

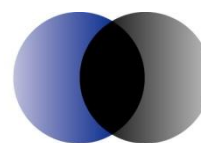
Confidential

**Draft - evaluation of the
effectiveness of advocacy
projects**

Draft framework for evaluation

Prepared for the National Electricity Consumers
Advocacy Panel

1 October 2007



ACIL Tasman

Economics Policy Strategy

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1 Introduction

The Advocacy Panel has commissioned ACIL Tasman to undertake work relating to the evaluation of projects funded by the Panel. The terms of reference were set out in a letter from the Executive Officer dated 21 June 2007. They are:

- develop a framework for the evaluation of the effectiveness of projects that the Panel funds; and
- evaluate the effectiveness of two funded projects nominated by the Panel.

ACIL Tasman developed a draft framework which was submitted to the Panel on 27 August 2007. Following receipt of comments from the Panel, an evaluation of two projects was undertaken to test the framework in practice and refine it in the light of any findings.

In the course of this, ACIL Tasman consulted with the Australian Energy Market Commission, the Australian Energy Regulator and officers from Commonwealth and some State Departments represented on the Standing Committee of Officials of the Ministerial Council on Energy. Consultations were also informed by interviews with two recipients of assistance from the Panel in the course of evaluating the two projects.

This proposed framework has been developed in the light of feedback from the Panel and experience in evaluating the two projects.

2 Objectives of funding

The starting point for assessment of efficiency and effectiveness of projects funded by the Panel is the policy objectives under which the funding is provided. These are embodied in National Electricity Law (the Law), the National Electricity Rules (the Rules) and in the Funding Criteria and Guidelines (Criteria and Guidelines).

Electricity Law defines the national electricity market objective in the following terms:

The national electricity market objective is to promote efficient investment in, and efficient use of, electricity services for the long term interests of consumers of electricity with respect to:

- (a) price, quality, reliability and security of supply of electricity; and (b) the reliability, safety and security of the national electricity system*



Within this overarching objective, the Law and the Rules also establish objectives for the Advocacy Panel. These are encapsulated in the Criteria and Guidelines as follows:

- *to increase end-user input into consultation processes towards the longer term goal of increased end-user involvement in the national electricity market and making that market more efficient and effective* (Funding Criteria and Guidelines, 2005).

In accordance with electricity market Rules the projects eligible for funding should:

- (i) *relate to the development, design or policy behind the national electricity market or the Rules; or*
- (ii) *relate directly to*
 - ... *the responsibilities of the AEMC or NEMMCO under the National Electricity Law and the Rules; or*
 - ... *the monitoring, investigation or enforcement responsibilities of the AER, or functions of the AER relating to the exemption from registration of Network Service Providers, under the National Electricity Law and the Rules;*
- (iii) *have implications for the national electricity market as a whole*

Finally, clause 8.10.6 of the Rules states that an objective of funding is to achieve *diversity in the number of end-users represented, the nature of the interests represented and the issues which are the subject of the application for funding.*

The Criteria and Guidelines are not specific about how the outputs and outcomes of its projects are to be described in applications but they require that the outcomes relate to these objectives and that certain requirements are addressed. They require, for example, that applicants explain how value for money is to be ensured, how end-users will benefit and how the objectives of the electricity market will be achieved (page 7).

3 Objectives of an evaluation framework

An evaluation framework should provide a consistent process for assessment of the efficiency and effectiveness of projects funded by the Panel. The aim should be to provide the Panel with feedback on the success of the projects it has funded in terms of the achievement of its objectives and pointers to how the performance of its funding program might be fine tuned over time. Evaluation is an important component of governance for the Panel in relation to its periodic reporting of performance of advocacy to the AEMC.



This framework aims to provide the Panel over time with the following outputs:

- ex post evaluations of a sample of projects against outputs and outcomes
- information sufficient to assess individual and capacity building projects
- feedback to the Panel to guide continuous improvement in the funded projects as they contribute to the goal of effective advocacy.
- information over time to include in reports to the AEMC on the efficiency and effectiveness of the Panel's program sufficient to satisfy industry and governments that the program is well targeted, efficient and effective.

The outcome of the process would be information to inform the Panel on the efficiency and effectiveness of its funding programs and information on which to base future adjustments and direction of the advocacy projects that it funds.

An important objective of evaluation is also to provide information to support organisational learning, increased understanding of the consultation process among stakeholders and development of their advocacy capabilities.

4 General structure

It is proposed that the Panel evaluates a sample of projects each year to provide a reliable indication of the performance of its funding program over time. The evaluations would address the efficiency of the delivery of outputs and the effectiveness of the projects in delivering outcomes.

The process will include:

- revising the Funding Criteria and Guidelines to require more specific description of expected outputs and outcomes
- requiring the progress and completion report of performance to specifically address the efficiency and effectiveness of each project in terms of outputs and outcomes
- an annual evaluation of a randomly selected sample of projects to build a pool of assessed projects over time on which to judge overall performance of the funding program
- preparation of an overview report on performance of the pool and recommendations for any changes in priority or approach to funding in future.

At the centre of the evaluation framework is the need to address both outputs and outcomes of funded projects. The following outline of these factors is based on the Outcomes and Outputs document issued by the Commonwealth Department of Finance and Administration in 2000.



5 Outputs and outcomes

Lack of a clear description of the outputs and outcomes in project applications can be a major impediment to the effective evaluation of funding programs. A focus on outcomes is particularly important from the Panel's perspective.

A description of the outputs and outcomes is implicit in the requirements of the current Funding Criteria and Guidelines. To ensure that applicants describe outputs and outcomes more explicitly it may be necessary to amend the Funding Criteria and Guidelines and the application form to help guide applicants address these requirements.

5.1 Outputs

Outputs are goods or services that are delivered to external bodies. They are the engine room of performance and the quality, timing and cost effectiveness of their delivery are critical factors in evaluating efficiency and effectiveness.

Describing outputs as process is not constructive for the purposes of ex-post evaluations. For example, it is not helpful from an evaluation perspective to define an output as undertaking research. It is more constructive to define the output of such an activity as research whose results are to be provided to stakeholders or review bodies to better inform and support end-user advocacy. It is important to be clear to whom the research is to be targeted.

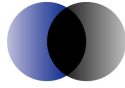
Suggestions for more effective output descriptions include:

- an identified report, analysis or process that is provided to an external body or supports advocacy to review bodies
- an indication of how the research will contribute to the objectives discussed in Section 2 above
- where appropriate, an explanation of how value for money is to be achieved
- how the research relates to the interests of stakeholders and energy market institutions
- how the research will contribute to desired outcomes.

It may be necessary to define outputs in the Funding Criteria and Guidelines and require the applicant to describe both in the application form.

5.2 Outcomes

Outcomes are the results achieved by the outputs. They are the parameters on which the test of effectiveness is measured. Examples of outcomes from end-user advocacy projects include:



- evidence that a decision making body has given serious consideration to the issues raised
- greater end-user participation in rule change processes
- better engagement by stakeholder groups with rule change and policy processes
- rule changes that incorporate end-user concerns
- greater diversity in end-user advocacy, policy or issues
- improved understanding of the market issues and consultation processes by particular stakeholder groups
- more targeted advocacy appropriate to the timing of projects.

5.3 Outcomes and Capacity Building Projects

There is no significant difference in the application of outputs and outcomes between individual and capacity building projects. However there are likely to be additional indicators of efficiency and effectiveness for capacity building projects reflecting their longer time frame and broader focus.

Individual projects provide funds to an organisation to undertake a particular piece of advocacy. As such the outputs and outcomes can be quite specific to the task and are conducted over a shorter time span.

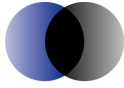
Capacity building projects on the other hand are likely to involve a broader range of outcomes that are addressed over a longer time frame. The outcomes from capacity building projects are also likely to be more diverse and focus more on achieving greater understanding of the issues and processes by stakeholders.

Research into capacity building in other sectors (e.g. NSW Health, 2001) suggested a definition which when translated into end-user advocacy might be as follows:

Capacity building is the process of developing sustainable skills, organisational structures, resources and commitment to improve the level and quality of end-user advocacy in the development of policy and regulatory arrangements for efficient energy markets.

Under this definition, outcomes for capacity building projects are likely to include increasing information available to stakeholders on the operation of the market, greater understanding of consultation processes and timing, better targeted advocacy and policy and regulatory decisions that have given full consideration to stakeholder concerns.

This definition implies outcomes from capacity building projects should envisage a sustainable increase in capacity for advocacy amongst end-users.



Some definitions of capacity building imply longer term self sufficiency and independence. This is may not be achievable or appropriate in the case of certain small to medium end-user advocacy organisations. Left to their own devices such groups are not likely to be in a position to contribute to advocacy. There is a free rider problem which, along with equity considerations in certain circumstances, may result in less than optimal representation by these groups in the absence of assistance.

For this reason ongoing assistance for capacity building, funded by way of compulsory levies on end-users (in the case of electricity) or through budget appropriation (in the case of gas), may be justified over the longer term. To ensure that capacity building projects are working effectively, there should be mechanisms in place to ensure dissemination of information gathered which could incorporate training, succession planning and knowledge management.

The outputs for capacity building projects should include an element of training in the operation processes and arrangements of consultation. The outcomes should also include improved understanding and knowledge of the processes by stakeholders and evidence that rule makers and regulators have viewed their contributions as constructive and relevant regardless of the outcome.

6 Evaluating outputs and outcomes

6.1 Efficiency and effectiveness

Efficiency relates specifically to outputs but touches on outcomes when considering overall cost effectiveness and value for money. It can also include delivery of advocacy of a required quality, clarity and understanding of the principles involved.

Effectiveness relates more to outcomes and includes considerations of how the advocacy influenced the outcome, whether it was delivered at the appropriate time and in the appropriate forum and whether it was considered a valid contribution regardless of whether it achieved the outcome sought.

The current Funding Criteria and Guidelines encourage efficiency because applications for funding need to specify up front how the project relates to the objectives of the Panel, and the Panel uses this information as a key determinant of whether funding is approved.

The Criteria and Guidelines also require the application explain how value for money is ensured – when consultants are engaged, the contractor should provide evidence of competitive tendering for projects greater than \$40,000.



In the light of the importance of well defined outputs and outcomes to the evaluation process it is recommended that the Guidelines and Criteria be revised to define the terms and require an explicit description of outputs and outcomes in each application for funding.

6.2 Evaluating Outputs

In evaluating the outputs of advocacy it is helpful to assess the projects on the basis of their intrinsic characteristics. The Commonwealth Department of Finance and Administration guidelines provide a check list of objective criteria against which the quality of outputs can be assessed (Outputs and Outcomes Guidance Document, 2001). The relevance of each criterion will vary between projects. They include the following:

Purpose

- the extent to which the issue addressed was appropriate to the situation

Logic

- assumptions on which advocacy was based are stated clearly
- supported by evidence
- and were persuasive

Accuracy

- evidence used is accurate and reliable
- all material facts are included

Options

- the appropriate option is advocated

Responsiveness

- advocacy is aware of relevant issues raised by policy makers and discussion papers
- advocacy anticipates developments

Consultation

- evidence of appropriate consultation with other agencies and experts

Presentation

- reports or advocacy meets with acceptable presentation standards, for example:
 - the format of the output is appropriate (e.g. document, table of issues, CD-rom, internet resource, face-to-face meeting, etc)



Draft - evaluation of the effectiveness of advocacy projects

- that any written work presented is of a high editorial standard
- that the format makes the impact of the output as effective as possible
- clarity and coherence

Practicality and relevance

- whether the advocacy was relevant to the issues under consideration and delivered to the correct forum
- advocacy takes account of anticipated problems of implementation, feasibility, timing and whole-of-government policy consistency

Timeliness

- was the advocacy delivered at the right time in the process
- advocacy complied with the required response deadlines

An evaluation of the project against each of these criteria could be carried out, to gather evidence about strengths and weaknesses of the advocacy. This could be documented in a standardised form.

There are also opportunities for feedback from policy and regulatory bodies on the effectiveness of the outputs. The AER, for example, will often discuss the arguments put forward in submissions to regulatory reviews and report their consideration of each argument when reporting on consultation processes. This provides ample evidence on how particular submissions were received, the quality of their arguments and relevance to the issue.

As discussed above, there can be subtle differences between outputs for individual and capacity building projects. Outputs for capacity building projects are more diverse and arrive over a longer time span.

Table 1 Assessment criteria for outputs

| Assessment criteria for all projects | Additional assessment criteria for capacity building projects |
|--|--|
| Quality of report/advocacy (as defined in section 6.2) | Quality of priority setting. |
| Relevance to policy and purpose | Evidence that stakeholders' advocacy is more cohesive and targeted to processes |
| Efficiency and cost of report | Evidence that more effective communication networks have been established to enable consultation and information between peers |
| Relevance to policy formulation and regulation. | Evidence that end-user groups have improved the timing, targeting and relevance of advocacy |

Examples of evidence that might be drawn on to assess projects include:

- reports and submissions



- comment made by the AEMC and the AER in the course of reviews on the relevance and rigor of the arguments
- reporting by the organisations on the nature and usefulness of roundtable consultations and information dissemination
- examination of material on web sites and in reports
- timing and relevance of advocacy.

It would be up to the reviewer to determine the relative importance of specific evidence on a case by case basis.

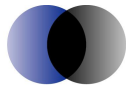
6.3 Evaluating Outcomes

Evaluation of outcomes is concerned primarily with effectiveness. Specific measures of effectiveness for specific projects might include the extent to which each project:

- was considered seriously in the decision making process
- influenced the decision making process
- had a positive impact on reviews and rule change processes
- was well targeted in terms of timing and process
- increased diversity of advocacy
- increased understanding and knowledge among stakeholders of the issues and processes necessary for well targeted advocacy
- created greater capacity among stakeholders to support well targeted advocacy in future

Influence on the decision making process is possibly the most important measure of effectiveness but the fact that an argument is not accepted should not be taken as an indication of lack of effectiveness. In some circumstances other arguments may be considered to carry more weight when the issues are weighed up. However one measure of effectiveness in this case would be whether the arguments presented by end-users were relevant, robust and well targeted. This can be judged in some cases in reports on consultation by policy makers in the process of developing final decisions. As previously mentioned, these reports are often in public documents and therefore can be readily reviewed.

Policy maker and regulatory bodies rely on well argued submissions in the course of consultation on policy, rule change and regulations. Submissions that are not well targeted or timed create costs for both policy makers and advocacy bodies. In the course of evaluating the effectiveness of projects in meeting outcomes it would be appropriate to assess whether the project was viewed as well timed and constructive to debate.



The appropriate way to measure the impact on the decision maker is to seek views on the advocacy, and to measure how the draft position was influenced by the advocacy and the extent to which it was reflected in the final decision. We propose that the relevant decision maker is contacted for a discussion about the advocacy work. This might involve consultations with the AEMC, the AER or government officials.

The Panel have carried out useful peer reviews of individual projects in the past and feel that this has been worthwhile. This remains an appropriate method of evaluating the quality of complex advocacy projects.

Specification of outputs and outcomes are likely therefore to differ to some degree between individual and capacity building projects. An illustration of the difference in approach to specifying outputs and outcomes between funded projects and capacity building projects is provided in Table 2.

Table 2 Assessment criteria for outcomes

| Assessment criteria for all projects | Assessment criteria for capacity building projects |
|--|--|
| Influence on decision makers | Influence of the advocacy of stakeholder groups on decision makers over time. |
| Increased end-user involvement in specific policy formulation and regulatory reviews | Evidence of greater understanding and knowledge of issues among stakeholders. |
| Greater diversity in advocacy. | Extent of a long-term net increase in capacity of a more diverse group of stakeholders to engage in end-user advocacy. |

Examples of evidence of the effectiveness of outcomes include:

- comments in consultation reports on the relevance and strength of the arguments put forward
- the influence of the advocacy on decisions
- a clear indication from stakeholders that understanding and knowledge has been broadened and/or deepened
- the views of the AEMC, the AER and government officials on the effectiveness of advocacy, its timeliness and relevance.

7 The evaluation process

The budget for monitoring the effectiveness of projects is currently approximately \$40,000 per annum; which needs to be spent effectively to gather useful information about how well projects are performing. This means that evaluations should be focussed and concise.

In order to provide information about the projects undertaken with Panel funding we propose that the Panel adds a requirement for a completion report



-a self-assessment of the effectiveness of advocacy at the end of each project. This can be a short document, but one which would explain the outputs of the advocacy and how effective the output was at meeting its outcomes.

It is proposed that the Panel undertake or commission a periodic review of the completion reports from a sample of completed projects.

7.1 Input from applicants

The process will require the applicants to more specifically identify outputs and outcomes up front, and they will also be required to prepare a short project completion report outlining the achievement of the outputs and outcomes.

This will require a revision to the Funding Criteria and Guidelines to assist applicants in addressing these requirements.

7.2 Selection of projects

The sample should, in general, be randomly selected from projects completed during the year. The number selected may be adjusted from year to year in the light of experience. In certain circumstances the Panel may choose to include certain projects where it sees a need to do so.

Because the majority of projects are small, and some large projects stand out, it is proposed that the sampling be stratified, so that a selection is made from three tiers of projects:

1. projects \leq \$20,000 (10 projects in 2006-07)
2. projects \leq \$50,000 but $>$ \$20,000 (17 projects in 2006-07)
3. projects over \$75,000 in value (6 projects in 2006-07).

This way the process is not dominated by small projects, and the materiality of large projects can be reflected in the evaluation process.

The size of the sample requires a trade-off between the budget available for evaluations and the level of confidence that the Panel wishes to achieve in forming judgements about the effectiveness of its total funding. The Panel may wish to further stratify the sample by separating capacity and individual projects into different strata; this would ensure that both types of projects are sampled.

It is suggested that around 25% to 30% of the projects in each category be randomly selected. This should represent a reasonable sample to assess the performance of the program over time. In 2006-07 this would imply the number of projects to be sampled would be 11 as follows

- 3 from projects less than \$20,000



- 5 between \$20,000 and \$50,000 and
- 2 above \$50,000.

Additional projects selected by the Panel may be added if necessary.

7.3 Frequency

It is proposed that the selected sample of project returns are evaluated annually with the aim of building a population of evaluations over time.

This will enable the Panel to make adjustments to program priorities over time as the work requirements evolve and as priorities change.

7.4 Evaluation procedure

An evaluation would begin with a review of the completion report provided by the applicant. The outcomes and outputs achieved would be compared against those outlined in the application for funding and assessed by their intrinsic characteristics, as detailed in section 6.

The evaluation could be undertaken by the Panel or a suitably qualified external resource. The evaluator should consult with stakeholders such as the AEMC, AER and the Standing Committee of Officials of the Ministerial Council on Energy to obtain an external view of the effectiveness of the project.

The evaluation report would outline:

- the performance of projects in the selected sample
- the overall performance of the sample as an indicator of overall program performance
- issues arising from any marginal results
- recommendations for changes to address marginal performance, if necessary, or to capitalise on effective techniques in order to enhance future advocacy.

7.5 Communication of findings

The findings of the evaluations should be included in an annual report to the AEMC outlining the results and the assessment of the overall program performance. The annual report should also indicate lessons learned and changes in approach or priority.

The results of individual projects should also be communicated to the applicants to assist them in meeting the emerging requirements of the Panel following on from the evaluation.



8 Next steps

This is a draft evaluation framework. The framework has been applied to the two capacity building projects selected by the Panel. It has been adjusted in the light of the experience from these two reviews.

Several themes and lessons have emerged in the course of this work. Firstly it is considered important that greater focus be given to defining and reviewing the outputs of projects funded by the Panel. This may require revision to the Funding Criteria and Guidelines and the application form to provide a more explicit definition of outputs and outcomes.

Secondly, there is a need to address the capacity building aspect of longer term projects. A key issue is the extent to which they lead to a greater understanding among stakeholders of market arrangements and the consultation process.

Finally it is important that lessons learned from the reviews contribute, where appropriate, to the formulation of improvements in the structure and focus of the Panel' funding program.

The Panel is seeking comments from stakeholders on this draft Evaluation Framework.



A References

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