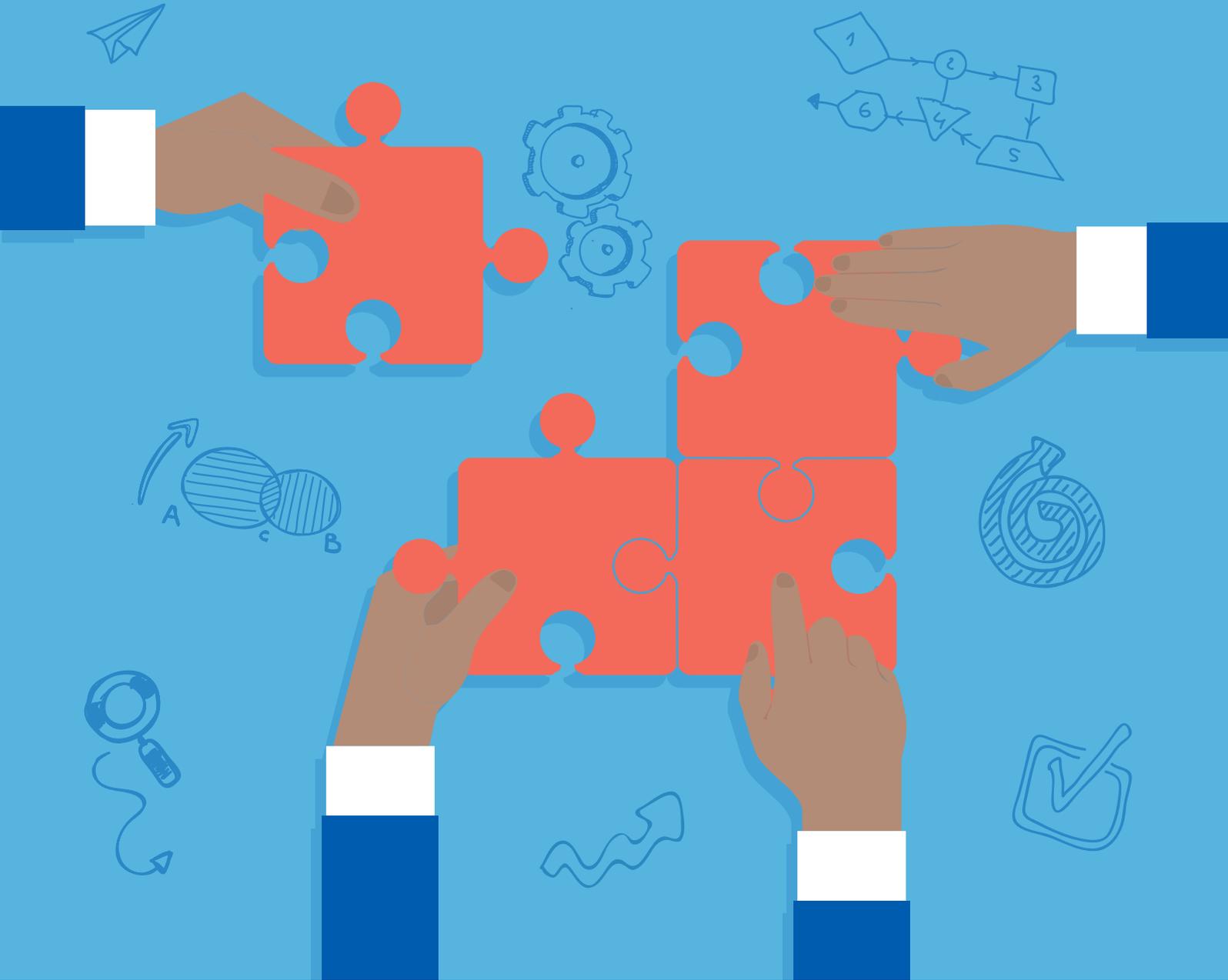




Australian Government
Department of Industry,
Innovation and Science

Office of the
Chief Economist



Evaluation Strategy 2017–2021

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Further information

For information on other department initiatives please see the department's website at: www.industry.gov.au/OCE

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Introduction

This Evaluation Strategy (the Strategy) provides a framework to guide the consistent, robust and transparent evaluation and performance measurement of programs and policies in the Department of Industry, Innovation and Science (the department).

Evaluations, reviews and performance monitoring provide assurance that policies and programs are delivering outcomes as intended, performance is tracked — allowing for correction to occur — and informs future policy and program design. As Australia is called to adapt to changing economic and policy environments, the evidence gained from evaluations and other forms of performance measurement and assessment supports the decision-making of government.

For the government, and this department, the continual questioning of how we are performing is a critical part of good performance management and accountability. We need to know:

- have we achieved what we set out to do?
- how are we progressing in achieving the department’s strategic objectives?
- could we have done things better?
- should we continue to do this or do something else?

Through asking these types of questions we gain an understanding of what works and what doesn’t work and why, what is being done well and what is not, what should be pursued and what should not. This knowledge can improve the design and implementation of effective interventions.

The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) established a core set of obligations that apply to all Commonwealth entities. The Enhanced Commonwealth Performance Framework has brought an increase in external scrutiny, and introduced new requirements for strategic planning, measuring and assessing performance, and reporting.

The department published its first Strategy in 2015. In 2017, an *Evaluation Strategy Post-Commencement Review* (the Review) was conducted, seeking internal and external stakeholder feedback to assess the department’s overall evaluation skills, capability and attitudes; and identify where improvements could be made.

In response to the Review, the Strategy has been updated and revised (*Evaluation Strategy 2017–21*). This revision updates the original Strategy’s approach to evaluation in the department and provides guidance on evaluation activities and internal governance arrangements. The principles outlined in this Strategy will strengthen evaluation and performance measurement capacity in the department and support building a culture of evaluative thinking, ultimately leading to better resource allocation and decision-making and the evolution of programs.

This Strategy:

- outlines the department's approach to performance measurement and reporting, according to good evaluation practice
- establishes a protocol for policy and program areas to plan for evaluation across the lifecycle of a program
- provides a strategic, risk-based, whole-of-department approach to prioritising evaluation effort, and illustrates how evaluations may be scaled based on the value, impact and risk profile of a program
- describes how evaluation findings can be used for better decision-making
- describes how the department is building evaluation capability and a culture of continuous improvement
- outlines how the department will measure its progress in implementing this Strategy.

The Strategy is not intended to be a complete guide to evaluation and performance measurement. It is supported by a range of internal and external resources including:

- the department's guidance material and templates for planning and conducting an evaluation
- the department's templates for Evaluation Ready
- the department's *Performance Measurement and Reporting Framework*
- the Department of Finance *Enhanced Commonwealth Performance Framework*
- the Australian National Audit Office *Better Practice Guide — Successful Implementation of Policy Initiatives*.

This Strategy is divided into four sections which outline:

1. Principles and planning
2. The Evaluation Ready process
3. Advice for conducting evaluations
4. Learning and capability.

1. Principles and planning

Performance measurement and reporting

The department's performance measurement and reporting framework supports the implementation of the Enhanced Commonwealth Performance Framework under the PGPA Act.

The Enhanced Commonwealth Performance Framework enables Commonwealth entities to develop the necessary links between their performance information and their external reporting. Entities are encouraged to adopt performance measurement methodologies that better assess the results of activities and articulate their performance story. The framework introduces a more transparent and cohesive form of performance reporting related to the activities of an entity in achieving its purpose.

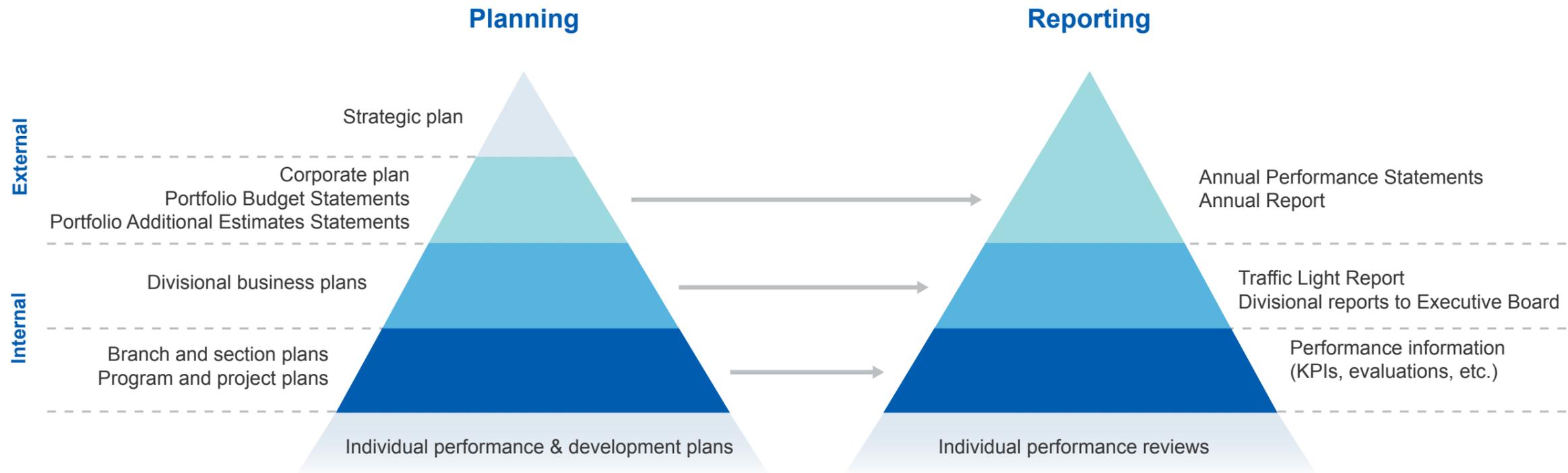
The department conducts performance planning and reporting on an annual basis through five key documents:

- Corporate Plan
- Strategic Plan
- Portfolio Budget Statements
- Portfolio Additional Estimates Statements
- Annual Performance Statements.

The department's Strategic Plan is an overarching document designed for planning and performance management. This Plan provides a high-level overview of its strategic direction and key areas of focus by articulating the department's vision, strategic priorities, objectives and challenges over a four-year period. The Corporate Plan, Portfolio Budget Statements (PBS) and Annual Performance Statements are the core elements of the Enhanced Commonwealth Performance Framework.

The department's overall planning and reporting framework is summarised in Figure 1.

Figure 1: The department's overall planning and reporting framework



Source: Department of Industry, Innovation and Science (2017) *DIIS Performance Measurement and Reporting Framework*, p.2

The department uses a hierarchy of performance criteria to measure and assess its performance (see Table 1). Three levels of criteria are applied to the department's ultimate outcomes; intermediate outcomes; and outputs and immediate outcomes.

Table 1: Overview of the department's performance measurement framework

Level of performance criteria	Results-oriented performance measurement	Performance criteria set out in the Portfolio Budget Statements (PBS) and Portfolio Budget Estimates Statement (PAES)	Performance criteria set out in the corporate plan
Level 1	Ultimate outcome	Measure and assess how Australia is performing with regard to the department's outcome	Measure and assess how Australia is performing with regard to the department's vision
Level 2	Intermediate outcome	Measure and assess the impacts of the department's programs	Measure and assess the department's performance in achieving its purposes
Level 3	Outputs and immediate outcome	Measure and assess the effectiveness and efficiency of the department's sub-programs and their components	Measure and assess the effectiveness and efficiency of the department's activities and their components

Source: Department of Industry, Innovation and Science (2017), *DIIS Performance Measurement and Reporting Framework*, p.3

The level 1 and 2 performance criteria are used to monitor key trends and conditions within the areas of the department's responsibility. These levels of criteria will generate performance information to achieve an improved understanding of 'where we are' and 'where we need to take action' in our effort to achieve the department's outcome, vision and purposes.

The level 3 performance criteria are used to measure the effectiveness and efficiency of the department's activities and components, such as policy advice, initiatives, services, projects and administered programs. Through this level of performance criteria, we can assess and report on the department's contributions to achieving the outcome, vision and purposes attributable to specific activities and components.

The department sets out its vision and four strategic priorities in the *Strategic Plan 2016–20*. The department's vision is to enable growth and productivity for globally competitive industries. The priorities are:

- supporting science and commercialisation
- growing business investment and improving business capability
- simplifying doing business
- building a high performance organisation.

Impact of evaluation activity

Good performance information will draw on multiple sources that offer different perspectives on the achievement of a program's objectives. The performance story of a program is likely to be best supported through a diverse set of measures.

Evaluations provide a balanced performance story through their incorporation of program logic models, and assessment against outcomes. They provide meaningful information and evidence on a component's aim and purpose in terms of its effectiveness and efficiency and the activities that focussed on that purpose. Evaluations provide an opportunity to look beyond performance monitoring and reporting and consider how well the program is achieving its outcomes.

The department responds to growing demand for evidence-based analyses of policy and program impacts by applying robust research and analytical methods, both quantitative and qualitative, to determine and isolate what works in industry, innovation and science policies and programs.

What is evaluation?

Evaluation is an essential part of policy development and program management. The continual questioning of what we are trying to achieve and how we are performing enables us to learn and improve what we do, ensuring that decision-making is informed by the best available evidence.

Policy and program evaluations involve collecting, analysing, interpreting and communicating information about the performance of government policies and programs, in order to inform decision-making and support the evolution of programs.

Evaluation helps to answer questions such as:

- is the policy contributing to the intended outcomes and are there any unintended outcomes?
- are there better ways of achieving these outcomes?
- how have programs been implemented?
- how are programs currently tracking?
- what has been the impact of the program?
- is the policy still aligned with government priorities, particularly in light of changing circumstances?
- should the current program be expanded, contracted or discontinued?
- is there a case to establish new programs?
- can resources be allocated more efficiently by modifying a program or a mix of programs?¹

Evaluation is integral to continual improvement. It is not a one-off, or 'tick the box' exercise.

Evaluation supports:

- **Evidence-based Policy Development**
 - better informed decision-making
 - a stronger basis for informing government priorities
 - more efficient resource allocation
- **Learning**
 - shared learning to improve policy development and future program design and delivery
 - a culture of organisational learning within the department
- **Public Accountability**
 - the public accountability requirements of program sponsors and governments
 - the department's risk-management processes, helping to encourage greater public trust in government
- **Performance Reporting**
 - the analysis and assessment of balanced and meaningful performance information to report on progress in achieving strategic outcomes
 - an enhanced ability to achieve government priorities.

¹ Davis G & Bridgman P (2004), *Australian Policy Handbook*, pp.130–131

Good evaluation practices

If evaluations are to be valuable to decision-makers across government, consistency in approach and planning are required. Evaluations should be conducted to a standard that ensures the information is credible and evidence-based.

The summary below outlines the key principles used to guide evaluation in the department.²

Evaluations should be...	Characteristics of the evaluation principles
Integrated	<ul style="list-style-type: none"> – evaluation is core business for the department and is not simply a compliance activity – evaluation planning is undertaken at the new policy proposal (NPP) stage and completed early in the design of programs – evaluation results are communicated widely and inform decision-making and policy development.
Fit for purpose	<ul style="list-style-type: none"> – the scale of effort and resources allocated to an evaluation is proportional to the value, impact, strategic importance and risk profile of a program – the evaluation method is selected according to the program lifecycle, feasibility of the method, availability of data and value for money.
Evidence-based	<ul style="list-style-type: none"> – the department applies robust research and analytical methods to assess impact and outcomes – collectors of administrative data strive to attain baseline measurements and trend data in forms that are relatable to external data sets.
Timely	<ul style="list-style-type: none"> – evaluation planning is guided by the timing of critical decisions to ensure sufficient bodies of evidence are available when needed.
Transparent	<ul style="list-style-type: none"> – all evaluation reports are communicated internally unless there are strong reasons to limit circulation – the department will move towards publishing more content externally to strengthen public confidence and support public debate.
Independent	<ul style="list-style-type: none"> – evaluation governance bodies have a level of independence from the responsible policy and program areas – evaluators should be independent of the responsible program and policy areas.

² Adapted from Department of the Environment (2015), *Evaluation Policy*, p.7

The role of the Evaluation Unit

The Office of the Chief Economist (OCE) is responsible for providing objective, robust and high quality economic analysis to inform policy development. The Evaluation Unit (the Unit) is located in the Insights and Evaluation Branch (the Branch) of the OCE, providing a level of independence from policy and program areas. The increased accountability and scrutiny under the PGPA Act further reinforce the critical role of the Evaluation Unit as the authoritative source for guidance on evaluation.

The Branch produces evaluation reports and research output to measure the impact of programs and gain a better understanding of business characteristics, behaviour and performance. Amongst other activities, the Branch specialises in the econometric analysis of various dynamics of industry and firm performance, such as assessing the impact of participation in the department's programs. The Evaluation Unit applies mixed methods research approaches combining quantitative and qualitative research methods. The Unit also draws upon general and sector-specific expertise from the OCE and other areas of the department.

Working in collaboration with policy and program staff, the Unit is tasked with assessing the performance of the department's programs and providing evidence to influence future policy and program decisions.

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The Unit maintains the department's four-year Evaluation Plan and reports progress against the Plan to the department's Executive.

The Evaluation Unit is responsible for:

- conducting or contributing to evaluations of departmental programs (post-commencement, monitoring and impact evaluations)
- scheduling and prioritising evaluations through the Evaluation Plan
- providing expert advice and guidance to program and policy areas in planning and conducting evaluations including developing templates and guidance materials
- strengthening the department's capability for evaluative thinking
- supporting programs to be Evaluation Ready, including developing:
 - program logic models
 - data matrices
 - a program evaluation strategy
- providing advice as members of Reference Groups, including drafting Terms of Reference
- maintaining a library of completed evaluations and sharing report findings to inform future policy and program design.

Support from the Evaluation Unit is provided when:

- costing evaluations during NPPs
- undergoing Evaluation Ready
- planning for an evaluation
- conducting an evaluation.

Differences with other areas

Evaluation and Audit — what is the difference?

The roles of evaluation and audit are quite different. Both are important for ensuring accountability and contribute to performance reporting, but they approach it from different angles. Both are fundamental links in the accountability chain and contribute to better program management and endeavour to identify better practice. They share similar approaches and analytical techniques.

However:

- Audits are more closely aligned with compliance and risk.
- Evaluations have a strong focus on assessing policy design and program effectiveness (including measuring impact and return on investment), while audits are focussed on assessing the administration of a program (including checking compliance against regulations and considering risk management).
- Evaluations may look at the appropriateness of government policy (including whether the government was justified in intervening in the market). Audits do not.
- Evaluation findings can be provided directly to policy and program managers to assist with program design and delivery. Audits are usually provided to audit committees (or directly to the Parliament in the case of the Australian National Audit Office) to ensure independence.

Assurance and Audit Committee

The department's Assurance and Audit Committee was established in accordance with the PGPA Act and provides independent advice and assurance to the Executive on the appropriateness of the department's accountability and control framework, independently verifying and safeguarding the integrity of the department's financial and performance reporting.

The Annual Audit Plan provides an overview of the delivery of internal audit services, which include General audits, ICT audits, Management Initiated Reviews and Assurance Advisory Services.

Internal audit provides an independent and objective assurance and advisory service to the Secretary. This ensures the financial and operational controls designed to manage the organisation's risks and achieve its objectives are operating in an efficient, effective and ethical manner. Internal audit assists the Executive and senior managers to discharge their responsibilities effectively and improve risk management, control and governance including business performance. Internal audit also advises the Assurance and Audit Committee regarding the efficient, effective and ethical operation of the department.

The department's four-year Evaluation Plan is provided to the Assurance and Audit Committee for noting annually. Final evaluation reports will be provided to the Committee for information.

Program Assurance Committee

The department's Program Assurance Committee (PAC) provides the Executive Board with assurance in relation to programs within its remit. This includes program monitoring and reviewing. The PAC supports Accountable Officers and Senior Responsible Officers to drive excellence in program design and delivery by providing an open forum for exchanging and sharing ideas.

The PAC facilitates peer learning, including risk and evaluation planning for programs. Evaluation activities are important to allow the PAC to monitor the performance of programs against key performance indicators and identify significant or systemic program issues. As a result, the PAC are significant stakeholders in Evaluation Ready and evaluations.

Program tiering

The department prioritises evaluation effort and resourcing based on the following criteria:

- total funding allocated for the program
- internal priority (importance to the department's and Australian Government's goals)
- external priority (importance to external stakeholders)
- overall risk rating of the program
- track record (previous evaluation, the strength of performance monitoring and lessons learnt).

The department's four-year Evaluation Plan

The department has a strategic, risk-based, whole-of-department approach to prioritising evaluation effort. The scale of an evaluation should be proportionate to the size, significance and risk profile of the program (sometimes referred to as 'fit for purpose'). Evaluative effort and resources should not be expended beyond what is required to satisfy public accountability and the needs of decision-makers.

The department's Evaluation Plan covers a four-year period (over the forward estimates) using the tiering system to identify evaluations of the highest priority and strategic importance. Elements of the Evaluation Plan will be published externally by the department, including in the Corporate Plan and Annual Performance Statement.

The Evaluation Plan is developed in consultation with divisions, using the above criteria as a guide to how and when evaluations should be conducted. To reduce duplication and leverage effort, the department takes account of audit and research activity when developing its Evaluation Plan.

2. Evaluation Ready

Evaluation Ready

Planning for evaluation at an early stage helps identify the questions an evaluation will need to address and when, so that meaningful data can be collected to measure a program's outcomes and impact. The Evaluation Unit facilitates this planning as it works with policy and program delivery areas during the Evaluation Ready process (Figure 3). Evaluation Ready creates a monitoring and evaluation framework to ensure programs are prepared for future evaluations and helps instil an evaluative mindset from the outset.

At the heart of each program is a 'theory of change' by which policy planners determine the outcomes sought and how that change can be achieved.

Each of the following components of the Evaluation Ready process is crucial to ensuring a program is adequately prepared for future evaluations:

- setting out the program's theory of change (the program logic model)
- identifying key evaluation questions, indicators and data sources (the data matrix)
- selecting appropriate types and timing of future evaluations (combined with the logic model and data matrix in the program's evaluation strategy).

Both program and policy areas should be involved in Evaluation Ready

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The program logic, data matrix and a program's evaluation strategy are approved at the Executive Level (EL) level as they are completed. The General Manager of the policy area then approves a program's evaluation strategy as a whole following the Evaluation Unit's signoff. The strategy is then presented to the PAC for noting.

All Evaluation Ready templates can be found on the internal Evaluate website.

Program logic model

A program logic model is the visual representation of a program's theory of change and underlying assumptions.³ It describes how an intervention contributes to a chain of results flowing from the inputs and activities to achieve short, medium and long-term outcomes.

³ W.K. Kellogg Foundation (2004), *Logic Model Development Guide*

Figure 2: Program logic model components



Notes: Amended from the department's program logic model template

The Evaluation Unit guides policy and program delivery areas to articulate the underlying theory of change which translates into the logic model. Underpinning the program logic are four factors:

1. the situation, which describes the need for government intervention, such as a market failure
2. the objectives which will address the need for the program
3. the assumptions that were made as part of the theory of change
4. external factors which could influence the performance and outcomes of the program.

The Evaluation Unit uses a rubric (see Appendix A) to assess whether program logics are appropriate before moving on to further stages of Evaluation Ready.

Data matrix

A data matrix is a tool for organising evaluation questions and sub-questions and developing plans for collecting the information needed to address them.⁴

The Evaluation Unit provides support for:

- developing evaluation questions from the program logic
- identifying performance indicators and data sources
- articulating data collection responsibilities and timeframes
- identifying the required data, including limitations of particular sources.

Program managers need to be aware of any administrative data they wish to capture prior to developing service documents (such as program guidelines, application forms and progress reporting) for the program.

⁴ University of Wisconsin (2002), *Enhancing Program Performance with Logic Models*

Program evaluation strategy

A program's individual evaluation strategy outlines the rationale for future evaluation activity over the specified years and captures all the Evaluation Ready materials in a consolidated document. For each program, the strategy should cover:

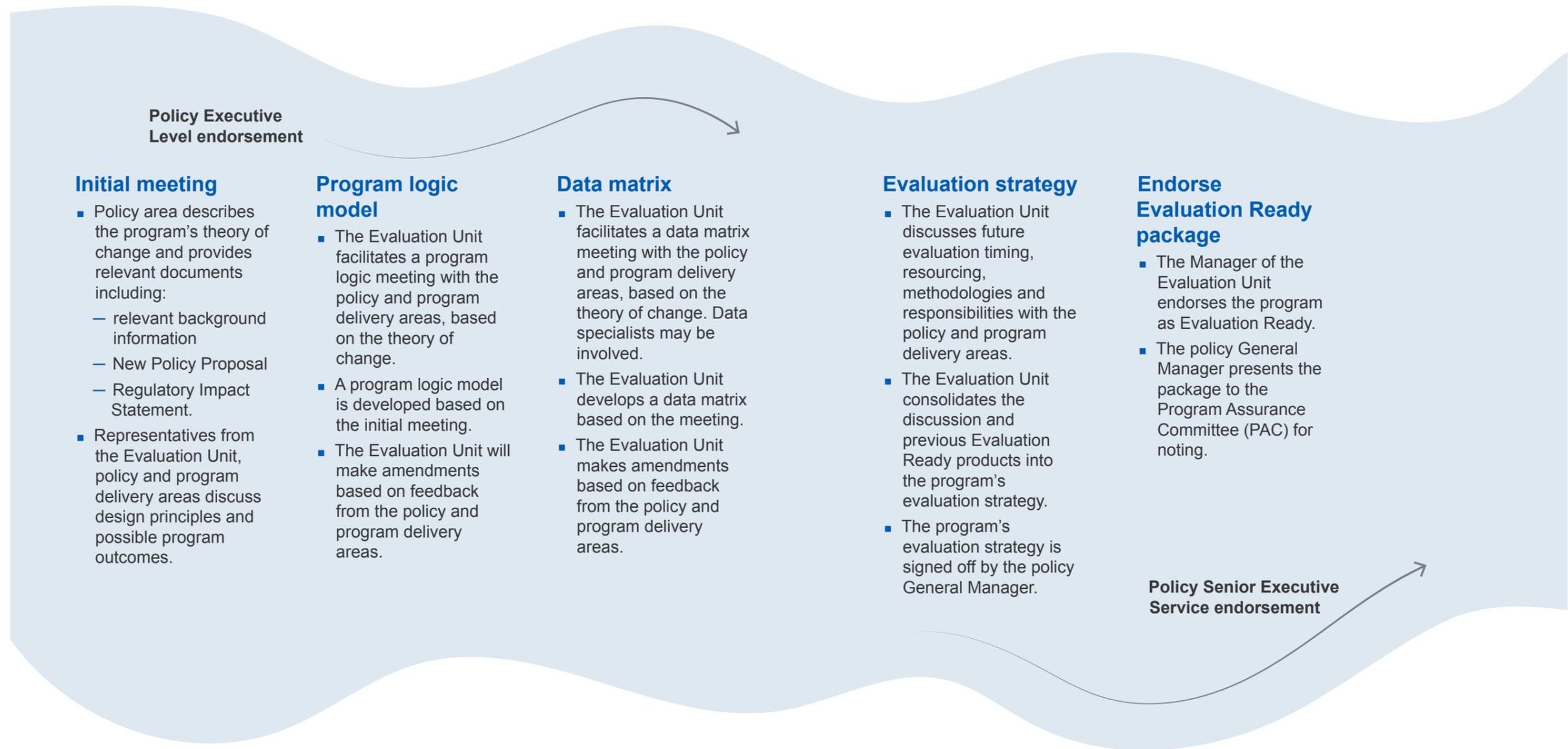
- reasons behind particular types and timings of evaluation activity planned
- scope of each evaluation
- the relevant risks for the evaluation.

The program logic and data matrix will be included as attachments.

Tier One programs are expected to have a more detailed and comprehensive evaluation strategy including consideration of the strengths and limitations of available indicators and data sources.

Completing an evaluation strategy is important to retain corporate knowledge and ensure future staff have access to the thinking behind evaluation planning for their program. The Evaluation Unit prepares a program's evaluation strategy with input from the relevant policy and program areas. The evaluation strategy is subsequently endorsed by the General Manager of the policy area and as noted above, it is the responsibility of the policy area to present the program's evaluation strategy to the PAC for noting.

Figure 3: Process map for completing Evaluation Ready



Source: Department of Industry, Innovation and Science (2017)

3. Evaluations

Approaches to evaluation

The decision to conduct an evaluation is strategic rather than simply routine. Decision-makers need to think through what they want an evaluation to address and when an evaluation should occur. Evaluations should be appropriate to the particulars of a given program; they are not a ‘one size fits all’ arrangement.

Evaluation activity has different purposes at different points in the program lifecycle. All policy and program areas need to consider evaluation requirements from the early policy and program design stage, ideally at the NPP stage. Policy and program delivery staff should consult the Evaluation Unit at this stage to develop their thinking about future evaluations of the program and provide preliminary costings for future evaluations.

The selection of an evaluation method should take into account the program lifecycle and feasibility of the method, the availability of data and value for money.

The types of evaluations the Evaluation Unit conducts are:

- post-commencement evaluations
- monitoring evaluations
- impact evaluations.

A typical evaluation takes six months from commencement to finalisation.

The table below shows the fundamental issues to consider in determining the scale of an evaluation. There may also be times where Cabinet or legislation determine the type of evaluation and when it should be conducted.

Table 2: Characteristics which determine a program’s tier and likely characteristics of the associated evaluation

	Tier One	Tier Two	Tier Three
Characteristics of program	<ul style="list-style-type: none"> – Significant funding – Highest risk – Strategically significant – May be Flagship program – High public profile and expectations – Politically sensitive 	<ul style="list-style-type: none"> – Moderate funding – Medium risk – New or untried program that requires testing of assumptions and or data – Medium level of strategic importance – Moderate public profile and expectations 	<ul style="list-style-type: none"> – Relatively small funding or single payment grants – Low risk – Lesser strategic importance – Not widely publicised – Similar to other programs that have been subject to evaluation activity
Likely characteristics of evaluation	<ul style="list-style-type: none"> – Formal process – Extensive consultation – High resource allocation – Central agencies may be involved – Wide public release 	<ul style="list-style-type: none"> – Greater level of data collection and analysis – Multiple evaluation points during the development and implementation – Regular process reporting 	<ul style="list-style-type: none"> – Informal process – Can be completed internally – Limited data requirements – Low resource allocation – Limited consultation – Low profile release

	Tier One	Tier Two	Tier Three
Evaluation Unit role	<ul style="list-style-type: none"> – Evaluation Unit leads the development of methodology/terms of reference – Reference Group should be chaired by the General Manager of the Insights and Evaluation Branch or the Chief Economist – Independent evaluator could be internal or external to the department 	<ul style="list-style-type: none"> – Evaluation Unit may lead the development of methodology/terms of reference – Reference Group should be chaired by the General Manager of the Insights and Evaluation Branch – Independent evaluator could be internal or external to the department 	<ul style="list-style-type: none"> – Evaluation Unit may be consulted on the development of methodology/terms of reference – Upon request, the Evaluation Unit may provide evaluation advice – The evaluator is likely internal to the department

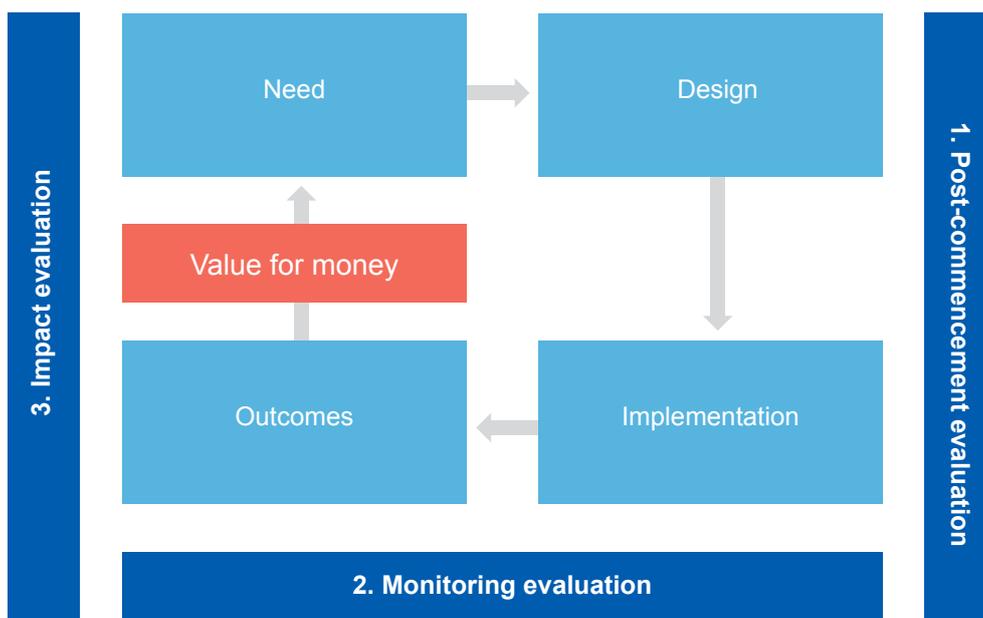
Source: Department of Industry, Innovation and Science (2017)

Evaluation questions

An important part of planning for evaluations is to determine which evaluation questions need to be addressed during the life of a program. The department’s approach to evaluation activities takes into account both the program evaluation hierarchy of Rossi, Lipsey and Freeman and the Department of Finance Expenditure Review Principles.⁵

The grouping of evaluation questions allows evaluation activities to focus on specific domains of the hierarchy. This should be considered when planning evaluations, as part of a program’s evaluation strategy and scheduling evaluations on the department’s Evaluation Plan.

Figure 4: Types of evaluations the department conducts in relation to program evaluation hierarchy



Source: Department of Industry, Innovation and Science (2017)

One year into a program a post-commencement evaluation can be conducted.

At the 18–24 month mark, the data collection and performance measures of a program can be tested through a monitoring evaluation.

Depending on the nature and timeframes of the program, after three to five years an impact evaluation can be conducted.

⁵ Rossi P, Lipsey M, and Freeman H (2004), *Evaluation: a systematic approach*, Sage Publications; Department of Finance (2013), *Expenditure Review Principles*

Ultimately, however, the choice of focus areas for an evaluation should reflect the needs of the program and policy areas. The evaluation Reference Group will decide which focus areas are appropriate before signing off on the Terms of Reference for each evaluation.

Post-commencement evaluation

Post-commencement evaluations ‘check in’ on a program soon after its commencement. This type of evaluation focuses on the initial implementation, design and delivery, to identify issues early on. Post-commencement evaluations typically occur 12 months post-program implementation and focus on reporting to internal stakeholders. Program managers have a responsibility to make the best use of public resources to ensure their programs achieve their outcomes. Post-commencement evaluations provide recommendations for decision-makers to take corrective action early on.

Monitoring evaluation

Monitoring evaluations draw on performance information to monitor the program’s progress, following 18–24 months post-program implementation. They are usually suited to programs which are at a ‘business as usual’ stage in the program lifecycle and look at both short-term and medium-term outcomes. A monitoring evaluation provides an opportunity to test the program’s data sources, to see whether they are providing the required performance information. This provides an indication of performance, contribution to the measurement of the department’s strategic objectives and forms a basis for future reviews. Monitoring evaluations are primarily intended for internal stakeholders but can include external stakeholders.

Impact evaluation

Impact evaluations are usually large and more complex evaluations, which allow for the assessment of a program’s performance. They assess the impact of a program and may determine its value for money. Where possible they would test this against a ‘counterfactual’: they seek to compare program outcomes with a prediction of what would have happened in the absence of the program and may include research about program alternatives to allow comparison of results. They may involve a cost-effectiveness or cost-benefit analysis.

Impact evaluations often use a mixed-method research approach to find objectively verifiable results and contribute to the measurement of the department’s strategic objectives and outcomes. These evaluations commonly occur at least three years post-program implementation and measure the medium-term and long-term outcomes. Impact evaluations should be published externally to strengthen public confidence and support public debate.

An economic impact analysis investigates the impact a program or intervention has on participants, via quasi-experimental techniques. Similar to an impact evaluation,

program participant performance (at the firm-level) is compared to a counterfactual or comparison group (to accurately measure attribution) in a range of measures including business turnover, employment, capital expenditure and survival rates. In contrast to impact evaluations, economic impact analysis typically does not account for broader social and environmental impacts.

Responsibility for conducting evaluations

Priority, scale and methodology will inform who will conduct an evaluation. Subject-matter or technical expertise should also be considered, as should resource availability, time and cost. Options include:

- engaging the Evaluation Unit to conduct the evaluation (subject to timing and resourcing considerations)
- seconding policy or program staff into the Evaluation Unit
- engaging an external consultant or academic.

There should be a level of independence from the areas responsible for policy and program delivery. For evaluations of lesser strategic importance or terminated programs, this could be through advice from the Evaluation Unit. Consultancies should be managed by the Evaluation Unit, for greater independence. Seconding individuals into the Evaluation Unit from the policy and program areas is a viable option to provide some independence, build capability and alleviate resourcing constraints. See Table 2 for further details on the Evaluation Unit's involvement with different tiered programs.

It is essential that evaluation funding is quarantined for planned evaluations and not redirected to other purposes.

Business Grants Hub

The Digital Transformation Agenda, announced as part of the 2015–16 Federal Budget, includes a Streamlining Grants Administration Program to improve the way grants are delivered across the Australian Government. AusIndustry, the department's service delivery division, has implemented a Business Grants Hub.

The department's Evaluation Unit provides evaluation services to programs on-boarded through the Business Grants Hub on a cost-recovery basis. These services assist policy planners and program managers in planning program performance measurement and conducting independent evaluations, which support policy and program improvements and provide accountability and transparency for government investment.

Evaluation Ready is required for all on-boarded programs

All programs managed by the Business Grants Hub are required to be Evaluation Ready (see Section 2: Evaluation Ready for further information). At the end of the Evaluation Ready service, clients will have:

- completed a program logic model and data matrix (performance indicators and data collection methods)
- determined the type and timing of evaluation(s) relevant for the program
- identified evaluation questions for future evaluations
- consolidated all these components into an evaluation strategy.

Evaluations conducted by the Evaluation Unit

Business Grants Hub clients may opt to engage the Evaluation Unit to undertake an independent evaluation of their program. Refer to Section 3: Evaluations for the types of evaluations the Unit conducts. If these additional services are not selected, the policy partner retains the responsibility to ensure an evaluation is undertaken in accordance with the Commonwealth Grants Rules and Guidelines.⁶

⁶ Department of Finance (2017), *Commonwealth Grants Rules and Guidelines*

Governance of evaluations

Office of the Chief Economist

For independence, the OCE both owns and is responsible for approving Tier One and Tier Two evaluation reports conducted by the Evaluation Unit.

The General Manager, Insights and Evaluation Branch or the Chief Economist signs off on the report.

For Tier Three programs, the Evaluation Unit's role is limited to providing advice and guidance if requested.

Approval through the OCE provides a level of independence from policy and program areas.

Policy and program delivery areas

Policy and program delivery areas are major stakeholders for evaluation activities. Relevant General Managers typically participate in an evaluation Reference Group to provide area-specific perspectives and advice. Their support during the evaluation process is critical. Their management comments in response to findings and recommendations are attached to the final evaluation report and they attend the relevant Executive Board meeting which considers endorsement of recommendations.

The Accountable Officer is responsible for implementing the recommendations endorsed by the Executive Board.

Policy and program delivery areas sit on the Reference Group.

Reference Groups

All Tier One and Tier Two evaluations conducted by the department are guided by a Reference Group. Unlike a Steering Committee, a Reference Group does not formally sign off on the evaluation report.

Reference Groups will typically be chaired by the General Manager of the Insights and Evaluation Branch. The Chief Economist may chair the Reference Group in specific cases.

The Reference Group comprises representatives of the evaluated program and policy areas. Membership of a Reference Group reflects the role, rather than the individual's expertise or experience. Staff with specific expertise or knowledge may be invited to serve in an advisory capacity on a case-by-case basis.

A Reference Group's key functions are to:

- approve the Terms of Reference of an evaluation
- provide input and oversight during the evaluation process.

A Reference Group typically meets three times, to: approve the evaluation Terms of Reference; discuss preliminary findings and recommendations; and provide feedback on the draft evaluation report. Further meetings can be scheduled if required.

Reference Groups approve an evaluation's Terms of Reference.

Program Assurance Committee

Programs that have completed Evaluation Ready need to provide their evaluation strategy to the PAC for noting. The Evaluation Unit provides bi-monthly reports to the PAC on the Evaluation Ready status of programs.

Early findings and recommendations of evaluations conducted by the Evaluation Unit are socialised with the PAC for discussion. Upon endorsement of an evaluation report by the department's Executive Board, the final evaluation report is also provided to the PAC for noting.

Provides comments on early findings and recommendations of evaluations.

Executive Board

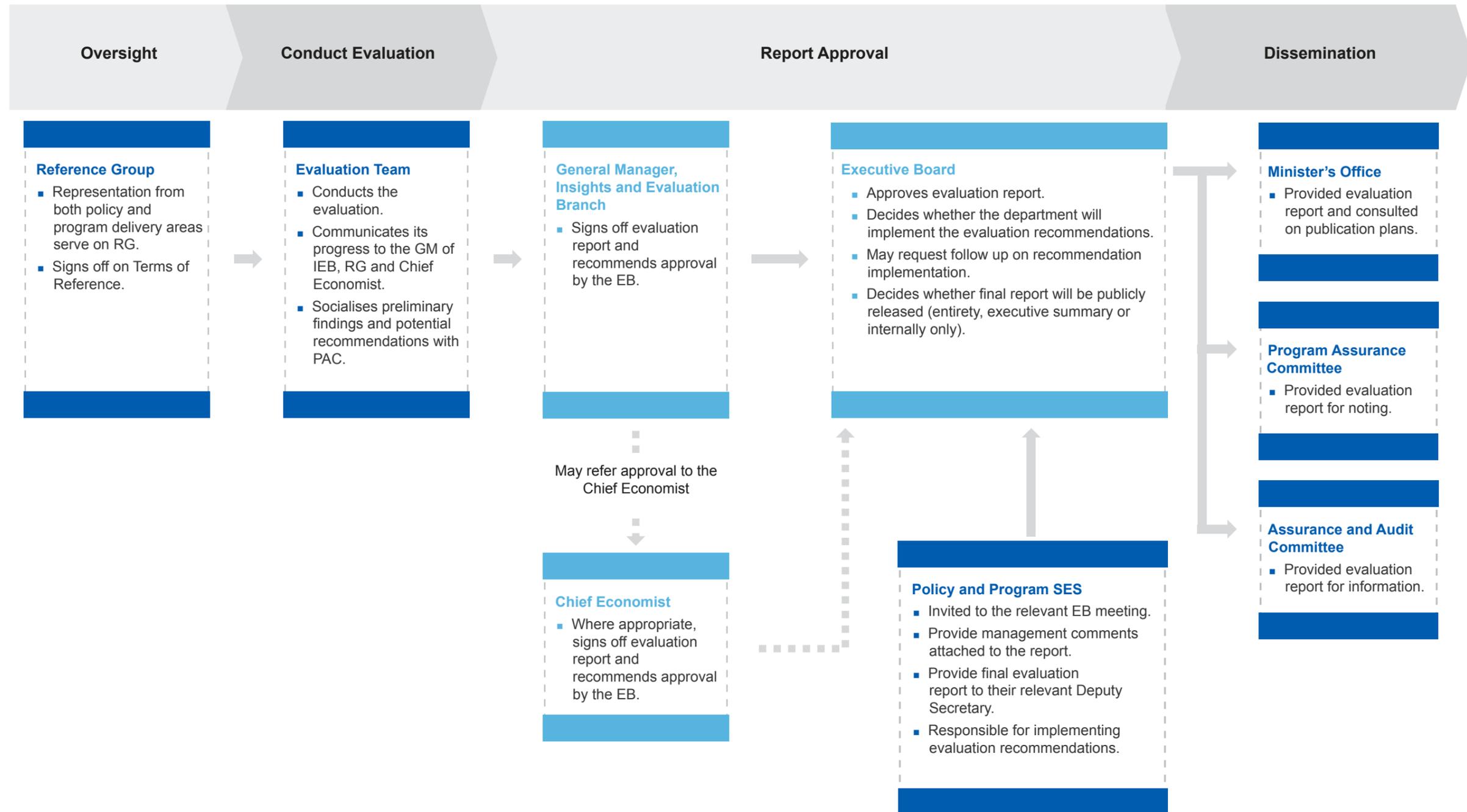
Chaired by the Secretary, the Executive Board is responsible for the overall governance, management, policy leadership and strategic direction of the department. It has responsibility for oversight of the department's evaluation activity, including:

- considering the evaluation report for approval, including whether the department will implement the recommendations
- determining whether the report will be published publicly in its entirety or executive summary only.

Program and Policy SES are invited to attend the relevant Executive Board meeting and provide management comments.

Determines whether the department will publish the evaluation report and whether recommendations are implemented.

Figure 5: Governance structure of Tier One and Tier Two evaluations conducted by the Evaluation Unit



Notes: **EB** Executive Board; **GM** General Manager; **IEB** Insights and Evaluation Branch; **PAC** Program Assurance Committee; **RG** Reference Group; **SES** Senior Executive Service

4. Learning and capability

Lessons learnt

Policy making is a process of continuous learning, rather than a series of oneoff, unrelated decisions. Effective use of organisational knowledge in policy development enables policy makers to learn from previous successes and failures to develop better policy. Program evaluations provide the evidence base to inform best practice expenditure of public funding and the development of policy.⁷

Evaluations increase understanding of the impact of government policy, programs and processes, and form just one of the key sources of performance information that help the department to assess whether it is achieving its strategic priorities. Along with research and audit findings, the outcomes from evaluations are a valuable resource; they support evidence-based policy and the continual improvement and evolution of programs.

Organisational learning uses past experiences to improve policy, recognising that the government may repeatedly deal with similar problems. Developing a culture of organisational learning can make an organisation more responsive to the changes in its environment and facilitate adaptation to these changes.⁸

It is expected that evaluation findings will be communicated widely across the department, particularly to inform decision-making, with resulting recommendations acted upon routinely. It is also expected that evaluation findings and emerging trends are captured, reported and communicated, and brought to the attention of the Executive Board as appropriate. Evaluation findings will also be disseminated to PAC, the Assurance and Audit Committee and the Minister's Office.

Completed evaluations

To improve the sharing of evaluation findings and make them accessible across the department, all evaluations commissioned or undertaken by the department will be accessible internally through a completed evaluations library. All completed evaluations will contain a one page lessons learnt summary. The completed evaluations library will be maintained by the Evaluation Unit and program and policy staff should provide copies of completed evaluations to ensure the collection is comprehensive. By default, all evaluation reports will be published internally.

The completed evaluations library provides significant insight to the approaches used to design policy and implement departmental programs. It captures the lessons learnt from completed evaluations of programs, so future programs can learn from past experience — whether positive or negative.

⁷ Department of Industry and Science (2014), *Policy Development Toolkit*

⁸ Ibid

Presentations

The Evaluation Unit can communicate the findings and recommendations of evaluations conducted by the Unit. This includes:

- all staff presentations
- specific presentations for the evaluated program or policy areas.

Evaluation capacity building

Building capacity and capability in performance measurement and evaluation is not limited to technical skills and knowledge. Performance measurement and evaluation need to be integrated into the way we work and think.

Fostering a culture of evaluative thinking

As we are called to adapt to changing economic and policy environments, measuring how we are performing and providing credible evidence becomes paramount. This cannot be achieved without a shift to a culture of evaluative thinking and continuous improvement.

Organisational culture significantly influences the success of evaluation activity and requires strong leadership. This department is building a supportive culture, led by the Executives, that encourages self-reflection, values results and innovation, shares knowledge and learns from mistakes.

Without such a culture, evaluation is likely to be resisted, perceived as a threat rather than an opportunity or treated as a compliance exercise.

To develop a culture of evaluative thinking the department requires:

- a clear vision for evaluation and continuous improvement
- clear responsibilities and expectations to empower staff, along with appropriate training and guidance material
- knowledge-sharing and tolerance for mistakes to encourage learning and improve performance
- a culture of reward to showcase effective evaluations
- support for the outcomes of robust evaluation to build trust, welcoming the identification of problems or weaknesses.⁹

Building capability

A culture of evaluative thinking and capability building go hand in hand — both are required to achieve a high level of evaluation maturity within a high-performing organisation.

Conducting an evaluation requires significant knowledge, skill and experience. The department is committed to building performance measurement and evaluation capability and technical skills to support staff in planning and conducting evaluations and undertaking performance monitoring.

Learning continues for staff in the Evaluation Unit and across the department in specialised evaluation techniques and methods. The Evaluation Unit is made up of evaluation professionals who are members of the Australasian Evaluation Society (AES) and other professional organisations. The Evaluation Unit encourages its staff to undertake or maintain formal training in evaluation and related areas.

⁹ ACT Government (2010), *Evaluation Policy and Guidelines*

The role and responsibilities of the Evaluation Unit include building capability through providing expert advice and guidance, and ensuring the department is meeting its external reporting accountabilities.

Gaining evaluation experience

Staff often increase their evaluation awareness and knowledge during Evaluation Ready workshops. For further hands-on experience in evaluation, formal arrangements can be made for staff of evaluated programs to be seconded into the Evaluation Unit for the duration of the evaluation. At times, opportunities to work in the Evaluation Unit may be available on the Skills Marketplace and the Unit encourages rotation expressions of interest from graduates.

Supporting guidance material

The Evaluation Unit has developed comprehensive guidance material to support on the job learning. The topics covered range from planning for an evaluation to how to conduct an evaluation or develop a Terms of Reference. The material is designed to be used in conjunction with advice available from the Evaluation Unit.

The Evaluation Unit offers targeted learning on program logic and developing performance measures, as part of Evaluation Ready. The Unit also contributes to policy development and program management training in the department.

Evaluation maturity

Developing and maintaining evaluation maturity is an ongoing process that must be balanced with other organisational objectives. This Strategy establishes a framework to guide the department through the stages of maturity which encompass good evaluation practices.¹⁰

To establish a baseline from which we can identify strengths and weaknesses and priorities for improvement, the Evaluation Unit has assessed the department's current evaluation maturity. While it is following best practice in some elements of evaluation maturity, overall it is between the 'developing' and 'embedded' stages of maturity.¹¹

¹⁰ The Evaluation Maturity Matrix is adapted from:
ACT Government (2010), *Evaluation Policy and Guidelines*, p.17

¹¹ Department of Industry, Innovation and Science (2017),
Evaluation Strategy Post-Commencement Review

Table 3: The department's Evaluation Maturity Matrix

Principle	Beginning	Developing	Embedded	Leading
Integrated	<ul style="list-style-type: none"> – Awareness of the benefits of evaluation is low. – Evaluation is seen as a compliance activity and threat. – Fear of negative findings and recommendations leads to a perception of 'mandatory optimism' regarding program performance. – Insufficient resources allocated to evaluation activities. – Evaluation and performance measurement skills and understanding limited, despite pockets of expertise. 	<ul style="list-style-type: none"> – Appreciation of the benefits of evaluation improving. – Evaluation is being viewed as core business for the department, not simply a compliance activity. – A culture of evaluative thinking and continual improvement is introduced and communicated across the department. – Skills in performance measurement and evaluation developed through targeted training and guidance materials. – Evaluation website and guidance materials developed. – The role of the Evaluation Unit is widely communicated. Unit seen as the authoritative source for advice. – Developing further expertise in the Evaluation Unit. 	<ul style="list-style-type: none"> – A culture of evaluative thinking and continual improvement is embedded across the department, with lessons learnt being acted upon. – Evaluation is seen as an integral component of sound performance management. – General evaluation skills widespread. – Improved skills and knowledge in developing quality performance measures. – Evaluation Unit team members have high order skills and experience which are leveraged by the department. – Evaluation Unit team members hold and are encouraged to undertake formal qualifications in evaluation and related subjects. 	<ul style="list-style-type: none"> – Evaluations motivate improvements in program design and policy implementation. – Demonstrated commitment to continuous learning and improvement throughout the agency. – Department is recognised for its evaluation and performance monitoring expertise, and innovative systems and procedures.
Fit for Purpose	<ul style="list-style-type: none"> – Frequency and quality of evaluation is lacking. 	<ul style="list-style-type: none"> – Guidelines for prioritising and scaling evaluation activity are used. 	<ul style="list-style-type: none"> – Priority programs are evaluated. – Evaluations use fit for purpose methodologies. 	<ul style="list-style-type: none"> – Evaluation effort is scaled accordingly. – Specialist and technical skills well developed to apply appropriate methodologies.
Evidence-based	<ul style="list-style-type: none"> – Data holdings and collection methods are insufficient or of poor quality. 	<ul style="list-style-type: none"> – Planning at program outset improves data holdings and collection methods. – Developing skills and knowledge in applying robust research and analytical methods to assess impact and outcomes. – Quality of evaluations is improving. 	<ul style="list-style-type: none"> – A range of administrative and other data is used in the assessment of performance. – Robust research and analytical methods are used to assess impact and outcomes. – Evaluations conform to departmental standards. 	<ul style="list-style-type: none"> – The department continually develops and applies robust research and analytical methods to assess impact and outcomes. – Evaluation and performance measurement conform to recognised standards of quality.
Timely	<ul style="list-style-type: none"> – Effort and resources are allocated in an ad hoc and reactive manner with little foresight. – Developing performance information at the inception of a program is ad hoc and of variable quality. 	<ul style="list-style-type: none"> – Evaluation activity is coordinated. An evaluation plan is in place and regularly monitored. – Strategically significant and risky programs are prioritised. – Planning for evaluation and performance monitoring is being integrated at the program design stage. – All programs are assessed for being Evaluation Ready. 	<ul style="list-style-type: none"> – The department employs strategic risk-based, whole-of-department criteria to prioritise evaluation effort. Evaluation plans are updated annually and progress is monitored on a regular basis. – Planning for evaluation and performance measurement is considered a fundamental part of policy and program design. – All programs have program logic, performance and evaluation plans in place. 	<ul style="list-style-type: none"> – The department's approach to evaluation and performance planning is seen as the exemplar. – All programs have been signed off and are Evaluation Ready.

Principle	Beginning	Developing	Embedded	Leading
Transparent	<ul style="list-style-type: none"> – Findings and recommendations held in program and policy areas. – No follow up on the implementation of recommendations. 	<ul style="list-style-type: none"> – Findings and recommendations viewed as an opportunity to identify lessons learnt. – Evaluations are available in the completed evaluations library to improve the dissemination of lessons learnt and inform policy development. 	<ul style="list-style-type: none"> – Findings widely disseminated and drive better performance. – Website and guidance materials are a valuable resource for staff. – Evaluation findings and reports are published where appropriate. 	<ul style="list-style-type: none"> – Findings are consistently used to optimise delivery and have influence outside the department.
Independent	<ul style="list-style-type: none"> – Independent conduct and governance of evaluations is lacking. – Evaluations are conducted and overseen by the policy or program areas responsible for delivery of the program. 	<ul style="list-style-type: none"> – There is an improved level of independence in the conduct and governance of evaluations. 	<ul style="list-style-type: none"> – All evaluations include a level of independence. 	<ul style="list-style-type: none"> – Evaluations conducted by the Evaluation Unit are viewed externally as independent.

Source: ACT Government (2010), *Evaluation Policy and Guidelines*

Reviewing the Evaluation Strategy

This Strategy will be periodically reviewed to assess whether it is meeting the needs of the department. The measures of success will include that it is:

- consistent with the PGPA Act
- efficiently allocating evaluation effort
- leading to more effective conduct of evaluations
- fostering a culture of evaluative thinking
- ultimately contributing to more effective programs.

Results of the review will be communicated to the Executive Board. The review will include an assessment of the department’s level of evaluation maturity two years on, a needs assessment and provide concrete examples of progress.

5. Appendix

Appendix A

Program logic rubric

Section of program logic	Requires improvement	Satisfactory	Good (includes all satisfactory criteria plus those listed below)
Overall	<ul style="list-style-type: none"> – The logic linking activities/outputs to outcomes is not convincing. – Arrows not well matched to timescale. – Theory of change ill-defined or not evidence-based. – Not comprehensive across the columns. – Some components incorrectly placed in columns. – Doesn't fit on one page. 	<ul style="list-style-type: none"> – Adequately represents the views of the main stakeholders: policy, program and Evaluation Unit. – The theory of change is clear and indicated by arrows. – The outcomes are realistic relative to the inputs and activities (not changing the world). – Uses active, not passive voice. – The focus is evaluative rather than promotional. – All components are in correct columns. – Outputs and/or outcomes are linked to activities. – The logic linking activities/outputs to outcomes is plausible. – Fits on one page. – Has been cleared/approved at GM level or other where appropriate. – Has been presented to PAC for noting. 	<ul style="list-style-type: none"> – The template has been adapted to a sensible extent to capture differences between programs. – A key is provided where useful/applicable. – Acronyms are explained. – Isn't cluttered, with a suitable level of detail. – The logic linking activities/outputs to outcomes is based on evidence.
Inputs and participation	<ul style="list-style-type: none"> – Is either not comprehensive or is inaccurate in relation to inputs, stakeholders. – Omits staffing and/or administered funding. – Lists government under participation (unless the program targets government as the beneficiary). 	<ul style="list-style-type: none"> – Inputs section includes staffing. – Inputs section includes formal external inputs where the department is not the sole funder. – Funding for inputs is broken down by administered and departmental, where known. – Inputs section includes a clear timeframe for funding, either across the lifetime of the program or other clear timeframes. – Participation section identifies target recipients for the program. The focus is on beneficiaries, not deliverers of it, such as government. – If many participants, these are grouped into logical subgroups. 	<ul style="list-style-type: none"> – Includes in-kind inputs where relevant. – Clarifies target market — distinguishes between primary and secondary beneficiaries. – Participation is represented so as to align with activities and outcomes. – Includes all stakeholders impacted, not just program participants. – Concise.
Activities and/or outputs	<ul style="list-style-type: none"> – Too much detail on generic administration processes such as for granting programs. – Outputs are confused with or substitute for outcomes. – Activities don't link to outputs and outcomes. 	<ul style="list-style-type: none"> – Identifies who does what to whom. – Separates Commonwealth and participant activities as necessary. – Shows ordering of key activities and links to outcomes. – Activities/outputs are directly related to objectives and can be monitored and assessed. – Avoids too much detail on generic administration processes such as for granting programs. 	<ul style="list-style-type: none"> – Uses action verbs to identify activities. – Outcomes are informed by evidence and experience / lessons learnt.

Section of program logic	Requires improvement	Satisfactory	Good (includes all 'satisfactory' criteria plus those listed below)
Outcomes	<ul style="list-style-type: none"> – Outcomes are not comprehensively identified. – Outputs are confused with outcomes. – No theory of change (no connecting links between boxes or every box connects to every other box). – Outcomes are aspirational and/or not able to be assessed. – Simply restates policy objectives. – Doesn't consider short/medium/long-term outcomes. – Links between shorter and longer-term outcomes aren't convincing. – Outcomes are out of proportion to inputs. 	<ul style="list-style-type: none"> – Identification of outcomes is suitably comprehensive. – Articulates who the outcomes relate to (who is benefiting/being affected). – Uses evaluative, not promotional language. – Language is proportional increase and not just number. – Provides realistic timeframes for outcomes. – Uses SMART indicators.¹ Outcomes that can't be measured are clearly indicated. – Outcomes align with objectives. – Outcomes are well connected with a logical flow from short-term to long-term. – Demonstrates logic links and clearly articulates anticipated changes. – Doesn't restate activities/outputs. – Links between shorter and longer-term outcomes are plausible. 	<ul style="list-style-type: none"> – Uses feedback loops if appropriate. – Marks external factors and assumptions in links. – Outcomes link backwards to outputs and activities. – Links such as between shorter and longer-term outcomes are based on evidence.
External factors and assumptions	<ul style="list-style-type: none"> – Not included or not clearly identified. – Not supported by evidence. 	<ul style="list-style-type: none"> – Key external factors and assumptions identified. 	<ul style="list-style-type: none"> – Assumptions supported by evidence/theory of change and risks. – Informed by lessons learnt. – Assumptions comprehensively state the conditions required for the program to function effectively.

Notes: ¹ **SMART** Specific, Measurable, Attainable, Relevant, and Time-bound

Source: Department of Industry, Innovation and Science (2017)

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