

Evaluating Public Expenditure Programmes: A Role for Programme Review

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Foreword

This discussion paper is the first in a series commissioned by the Committee for Public Management Research. The committee, which replaces the Committee for Administrative Research, is developing a comprehensive programme of research designed to serve the needs of the future development of the Irish public service. Committee members come from the Departments of Finance, Environment and Rural Development, Health and Children, Taoiseach and Public Enterprise, and also from Trinity College Dublin, University College Dublin, and the Institute of Public Administration. The research is undertaken for the committee by the research department at the Institute of Public Administration.

The discussion paper series aims to prompt discussion and debate on topical issues of particular interest or concern. Papers may outline experience, both national and international, in dealing with a particular issue. Or they may be more conceptual in nature, prompting the development of new ideas on public management issues. This paper, as with subsequent ones in the series, does not set out any official position on the topic under scrutiny. Rather, the intention is to identify current thinking and best practice.

The subject of this paper, programme review, is of particular interest at the moment. The Minister for Finance announced in the budget on 22 January 1997 that the process of putting in place agreements between the Department of Finance and spending departments on public expenditure reviews will begin this year. This has subsequently been confirmed by a government decision of March 1997, under which a programme of comprehensive expenditure reviews are to be carried out over a three year period. This paper identifies many of the issues that will arise in implementing these reviews, drawing on international experience to see how these issues are being tackled elsewhere.

We would very much welcome comments on this paper and on public management research generally. To ensure the discussion papers and wider research programme of the Committee for Public Management Research is relevant to managers and staff,

we need to hear from you. What do you think of the issues being raised? Are there other topics you would like to see researched?

Research into the problems, solutions and successes of public management processes, and the way organisations can best adapt in a changing environment has much to contribute to good management, and is a vital element in the public service renewal process. The Committee for Public Management Research intends to provide a service to people working in public organisations by enhancing the knowledge base on public management issues.

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General information on the activities of the Committee for Public Management Research, including this paper and others in the series can be found on the world wide web site for the Department of Finance: www.irlgov.ie/cpmr (this site is currently being developed).

EVALUATING PUBLIC EXPENDITURE PROGRAMMES: DETERMINING A ROLE FOR PROGRAMME REVIEW

Executive Summary

This paper investigates programme review, the process whereby government expenditure programmes are examined from a results perspective. Drawing from international experience, the paper explores some of the main issues involved in developing a system of programme review. The aim is to promote discussion on the most appropriate ways of implementing programme review in government departments, given the government decision of 25 March 1997 to introduce a programme of comprehensive expenditure reviews. This decision enacts the commitment in *Delivering Better Government* (1996) to introduce regular, periodic reviews of programmes. These reviews will take place within the context of the move to multi-annual budgeting, with a three-year cycle of expenditure planning and review.

A number of points are highlighted in the paper:

- Programme review is not new. It is currently undertaken in the civil service, but on an ad-hoc and limited basis (section 2).
- Arrangements for programme review are likely to vary from department to department, depending on the size and range of programmes they have responsibility for and the size of the department. The most common options are to locate the programme review function with line managers or with a departmental corporate staff group. Programmes may also be reviewed by independent units and by sources external to the department (section 3).
- The evaluation units set up to monitor and review EU structural funds are an innovative example of programme review in one specific area of activity. The wider applicability of this model is worth further study (section 3.3).
- The location of the programme review function determines the type of issues which will be addressed. The closer the review function is to the programme

under scrutiny, the less likely it is to be able to deal with issues of impact and continuing relevance of the programme (section 3.5).

- Programme review needs to focus on a number of key attributes of the programme under scrutiny. Significant attributes include: efficiency, effectiveness, equity, cost, intrusiveness and accountability (section 4.1).
- Reviewing each programme comprehensively once every three years is a challenging task. International experience indicates that in practice, priorities will have to be set (section 4.2).
- Training and development supports will be needed; both for those conducting programme review, to develop evaluation skills; and for those commissioning and using review studies, to get the most out of them (section 5).
- Encouraging effective demand to ensure that programme review findings are actively used in public expenditure decisions is a central challenge. Questions addressed in programme review should lead to improvements or to the modification or termination of unsuccessful programmes. Demand can be encouraged by effective use of the three main policy instruments: ‘sticks’, ‘carrots’ and ‘sermons’ (section 6).
- Resourcing the review process and the right to ask and address the key questions are particularly important if the demand for review is to be encouraged. Specific ‘ear-marking’ of funds for review is one means of enabling review to compete with other activities for resources. Questions must include a focus on the outcomes and results of programmes if reviews are to address more than relatively minor issues (section 6).
- Programme review findings do not automatically feed into budgetary and planning decisions. These links need to be developed. Formal mechanisms and processes are needed to ensure that review findings are influential (section 7).

1. Background

Programme review refers to the process whereby government programme expenditure is examined from a results perspective. The aim is to determine whether there is a public need for the programme, and if so, can it be improved. Questions generally focus on the efficiency and effectiveness of programme expenditure, and determining whether spending is focused on the highest priorities. There are various means of reviewing programmes, of which the most common are usually manager-led reviews, audit, and evaluation (Annual Report to Parliament by the President of the Treasury Board, 1995: 10-11).

Programme review is specifically referred to in *Delivering Better Government* (1996: 59-60):

The group recognise that there is a need for a systematic analysis of what is actually being achieved by the £12 billion in government resources spent annually. To this end, the group recommend ... agreements between the Department of Finance and individual departments on delegated authority for programme expenditures to provide for a schedule of reviews of expenditure to be carried out during the currency of the agreement, with the aim of ensuring that each programme of expenditure is subject to a thorough review at least once every three years.

A government decision of 25 March 1997 enacted this recommendation, by specifying arrangements for carrying out comprehensive programme expenditure reviews. A steering committee for programme evaluation is to oversee the process. This committee will be chaired by the Secretary General, Department of Finance, and include two secretaries general of spending departments and an independent consultant. Reviews, which will be specified each year by departments, are to be carried out under joint Finance and spending department steering groups. The review programme will aim to examine all spending programmes over a three year period.

Reports will be submitted to the steering committee, who will then report to the Minister for Finance and the minister responsible for the programme reviewed.

The need for such a system of programme review is highlighted by the National Economic and Social Council report *Strategy into the 21st Century*, where weaknesses in the current public expenditure control system are identified: ‘Even when new priorities and programmes emerge, expenditure on existing programmes has a strong tendency to grow. This tendency for expenditure to grow undermines the ability of policy to reflect priorities’ (NESC, 1996:21). These weaknesses need to be tackled if the council’s recommended approach to fiscal policy is to be pursued (NESC, 1996:23):

That approach must recognise that action to deliver greater employment, social inclusion and action to reduce taxation, especially personal taxes, are fundamental priorities. These priorities must be achieved in the first instance, and not as residuals when existing or ‘no policy change’ expenditure bills are met. The council wishes to stress the need to limit the growth in current public expenditure to no more than 2 per cent per annum in real terms. The council appreciates that it will be necessary to make significant savings on existing activities both to observe that limit and to find room for the costs of the council’s social action programme. The council believes that there is scope for greater efficiency and effectiveness in many areas of public expenditure.

The council thus identifies as a key requirement for successful public finance management the review and development of the systems of public expenditure management and control, within the context of the council’s strategy and the Strategic Management Initiative (SMI) (NESC, 1996:22).

This paper aims to explore some of the main issues involved in developing a system of programme review. A number of key questions arise from plans to develop programme review: how comprehensive can coverage be; what skills and resources

are needed to undertake reviews; how can review be linked to budgetary decision-making; what should the respective roles of the Department of Finance and line departments be? These questions are addressed, using lessons learnt from international experience with programme review. In capturing this experience, this paper draws heavily on the emerging findings of a study into evaluation capacity building being undertaken by an International Institute of Administrative Sciences (IIAS) working group on policy and programme evaluation (Boyle and Lemaire (eds), forthcoming).

Section 2 of this paper outlines current practice with regard to programme review in the Irish civil service. In section 3, possible alternative locations for the programme review function are discussed. Section 4 looks at what should be covered by programme review. Section 5 outlines the skills and competencies needed for conducting and using programme review. Section 6 explores the incentives and sanctions available to help institutionalise programme review. Section 7 investigates the linking of programme review and budgeting. Finally in Section 8, some conclusions and issues for consideration are outlined.

2. Programme review – current practice in the Irish civil service

It should be recognised that programme review is not a new phenomenon. It is currently undertaken in the civil service. A number of approaches are taken to reviewing programme expenditure.

Periodic policy and programme studies

Specific reviews of programmes have been undertaken from time to time. This is particularly notable in the case of industrial policy, where the Telesis report, Culliton report, and department-based three-yearly review of industrial performance have assessed industrial programmes. The review of science policy undertaken in 1995 and the salmon management task force report in 1996 represent other examples. However, these studies tend to be ad-hoc, once-off studies, drawing heavily on external expertise, rather than part of a regular review process.

Manager-led reviews

Senior managers in some departments review programme performance with line managers. In the Department of Public Enterprise, for example, principal officers meet with the management advisory committee on an annual basis to review programmes in the division for which they have responsibility. This system is similar to one operated in the Social Welfare Service Office in the late 1980s, where the director would call in two line managers each quarter to review their sections' objectives and targets (Boyle, 1989).

Policy analysis studies

The former analysis section of the Department of Finance, now a part of the Centre for Management and Organisation Development, provided training for a number of staff to be placed as analysts in departments. Staff were trained in evaluation methods, with a strong operations research dimension. The main focus of work was on projects and smaller programmes rather than on strategic issues. Also, once analysts' had been placed in departments, they were not always given analysis work

and could end up working in other areas. A policy analysts' network has been formed, composed of analysts based in departments. This network provides training and support for analysts, and encourages the development of analytical capabilities and practice within departments.

Efficiency Audit Group/SMI Co-ordinating Group studies

In 1988, the government appointed an Efficiency Audit Group with a brief to examine, in conjunction with departmental management, the workings and practices of each government department. The aim is to recommend improved or alternative practices and methods which will reduce costs and improve efficiency. The group has conducted a number of studies, such as in the Defence Forces, normally commissioning consultants to undertake the efficiency scrutinies. In recent times, the SMI Co-ordinating Group has been charged with validating reviews of programmes as requested by government, and in this context has undertaken the review of the *Gárda Síochána*.

Internal audit

Some progress has been made in recent years in developing internal audit capacities in government departments. An internal audit network was established in 1994 to provide a forum for civil servants engaged in internal audit. It is relatively early to say what the impact of internal audit will be in the civil service. But its aim is to assess the effectiveness of internal control mechanisms, including line managers' systems for assessing the value for money of programme expenditure.

Value for money auditing in the Office of the Comptroller and Auditor General

The Comptroller and Auditor General (Amendment) Act 1993 gives a mandate to the Comptroller and Auditor General (C&AG) to carry out value-for-money audits. He can directly assess the achievement of economy and efficiency by government departments, and can examine the adequacy of departments' mechanisms for evaluating the effectiveness of their operations. However, he cannot directly assess the effectiveness of policies. The onus is on departments to ensure that they put in

place and use the appropriate systems, procedures and practices necessary to evaluate the effectiveness of their programmes. In guidelines issued to government departments, the C&AG indicated that departments should aim to have well-defined responsibility for ensuring periodic critical scrutiny of performance and for the initiation of appropriate corrective action, if warranted (Tutty, 1994:30).

Evaluating community support framework expenditure

The reform of the structural funds in 1988 included a requirement that there should be systematic ex-ante and ex-post assessment of the European Community's structural actions. Two main approaches to evaluation are adopted at the operational programme level (Tutty, 1994:21-23):

- External evaluators are contracted to review the operational programmes and evaluate their impact.
- For some operational programmes, full-time evaluation units have been set up within departments to undertake on-going evaluation studies. The Department of Enterprise, Trade and Employment houses two evaluation units: The European Social Fund evaluation unit and the Industry Operational Programme evaluation unit. The Department of Agriculture and Food houses an analysis and evaluation unit investigating the agriculture, rural development and forestry operational programme. The Department of Tourism, Sport and Recreation houses a tourism monitoring support unit. A central evaluation unit for the Community Support Framework (CSF) is housed in the Department of Finance.

All operational programmes are subject to prior appraisal, monitoring, mid-term assessment and ex-post evaluation.

Summary

In all, it can be seen that there are a number of initiatives which promote programme review in the Irish civil service. However, with the exception of the evaluation of the European structural funds, programme review activity tends to be ad-hoc and limited in scope and impact. Recent initiatives, such as the C&AG reforms, aim to

encourage a more comprehensive approach to review, but it is too early to say yet how successful this will be. A systematic and comprehensive programme review facility, as envisaged in *Delivering Better Government* (1996), does not yet exist.

3. Locating the programme review function

Delivering Better Government (1996:60) and the government decision of 25 March 1997 indicate that arrangements for carrying out programme reviews should be agreed between the Department of Finance and individual departments. It is likely that arrangements will vary from department to department, depending on the size and range of programmes they have responsibility for, and the size of the department. The most common options for departments are to anchor the programme review function with programme managers, or with a departmental corporate staff group. Departmental programmes may also be reviewed by independent units and by sources external to the department.

3.1 Locating programme review at the programme manager level

An example in Ireland is the programme review process conducted in the Department of Public Enterprise involving principal officers and the management advisory committee (see section two).

The principle of locating programme review at the programme manager level is probably most comprehensively adopted in Australia, where programme expenditure is organised into portfolios, which consist of departments and agencies that report to an individual minister. Responsibility for evaluation lies with individual portfolios, and is normally devolved to programme managers. However, the question then arises as to whether a programme area is capable of carrying out the evaluations without help, and if not, what help is required. Experience varies. The Department of the Prime Minister and Cabinet mostly use in-house staff. In the Department of Immigration, Local Government and Ethnic Affairs a range of sources are used: in-house, independent peer-review, consultants, or a mixture.

The constraint on evaluation activity most frequently mentioned in Australia is unavailability of staff with relevant skills. This encompasses both (a) skills in conducting evaluations and (b) expertise in the subject matter area.

The Commonwealth Scientific and Industrial Research Organisation employs different skills in different types of evaluation. For retrospective evaluations it typically uses independent professional economists to conduct cost-benefit analyses. Prospective evaluations, to determine priorities and funding proposals, tend to be done internally on a more routine basis.

The Department of Employment, Education and Training (DEET) shares responsibility for evaluations between a specialist Evaluation and Monitoring Branch and the relevant programme area so as to combine the expertise of programme managers with the skills and independence of a specialist evaluation unit. However, even with this approach, DEET reports that skills shortages are causing evaluations to take longer to complete than planned (Task Force on Management Improvement, 1992).

One difficulty with locating review at the programme manager level is whether they have the time and/or skills needed to conduct systematic reviews. To some extent, this problem can be alleviated by contracting outside expertise from consultancy firms, universities and research institutions and groups.

3.2. Locating programme review with a departmental corporate group

A corporate staff group within the organisation may be given responsibility for planning and undertaking review studies of programmes within the organisation. Internal audit groups or internal evaluation units are examples of such corporate groups. Canada provides an example of building evaluation capacity in this way. Government policy gives departments the responsibility for ensuring that programmes are evaluated. The policy calls for the establishment of an evaluation capacity. Evaluations are often conducted by specialised corporate evaluation units based in departments. (Auditor General of Canada, 1993:241).

As with programme managers, skills and capacity levels may limit the scope of departmental corporate group activity, and outside expertise may need to be brought in. The corporate group then becomes the contact point for external evaluators, managing the contracting process, selecting programmes for review, and assisting the

external evaluators in organisational, political and cultural familiarisation. A good example here is the experience of the National Science Foundation in the United States. Here, evaluations originate and are managed from an internal evaluation office. Yet the production of evaluation reports is contracted out to evaluation firms, partly because the internal office does not have a staff large enough to do evaluations internally (House, Haug and Norris, 1996).

3.3 Locating programme review with an independent corporate group

A different example of a corporate group located in, but not part of, a department is provided by the evaluation units established in the Departments of Enterprise, Trade and Employment, Agriculture and Food, and Tourism, Sport and Recreation, referred to in section two. These units are set up to monitor and review programmes funded through European Union structural funds aid to Ireland. Whilst located in departments, the units are independent of the administration. The units are quite different in their scope, reporting arrangements and in how they are managed, but share a common aim of evaluating structural funds expenditure. Although in existence for only a brief time, there are indications that some of the evaluations produced are beginning to have some impact at both the policy and operational levels (ESF Programme Evaluation Unit, 1995). These units are neither internal to departments nor can they be described as external evaluators. They are more properly described as independent evaluation units.

These evaluation units focus on the evaluation of measures which make up the operational programmes, rather than investigating broad policies. The main types of study undertaken by the units are:

- the evaluation of measures or particular groups of measures to assess their continued relevance and effectiveness in achieving the objectives for which they were established;
- thematic evaluations, investigating issues which cross measures, such as certification procedures for training programmes; recording systems in agencies; and the development of effectiveness indicators;

- surveys of users of the service provided through the measures/programmes, to provide background information for evaluation studies.

The work programmes agreed for the units aim to ensure that there is maximum coverage of the interventions funded. Both formative and summative ex-post evaluations are carried out, though in line with the unit's roles in the structural funds monitoring process, the emphasis is on summative evaluation, whereby judgements are made as to the effectiveness of particular interventions. The studies have a clear public accountability focus, being concerned with the benefits gained from the expenditure of public money.

These departmental-based units are complemented by a central evaluation unit for the Community Support Framework (CSF). This unit is located in the Department of Finance. But, as with the other units, it is independent in its function, reporting jointly to the Irish authorities and the European Commission. This central unit has particular responsibility for identifying and promoting best practice in evaluation procedures and methodologies; co-ordination of evaluation work under structural fund programmes; and specific evaluation tasks at the CSF level. The unit may commission and supervise outside experts where necessary. Its co-ordination role is particularly important, given the range of evaluation studies undertaken, by the evaluation units, the external evaluation of the operational programmes and other evaluation work undertaken on the structural funds and other related expenditure.

These evaluation units represent an interesting and innovative approach to building evaluation capacity in a situation where evaluation was of a relatively lower order of priority prior to their creation. The indications are that they are beginning to impact both at the policy/conceptual level and the operational/implementation level. The units do not have the close ties to programmes or measures that staff working on those measures have. But neither do they suffer from the distance and perhaps lack of understanding of the system of once-off external evaluators.

3.4 Programme review external to the department

As well as departments themselves being responsible for programme review, it is possible for review to take place from outside departments. Mayne, Divorski and Lemaire (forthcoming) identify several such possible evaluation sources:

- *Central corporate staff within the executive* (cabinet secretariats or central agencies such as budget offices), which evaluate the performance of major government programmes, programmes which cut across several organisations or programmes deemed to need special attention. In France, for example, an inter-ministerial committee of evaluation (a committee of ministers, chaired by the prime minister) determines a number of evaluation studies each year. The committee makes its decisions in response to requests from cabinet members and other government agencies, including the legislative audit office. An independent scientific council of evaluation advises the inter-ministerial committee on methodology and on the quality of completed evaluations. Funding is provided through the national fund for the development of evaluations (Duran et al., 1995).
- *Legislative audit offices*. These offices can undertake performance audits or evaluations to assess how well government programmes are working. The value for money division in the C&AG's Office represents an example of this type of review activity.
- *Legislative bodies* can undertake or commission evaluations to examine what the public is getting for the taxes it pays.
- *Research institutes and universities* often provide a source of evaluation expertise and can undertake studies on the effectiveness of government programmes. The Economic and Social Research Institute (ESRI), for example, undertakes policy and programme evaluation studies.
- *Community and consumer groups and non-governmental organisations* affected by government programmes can evaluate the benefits they or their constituent members receive.

3.5 *Choosing where to locate the programme review function*

The above discussion indicates that there are a number of options available for locating the programme review function. Thus, when departments and the Department of Finance determine the arrangements for conducting programme reviews, a number of alternative location arrangements for review are available. But how should the choice be made of which location or combination of locations to go for? A central guide to this question is to determine which evaluation issues are to be addressed in programme reviews. Mayne, Divorski and Lemaire (forthcoming) distinguish between three different types of issue: (a) those that deal with the operations of programmes; (b) those which question the success of the programme and its delivery; and (c) those which examine more fundamental issues about the continued need for the programme. These are outlined in more detail in Table 1.

In their review of how several countries had addressed these issues, Mayne, Divorski and Lemaire (forthcoming) reach a number of conclusions:

- *The closer the evaluation location is to the programme the less likely is it able to deal with continued rationale and impact issues.* Evaluation anchored close to programmes, either at programme manager level or in department-based corporate groups, is more likely to be successful in focusing on programme improvement. There are a range of political and cultural constraints that limit the ability of departmental-based review units to ask fundamental questions about the impact or relevance of programmes.
- *Evaluation in corporate government groups and in the legislative branch is more likely to be able to address impact and relevance issues.* However, these groups do not have direct access to information about the programme, and reviews may be remote from the needs of programme managers.

Table 1: Classes of evaluation issues

| | Typical questions | Comments |
|---|---|--|
| <p>Operational issues (dealing with work processes, outputs and benefits produced, inputs used)</p> | <p>Are operating procedures efficient, effective and appropriate? Are operational objectives being met?</p> | <ul style="list-style-type: none"> • are generally easier to measure • deal with performance matters more under the control of the programme management • for the most part, deal with issues of direct interest for ongoing management |
| <p>Impact issues (dealing with benefits and outcomes produced, organisational capacity)</p> | <p>Are the intended outcomes being achieved? Are there alternative ways of delivering the services? Will the programme continue to produce the intended outcomes?</p> | <ul style="list-style-type: none"> • are often more difficult to measure • are less under the control of program management • assume the continued existence of the programme |
| <p>Continued relevance issues (dealing with the future of the programme: continued relevance, rationale, future directions, funding)</p> | <p>Is the programme still needed? Is the programme consistent with current government priorities? Can the programme be afforded in light of other priorities? Are there alternative programmes to achieve the objectives?</p> | <ul style="list-style-type: none"> • challenges the continued existence of the programme • deal with issues of direct interest to oversight and funding parties |

(Source: Mayne et al. forthcoming)

- *Successful institutionalisation of programme review may require evaluation anchored in several places to meet the several market demands in a jurisdiction.* There are multiple markets for programme review – programme managers, corporate groups, central agencies, and the legislature – each with their own demand and information requirements. Successful programme review arrangements require that programme review be placed in more than one location to supply the different demands.

In an Irish context, these conclusions would indicate that programme review arrangements agreed between departments and the Department of Finance should indicate a range of review studies to be undertaken. Some of the reviews will be based in the department itself, either at programme manager level or corporate group level. Other reviews may be undertaken by other bodies, including value-for-money studies by the C&AG's Office and central reviews of cross-departmental issues. In this way, programme improvement, impact, and relevance issues should all be addressed to some degree.

The evaluation units set up to monitor and review EU structural fund expenditure present one notable model worth further exploration as a useful location for programme review functions. Particularly for larger departments, or those responsible for major programme expenditures, some sort of corporate review group is likely to be one of the requirements if programme review is to be institutionalised. The EU evaluation units aim to combine some of the benefits of departmental-based and external review units, and minimise the limitations of each. These units should be capable of addressing impact and relevance issues provided the government will be there to support such reviews.

4. The extent of coverage of programmes by programme review

Regarding agreements reached between departments and the Department of Finance on programme review arrangements, two significant issues to be faced are (a) deciding on the attributes to be covered in reviews, and (b) determining what areas of programme expenditure are to be covered during the period under scrutiny. The intention in the government decision of 25 March 1997 is that all spending programmes will be examined over a three-year period.

4.1 Programme attributes to be covered by review

A key issue for programme review is to determine what aspects or attributes of a programme should be scrutinised. For example, if a review focuses on the inputs (staff costs, capital costs etc.), the impact of the programme will be ignored. Similarly, if the review focuses on outcomes alone, the cost-effectiveness of interventions may not be susceptible to scrutiny. A balanced approach is needed. In this context, recent work by the OECD Public Management Service on policy instruments is of interest (PUMA, 1997). In this work, PUMA cites a number of attributes of policy instruments which can also be seen as attributes of programmes which could form the basis for setting the parameters of programme review. Six major attributes are identified: efficiency, effectiveness, equity, cost, intrusiveness and accountability.

Efficiency covers both (a) productive efficiency – getting the same job done with fewer inputs or a bigger job done with the same inputs – and (b) allocative efficiency i.e. the optimal allocation of goods and services at a given cost.

Effectiveness concerns the degree to which policy instruments produce outputs or results that meet policy goals and objectives.

Equity is concerned with ensuring that there is a fair or equitable distribution of resources over those entitled to them. This may, for example, be over different

geographical areas, different income groups and so on. Equity of treatment for users once resources are distributed is also important.

Cost concerns the cost of providing programmes. Recent moves to accrual accounting represent an example of providing a fuller and more accurate picture of the true costs involved in programme provision.

Intrusiveness is concerned with the degree to which public policies and programmes intrude on private activities, often by prescribing behaviour, limiting choices and requiring compliance with regulations. Some intrusiveness of the state is an essential part of government, but it is crucial that it is used wisely.

Accountability concerns the move from traditional procedural accountability towards a more diverse understanding of accountability, including accounting for outcomes, direct to citizens and so on.

Using such attributes or others like them to set the parameters for programme reviews would help ensure that reviews focus on key issues concerning programme activities, and do not become irrelevant or trivialised.

4.2 Comprehensive coverage of programme expenditure

The aim of ensuring that programme expenditure is reviewed at least every three years is similar to procedures adopted in Australia and Canada, where a comprehensive approach to programme review is taken. In these cases, there is a strong emphasis on systematically integrating review into corporate and programme management and planning with a requirement that each programme have some major evaluation coverage over a three to five-year cycle. Planning for review by departments is a required activity. There is also strong central co-ordination and encouragement of evaluation coverage: the Department of Finance in Australia and the Office of the Comptroller and Auditor General in Canada both provide guidance, encouragement, and quality control, rather than prescription and detailed interference. However, even with this approach, in practice it has been found that

limits have to be put on what can be covered by programme review (Lee, forthcoming).

In Australia, for example, an evaluation strategy was implemented as part of programme management and budgeting in 1987. The expectation was that most programmes would be subject to some form of major programme evaluation activity at least once every three to five years.

An evaluation of progress made in 1992 found that this expectation may have been too ambitious, given that many of the agencies had only limited experience and knowledge of the resource implications. Further, agencies pragmatically interpreted 'comprehensive coverage' as requiring them to conduct at least one major evaluation (i.e. one listed in the programme evaluation plan (PEP)) in each programme rather than evaluating everything. The Department of Finance have indicated that each programme has been the subject of at least one evaluation of a major aspect of its functions. However, they judged that only six portfolios had achieved comprehensive coverage up to the 1992 PEP round. Two portfolios were characterised as having 'non-comprehensive sprinkle across a range of programmes', and the remaining ten fell in-between.

In the light of this experience, the evaluation study concluded that it would be useful, from the 1993 PEP round onwards, for less ambitious requirements to be prepared on what should be expected of agencies regarding evaluation coverage in the future (Task Force on Management Improvement, 1992:378).

In Canada, coverage has been assessed from a number of perspectives (Annual Report to Parliament by the President of the Treasury Board 1995:12-15):

- *Government priorities.* The government has set central review priorities, especially those that cut across departments or cover larger blocks of programming.
- *Major programming.* Since 1991/92 departments have reviewed about 74 to 84 per cent of major expenditure programmes in a 'significant' way. Significant here is taken to mean that most of the elements of the activity have

been covered for several aspects of performance: rationale, success, compliance or cost-effectiveness.

- *Reviews by type of government function.* Since 1992, virtually all federal regulations have been reviewed.
- *Administrative policy.* The Treasury Board Manual contains twenty-three different administrative policy areas, of which nineteen might be expected to be reviewed in departments, chiefly by audits. Since 1991/92, all policy areas have been addressed by at least some departments, and nine were examined by most.
- *Performance measurement systems.* A study found that 60 per cent of the systems examined did not address impacts. It also found that there has been limited integration of performance measures with management practices. At the same time, some examples of excellent efforts were noted.

In terms of introducing comprehensive programme review in Ireland, the lesson here would seem to be that whilst a systematic approach to coverage is needed if review is to be effective, in practice priorities will have to be set. At least in the early stages, ensuring that government priorities and priority areas in each programme are reviewed rather than trying to review everything would seem to make sense.

When deciding what is to be covered by programme review the issue of user involvement is also relevant. In many situations, the ‘official’ goals or objectives of the programme under scrutiny tend to form the basis for the review. This position has come in for some criticism in several countries because it ignores the fact that there can be differences between formal programme goals and those of some stakeholders, and that in reality programme objectives often reflect choices which have to be made between irreconcilable interests. There have been calls for greater involvement of the users of services in review and evaluation coverage (Mark and Shotland, 1985).

Such calls for review coverage to give greater prominence to the user perspective have been mirrored by recent developments in public service management provision

that emphasise a move towards a customer and client focus in the public service. Such a focus is explicitly promoted in *Delivering Better Government* (1996). A need to include a consumer or user perspective might therefore be expected to be included in programme review agreements. However, it must be recognised that including such a user perspective can create some methodological and resourcing difficulties (Knox and McAlister, 1995).

5. Developing programme review skills

Departments wishing to promote programme review will need to enhance the skills and competencies of those involved. Particular skills are required of those conducting the programme review. Those using the findings of programme review also need to interpret the findings and make use of them.

The development of evaluation skills is a key task if governments are to achieve benefits from review studies. Ensuring that evaluators keep their skills and competencies up to date in a rapidly changing environment is crucial for effective long-term institutionalisation. For this to happen, evaluators must be specially trained and prepared for review. In particular, they must be supported in developing an outcome-focused orientation to evaluation. A number of approaches are possible:

- *The use of short-term training courses.* As Toulemonde (1995) points out, there are plenty of seminars and conferences targeted at practitioners and dealing with evaluation in different European countries: ‘However, these events rarely last for more than one or two days. They can hardly be considered as actual training and should be qualified as initiation.’ They give a grounding in evaluation, increasing knowledge, but are not a substantive investment in skills development.
- *Building networks of evaluators sharing experience through seminars, workshops and the like.* The network for internal auditors established and facilitated by the Department of Finance represents a good example. In Scandinavia, a community of evaluation practitioners has developed, mainly interested in improving their know-how about evaluation methodologies. Participants include civil servants, academics and consultants (MEANS Internal Bulletin, 1995). Professional associations for evaluators seem internationally to be taking on a more important and active role in defining and promoting professional development (e.g. European and U.K. evaluation societies were formed in 1994).
- *The provision of longer-term, post-graduate level programmes for professional development.* Often these are not exclusively focused on

evaluation, but will have a significant evaluation component. For example, in America many post-graduate programmes in areas such as public administration, education and psychology include several evaluation courses such as evaluation theory and methodology (Altschuld et al., 1994).

- *Central government agencies' support for a range of initiatives aimed at enhancing evaluators' competencies.* Examples here include (Bemelans-Videc, et al. 1994):
 - in Canada, the program evaluation branch of the Office of the Comptroller General provides a series of seminars, workshops and information exchange sessions for members of the evaluation community. These events range from orientation workshops for new members of the community to methodological workshops aimed at more experienced members;
 - in the Netherlands, the Ministry of Finance's department of policy evaluation and instrumentation offers courses in ex-ante and ex-post evaluation, publishes guidelines for evaluation, and conducts educational activities.

There is a need to enhance knowledge and skills of the 'harder' quantitative methodologies and tools needed to conduct evaluation and the 'softer' skills and competencies needed to manage evaluation studies. Development of evaluators covers both (a) enhancing the theoretical and methodological 'tool-box' of the evaluators, and (b) improving the evaluators' understanding of the managerial and political context within which evaluation takes place.

Table 2, derived from work by Mertens (1994) indicates the knowledge and skills base associated with evaluation. The methodological skills needed are clearly outlined, but so too are the 'non-technical' skills needed, such as interpersonal and communications skills, negotiation and facilitation. These 'softer' skills are increasingly being seen as important in many countries, particularly as the involvement of programme users in the evaluation process becomes a growing element in evaluation practice.

Table 2: Knowledge and skills requirements for evaluators

1. **Knowledge and skills associated with research methodology**
 - a. Understanding of alternative paradigms and perspectives
 - b. Methodological implications for alternative assumptions
 - c. Planning and conducting research
 - d. Assessing programme performance and results through monitoring and impact assessments
 2. **Knowledge and skills needed for evaluation but borrowed from other areas**
 - a. Administration/business e.g. project management
 - b. Communication/psychology, e.g. oral and written communications, negotiation skills
 - c. Philosophy e.g. ethics, valuing
 - d. Political science e.g. policy analysis, legislation
 - e. Anthropology e.g. cross-cultural skills
 - f. Economics e.g. cost benefit and cost effectiveness analysis
 3. **Knowledge and skills unique to specific disciplines e.g. education, health**
 4. **Knowledge and skills associated with understanding governmental functions e.g. budgeting, auditing, strategic planning.**
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Source: Adapted from Mertens (1994 pp:21-22)

Thus far, the emphasis has been on investigating the skills and competencies needed by evaluators in order to facilitate successful evaluation studies. However, it is worth stressing that evaluation *users* should also receive training and development support to facilitate their involvement in the process, from commissioning of evaluations through to implementation of their findings. The need is to create what Morris (1994) has termed *educated consumers* who ‘... can articulate meaningful evaluation questions at a general level and develop evaluation designs and data collection strategies for the programs that they fund, administer, or staff. Thus, they should be able to interact effectively with those who actually evaluate these programs, and in

this sense they can be knowledgeable, motivated consumers of professional evaluation services’.

Users' ability to articulate what it is they want from evaluation, and to understand the strengths and limitations of evaluation, is one of the keys to effective demand. Educated consumers can help create an evaluation ‘ethos’, where evaluation is valued as an integral part of the governmental decision-making process. Expertise can be brought in and applied as necessary to undertake evaluations, but unless the will is there on the consumers' side to commission studies and act on the findings, such expertise is largely irrelevant. Consumers must know how to demand results-focused evaluation studies which will help them assess programme outputs and outcomes.

An interesting example of a developmental initiative to support evaluation users and enhance their understanding of evaluation practice is the recent creation of a training seminar for European Commission officials involved in overseeing evaluation activity in the area of the structural policies programmes. This seminar, run as part of the MEANS (Methods for Evaluating Structural Policies) programme, covers issues such as an evaluation's mandate; writing terms of reference; methods and techniques; and mastering the quality of evaluation.

In terms of promoting programme review in the Irish civil service, the lessons from this experience would seem to be that a systematic approach is needed to the training and development of both (a) those undertaking programme review, and (b) those commissioning and using programme review findings. Support is needed in building technical review skills, but also in developing the softer skills associated with negotiation, facilitation and communications.

6. Encouraging the demand for programme review

If programme review is to be effective, it must be an integral part of the public policy design and implementation process. Questions addressed in programme reviews should lead to improvements in programmes or to termination or modification of unsuccessful programmes. If this is to happen there must be a strong and effective demand to make use of programme review findings. There are strong forces at work to constrain such a demand. Opening up programmes to scrutiny and external criticism is unsettling and in many cases unwanted by those interests who have a stake in a programme's continuance. These constraining forces can limit the scope of review. For example, in France, the governmental evaluation system has been encouraged through establishing a fund for evaluation and a quality control system to ensure the fairness of evaluations (through the establishment of a scientific council of evaluation). These mechanisms have promoted a number of evaluation studies, but they have been limited to topics of relatively minor importance. Toulemonde (forthcoming) indicates that: '...these instruments have not been powerful enough to overcome the reluctance of the bureaucracy to address politically sensitive issues, or the collective avoidance of conflicts which prevail in some political circles'.

Drawing from this and from other lessons in a review of international experience on creating and sustaining demand for programme evaluation, Toulemonde (forthcoming) indicates that to stimulate effective demand that encourages the addressing of crucial evaluation questions requires governments to make use of the three main policy instruments: sticks, carrots and sermons. 'Sticks' are needed to ensure reviews are undertaken and act as a deterrent to limited or poor quality reviews. 'Carrots' provide incentives for the development of evaluation demand. 'Sermons' facilitate the creation of a culture that values review and encourages its use in the decision-making process.

Making programme review mandatory is a good example of an effective 'stick', as is the case in the government decision of 25 March 1997 where the requirement is to review each programme at least once every three years. A requirement for departments to produce annual review plans within such a multi-year framework can

also stimulate review. For example, in Australia, portfolios (departments) must produce annual portfolio evaluation plans indicating what they intend to evaluate over the coming year. These plans are negotiated with the Department of Finance.

Granting the right to ask evaluation questions to those outside the immediate interests of a programme is another useful ‘stick’ to ensure that reviews address sensitive areas. The right of audit offices, such as the Office of the Comptroller and Auditor General, to ask questions and address questions raised by the Public Accounts Committee helps ensure that review does not simply tackle relatively insignificant issues.

‘Sticks’ may also be needed to deter poor quality reviews. Quality control mechanisms built into the review process can act to ensure that review is seen as fair and unbiased in its application. The French scientific council of evaluation (CSE), referred to earlier, assesses the draft terms of reference of evaluation projects. It has at times rejected evaluation questions and even complete evaluation projects. The CSE also conducts ex-post quality control at the final report stage. The CSE is composed of eleven members, half being senior civil servants and the other half academics. A similar role is played by the Industry evaluation unit steering group, overseeing the quality of evaluations undertaken by the Industry evaluation unit based in the Department of Enterprise, Trade and Employment. Such groups act as guarantor to the quality of review studies.

The use of ‘sticks’ or constraints on their own, however, can have negative consequences. Using ‘carrots’ to encourage evaluation demand may provide a useful complementary mechanism. Establishing a resource fund to pay for review studies represents a powerful ‘carrot’. With the European structural funds, for example, all programmes supported by these funds include a special budgetary provision for ‘technical assistance’, amounting to between 2 to 5 per cent of the budget. Evaluation studies are funded from this budget, though they have to contend with other expenses, such as the funding of the programme secretariat, which can lead to shortages of funds for evaluation at times.

Another example is provided by the Ministry of Education and Science in the Netherlands (Toulemonde, forthcoming). Here, programme evaluation was designated as an area to be stimulated by a special budget. A working group was created to draw up a work plan and evolved into a committee on programme evaluation (CPE). This committee had a part-time secretariat and met once a month over a five-year period. The CPE supported pilot evaluations, training programmes, workshops and publications, and awarded an annual prize for exemplary evaluation work. Through these instruments, it helped create one of the most prominent evaluation communities in Europe.

A third example is provided by the Public Health Service (PHS) in the United States, an arm of the Department of Health and Human Services (HHS). Here a budgetary set-aside has been established to fund the evaluation of federal health programmes. The Public Health Services Act specifies that up to 1 per cent of the annual PHS appropriations can be set aside by the Secretary of the HHS to evaluate authorised programmes. PHS evaluation funds support: evaluation projects; technical assistance to PHS agency programme managers on any aspect of evaluation planning, design, implementation, or analysis; the promotion of dissemination; and encouragement of professional development (Johnson, 1996).

This example of the PHS evaluation set-aside is interesting in that it illustrates that carrots on their own may have limited impact. A General Accounting Office (GAO) study of the operation of the set-aside found that: a small proportion of the allowable set-aside was actually dedicated to the evaluation of PHS programmes; funds that were dedicated to the evaluation of PHS programmes supported some activities that were not providing information on the implementation or effectiveness of the programmes; and that the findings of evaluations were not systematically synthesised to develop a body of knowledge about what works and does not work in federal health programmes. Consequently, the scheme was revised in 1994, and now: (a) there is not only a ceiling of 1 per cent for spending on the evaluation of PHS programmes, but also a 0.2 per cent floor; (b) where the old set-aside authorisation was vague, the new legislative language specifies that evaluation refers to studies of the ‘implementation and effectiveness’ of PHS programmes; and (c) HHS is required

to summarise annually the findings of the evaluations and report the summary to Congress (Riggin, Shipman and York, 1995:5).

In this case, the carrot provided by an evaluation set-aside has been complemented by the use of sticks to ensure that relevant and probing evaluation questions are asked and addressed. Such questions ensure that outcomes and results are central elements of the evaluation studies.

The third policy instrument – the ‘sermon’ – is used to help build a culture that values programme review. As Toulemonde (forthcoming) indicates: ‘In the context of public administration, sermons take the form of conferences, workshops, training courses, newsletters and journals. They make extensive use of demonstration projects, success stories, visits to good practitioners, prizes and awards’. The aim of such tools is to create a climate where programme review is seen as a valued part of the job of a civil servant, one of the fundamental parts of the job.

In the context of developing programme review in the Irish civil service, the lessons emerging here are that, in order to encourage demand for programme review, a system that uses a mix of sticks, carrots and sermons is needed. A limited number of constraints, used selectively and wisely, create a requirement for review. Incentives promote review by creating conditions that encourage the undertaking of reviews. A supportive culture then helps embed the programme review process into the day-to-day administrative practice of the civil service. Particular attention needs to be paid to the issue of resourcing the review process. Different means of resourcing review are available, but specifically ear-marking some money for review would seem to be needed if review is to compete successfully with other public management functions.

7. Linking programme review with budgeting and strategic management

Programme review is one tool which can be used to help re-cast programmes and identify savings to make room for initiatives to combat social exclusion, as the NESC (1996) hope. If it is to serve this role, review findings must feed into the strategic management and budgetary decision-making process. But linking these functions is a far from straightforward task. Budgeting is a means of making political choices, and review is only one of the many factors to be considered when politicians make budgetary decisions. Strategic management has a future focus, while review is primarily retrospective in nature. In many countries, budgeting, strategic management and programme review functions have developed independently with little practical integration amongst them (Gray, Jenkins and Segsworth, 1993). The challenge lies in ensuring that programme review findings influence decisions in these other arenas of budgeting and strategic management.

7.1 Linking programme review and budgeting

Some examples do exist of effective linkages between programme review and budgeting. In the Netherlands, for example, the system of Reconsideration of Public Expenditures (RPE) set up a procedure of systematic reviews aimed at cutting back public expenditure in all policy fields (Toulemonde, forthcoming). The annual rounds of the RPE include ten to fifteen evaluation studies of expenditure programmes which have received cabinet approval prior to proceeding. Each evaluation is the responsibility of a specially appointed inter-departmental working group, which receives central steering and secretarial assistance from the Ministry of Finance. The group is not required to agree, and the final report may include opposing points of view. Evaluations are issued in connection with the budgetary process and must include an alternative programme proposing a 20 per cent saving in the budget. During the first decade of the RPE, about one third of the evaluation results were directly used to reduce budgets.

Perhaps the most comprehensive approach to linking review with budgeting is that adopted by the Australian government as detailed by Mackay (1992). In each budget round, ministers are asked to put forward summary new policy proposals for their portfolios. They are also asked to put forward a summary list of savings options to help pay for any new policies. The Department of Finance compiles its own list of savings options. After vetting by the Prime Minister, Minister for Finance and the Treasurer, proposals are developed into papers for consideration by the Expenditure Review Committee (ERC) of cabinet.

In 1992, the Department of Finance carried out a survey of the extent to which evaluation findings were relied on in the 300 new policy proposals and savings options put forward to ERC for consideration. The survey found significant reliance on evaluation findings in the budget process. Of the 200 new policy proposals, 47 per cent were influenced by evaluation findings. For two thirds of these the influence was direct. For the remaining third it was indirect, i.e. the evaluation findings provided useful background information. For the 100 savings options considered by the ERC, evaluation influenced 58 per cent, with the influence being almost totally direct.

Review information may also be used to influence parliamentary deliberations on budgetary issues. For example, a report on performance measures based on last year's budget is presented in the Norwegian government's budget proposals to parliament. The parliament uses this information in the decision-making process together with political, macroeconomic, social justice and other equity considerations (Bastoe, forthcoming).

7.2 Linking programme review and strategic management

Bastoe (forthcoming) identifies the benefits that can be brought to each of the different phases of strategic management by linking review and strategic management. The first phase is often to analyse the current situation and get an understanding of what is working well and what needs to be changed. Review studies can help answer these questions. The next phase is often an analysis of the most probable trends in coming years. Reviews can be used here to help document

current trends and developments. In the third phase, the consequences for government and the public of adopting strategic directions are analysed. Ex-ante review studies, to assess the case for new programmes or extensions of existing programmes, can facilitate such analysis.

This link between strategic management and review can be formalised. In the United States, for example, the Government Performance and Results Act of 1993 requires agencies to produce strategic plans. These plans must include a description of programme evaluations used, and a schedule for future evaluations (Groszyk, 1996).

There are also advantages to programme review arising from strategic management. The strategic management process can help clarify goals and objectives and determine priority areas for review, as with the development of Strategic Result Areas (SRAs) and Key Result Areas (KRAs) in New Zealand. These help ensure that evaluations have a results and outcome focus.

On this latter point, it is important in an Irish context that programme review link with the targets and performance indicators arising from the SMI process. Performance monitoring and management systems developed through the SMI will help clarify the purposes and goals of programme activities, by better defining the costs, results and value of the programmes. Programme review needs to link to this activity, both to gain from it, and to assist the monitoring and management processes focus on key targets and indicators (see Boyle 1997 for a more detailed discussion of the role of performance monitoring and indicators).

7.3 Conclusions

As far as developing linkages between programme review and budgeting and strategic management in the Irish civil service is concerned, one of the main lessons is that such linkages do not happen automatically. They have to be worked at. In particular, it would seem that formal mechanisms are needed to ensure that programme review findings influence budgetary decisions and strategic management processes.

The Australian experience in particular would seem to indicate that benefits flow from devolving decisions or priority setting to individual departments, within strong central guidelines and a central control framework for budgetary decisions which encourages linkages. Encouraging departments to identify spending and saving measures is more likely to result in shifts in expenditure than is a centralised approach. This lesson is identified by Campos and Pradhan (1995) in a study of Australian public expenditure for the World Bank:

The distribution of real savings measures undertaken by line agencies shows that the spending cuts involved some major policy shifts ... However, the bulk of the changes in expenditure composition came from measures of a highly activity specific nature, involving programme redesign and elimination of particular, less cost-effective aspects of program spending. These achievements contrast sharply with an attempt to reduce spending by an earlier administration in the early 1980s, which unsuccessfully tried to eliminate redundant functions in a centralised manner and merely ended up making modest reductions through across-the-board cuts.

8. Conclusions

This study indicates that programme review consists of asking a range of evaluative questions about programmes. These questions may concern: the operation of the programme (is it running as intended?); the impact of the programme (are the programme objectives being met?); and the continued relevance of the programme (should the programme continue to be provided by government?). If these questions are to be addressed effectively attention must be paid to both the supply of review activities and the demand for programme review. It is only when there is a balance between sound review capacity and a willingness to utilise the findings from review studies that programme review impacts on programme decision-making.

A number of key findings emerge from this study regarding the promotion of programme review:

- A range of locations for siting programme review are needed. Some reviews will be based in departments themselves, either at programme manager or corporate group level. Other reviews need to be undertaken by other bodies, including the Office of the Comptroller and Auditor General and central reviews of cross-departmental issues.
- The evaluation units set up to monitor and review EU structural fund expenditure present one model for review worthy of further study as to its wider applicability.
- Comprehensive programme review every three years is a challenging task. In practice, priorities will have to be set and limitations recognised.
- Programme review studies should cover a range of attributes of programme performance, including efficiency, effectiveness and equity, and, where possible, aim to include a user perspective in the review process.
- Training and development supports are needed, both for those conducting programme review and for those commissioning and using review studies. These supports should cover the technical skills needed and the softer skills associated with negotiation, facilitation and communication.

- The stimulation of effective demand for programme review requires the use of a combination of ‘sticks’, ‘carrots’ and ‘sermons’. Resourcing the review process is a key challenge, with specific ear-marking of funds for review being one means of enabling review to compete with other public management functions. Such resourcing needs to be complemented by clear specification of the types of questions review studies are expected to address. A clear focus on outcomes and results is important.
- Linking programme review with budgeting and strategic management will not happen automatically. Structures and processes must be established and put in place. The Australian model provides a useful source of learning on this issue.

A key challenge in the management of public expenditure is that of shifting expenditure so as to facilitate the development of new priority areas. There is also the challenge of ensuring that programme expenditure is used effectively and efficiently. Programme review, if implemented wisely, can contribute significantly to these objectives.

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