
6 Improving policy development processes

The analysis and discussion in the previous chapters noted that the extent of integration of short term and long term economic, environmental and social goals in policies and programs by Commonwealth agencies and departments has been variable. Progress in effective implementation of ESD seems more advanced in portfolios directly related to the management of natural resources and ecosystems than in other areas.

The implementation of ESD occurs at many levels — local to global — and so is affected by many factors. In some cases, the integration of economic, environmental and social considerations introduces characteristics which make it more complex than other areas of policy. These include measurement difficulties attributable to inter- and intra-generational equity considerations, scientific uncertainty and long response time frames (particularly in environmental impact assessment). While these characteristics are not unique to policy development for sustainable development (for example, scientific uncertainty is not confined solely to ESD policies), they tend to occur more frequently and present greater challenges with respect to sustainable development. Thus achievement of ESD is inherently complex.

However, in other cases progress in implementing ESD has been limited by a failure to even attempt to use existing, standardised ‘good practice’ processes for policy design and implementation. In other words, it reflects poor policy making practices — something not necessarily related to the complexities of ESD.

6.1 The case for change

Previous chapters have detailed how Commonwealth departments and agencies have incorporated economic, environmental and social objectives into their policies and programs. The extent to which policy formulation, evaluation, and monitoring processes have facilitated the integration of these objectives has been variable. In some cases this relates to poor compliance with existing good practice policy making processes (see below). In others, it reflects some of the difficulties inherent

in integrating different (and in some cases potentially conflicting) objectives into policy, and also coordinating these across different parts, and levels, of government.

Several elements (summarised in figure 6.1) relate to the successful inclusion of ESD principles in policy development. These elements are interrelated. They incorporate good practice policy development processes, and highlight the need for coordination between and within governments and stakeholders, ongoing monitoring and review, a long term focus, and a focus on information gathering. The extent to which these elements are adequately accounted for in the decision making processes of departments and agencies varies significantly.

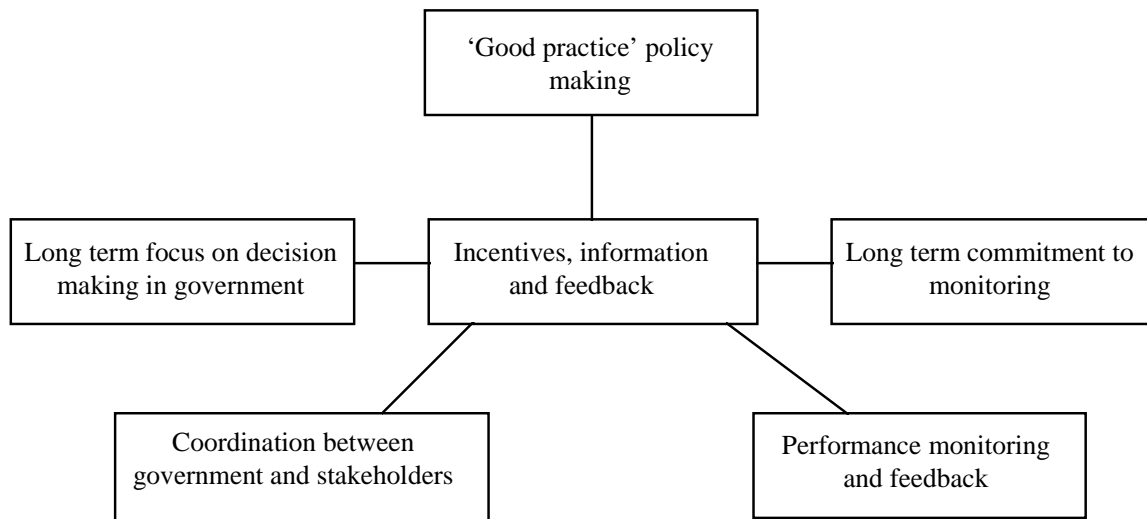
This chapter is about improving the design and assessment elements of the policy development process. Coordination, monitoring and feedback issues are discussed in chapters 7 and 8, while issues relating to the need for a long term focus are discussed in chapter 9.

Good practice policy making

The adoption of good practice policy making processes is not uniform across (or within) Commonwealth departments and agencies. As discussed in chapter 4, while there are examples where policy making processes have been effective in taking account of ESD considerations, there are also cases where this has not occurred. In the latter, this has often been due to a failure to comply with common good practice policy making processes and mechanisms (such as regulation impact statements (RIS) and environmental impact assessments (EIA)) — particularly in regard to identifying and integrating short term and long term economic, environmental and social considerations.

This issue is complicated by a lack of understanding in some areas of what constitutes ESD related issues. As discussed in chapter 4, certain departments indicated that they had not undertaken any ESD related activities, nor had they taken these issues into account in developing policies and programs, because they considered that ESD does not relate to their core activities.

Figure 6.1 **Elements of ESD implementation**



Coordination issues

The multidisciplinary scope of sustainable development complicates ESD implementation (compared with other areas of policy making) due to the demands of coordination between different levels of government and between agencies and other stakeholders. Poor coordination by governments was identified in chapter 2 as one of the main causes of intervention failure and illustrated in submissions cited in chapter 3.

However, for some ESD related policies, coordination between governments and stakeholders has been an important component of the policy development process. The development of regional forest agreements, for example, generally involves establishment of steering and technical committees which comprise Commonwealth and State and Territory representatives, and establishment of local stakeholder reference panels.

A related issue is accountability — the broad ESD policy agenda transcends the portfolio structure of government departments, in particular the traditional advocacy role of departments and agencies.

Monitoring and feedback

An aspect of good practice policy making concerns the monitoring of outcomes against established performance objectives. For ESD, this is complicated by data inadequacies with respect to natural resources, interactions within ecosystems, and the measurability of social and environmental effects, particularly as some of these

may occur only well into the future. The examples of ESD related policies implemented in the areas of, for example, climate change, fisheries and forestry highlight the need for a long term commitment to information gathering (see chapter 5).

Long term focus

Departments and agencies may fail to give adequate consideration to the long term impacts and responses which must be incorporated into ESD policies. This can result from deficiencies in the information required to implement good policy making practices. An important feature of ESD related policies in a number of the case studies summarised in chapter 5 is their recognition of the long term nature of the problems.

6.2 Improving the adoption of good policy making processes

It is axiomatic that incorporating ESD principles into government decision making is fundamentally about good practice policy making. Following the basic principles of good practice policy making will allow informed and transparent judgements to be made regarding the integration of economic, environmental and social considerations into policy, even in cases that might involve measurement difficulties.

At present ESD may not be adequately considered in policy development and implementation for several reasons. Certain agencies have not followed the basic principles of good practice policy making. This is reflected in a failure to satisfactorily apply existing mechanisms such as regulation, social and environmental impact assessments.

In addition, intervention failure (see chapter 2) may also be a significant issue. Factors such as measurement difficulties associated with certain social and environmental impacts may mean that information and data required to make integrative, balanced decisions in policy development are not available. Information might also be lacking on what priority should be given to each aspect of ESD, and how these should be reconciled where there is conflict.

Finally, it needs to be recognised that policy is driven by a range of factors, including influences such as budgetary constraints and electoral considerations. In other words, 'poor policy' can occur even if there are good policy development processes in place.

Principles of good practice policy making

The basic principles of good practice policy making have already been formally recognised by governments in Australia and internationally. For example, 18 OECD countries use regulatory impact analysis as a guide to regulatory decision making. As discussed in chapter 5, these principles are reflected in a number of Commonwealth Government guidelines and requirements for policy making (such as requirements for RIS) as well as the enabling legislation of a number of government agencies. For example, under the *National Environment Protection Council Act 1994*, the National Environment Protection Council (NEPC) is required to prepare an impact statement for any National Environment Protection Measure (NEPM). This impact statement must include, among other things, a statement of desired outcomes as well as identification and assessment of the economic and social impacts. Less formal mechanisms, such as departmental and agency procedures and manuals generally follow the principles of good practice policy making.

Internationally, in 1995 the OECD adopted a ‘Recommendation on Improving the Quality of Government Regulation’ — the first international standard on regulatory quality. This included a 10 point checklist reflecting principles of good practice government decision making (IC 1995). Many of these are reflected in the principles of good practice policy making outlined in box 6.1. Similar principles formed the basis of the template for consideration of the case studies in chapter 5.

While the standardised policy cycle and the steps expected of policy makers are widely known, in some cases poor compliance with some of these steps has been a constraint on ESD implementation. For example, it may not result in a full range of alternative policy instruments being considered. With respect to management of natural resources and the environment, the Industry Commission has found that policy development has been ad hoc and has resulted in inappropriate policies insofar as there has been a heavy reliance on command and control approaches in certain areas (IC 1998).

Failure to follow good practice principles means it is more likely that poor or unintended outcomes will occur. For example, in its inquiry into ecologically sustainable land management, the Industry Commission found that poor regulatory design had resulted in perverse outcomes from some government policies (IC 1998).

Box 6.1 **Principles of good practice policy making**

The standardised policy cycle model includes a number of stages, from ex ante assessment of proposed policies or programs to ex post evaluation of their impacts and outcomes.

Well identified problems

The size and significance of the problem being addressed should be considered, and the reasons for government action should be clear.

Clearly specified objectives

Objectives should be clear and relate specifically to the problem being addressed.

Consultation and coordination

Consultation should occur across and between governments, and with interested parties.

Effective policy options, instruments and institutional arrangements

Policy options should be commensurate with the identified problem — not every problem may warrant a high level of regulation, for example. A full range of policy instruments and institutional arrangements should be considered.

Comprehensive assessment of impacts

The costs and benefits of a policy proposal should be assessed. In the case of ESD implementation, this should involve the consideration of economic, environmental and social impacts.

Integrated decision making

Taking account of ESD considerations explicitly requires the integration of economic, environmental and social objectives and impacts. In some situations, this significantly adds to the complexity of policy making relative to some other areas.

Monitoring, evaluating and reporting

Monitoring and evaluation are key parts of the policy process. Performance indicators can be used to assess the success of the policy in meeting specified objectives. A feedback mechanism should allow for modifications and refinements of the policy to be made if necessary. Formal program evaluations should also be considered.

Sources: OECD (1995); ORR (1997).

Use of existing assessment instruments

As previously mentioned, there are formal mechanisms or instruments in place that policy makers should follow in the policy development process. However, in the context of ESD implementation, the effectiveness of existing formal mechanisms

(such as RIS and EIA) is limited by their intended scope and the lack of effort put into their preparation.

Existing formal mechanisms may only apply to a subset of government policy making activity (table 6.1). For example, departments and agencies must prepare RIS for any regulatory change which could potentially affect business or competition. In 1997, the Government decided that RIS would be tabled as part of explanatory documents when legislative proposals are put before parliament (IC 1997b). There may be policies which are ESD related that do not fall under this category and would not have to comply with the formal RIS requirements.

Across the whole of government, compliance with RIS requirements is mixed. For 1996-97, it was reported (IC 1997b, p. 44) that :

The level and quality of adherence by departments to Commonwealth RIS requirements differed considerably and was generally much below what it should have been.

For 1997-98, the Productivity Commission (1998, pp. xvii–xviii) found:

Compliance varied across the different forms of regulation ... Compliance was highest for Bills introduced into Parliament ... Compliance was poor for quasi-regulation.

The Commission also found that failure to comply with RIS requirements related to resource constraints and that incorporation of RIS requirements into regulation making represents something of a cultural change for departments (PC 1998).

Environment Australia (sub. 21, p. 13) questioned the effectiveness of the RIS process for assessing practical impacts, particularly with respect to the environment:

RISs do not guarantee that the practical implications of new regulation have all been assessed before new legislation is brought forward ... [in addition] RISs also do not provide a comprehensive assessment of the environmental impacts of regulation.

However, if analysis as part of a RIS is undertaken rigorously, it should include both an assessment of the practical implications as well as the economic, environmental and social costs and benefits of a particular proposal. As such, the problem identified by Environment Australia appears to be an issue related to the application of the instrument by agencies rather than the nature of the instrument itself. In fact, on this latter point, Environment Australia itself (sub. 21, p. 13) noted:

RISs are more likely to be useful if RIS principles are injected early in the policy process, rather than as a screening process.

Table 6.1 Coverage of EIA and RIS

<i>Instrument</i>	<i>Activities covered</i>	<i>Activities not likely to be covered</i>
EIA	Activities with significant environmental impacts.	Commonwealth actions with economic, environmental and social impacts but where environmental impacts are not considered significant.
RIS	Regulations which directly, or indirectly, significantly affect business or competition.	Any government decision which does not involve regulation, or if regulation is involved, does not affect business or competition (such as some social policies).

With respect to environmental matters, objectives under the *Environment Protection (Impact of Proposals) Act 1974* seek to ensure, to the greatest extent that is practicable, that matters affecting the environment to a significant extent are fully examined and taken into account in relation to Commonwealth actions and decisions (s. 5(1)). As noted in chapter 4, Commonwealth action ministers must consider the results of assessments such as environmental impact assessments or public environment reports and/or any recommendations made by the Minister for the Environment and Heritage (EA, sub. DR68).

However, EIA are only required for activities which have ‘significant’ environmental effects, and not for many other proposals or activities which may still affect ESD. This limitation with the formal EIA process was noted by Harding (1998, p. 141):

Some projects or activities which do not legally require the preparation of an EIS [environmental impact statement] may be just as detrimental to the environment as those that do.

The short time periods involved for understanding problems, collecting data and considering impacts has also been cited as a problem with respect to the development of EIA — particularly where environmental impacts do not appear for some time and where it can be difficult to distinguish between the impact of proposals and normal cycles in the environment (Harding 1998).

Another limitation is the project focus of EIA. In considering particular projects or policies in isolation, the cumulative or synergistic effects (where two or more effects have more impact in combination than the sum of the separate effects) may not be taken into account. This was supported by a review of EIA undertaken by the Commonwealth Environment Protection Authority in 1994-95. It found that the project focus of EIA implied inadequate consideration of cumulative and regional impacts (CEPA 1994).

However, positive aspects of the EIA process were noted by the Department of Health and Aged Care (sub. 10, p. 4):

Environmental impact assessment (EIA) has been a feature of the planning process in Australia for the last two decades and has been of benefit by allowing the prediction of potential damage to the environment (eg to the physical environment, the biological environment, the land use and transport systems, noise levels and health levels) by a proposed development.

In contrast, the National Public Health Partnership Group (1998, p. 39) argued that conventional EIA are not broad enough because they do not take account of factors such as:

... social structure and cohesion, education, employment, community structure and infrastructure, recreation opportunities, and spiritual factors ...

As a means of overcoming some of these perceived limitations of EIA, the Department of Health and Aged Care (sub. 10, p. 5) submitted that health impact assessments should be considered as a component of EIA. (Health Impact Assessments are currently in use in Tasmania):

In order to achieve the goals of ESD it is important that health impact assessment (HIA) be used to provide a better appreciation of the human costs and benefits, which should lend both accounting and political power to the EIA process ... The incorporation of HIA in EIA would significantly enhance the validity of decision making.

Another issue concerns the focus of these formal instruments on ex ante assessment. Some participants argued that greater attention should be paid to monitoring and feedback, particularly as a means of testing predicted impacts. This point was made by the Australian Conservation Foundation in the context of the Government's proposed Environment Protection and Biodiversity Conservation Bill. The Australian Conservation Foundation (sub. 27, p. 24) linked this problem to the EIA process, arguing that current EIA are inadequate because they do not include provision for ongoing monitoring and review:

One of the greatest failings of the current EIA process is the failure to monitor and keep matters under review. Predictions are regularly made in assessment documents about the impacts of a development. These are either quantified, with numerical values given to the impact, or expressed in unquantified terms such as "not significant".

A similar point was made by Harding (1998) in relation to projected impacts in EIA. Harding cited a study conducted in the United States which found that of impacts foreshadowed in environmental impact statements, only 30 per cent were similar to the ultimate outcomes. In an efficiency audit of Commonwealth EIA processes, the Australian National Audit Office (1992) was also concerned at the lack of monitoring as part of the EIA process.

However, including monitoring requirements as part of EIA or RIS processes would represent an expanded role for these mechanisms in that they would not only act as

an input to decision making ex ante, but also ex post as part of a monitoring and evaluation regime for a given policy proposal. Monitoring issues are discussed in detail in chapter 7.

The National Environment Protection Council is an example of an agency with its own guidelines relating to policy development. In its submission to this inquiry, Kimberly-Clark discussed an example concerning standard setting requirements under the NEPC. Kimberly-Clark submitted that these requirements (including a statement of costs and benefits) had not been followed with respect to a proposed national environment protection measure which formed part of a suite of policies related to waste management (sub. 26, p. 2).

Under its legislation, the NEPC is required to consider, among other things, ‘environmental, economic and social’ impacts of NEPMs. With respect to the Used Packaging Materials NEPM, the NEPC (1998, p. 5) considered that it was not feasible to undertake a conventional cost benefit analysis of the options proposed, because it represented only part of a suite of policies. The Australian Industry Group argued (sub. 12, p. 2) that this example highlights the tension inherent in dealing with multiple objectives:

The concept of ESD encompasses environmental, economic and social components. The packaging NEPM does not reflect this approach placing undue emphasis on the social component of ESD at the expense of economic, and in our view, environmental considerations.

The Minerals Council of Australia (sub. 16, p. 2, *italics in original*), while supportive of NEPM objectives, was concerned about NEPM development processes:

The Council strongly supports the goal of National Environmental Protection Measures to provide equivalent standards of environment for all Australians. However, NEPM development processes to date have not: integrated economic and environmental considerations in impact assessments ... [or] provided sufficient technical analysis to constitute a *proper examination of matters which significantly affect the environment* ...

The Commission recognises that in many cases, a comprehensive assessment and quantification of social, environmental, health, or economic impacts is a difficult proposition, due in part to information and data gaps (see chapter 7). Environmental impacts can be particularly difficult to assess due to a lack of data and information, uncertainties regarding impact, and long response time frames. The integration of all of these considerations in the context of ESD related policies amplifies many of these problems (see below).

In addition, the measurement of costs and benefits is also resource intensive. Participants were concerned that recognition be given to the costs of undertaking

impact assessment. For example, the Australian Fisheries Management Authority (sub. DR61, p. 5) submitted:

... formal analyses of the type proposed by the Commission are extremely complex, information demanding and resource intensive and run the risk of ‘paralysing’ the fisheries management process ...

However, this should not be seen as a reason for not attempting to estimate as many costs and benefits associated with a particular policy or program as is possible. A key part of the analysis is critical consideration of the problem at hand, and the ‘action of analysis’. As noted by the OECD (1995, p. 11):

... experience makes clear that the most important contribution to quality decisions is not the precision of calculations, but the action of analysis — questioning, understanding real-world impacts, exploring assumptions.

Also, the principles endorsed by the Council of Australian Governments require standard setting bodies to undertake regulatory impact analyses (COAG 1995). Even if formal mechanisms (such as RIS) are not required under existing legislation, criteria for good practice policy development include the consideration of all costs and benefits of a particular policy or program proposal.

FINDING 6.1

Evidence gained as part of this inquiry suggests that a significant impediment to improved ESD policy making practices is a failure to undertake the action of analysis — meaning that significant potential short and long term costs and benefits are not considered. To ensure consistency with ESD principles, as part of their policy development process, Commonwealth departments and agencies should take all reasonable and practical steps to consider explicitly the short term and long term economic, environmental and social implications of their program, policy and regulatory initiatives. Standard good practice policy making principles, such as those outlined in the regulation impact statement guidelines, should be followed routinely, regardless of whether a regulation impact statement is formally required. Adherence to good practice should be demonstrable and documented.

RECOMMENDATION 6.1

Guidelines of existing policy development and evaluation mechanisms (such as regulation impact statement guidelines and environmental impact assessment guidelines) should include specific reference to assessing the likely social, economic and environmental costs and benefits of proposals, in both the short term and long term.

Integrating short term and long term economic, environmental and social issues

The extent to which departments and agencies follow good practice policy making processes can provide an indication of how well ESD principles are being taken into account. However, even when such processes are followed, intervention failure (discussed in chapter 2) can explain why departments and agencies may still fail to take account of all ESD related issues when making decisions. For example, one potential policy impact may be weighted higher than the others due to difficulties in identification or assessment (and ultimately measurement). This might occur in situations where visible short term economic benefits are recognised, but social or environmental costs are not because they are hidden and/or do not occur until well into the future.

In addition, in some areas formal requirements exist which require policy makers to focus primarily on one aspect of policy. Similarly, the traditional portfolio and departmental structure of government has meant that departments become advocates for particular types of policies. However, the likelihood of making fully informed decisions and hence delivering integrated (or ESD consistent) outcomes can generally be improved if departments and agencies comprehensively analyse all impacts (economic, environmental and social) of their policy proposals. In a sense such an approach involves internalising the various tradeoffs associated with particular policy proposals. This approach has at least two clear advantages. First, if there is a recognition that there are additional positive economic, environmental or social consequences of adopting a certain policy proposal, it could help build extra support for that particular policy proposal. Second, recognition of any negative economic, social or environmental consequences of a policy proposal at an early stage, and taking measures to address such consequences, could prevent any adverse implications of adopting that particular policy proposal.

A focus on one set of impacts can have negative side effects on others. This point was made by de Graaf et al. (1996, p. 206):

Any activity, whether aimed at social, economic, cultural, or ecological goals, can have negative side effects and, at the same time, side-effects can be social, economic, cultural, or ecological problems.

The implications of this for policy makers is less clear. The World Bank has found that even where particular policy options result in adverse economic, environmental and social effects, the remedy may not require the reversal of the original policy measure, but rather the implementation of additional complementary measures to address the unintended adverse consequences. It is also the case though, that the side effects of policies aimed at one objective can be positive, and provided these

consequences are recognised, this can itself build additional support for such policies (World Bank 1995).

These considerations highlight a tension inherent in all policy making (but of greater significance with respect to ESD) — meeting multiple objectives. It is a point noted by CSIRO (sub. 17, p. 2):

A major demand ... is that social, economic and ecological factors be harmonised for solutions that meet multiple objectives and can be sustained over a long period.

As highlighted in chapter 4, this can be illustrated with reference to areas with either economic, environmental or social policy focus. It was a point noted by several participants. For example:

- Decisions which focus on visible economic benefits may fail to take into account social and/or environmental considerations. One example may be in the case of a natural resource development proposal where the benefits are likely to be visible (such as jobs), whereas the costs may not be visible and may only be noticed in the long term (such as degradation of a particular natural resource).
- Decisions which focus on social welfare concerns may fail to take into account economic and/or environmental considerations. For example, a government policy designed to maintain jobs (such as government assistance to a particular industry or group) may not take account of the economic cost to the whole community of the assistance. In this example, the benefit is again visible and identifiable, but the costs are dispersed.
- Decisions designed to implement a particular environmental policy may fail to take account of the social and/or economic implications of the policy. For example, failing to proceed with a development project may have an identifiable environmental outcome, but this may be at the expense of higher living standards in the future which potentially could have been generated through economic benefits.

These tensions exist in many areas of government policy and decision making. Similarly, there are other areas of government policy where information needs are great and decisions must be made in the presence of scientific uncertainty. Information and data issues relating to ESD are discussed further in chapter 7.

Existing policy making mechanisms do not provide straight forward guidance on how these concerns are to be reconciled. Similarly, the National Strategy for Ecologically Sustainable Development provides limited guidance on how policy makers are to integrate economic, environmental and social considerations.

These concerns have led to criticism from some quarters of the way in which ESD has been managed in Australia. For example, the Environmental Research and Information Consortium Pty Ltd (sub. 18, p. 1) argued:

There is a Commonwealth (and State) culture in departments and agencies driven by a focus on ESD where there is little context or interest in the imperatives of economic development.

Similarly, the National Association of Forest Industries Ltd (sub. 4, p. 1, *italics in original*) said:

... the environment portfolio seems to have very little interest in the *development* component of ESD.

The Australian Seafood Industry Council (sub. 8, p. 3) indicated:

With the Federal Government pushing forward with a major MPA [Marine Protected Areas] Strategy, it is disturbing that a firm commitment to conduct economic and social impact studies as part of the process has yet to be made, let alone a commitment to structural adjustment packages to affected industry and community parties.

Finally, the Hawkesbury-Nepean Catchment Management Trust (sub. 23, p. 1) stated:

To continue to treat ESD and its implementation as principally environmental issues is at odds with the concept of ESD as it fails to recognise the need to integrate environmental, social and economic components. Implementation of ESD must use integrating processes aimed at integrated outcomes where all three sectors are considered in relation to each other.

In some areas, legislation directs departments or agencies to give greater weight to a particular consideration in the formulation and development of policy. For example, the Australian New Zealand Food Authority is required, by legislation, to give primary emphasis to human health and safety above other objectives specified in its legislation which include economic efficiency, consumer protection, and international competitiveness.

The Department of Agriculture, Fisheries and Forestry noted that implementation of ESD can involve difficult trade-offs between short term and long term economic, social and environmental objectives, and that the complexity associated with dealing with these issues varied significantly between departments and agencies (sub. DR78). Such integration in the face of uncertainty, scarcity and (sometimes) irreversibility represents complex problems for policy makers. As discussed in the previous section, transparency of the decision making process, including clear statements of objectives, consideration of alternatives and wide consultation — good practice policy making — will assist decision making under these conditions.

Other forms of impact assessment, such as health impact assessments and social impact assessments may also assist in making underlying assumptions and conflicts explicit. Models of social assessment, for example, emphasise a number of steps including the identification of all potentially affected groups and individuals, and an analysis of who will gain and lose. In Australia, as part of the regional forest agreement process, social impact assessment frameworks have been applied in several cases as a means of establishing the links between commercial resource use and impacts at the community level (Coakes 1998).

FINDING 6.2

Where appropriate, the use of regulation impact statements and environmental impact assessments should be complemented by other tools such as social impact assessments and health impact analyses. This would assist in the identification of impacts and increase the transparency of decision making.

Incentives

The lack of incentives for the consideration of ESD principles and objectives in policy development has also been cited as a reason for departments and agencies failing to adequately take account of these issues. Environment Australia (sub. 21, p. 9) argued that incentives are required to persuade departments to give appropriate weight to the environmental implications of their actions, but that:

It is easier to apply performance incentives to departmental operations (matters such as building design, resource use and purchasing) than to the processes and outcomes of decisions.

The relationship between policy design and accountability is an important aspect affecting incentives for consideration of ESD objectives in policy making. Poorly specified program objectives and outcomes can obscure departmental or agency accountability and, therefore, ultimately incentives to ensure policies are consistent with ESD objectives.

This issue is also related to good practice policy making. The Australian National Audit Office (1997, p. 24) noted:

Better practice within the Australian Public Service indicates that objectives should be concise, realistic, outcomes-oriented statements of what the program, sub-program or other element of the program structure is intended to achieve.

An important aspect of this is performance monitoring against objectives. With respect to programs administered by the then Department of Primary Industries and Energy and by Environment Australia, the Audit Office (1997, p. 24) found:

... program objectives are broad and difficult to measure ... There were few cases found where objectives were concise, realistic and measurable outcomes-oriented statements of what the program aimed to achieve.

Other mechanisms have the potential to improve incentives for better policy design by clarifying accountability, and explicitly requiring the measurement of performance against objectives. Elsewhere in government (both in Australia and overseas), approaches for achieving specified outcomes in policy have been tried — such as output based management (OBM). The primary purpose of OBM is to strengthen the clarity and accountability of both governments and their departments and agencies in providing goods and services to the community.

OBM focuses on:

- identification and specification of outcomes;
- identification, specification, measurement and pricing (full costing) of outputs;
- linkages between outcomes desired and outputs; and
- the purchase of only those outputs necessary to achieve government's desired outcomes, from the most cost efficient and effective producers (Western Australia Treasury Department 1996).

OBM was identified by the Department of Transport and Regional Services (sub. 36, p. 11) as being potentially useful in this area:

In relation to increasing the focus on outcomes and outputs, there is a clear opportunity to use the Government's output-based management framework to provide an integrated approach to improving the focus on ESD (through planning, monitoring and evaluation) ...

In the context of financial management, the Government has committed itself to the introduction of an accrual based management framework focussed on outputs and outcomes.

A key element in the OBM process is performance measurement, which assists in assessing whether agreed outputs are being delivered and desired outcomes achieved. Performance monitoring regimes which support an assessment of outcomes against program or policy objectives would also be required for effective ESD implementation. Monitoring and feedback issues are discussed further in the next chapter.

FINDING 6.3

Consistent with current government policy, the principles of output based management should be used as an additional tool to assist departments and agencies develop, monitor and coordinate policies designed to achieve ESD objectives.