when used as a participative approach to program delivery involving all of the stakeholders necessary for delivery.

However, despite the recognised importance of program evaluation, the quality of evaluations is often patchy and does not always result in the required service improvements. How an evaluation is conducted can often determine its future usefulness and whether recommended reforms are implemented in a meaningful way.

Theory and practice

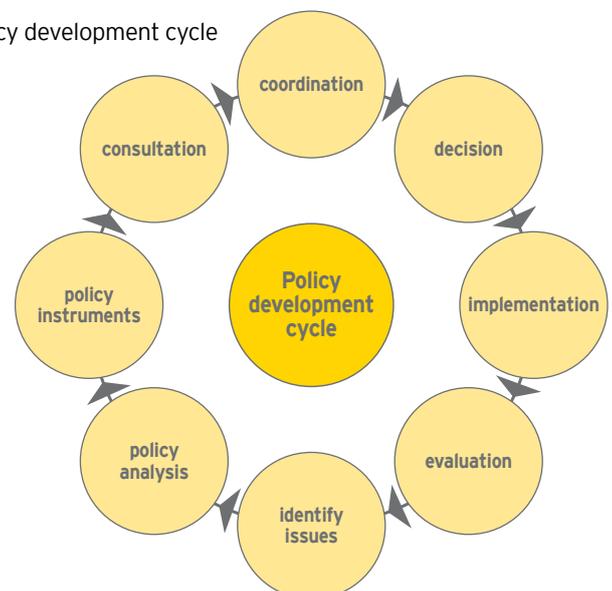
“Evaluation is the point in the cycle when the utility of policy must be questioned, and a new cycle of analysis and adjustment, confirmation or abandonment begins...It asks how well an implemented policy meets its objectives, holds officials accountable for the implementation and provides important clues for future policy making.”

Australian Policy Handbook, C. Althaus, P. Bridgman, G. Davis, 4th ed., pub. Allen & Unwin 2007

In theory, program evaluation is an integral part of the policy cycle and a key decision-making tool (see figure one below). It investigates if a program is successful and enables stakeholders to learn from the experience. Its recommendations are pragmatic and action-focused. They feed back into the policy cycle so they can be applied to further develop that and alternative programs. Learning is shared across departments and jurisdictions so they can emulate the program’s successes and avoid its mistakes.

There is evidence that Australia’s competitors, for example many OECD countries, are already doing this by strengthening their evaluation mechanisms. This provides more timely information and data on where programs can be improved.

Figure one - Policy development cycle



Australian Policy Handbook, C. Althaus, P. Bridgman, G. Davis, 4th ed., pub. Allen & Unwin 2007

What is program evaluation?

"Program evaluation can be defined as the systematic and objective assessment of a government program, or parts of a program, 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);
- ▶ Ascertain whether there are better ways of achieving these objectives (that is, its efficiency)."

Australian National Audit Office (1999: Part Two, 1-2)

In practice, program evaluation does not always live up to this promise. There is a long list of complaints in most government departments about the shortcomings of program evaluations. Most departments have received reports that were either too complex or too high-level to be useful. Reports at times tend to focus on what are really just symptoms of more fundamental problems with the program and the overall process of policy and program development.

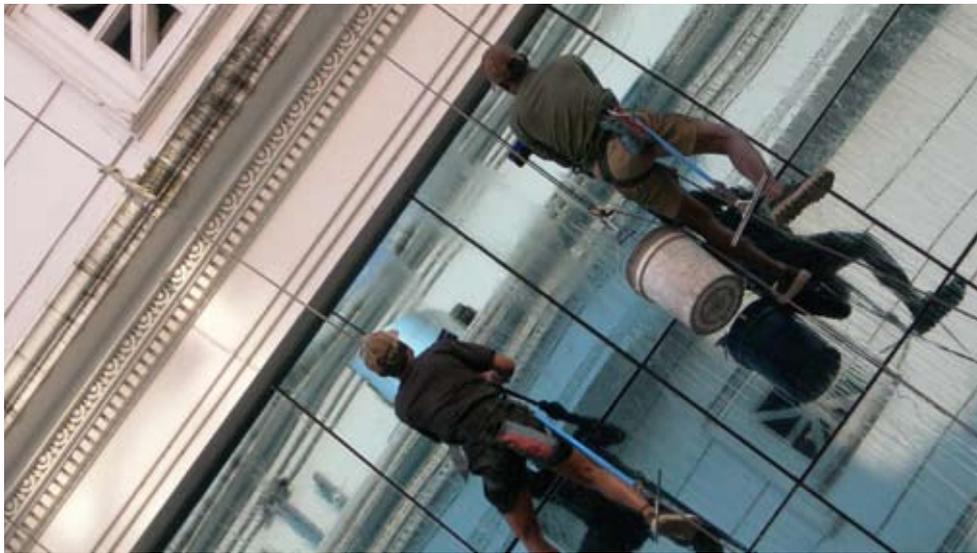
As a result, the reforms recommended by those reports tend to be more in the nature of superficial palliatives, rather than more fundamental reforms aimed at addressing the source of these problems. Reports can also be subjective and ideological in their approach, or get produced too early or too late in the policy cycle to make a difference. If time is short, the evaluation might be jettisoned altogether.

Importantly, evaluations are often not performed because the desired outcomes of the project and the data required to assess whether the program is achieving those outcomes were not specified, and funds were not set aside for evaluation purposes, prior to the program commencing.

Even when program evaluations are performed, evaluators can find themselves in the position of not having sufficient time, budget, resources and data to evaluate the program.

This exposes evaluators to the risks of being "captured" by key stakeholders to the extent that they have to rely more heavily on the subjective views of those involved in the program being reviewed, rather than on the results of an objective evaluation of the program's effectiveness and efficiency.

It also means that the recommended reforms flowing from program evaluations are often not implemented because they are impractical, there are no new resources to invest in the program or the focus of interest in government and the bureaucracy has shifted to a new policy interest.



The most commonly encountered systemic barriers to good evaluation include:

Evaluation as an afterthought:

If sufficient time is not allowed for program evaluation at the project planning stage, or the timeline slips, an evaluation can be undertaken late, retrospectively or not at all.

Quality data: Poorly planned programs often overlook the importance of collecting information over time on program costs and outcomes. This means that existing data can be patchy, out-of-date, irrelevant or incomplete. As a result, it may be necessary to collect new data, which can be time consuming and expensive.

Structural support: When there are different teams for different components of the policy cycle, such as a policy unit and a service delivery unit, the tendency is for each to focus on its own set of responsibilities and performance indicators when evaluating performance, rather than on the overall goals of the program.

Engagement of all stakeholders:

Effective delivery requires sharp alignment between government, business and the community. There is increasing acknowledgement from government that engagement with business and the community at the policy level is critical to achieve sustainable change as government cannot be expected to do this alone. The Nation Building and Jobs Plan will be a test of delivery through joining Federal, State government, industry and the community.

No exit strategy: Many government programs are designed to operate as a continuum, without an end-point. Evaluations often run counter-culture by recommending an exit strategy because the program has either succeeded and is no longer needed or failed and its funding would be better allocated elsewhere.

Confusion with other measures:

While they all examine how a program has performed, an evaluation, a review and a performance audit have different methodologies and goals. Even if a program has been audited or reviewed, it still needs to be evaluated.

Scarce resources: Program evaluation often occurs at the end of the policy cycle, when program management and evaluation fatigue can often set in. The focus of evaluation needs to occur through the entire process to ensure the outcomes are on track with the required objectives and consistently assessed for progress.

Cultural issues: Approaches to evaluation can be entrenched in departmental culture. When these approaches are driven from the top, they can be difficult to change and often become embedded in the culture. The policy team often sits separately to the teams involved in the implementation and administration of the program and communication between those teams is often limited.

Accountability fatigue: Like employees everywhere, public sector professionals can at times be wary of being made accountable for decisions that have previously been made. Particularly when the environment is highly dynamic and the program is high-profile or controversial.

The drivers for improvement

Increasing global pressure provides significant opportunities in learning from our neighbouring countries. This requires a more structured approach as demonstrated in the Cochrane Collaboration (health) and Campbell Collaboration (education).

“The question we ask today is not whether our government is too big or too small, but whether it works - whether it helps families find jobs at a decent wage, care they can afford, a retirement that is dignified. Where the answer is yes, we intend to move forward. Where the answer is no, programs will end. And those of us who manage the public's dollars will be held to account - to spend wisely, reform bad habits, and do our business in the light of day - because only then can we restore the vital trust between a people and their government.”

**President Barack Obama,
Inaugural Address,
January 20, 2009**

The demand for improved program evaluation is increasing both in Australia and overseas in response to a range of short and longer term domestic and international pressures.

Short term challenges - increasing government expenditure and reduced tax revenue:

Over the last six months, there has been an unprecedented increase in government expenditure on programs intended to provide a fiscal stimulus to cushion the impact of the global financial crisis. There is also a significant decrease in tax revenue as a result of the economic downturn which has compounded the effect in reduced funding for programs. As the Australian and world economies move further into recession, demand for public services will increase, while there will be less public money to pay for those services due to reductions in the amount of tax revenue collected by the personal, company and GST regimes.

Longer term challenges - ageing population, indigenous health, climate change, infrastructure provision and increased debt repayments:

In addition to having to deal with the short term pressures arising from the global financial crisis, governments also have to deal with major longer term challenges that require wide-reaching, long-term programs backed by substantial public funds. In particular, Australian governments face the prospect of significant increases in government expenditure to address longer term pressures arising from the ageing population, the need to improve indigenous health, and climate change. Moreover, there will be less government funding available in the longer term to finance that increased expenditure as a result of higher levels of debt repayment required to reduce the size of the deficit.

Increased public scrutiny and accountability:

There has been a significant increase in public focus on government efficiency, with programs analysed and debated more than ever in the media and the wider community.

This has been the result of taxpayers and the media demanding more government accountability for increasing levels of government expenditure. To respond effectively, government officials need up to date program performance information.

Evidence-based policy: As money gets tighter, government agencies need to make tough decisions about whether to keep, expand, reduce or abandon programs. This requires evidence about which programs are working, and which are not.

Reporting changes: New government requirements that are designed to improve cost management, accountability and transparency are raising the bar for program evaluation and reporting. The recent changes in Federal and State relationships have resulted in a stronger focus on reporting, outcomes and transparency. This has driven the need to improve the process for program evaluation with a renewed focus on outcomes.

For example, at the Australian Health Ministers' Conference of 29 February 2008, Ministers agreed to commission the Australian Institute of Health and Welfare (AIHW) to develop performance indicators to support the agreements that will replace the 2003-2008 Australian Health Care Agreements. The indicators were to allow for reciprocal public performance reporting and to cover the entire health and aged care system comprehensively.

The objective of the work was to develop a performance indicator by which the community could judge the performance of the system as a whole. A focus has been on performance indicators that relate to outcomes for patients and clients, which would be suitable for public reporting, and for which data are already available.

Improving program evaluation

From our extensive interaction with the public sector, we have identified four key areas for improvement.

1. Cultural commitment

To be truly effective, evaluation must move up the scale of priorities in government culture.

Ideally, evaluation should become an integral part of how every government policy and program is designed, funded and implemented. The budget, timeframe, methodology and objectives for evaluation will be agreed upfront for each program, before a dollar is spent on implementation.

Once this occurs, government policies and programs will be fully aligned from planning to delivery, and evaluation will be transformed from a compliance activity into a tool for achieving genuine, long-lasting change.

2. Continuous improvement approach

While program evaluation usually takes place once a program has been established, most programs will benefit from more frequent evaluation throughout their life.

This approach is particularly useful for long-term and complex medium-term programs. If managers are provided with regular information about how their part of the program is progressing against budgetary, timeframe and strategic goals, they can act in a timely manner. If there is no evaluation until the end of the program, it may be too late to rectify problems or expand a program that is achieving impressive results.

In the health sector, for example, programs may last several years, with the outcomes influenced by many factors outside the control of the program delivery unit. Consistent, regular evaluation can ensure these programs stay on track to achieve their quantitative and qualitative goals, regardless of changes to government policy, budgets or social conditions.

3. Better data quality

Good data is the essential ingredient for effective program evaluation. Having the right people assigned to data gathering and analysis is therefore crucial to the success of program evaluation. Data requirements and data gathering procedures need to be set up when the program is first designed and initiated. This needs to include the baseline data (which requires the specification of the base case - an area often poorly done) along the data required to be generated during the program. Scoping the data requirements after the program launch is too late and too difficult to align with the program's objectives to assess the outcomes.

The information must be robust, high quality, up-to-date and relevant. Identifying, collecting and analysing this data may involve mining existing databases, obtaining comparable data (locally or overseas), or collecting new data. It can be a challenging job. While Australia has some extensive data collections, there are some gaps in some areas, such as health and indigenous affairs. Data may be missing, incomplete or low quality.

It is vital that data analysts involved in program evaluation have an in-depth knowledge of the type of information required, where to obtain it, how to assess its quality, and the ability to analyse it effectively.

4. Better analytical techniques

In addition to better data, there is also a need to improve the analytical techniques that are used to evaluate government programs.

Program evaluation is not a new phenomenon and there have been many significant advances over the last decade in analytical techniques that can be applied in order to improve the quality of program evaluations. As a result, program evaluators now have access to a range of analytical techniques that can be applied across a wide range of government service areas. Some are readily available from the websites of economic evaluation organisations including the Australasian, American, Canadian, European and United Kingdom Evaluation Societies.

“No program is a complete success or failure: most are somewhere in the middle, and can be improved by regular evaluation that supports continuous improvement. Even a program that is anecdotally judged to have failed offers lessons that need to be captured and shared. This is to avoid mistakes in the future, possibly on a larger scale.”

David Cochrane
Partner, Ernst & Young

Making it happen

Repositioning program evaluation is a complex challenge that involves a significant culture change within government. There is already some clever thinking about how best to tackle it. There are various theories and practices on record including from the Australasian Evaluation Society. However, there is no silver bullet and change is likely to occur incrementally. With this in mind, Ernst & Young's Government & Public Sector practice has formulated several recommendations for consideration.

Individually, each recommendation could make a difference and has already worked on some evaluations. Together, they offer a holistic solution to the program evaluation challenge.

1. Ensure the evaluator is independent

The same people who are responsible for a program's planning and implementation are frequently tasked with its evaluation. While they have the depth of knowledge, there may be a conflict of interest, with little incentive to highlight failure.

Before deciding who will conduct your program evaluation, consider the motivation and incentives of the evaluator. Do they have a truly independent view of what the issues are and what needs to be done?

A robust evaluation demands an objective point of view. It requires the willingness to listen to both positive and negative experiences; to make difficult choices based on hard evidence, not opinion; and to divorce ideology from practicality. Without this arms length approach, the evaluation is compromised and is unlikely to stand up to external scrutiny.

2. Align evaluation with real action and outputs

Evaluation for its own sake is pointless - good policy needs an evaluation to provide actionable outcomes. Vague goals, poor quality data and impossible time constraints will produce an ineffective evaluation that is a waste of resources. Achieving a successful, actionable evaluation requires:

- ▶ **Clear policy goals:** Be clear about what is being evaluated. What does success mean for this program? Policy goals should be specific, achievable, measurable, relevant and timely.
- ▶ **Closed timeframe:** Rather than having an open-ended time-frame, set a target date for the program evaluation so the team can learn and move on.
- ▶ **Stakeholder consultation:** For meaningful outcomes, involve stakeholders in the shaping of the evaluation criteria and in the evaluation process itself.
- ▶ **Information sharing:** Share the results of the evaluation with program stakeholders and other interested parties, and incorporate any learnings into the policy cycle.

"Evidence is never absolute; never 'revealed truth'. The choice of methodologies, data, assumptions etc. can all influence the outcome, and they do."

Gary Banks, Chairman, Productivity Commission, Evidence-based policy-making: What is it? How do we get it? ANZSOG/ANU Public Lecture Series 2009, Canberra, 4 February 2009.

3. Build the right team

A good evaluation needs a team with a diverse set of skills. There should be people who understand public policy development and application in broad terms, not just their own area of focus. And there should be data experts with the skills to interpret the data in useful, meaningful ways and relate it back to policy. These skills are rarely found in one person.

4. Obtain the correct data

A single program can generate a need for several different types of data, including baseline data, performance management data and experiential data. It is important to understand the data required for each need and to set appropriate parameters for measurement.

The end point of every program is people, so include qualitative as well as quantitative research. While statistics provide useful insights, actionable results rely on knowing the success of the program from the point of view of the people at the receiving end. Statistics can tell you how many people dropped out of an education program but they will not reveal what difference the program made to those who remained.

The delivery in the community is where the net benefits are to be realised. Therefore, they need to be effectively evaluated with appropriate data.

5. Choose the most appropriate analytical technique

There is no single analytical technique that is appropriate for all program evaluations.

Rather, effective program evaluation involves the choice of the most appropriate combinations of techniques to address the unique challenges that arise when evaluating each program - namely, those analytical techniques that make the best use of the time, resources and data available to conduct that evaluation.

6. Focus on the future

It is important to consider the success of the program beyond the lifetime of the implementing government. A good evaluation has the potential to effect long-term change, yet evaluations are often driven by short-term economic, social or political imperatives. Focusing on systemic, long-lasting change not only provides maximum value for the evaluation dollar, it supports the government's role as an agent of change.

7. Timely advice

The purpose of program evaluation is to support better decision-making by providing information about which programs are working and which are not. To be truly effective, the results must be able to inform strategy and funding decisions, which have their own deadlines, so evaluations need to be completed in time to reach these deadlines. Good project management of the evaluation process, with well-communicated responsibilities and an agreed schedule is critical.

8. Manage risk

Every program has risks. A good risk management strategy mitigates the impact of expected and unexpected risks and is an important contributor to success. Regular evaluation can help to identify existing and new risks and manage them actively, helping the program to keep on track as circumstances change.



Conclusion

A good program evaluation is more than just a collection of reporting data. It has the potential to have a long-term impact on society by improving the appropriateness, effectiveness and efficiency of government programs.

While program evaluation in theory is recognised as an important component of policy and program development, in reality it is still often seen as an afterthought due to tight timeframes and competing demands. As a result, the quality of the reports is variable at best. At worst, the outcome of a poorly planned and executed evaluation can be the continuation of poor government policy.

The cultural transformation involved in repositioning evaluation means it will be some time before every program evaluation is as independent, action-oriented and timely as it should be. However, with the right data scoped in the design stage and the discipline to use it consistently, coupled with a continuous improvement mindset, program evaluation can be successful in determining program outcomes and actions.

Evaluation needs to be part of an end-to-end culture. This is a way for agencies to demonstrate evidence-based thinking.

With the right attitude and application, evaluation can be a valuable tool for ensuring decision-makers at all levels have the evidence and information they need to make informed, appropriate choices about the allocation of public resources.

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Results-based management at the heart of a new public governance?

In 2008, Ernst & Young developed an overview of public policy evaluation practices in Europe based on surveying 1050 government officials. The report found that while the majority consider the awareness of evaluation practices has increased in Europe, evaluation does not systematically impact the decision-making process due to lack of political appropriation and insufficient follow-up of recommendations. However, the European Commission's evaluation system appears as a strong best practice with regard to a systematic evaluation process, the development of impact assessment and publicity prior to decision-making.

For a copy of the report, please email: natalie.frazer@au.ey.com

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