

Public Policy Management: W13. Evaluation of Public Policy

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| Week | Main Topics | Key words |
|------|--|-----------------------------------|
| 10 | How Policy Makes Politics | nexus of policy and politics |
| 11 | Evidence-Based Policymaking | Evidence, research |
| 12 | Policy implementation | bureaucracy, Government officials |
| 13 | Evaluation of public policy | Goals, attainment |
| 14 | Public Policy Analysis | policy content analysis |
| 15 | Public Policy Analysis: Stakeholder Analysis | who, what and how |
| 16 | Public Policy Analysis: Cost- Benefit Analysis | costs, benefits, returns |

Recap Previous Weeks

- How Policy Makes Politics
- Evidence-Based Policymaking
- Policy implementation
- Outline of week13: Evaluation of Public Policy – 3 parts
- Part I: What is policy evaluation?
- Evaluation of Change and its meaning
- Why does policy evaluation matter?
- Policy monitoring vs. policy evaluation
- Evaluation framework and their Different ways
- Developing Evaluation Criteria
- Evaluation feedback and feedback loop

Outline of week13: Evaluation of Public Policy

- Part II: Designing the Evaluation of Education Loans (EL) in India
- Relevance in EL/Centrally Sponsored Interest Subsidy
- Appropriateness
- Effectiveness
- Designing evaluation questions
- Data and Methods
- Evaluating the impact of EL - sectoral, sub-sectoral, institutional and individual levels.
- Assessed from economic, fiscal, social, environment and other developmental indicators
- impact evaluation - accessibility; financing; employability and marriage market, though the impacts are many
- Part III – Evaluation challenges

What is Policy Evaluation?

- Policy evaluation uses a range of research methods to systematically investigate the effectiveness of policy interventions, implementation and processes, and to determine their merit, worth, or value in terms of improving the social and economic conditions of different stakeholders.
- *Policy evaluation* is defined as a “structured and objective assessment of an ongoing or completed policy or reform initiative, its design, implementation and results.
- Policy evaluation applies evaluation principles and methods to examine the content, implementation or impact of a policy.
- Evaluation is the activity through which we develop an understanding of the merit, worth, and utility of a policy.

Evaluation of Change

- Evaluation means determining how well a policy is working, and it is not an easy task.
- Different types of changes
 - direct vs. indirect
 - short-term vs. long-term
 - Monetary vs. non-monetary
- Evaluation puts information back into the policy process—this is called feedback.
- Normally a policy has to be in effect for some time (even years) before its impact can be measured.

Evaluation meaning

- What positive and or negative, direct and or indirect, intended and or unintended changes have resulted from the policy?
- What are the challenges?
- What are the unforeseen problems?
- What have been the unexpected costs?
- Challenges: Will the policy be evaluated in the same way by different government entities?
- “Throw out” the policy or just amend it?
- Differing opinions on how to fix the policy after evaluation

Setting the context

- After a policy is passed by the legislature and implemented by the bureaucracy, it becomes a subject of evaluation.
- The main question at this stage is whether the output of the decision making process of a given public policy has attained the intended goals or not.
- Evaluation is often a formal component of policy making and is generally carried out by experts in the same sector who have some knowledge about the processes and objectives pertaining to the issue undergoing review (Gerston 2004).
- Its aim is to determine the relevance and fulfilment **of the objectives, efficiency, effectiveness, impact and sustainability** as well as the worth or significance of a policy.
- This definition may not be universally accepted yet, it has offered a starting point to start the analysis and the questionnaire design.

Why does policy evaluation matter?

- Governments are facing increasingly complex economic, social and environmental challenges, known as the VUCA, Volatile, Uncertain, Complex and Ambiguous, which require systemic approaches and system thinking. These challenges are compounded by increased citizen demand and higher expectations, fragmentation in knowledge, higher perception of corruption, skill gaps in the civil service budgetary constraints and an erosion of trust in public institutions (OECD, 2018).
- In this context, governments should demonstrate that their decisions and policies are informed by evidence, that they set realistic expectations about various policy choices, and spend public resources adequately. Thus, policy evaluation has a critical role to ensure these goals as well as to avoid policy failure (Howlett, 2019).
- By evaluating performance and results, policymakers have a deeper understanding of the underlying policy problems and can make informed decisions about the feasibility of continuing the policy or initiating a new one.

Why does policy evaluation matter?

- Policy evaluation facilitates **learning** as it helps to understand why and how a policy was or has the potential to be successful or not, by providing an assessment about the reasons and causal mechanisms leading to policy success or failure.
- It contributes to the quality of decision-making by providing insights on how to improve links between policy formulation, implementation and outcomes (OECD, 2017).
- Simultaneously, policy evaluation has the potential to improve policy **accountability** and transparency, and provide legitimacy for the use of public funds and resources as it provides citizens and other stakeholders with information whether the efforts carried out by the government, including allocated financial resources, are producing the expected results (OECD, 2018).

Why Is Policy Evaluation Important?

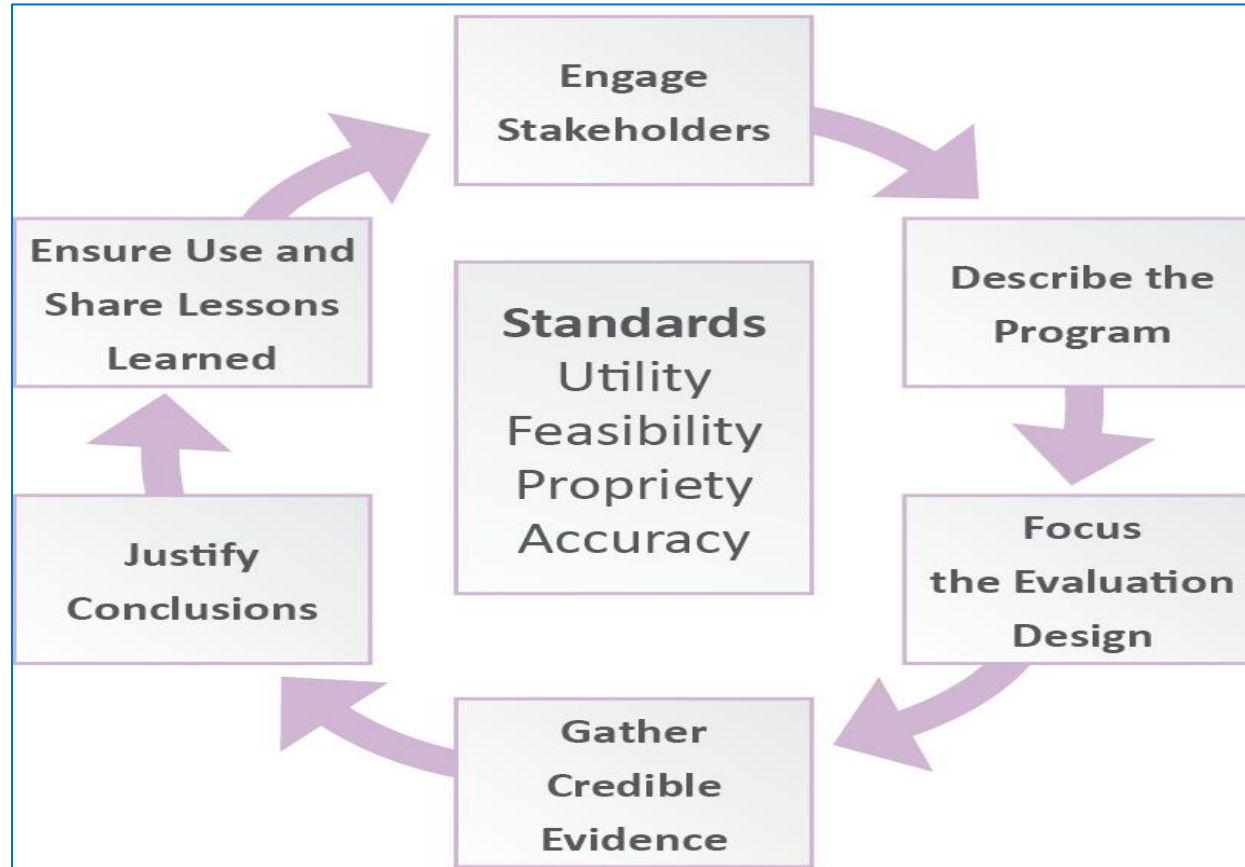
- Policy evaluation, like all evaluation, can serve important purposes along the entire chain of the policy process, including
- Documenting policy development.
- Documenting and informing implementation
- Assessing support and compliance with existing policies.
- Demonstrating impacts and value of a policy
- Informing an evidence base
- Informing future policies
- Providing accountability for resources invested

Policy monitoring vs. policy evaluation

| Policy monitoring | Policy evaluation |
|---|---|
| Ongoing (leading to operational decision-making) | Episodic (leading to strategic decision-making). Differs from audit. |
| Monitoring systems are generally suitable for the broad issues/questions that were anticipated in the policy design | Issue-specific |
| Measures are developed and data are usually gathered through routinized processes | Measures are usually customized for each policy evaluation |
| Attribution is generally assumed | Attribution of observed outcomes is usually a key question |
| Because it is ongoing, resources are usually a part of the program or organisational infrastructure | Targeted resources are needed for each policy evaluation |
| The use of the information can evolve over time to reflect changing information needs and priorities | The intended purposes of a policy evaluation are usually negotiated upfront |

Source: https://www.oecd-ilibrary.org/sites/89b1577d-en/1/3/1/index.html?itemId=/content/publication/89b1577d-en&_csp_=52684f81d2d00263c75d023269b384bb&itemIGO=oecd&itemContentType=book

Policy Evaluation Framework



Source: National Center for Injury Prevention and Control, CDC, 2011

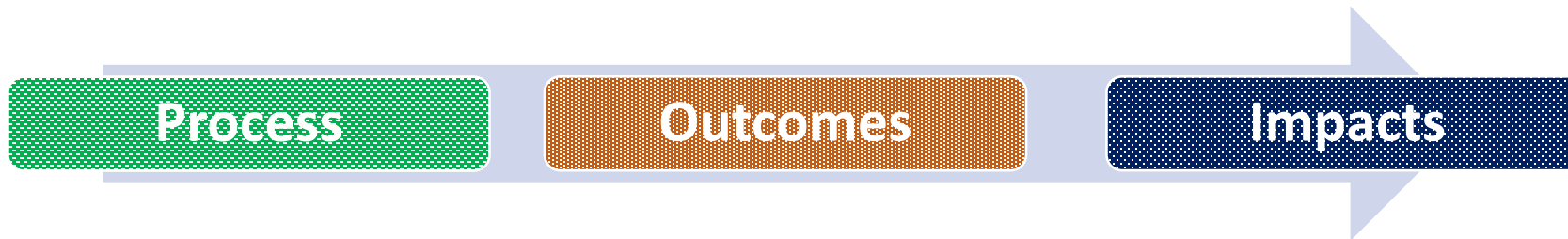
Systematic evaluation of a policy

- The systematic evaluation of a policy – or more specifically of a program – comprises five areas, namely
 - **(1) the need for a particular problem,**
 - **(2) the program's design,**
 - **(3) its implementation,**
 - **(4) its impact or outcomes, and**
 - **(5) its efficiency**
- These domains are mainly dealt with in scientific evaluation, which must be distinguished between administrative evaluations conducted or initiated by the public administration and political evaluation carried out by diverse actors in the political arena, including the public and the media (Howlett and Ramesh 2003).

Different ways of Evaluation

- Evaluation can be carried out in different ways. In this context, Munger (2000) differentiates between
 - (1) *purely formal evaluations (monitoring routine tasks)*,
 - (2) *client satisfaction evaluation (performance of primary functions)*,
 - (3) *outcome evaluation (satisfaction of a list of measurable intended outcomes)*,
 - (4) *cost-benefit evaluation (comparison of costs and impacts of a policy)*, and
 - (5) *evaluation of long-term consequences (impact on the core societal problem, rather than symptoms alone)*.
- In more general terms, policies should be evaluated for their efficiency (using the least resources to the maximum effect) and effectiveness (achievement of the intended goals).

| Stages | Target question | Type of evaluations |
|---------|--|---|
| Process | How was the policy delivery? | Process evaluations is “the analysis of what has sometimes been called the “intervention logic” or causal chain of programmes”. It might explore to what extent these factors varied across different parts of the country, and whether recruitment processes operated in favour of or to the detriment of particular groups. |
| Impacts | Does a policy work? (effectiveness) | Impact evaluations seek to answer to the question “Does a policy work?” Those effects could be positive or negative, primary or secondary, intended or unintended, direct or indirect. Ex. RCT |



Source: OECD

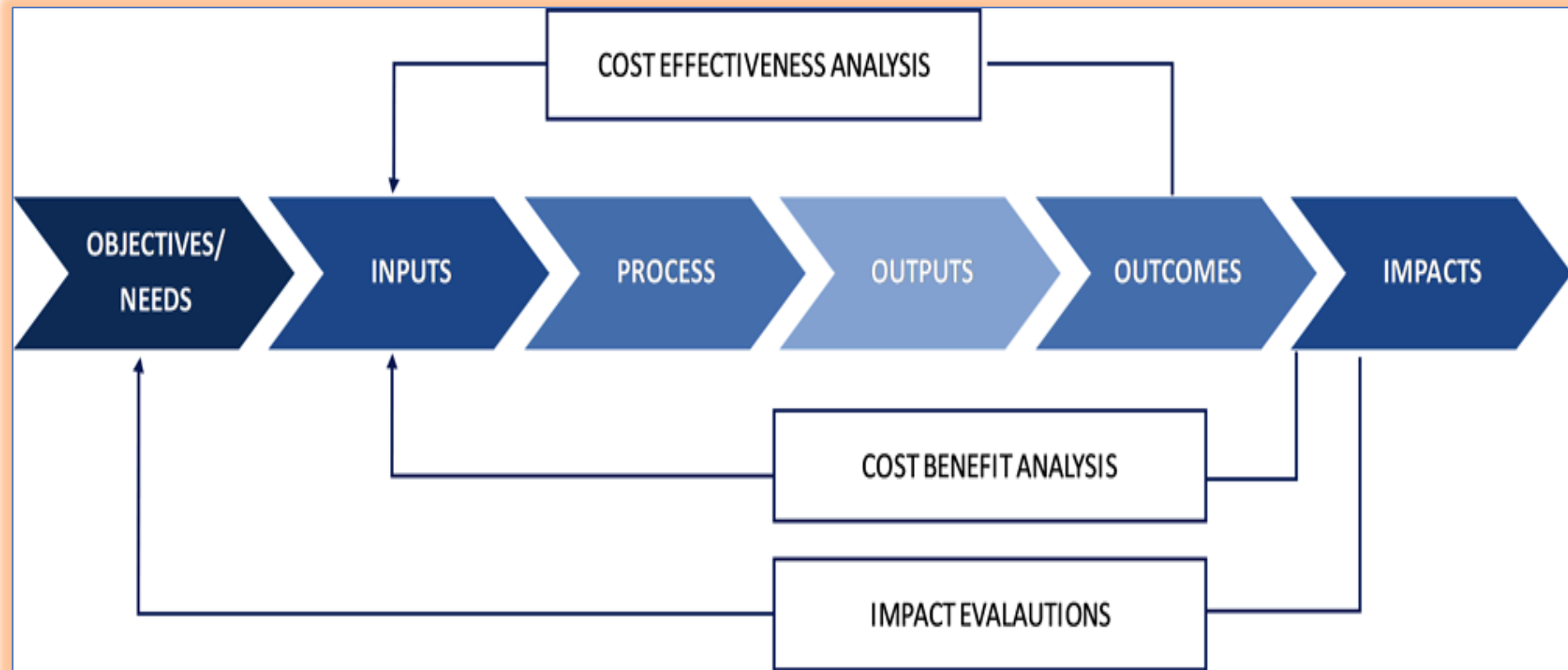
| Stages | Target question | Type of evaluations |
|----------|---|--|
| Outcomes | Has the target group received the services/product? | Outcome Evaluation measures program or policy effects in the target population by assessing the progress towards achieving the outcomes that the program or policy is aiming to deliver |
| | Was the policy justified? Did the benefits overcome the costs? (efficiency) | <p>Economic evaluations show whether those outcomes justified that policy, including whether the costs of the policy have been outweighed by the benefits.</p> <p>Cost analysis: is used to determine the cost of implementing a policy or program.</p> <p>Cost effectiveness analysis: Focus on the cost of the inputs and outcomes achieved in the intervention. It is also known as a way of comparing the costs of two or more interventions to reduce or produce a single beneficial outcome.</p> <p>Cost Benefits Analysis: consists in a method in which both costs and outcomes of an intervention are valued in monetary terms, permitting a direct comparison of the benefits produced by the intervention (same metrics e.g. Rupee, dollars, etc).</p> |

Source: OECD

Relationship between the main stages of the policy process and the three types of evaluation

- **Evaluating Policy Content:** Does the content clearly articulate the goals of the policy, its implementation and the underlying logic for why the policy will produce intended change? Evaluating the development of a policy helps to understand the context, content, and implementation.
- **Evaluating Policy Implementation:** Was the policy implemented as intended? The implementation of a policy is a critical component in understanding its effectiveness. Evaluation of policy implementation can provide important information about the barriers to and facilitators of implementation and a comparison between different components or intensities of implementation.
- **Evaluating Policy Impact:** Did the policy produce the intended outcomes and impact? However, it is important to evaluate short-term and intermediate outcomes as well.

Policy evaluation criteria along the policy chain



Source: OECD

Policy Development Phase and Types of Evaluation



Developing Evaluation Criteria

- Relevance,
- Acceptance,
- Effectiveness,
- Efficiency,
- Fairness,
- Political feasibility,
- Sustainability,
- Do they result in unintended consequences?, etc.
- To decide which criteria fit the problem(s)

Relevance

- The extent to which the aid activity is suited to the priorities and policies of the target group, recipient and donor.
- In evaluating the relevance of a program or a project, it is useful to consider the following questions:
 - **To what extent are the objectives of the program still valid?**
 - **Are the activities and outputs of the program consistent with the overall goal and the attainment of its objectives?**
 - **Are the activities and outputs of the program consistent with the intended impacts and effects?**

Effectiveness

- A measure of the extent to which an aid activity attains its objectives.
In evaluating the effectiveness of a program or a project, it is useful to consider the following questions:
 - **To what extent were the objectives achieved / are likely to be achieved?**
 - **What were the major factors influencing the achievement or non-achievement of the objectives?**

Efficiency

- Efficiency measures the outputs -- qualitative and quantitative -- in relation to the inputs.
- It is an economic term which signifies that the aid uses the least costly resources possible in order to achieve the desired results.
- This generally requires comparing alternative approaches to achieving the same outputs, to see whether the most efficient process has been adopted.
- When evaluating the efficiency of a program or a project, it is useful to consider the following questions:
 - **Were activities cost-efficient?**
 - **Were objectives achieved on time?**
 - **Was the program or project implemented in the most efficient way compared to alternatives?**

Impact

- The positive and negative changes produced by a development intervention, directly or indirectly, intended or unintended.
- This involves the main impacts and effects resulting from the activity on the local social, economic, environmental and other development indicators.
- The examination should be concerned with both intended and unintended results and must also include the positive and negative impact of external factors, such as changes in terms of trade and financial conditions.
- When evaluating the impact of a program or a project, it is useful to consider the following questions:
 - **What has happened as a result of the program or project?**
 - **What real difference has the activity made to the beneficiaries?**
 - **How many people have been affected?**

Sustainability

- Sustainability is concerned with measuring whether the benefits of an activity are likely to continue after donor funding has been withdrawn.
- Projects need to be environmentally as well as financially sustainable.
- When evaluating the sustainability of a program or a project, it is useful to consider the following questions:
 - **To what extent did the benefits of a program or project continue after donor funding ceased?**
 - **What were the major factors which influenced the achievement or non-achievement of sustainability of the program or project?**

Evaluation may include

- Measurement of Change
- Listing of positive and negative changes
- Listing of changes that still need to be accomplished
- Cost-Benefit Analysis: How much has change cost?
- What is the ethical impact of the law?
- History has shown that once implemented, policies are difficult to terminate.
- When they are terminated, it is usually because the policy became obsolete, clearly did not work, or lost its support among the interest groups and elected officials that placed it on the agenda in the first place.

Feedback

- Information and data on impact of law or regulation is communicated to government officials and public.
- Feedback plays a role in shaping amendments to existing laws or the passage of new laws. This is the learning stage.

Incrementalism

- Since most policy problems are addressed in incremental fashion –addressing part of the problem but not all of it-
- The feedback loop often results in the process starting over, often building on the laws that have been implemented.
- Sometimes the feedback process results in rejecting the old approach in favor of a new direction.

Feedback Loop

- Policy evaluation provides a feedback loop, which enables decision makers to draw lessons from each particular policy in operation.
- This feedback loop identifies new problems and sets in motion the policy making process once again, creating an endless policy cycle.
- This turns policy evaluation into a powerful tool of the policy making process: it possesses the potential to reframe an issue once thought to be resolved by policy makers, but as we will see later, it can also lead to the termination of public policies.
- In this respect, policy evaluations can pave the way for policy learning and evidence-based policy making (Sanderson 2002).

Part II: Country case example

- Designing the Evaluation of Education Loans in India

Evaluation Criteria

- Education loan scheme - in operation more than two decades, since 2001
- Central Sector Interest Subsidy(CSIS) scheme since 2009-10
- evaluation criteria, viz.,
- relevance, effectiveness, efficiency, sustainability and impact

Relevance in EL/CSIS

- Whether education loans **responsive** to national and state policies on higher education and financing higher education, primarily access and equity?
- Education loans expected to improve enrolment in higher education by the economically deprived sections.
- To what extent education loans facilitated in improving enrolment of economically deprived groups?
- Similarly improvement in enrolment in other underrepresented groups and regions due to education loans ?
- Data –profile of students who took education loans
- Problem – increase in enrolment - multiple factors operate

Appropriateness

- Cultural of acceptance - accepting loans as method of financing education;
- Financing consumer expenditures through loans - way of life since last two decades
- Urban and among the educated – such acceptance may pervade, but not among rural and uneducated for any loans including education loans
- data– borrowing behavior or perceptions among loan borrowers, to be collected from the borrowers as well as non-borrowers of education loans
- Problem – awareness

Effectiveness

- Evaluating effectiveness involves an assessment of cause and effect—that is, attributing observed changes to project activities, Ex - extent to which changes in enrolment - attributed to education loans
- Validating the Objective – 'meritorious student, though poor, is provided with an opportunity to pursue education with financial support from the banking system with affordable terms and conditions'

Evaluation Questions

- Who are *meritorious* but *poor* students?
- What extent the *meritorious* but *poor* students get access to education loans?
- What are *affordable* terms and conditions?
- What are the mediating mechanism through which these three important terms - meritorious, poor and affordable get translated as operating parameters of education loan?
- How far the operating parameters are consistent with objectives?
- In what ways, where, how and why divergences prevail between the objectives and operating parameters of the scheme?

Evaluation Questions

- What is the trade-off between affordability and credibility for getting access to education loans?
- Does it affect the demand for higher education of the weaker sections?
- Does it benefit the rural and urban; boys and girls; caste groups; minorities; disabled students equally?
- Who gains and who loses from education loans and interest subsidy scheme?
- Challenges - defining who is poor? Is it based on parental income? Problems of self reporting and verification?

Data and Methods

- Profile of students with education loans - data to be collected from Banks
- Profile of beneficiaries of CSIS - data be collected from banks
- Benefit incidence analysis - by various individual, household and institutional characteristics - assess implicitly whether poor students get access to education loans
- Would rather reveal who gets access to education loans

Efficiency

- Financial efficacy - depends on the size of the recovery ratio -- extent to which loans are repaid
- Recovery rate - depends crucially on four main factors
 - whether repayments are linked to inflation;
 - amount of interest subsidy on loans;
 - repayment losses owing to non repayment (default); and
 - administrative costs (Ziderman, 2002).
- Two key indicators, viz., repayment ratio and recovery ratio evaluate the financial efficiency and sustainability respectively

Data and Methods

- Repayment Ratio = Required repayments / Loan size
- Recovery Ratio = Total repayments / Total outlays
- Profile of education loans - Loan repayment schedule – information at branch level
- Administrative cost
- Discounting / Present Value Techniques

Sustainability

- Evaluation questions - What were the major factors which influenced the achievement or non-achievement of sustainability?
- Are education loan / CSIS financially sustainable?
- What are the risks - defaulters?
- Who are the defaulter?
- Why do they default and what are the probable factors?

Sustainability

- Can the repayment mechanism improve the recovery rates of education loans?
- What is the relationship between interest rates and default rates?
- How does interest rates of similar loans and their corresponding NPA behave / perform?
- Data - identifying the defaulters and their profile from banks – first stage
- Profile of defaulters – second stage

Impact of EL Subsidy

- Evaluating the impact of EL - sectoral, sub-sectoral, institutional and individual levels.
- Assessed from economic, fiscal, social, environment and other developmental indicators
- impact evaluation - accessibility; financing; employability and marriage market, though the impacts are many

Accessibility to Higher Education

- Loans are unavailable equally across all disciplines and concentrate towards employment oriented courses and creditworthiness of student borrowers.
- What are the impact of education loans on the enrolment in higher education across disciplines over a period of time?
- In what ways and how does this impact the education sector as a whole?

Impact of Loans on Public Financing Higher Education

- Whether education loans substitute or complement government funds for higher education?
- Government spend very little on educational loans – CSIS - a token subsidy to serve the objective of equity
- Wants to encourage students among weaker sections to go for technical and professional courses!
- Why CSIS only in technical and professional courses?
- Whether the method of financing of higher education intended to change or is changed with education loans and interest subsidy scheme?

Impact of Loans on Employability

- Strong linkages between higher education and labour market – a critical assumption -within the grace period, the student gets employed.
- Repayment of loan -directly related with employment prospects.
- What is the employability of these students who have taken loans?
- Challenge –tracing students who in high probability moved out of their residences, educational institutions and could have also changed jobs.

Impact of Loans on Employability

- Not just employability alone matters - but also quality of employment and their earnings
- Employment and earnings is directly related with either repayment or default.
- Borrowers who end up in low paid jobs, most probably would be unlucky borrowers.
- What are their repayment burdens?
- How does it affect other major decisions in life for such borrowers, such as getting married, having children, buying house, etc?
- Tracer survey - an appropriate method for collecting such information

Impact of Education Loans on Marriage

- Marriages in India – dowries - a transfer of wealth made by the family of the bride to that of the groom - 'arranged' marriages
- Rising dowry levels - associated with higher education and hence better employment of the grooms.
- Though dowry is a social evil, hierarchy of occupations, came to dictate dowry levels.
- In this socio cultural milieu, education loans operate differentially in the marriage market for men and women.

Impact of Loans on Marriage

- Education loans obtained by men for accessing higher education - eventually for a better employment - are expected to bring in higher dowry.
- But for women who borrow and subsequently marry, whose education loan commitments - negative dowry.
- The evaluation questions from the gender perspective are:
- How does education loan influence the marriage prospects?
- What is the anticipated dowry with and without education loans?

Impact of Loans on Marriage

- What is the preference for marriage proposals with and without education loans?
- What are the preferences of grooms for brides with education loans?
- Data - Loanees of different sets: at least 3 different groups needs to be identified –
 - those who took loan and completed studies and working, repaying the loans and married;
 - those who took loans and just working and started repaying and
 - Those who obtained loans and studying

Part III: Challenges to the evaluators

- In practice, policy evaluation presents numerous challenges to the evaluators.
- Citizens and governments alike tend to interpret the actual effects of a policy in a way that it serves their own intentions.
- Often governments avoid the precise definition of policy objectives because otherwise politicians would risk taking the blame for obvious failure (Jann and Wegrich 2006).
- Further, public policy decisions cannot be limited to intended effects only.
- In fact, they are often characterized by a number of unintended effects (Newton and van Deth 2005).
- However, evaluators can be confronted with more general problems: 'Program circumstances and activities may change during the course of an evaluation, an appropriate balance must be found between scientific and pragmatic considerations in the evaluation design, and the wide diversity of perspectives and approaches in the evaluation field provide little firm guidance about how best to proceed with an evaluation' (Rossi et al. 2004).

Policy Evaluation Impact

- The results of the evaluation procedure can also lead to the termination of a certain policy.
- In theoretical terms, policy termination should be likely when a policy problem has been solved, or if evaluation studies reveal the dysfunctionality of a policy.
- Nonetheless, the empirical findings show that once a policy is institutionalized within a government, it is hard to terminate it (Bardach 1976; Jann and Wegrich 2006).
- This immortality of public policies stems from various sources. The most rampant view – which is analogous to Wilson's (1973, 1980) policy typology – is that the continuation of inefficient programs is that their benefits are concentrated in a small, well organized constituency, while their greater costs are dispersed over a numbers over a large, unorganized group.
- Moreover, legislative and bureaucratic interests may impede termination.

Concept of incrementalism

- This is also related to the concept of incrementalism, which implies that attention on proposed changes rather focuses on parts of existing policies and not on its entirety (Dye 2005).
- Further reasons are cognitive aversion, institutional longevity, dynamic conservatism, anti-termination coalitions, legal obstacles and high costs of initiation (Biller 1976; deLeon 1978).
- Thus, termination should become more likely if there a government experiences some kind of shock, justifying drastic measures, such as economic crises (Geva-May 2004).
- Studies of policy termination are therefore frequently concerned with the question why policies and programs continue to exist (Jann and Wegrich 2006).
- The systematic explanation for the persistence of policies in light of their obvious inefficiency is a further challenge and could substantially complement the revised policy termination approach – in particular by means of systematically integrating non-termination phenomena in the face of the sub-optimal provision of services (Bauer 2006).
- Overall, the analysis policy termination needs further theoretical and empirical substantiation.

Policy Evaluation Challenges

| | |
|---|---|
| Lack of resources or clear responsibility for evaluation | Lack of strong evidence base to support policy |
| Fear of evaluation and lack of familiarity with policy evaluation methods | External and contextual factors such as economic conditions or public awareness |
| Lack of “control” over policy implementation. | Access to appropriate data |
| Rapid pace of policy | Lack of appropriate measures |
| Political scrutiny and desire for quick production of results | Difficulty in identifying appropriate comparison communities |

How can evaluation help us?

- Surprisingly little hard evidence on what works
- Can do more with given budget with better evidence
- If people knew money was going to programs that worked, could help increase pot for anti-poverty programs
- Instead of asking “do aid/development programs work?” should be asking:
 - Which programs work best, why and when?
 - Which concepts work, why and when?
 - How can we scale up what works?
- Add to our body of evidence
 - part of a well-thought out evaluation (research) strategy

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Key terms

- **Public policies:** A long series of actions carried out to solve societal problems. They are the main output of political systems.
- **Agenda setting:** Processes through which attention is directed towards a particular public problem.
- **Policy formulation:** The definition, discussion, acceptance or rejection of feasible courses of action for coping with policy problems.
- **Policy adoption:** The formal adoption to take on a policy.
- **Implementation:** The conversion of new laws and programs into practice.
- **Evaluation:** Asks whether the output of a given public policy has attained the intended goals.
- **Decision making:** The rational process through which the 'optimal' policy decision is taken.
- **Policy learning:** A 'change in thinking' about a specific policy issue.
- **Institutions:** Serve to reduce complexities inherent to the policy making process. They shape the behaviour of actors and the use of policy instruments.

What next?

- Public Policy Analysis