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Public sector reforms and evaluation practice in Australia

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Improving the lives of Australians¹



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Reasons for reforms

- **Economic and fiscal crises**
- **Globalisation and competition**
- **Failure of economic models (Keynesian model)**
- **Limitations observed in public service delivery**



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Public sector reforms in many other countries

Main aims were to:

**Improve the efficiency and effectiveness of
service delivery**

Effectively respond to citizen demands



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Traditional public service was perceived to be...

- **Too bureaucratic**
- **Rule bound**
- **Unresponsive to user/citizen-demand**
- **Costly**
- **Inefficient**



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Public sector reforms expected

- **Public sector agency to operate ‘more like private sector agency’ and**
- **Public Sector managers to be given authority and flexibility to manage resources to let**
“the managers manage”



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PUBLIC SECTOR REFORMS: COMMON FEATURES

- **Devolved and decentralised management**
- **Enhanced authority to managers**
- **Reductions in the size of Public Service**
- **Contracting out, outsourcing and privatisation**
- **Creation of specialised, multi-function agencies**
- **Performance based pay**



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Methods, strategies or tools used in public sector reforms

Are known as

New Public Management [NPM]

or

Managerialism

See for example, Considine, M and Painter, M (eds) (1997)
Managerialism: The great debate, Melbourne University Press



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NPM reforms in Australia started in 1983

Three generations:

- **First generation: From 1983 to 1996 (Hawke/Keating Governments)**
- **Second generation: From 1997 to 2002 (Howard Government (1st two terms))**
- **Third generation: From 2003 (Howard and Rudd Governments)**



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FIRST GENERATION

- **The 1983 White Paper ‘Reforming the Australian Public Service’**

“The responsiveness, efficiency and accountability of the Commonwealth administration”

Wanted:

“an administration that is more responsive and accountable to ministers and parliament”



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Changes introduced

Strengthened ministerial control

Changed the tenure of departmental secretaries

Created SES category

Appointment of ministerial advisors

Efficiency Scrutiny Unit

- o **1987 Public Service Board abolished**
- o **Responsibility for personnel matters given to departmental heads**



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White Paper 'Budgetary reforms': Financial Management Improvement Program (FMIP)

Three main aims:

**To enhance accountability to the minister,
parliament and the public**

**To assist government decision-making and
prioritising (budget decision making)**

**To provide better information to aid managers to
monitor programs budgets**



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First two years of implementation

- **Without proper performance management and evaluation of programs it was difficult to assess the success**
- **Cabinet agreed in 1987 to a Finance Minister's submission to introduce a new evaluation strategy**
- **Mandatory evaluations**



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Main elements

- **Preparation by portfolio departments of a three-year rolling plan which should show planned evaluations**
- **Submission of those plans to Finance**
- **Forward estimates**
- **Integration of program evaluation within the central budgetary process through Portfolio Evaluation Plans (PEPs)**



Other requirements

- **Each program should be evaluated every 3-5 years**
- **New proposals for funding should have a detailed evaluation plan including Terms of Reference, methodology and timing (major projects only)**
- **Evaluation results were to be published.**

Finance was to support and facilitate but evaluations were the responsibility of line departments

Evaluation was mandatory but performance measurement not



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Progress achieved

- **Number of evaluations increased (by June 1990 over 160 evaluations were in train)**
- **Auditor General: ‘most evaluations were useful in funding decisions’**
- **Savings were identified because of evaluations**
- **Many departments established evaluation units while some had evaluation & audit committees**



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But there were some issues as observed by Auditor-General

- **Evaluations varied by quality and there was no uniformity in reporting findings**
- **Methodological problems**
- **Lack of performance reporting**
- **Lack of capacity and training**
- **Some evaluations took a long time to complete**

Cont...



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Some issues Cont...

- **Evaluations focused more on processes and less on outcomes**
- **Some departments considered evaluations to be a burden on resources**
- **Some questioned Finance role in evaluations**
- **Some evaluations focused on small components of programs**
- **Portfolio Evaluation Plans were longer (some PEPS exceeding 100 pages) than specified**



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Rolling program of reviews (RPRs)

- **Cabinet approved RPRs (to be conducted by Finance jointly with line departments)**
- **The first review covered four departments**
- **The first report released in 1996**



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Some issues identified by the first review

- **Program objectives were frequently not stated**
- **Lack of suitable performance information**
- **Performance expressed in terms of activities or workloads**
- **Unclear links between inputs, processes and outcomes**
- **Little emphasis on outcomes**



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SECOND GENERATION

New government in 1996

Planned RPRs did not proceed

The National Commission of Audit report released

- **Accrual budgeting**
- **Increased flexibility to managers (removal of barriers to operate)**
- **Performance monitoring**



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Second generation cont...

- **Government wanted to continue with the Public Sector Reforms**
- **Preferred private sector models**
- **Significant reductions in Public Service**
- **Outsourcing, contracting out and privatisation**
- **Performance or results based management**
- **Performance based pay**



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- **Devolution continued**
- **Outcome-Output Framework and accrual reporting introduced**
- **Departmental heads were required to report:**
 - **Ex-ante performance in Portfolio Budget Statements**
 - **Ex-post performance in Annual reports**
- **Mandatory requirements for evaluation removed**
- **Lapsing reviews to stay**

However, evaluation results should be incorporated in Cabinet submissions



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Shifts during the second generation:

- **Emphasis changed from evaluation to performance monitoring**
- **Central control to deregulation**

Finance had a reduced role to play



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THIRD GENERATION: NEW ISSUES

**External issues became important
For example, border protection and
internal security (Halligan, 2004, 2006)**

Local issues

**Drought; competitiveness; water and
environment**



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Whole-of-Government solutions

- **Whole-of-Government approach to improve outcomes**
- **Impact on the structure and the capacity of the public service to meet challenges**
- **Establishment of new agencies/workgroups within the Dept. of the Prime Minister & Cabinet (PM&C)**

For example:

- **Office of National Security**
- **Cabinet Implementation Unit**
- **Office of Work and Family**



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Third generation: key features

- **Deregulation, devolution at the same time central control (Whole-of-Government Units)**
- **Also resulted in a fragmented system**
- **Multiple players: Finance, Australian National Audit Office, Public Service Commission, Management Advisory Board, and new central units in PM&C**

New Government in 2008



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Operation Sunlight

- **Simplified processes**
- **Greater transparency and accountability, but no mention of evaluations**
- **Finance has an extended role**

It will:

- **Redesign Portfolio Budget Statement reporting formats**
- **Review outcomes of individual departments**



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Challenges

Evidence based policy requires sound evaluations

- **Maintaining coordination between agencies**
- **Designing performance measures for more than one agency**
- **Maintaining accountability in a devolved and deregulated environment**
- **Using IT developments to enhance performance reporting**