Through thick and thin:
Cultivating self-organisation in Australia’s regions

July 2017
Over the past four decades, public sector processes have failed to reduce the disadvantages evident in regional Australia, despite a booming economy and a rising quality of life across the nation as a whole. The task for current and future generations of Australians is to acknowledge these difficulties and then move on to develop and implement government processes that produce better regional outcomes.

Professor Andrew Beer, Centre for Housing, Urban and Regional Planning (2015)

If there were a single cultural predilection in the APS that I would change, it would be the unspoken belief of many that contributing to the development of government policy is a higher order function – more prestigious, more influential, more exciting – than delivering results.

Peter Shergold (2005)
# Table of contents

## Overview of the argument

We know what to do but do we know how to do it? v

Thick and thin policy domains v

Preconditions of success: The Will=>Skill=>Fulfil model vi

Will vi

Skill vii

Fulfil viii

From reform within silos to integrated transformation ix

Government as ringmaster: Promoting regulatory flexibility x

Innovation as social problem solving: Policy ‘labs’ and program design xii

Involving the community: Fostering self-organisation xiii

The agony of funding across silos xv

Nurturing and growing innovation once initiated xv

Vouchsafing, institutionalising and spreading learning xvii

Rebalancing responsibility from the administrative centre(s) to regional communities xviii

Our proposals: A regional transformation strategy xviii

A Regional Transformation Agency xviii

Independent and expert monitoring and evaluation xxi

A federal remit xxi

Addressing the ‘Lord Acton’ problem of the time inconsistency of preferences xxii

Checklists xxiii

Checklist: Is there adequate will for change? xxiv

Risks xxiv

Checklist: Is there adequate skill and learning? xxv

Risks of form dominating substance xxvi

Checklist: Will the initiative be fulfilled? xxvii

Risks and practices to avoid xxvii

## Chapter One

Introduction 1

Modern systems of government 1

‘Thick’ and ‘thin’ policy problems 2

The pathologies of central planning: the absence of local knowledge and agency 3

‘Thin’ policy to deal with a ‘thick’ issue: The case of the Northern Territory Intervention 4

From the ‘what’ to the ‘how’ 6

## Chapter Two: The requirements of success: The Will=>Skill=>Fulfil model

Will 9

Skill 10

Fulfil 11

Illustrating the Will=>Skill=>Fulfil Schema 11

## Chapter Three: Will

Introduction 14

Breaking free from over-regulation 14

Challenge mechanisms: and the case of ‘Request and Response’ 14
<table>
<thead>
<tr>
<th>Chapter Four: Skill</th>
<th>26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program delivery and institutional skill</td>
<td>26</td>
</tr>
<tr>
<td>Learning from the life world and local contexts</td>
<td>27</td>
</tr>
<tr>
<td>New skills for program development from a ‘thick’ understanding of the issues</td>
<td>28</td>
</tr>
<tr>
<td>The significance of local agency and self-organisation</td>
<td>29</td>
</tr>
<tr>
<td>Evidence-based policy, delivery and learning</td>
<td>29</td>
</tr>
<tr>
<td>Monitoring, evaluation and learning</td>
<td>31</td>
</tr>
<tr>
<td>Learning through research, development and experimentation: understanding causes</td>
<td>36</td>
</tr>
<tr>
<td>Building the capability of partners and communities in the regions</td>
<td>38</td>
</tr>
<tr>
<td>Developing community capability</td>
<td>38</td>
</tr>
<tr>
<td>Policy and delivery as social problem solving: the case for ‘policy labs’</td>
<td>40</td>
</tr>
<tr>
<td>Checklist: Is there adequate skill and learning?</td>
<td>42</td>
</tr>
<tr>
<td>Risks of form dominating substance</td>
<td>43</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter Five: Fulfil</th>
<th>44</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nurturing innovation once initiated: challenges within a hierarchy</td>
<td>44</td>
</tr>
<tr>
<td>Figure 5.1: Policy and delivery</td>
<td>45</td>
</tr>
<tr>
<td>Disruptive innovations in the market and within organisations</td>
<td>45</td>
</tr>
<tr>
<td>Growing or bringing an innovation to scale</td>
<td>46</td>
</tr>
<tr>
<td>The difference in scaling innovation in markets and in government</td>
<td>47</td>
</tr>
<tr>
<td>Figure 5.2: Markets adjust spontaneously to improvements in technology</td>
<td>47</td>
</tr>
<tr>
<td>The agony of working across silos</td>
<td>50</td>
</tr>
<tr>
<td>Interventions, social capital and spill-over benefits</td>
<td>52</td>
</tr>
<tr>
<td>Rebalancing responsibility from the administrative centre(s) to regional communities</td>
<td>53</td>
</tr>
<tr>
<td>Checklist: Will the initiative be fulfilled?</td>
<td>55</td>
</tr>
<tr>
<td>Risks and practices to avoid</td>
<td>55</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter Six: Government as impresario: cultivating self-organisation</th>
<th>57</th>
</tr>
</thead>
<tbody>
<tr>
<td>The significance of local agency and self-organisation</td>
<td>57</td>
</tr>
<tr>
<td>The value of local involvement</td>
<td>57</td>
</tr>
<tr>
<td>‘DIY Infrastructure’</td>
<td>59</td>
</tr>
<tr>
<td>Landcare: community action, co-resourced by governments</td>
<td>60</td>
</tr>
<tr>
<td>Australia’s response to AIDS</td>
<td>62</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter Seven: Summary of our argument and proposals</th>
<th>64</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summary of our argument</td>
<td>64</td>
</tr>
<tr>
<td>A regional transformation strategy</td>
<td>65</td>
</tr>
<tr>
<td>A Regional Transformation Agency</td>
<td>65</td>
</tr>
<tr>
<td>Independent and expert monitoring and evaluation</td>
<td>67</td>
</tr>
<tr>
<td>A federal remit</td>
<td>68</td>
</tr>
<tr>
<td>Addressing the ‘Lord Acton’ problem of the time inconsistency of preferences</td>
<td>68</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Appendix One: The legal foundations of tax and payments and their implications for project design</th>
<th>69</th>
</tr>
</thead>
<tbody>
<tr>
<td>References</td>
<td>71</td>
</tr>
</tbody>
</table>
Overview of the argument

We know what to do but do we know how to do it?

Problems felt in regional areas are interconnected and, largely for that reason, poorly suited to narrowly focused programs and services delivered through siloed institutions that are administratively controlled from the centre and guided by political imperatives largely dominated by Australia’s capital cities.

This report explores some aspects of these problems in a diagnostic framework that then serves as a basis for suggesting improvements. Our focus is the extent to which specific policy and program initiatives are adapted to specific regional areas, the extent to which they succeed and the extent to which governments learn from such initiatives; in short, the extent to which government is a ‘learning system’ for regional Australia.

The record of progress to date on these issues is modest. This is particularly disappointing since the need to get away from ‘one-size-fits-all’ approaches to policy problems has been a staple of policy discussion since at least the mid-1990s. Yet, as this report documents, while knowing that this is what must be done, it seems our knowledge of how to do it is lagging well behind.

Thick and thin policy domains

To borrow language from philosophy and anthropology, policy making often leans too heavily on ‘thin’ descriptions of situations that can’t be properly understood without ‘thicker’ description, which provides more context to illuminate the meanings of actions and people’s motivations. Numerous mutually reinforcing factors drive this dominance of thin over thick – which can be understood as form over substance.

- Formal models of behaviour are often only tractable with ‘thin’, one-dimensional descriptions of human motivation – for instance, that people are ‘utility maximisers’.
- Legal and administrative structures find it easier to deal with externally verifiable phenomena, which tend to be ‘thinnly’ described. For instance, to qualify for unemployment benefits, job-seekers will typically be required to apply for and attend interviews for vacancies even if, for specific reasons that an outsider might judge worthy or not, they are not strongly motivated to get that job. In such ways, thinly described ‘form’ comes to displace substance.
- In-group biases naturally grow in organisations, reducing their capacity to understand others’ perspectives, not least the perspectives of regional communities (with government agencies being run from cities) and the individual users of government services. Without constant vigilance
against ‘in-group’ perspectives, outside perspectives often fall from view and forms and processes to become proxies for outcomes.

By analogy with anthropologists’ distinction between thin and thick *description*, we offer thin and thick *policy domains*. We call tax and payments policy mostly ‘thin’ domains because rates of tax or payment can be changed from the top and then unproblematically driven down throughout the system. By contrast, in the delivery of services in health, education, many areas of regulation or the creation of good jobs and ‘job-ready’ potential employees, there exist few such short-cuts. Instead, there are unique issues that concatenate through the system at numerous different scales, with each issue needing to be solved on its merits rather than according to some pre-existing formula.

The top-down approach provides little flexibility for local variation and learning. And structures in which those in the field deliver services determined by the commanding heights in the centre of the system further limit the opportunities for the system to learn from successes and disappointments out in the field.

So what kinds of initiatives might change this sorry state of affairs? To anatomise this situation, so as to improve it, we ask what would be the preconditions of success of some new initiative to meet regional needs on its merits. This leads us to the Will=>Skill=>Fulfil model.

**Preconditions of success: The Will=>Skill=>Fulfil model**

Beyond coming up with a policy idea, a successful initiative involves three aspects that we name with the rhyming triplet: Will=>Skill=>Fulfil. Though they overlap and reinforce each other through time, this list is also indicative of a progression as illustrated in the diagram below.

**Will**

A program cannot start without some will to start it. Sometimes, this may simply be a decision at the appropriate level. More often, it requires some deliberate and likely public expression of will, the use of authority and/or the deployment of resources. Even if the new initiative encounters no active hostility, it may be in jeopardy. Often, it is not the ‘shock of the new’ so much as its relative unusualness that checks momentum as people seek familiar ways to proceed both in order to maximise their own comfort and minimise others’ concerns. In such circumstances, without continuing will, progress will likely stall.

Further, however it was expressed initially, initiatives cease to be new and so cease to be news. *When the first stage of an initiative concludes,* experience suggests that without vigorous renewal of ‘will’ at this stage, it will not reach its full potential through further development and expansion or through the system learning from it. The great risk is that the caravan will move on. Other projects will be newer, more palpably ‘innovative’ and/or more in keeping with the
priorities and ‘branding’ of current high office holders, and also more ‘announceable’.

**Skill**

The inherent challenges in addressing ‘thick’ policy problems mean that there is always a need for learning – where the causes are not well understood and there is no clear evidence for a reliable way to address the problem. Complex problems have multiple interrelated causes; a successful program in one place may not work in another where the causes and context are slightly different. This implies the need for continual learning if a program is to be successfully scaled – a tall order for most incumbent organisations.

Genuinely new initiatives require people and institutions to acquire new skills. Some may be able to be taught formally but many will be learned largely by doing and can only be sustained in continual practice, with some codification and administrative and pedagogical support. Critically, skills must be developed at the interface between things, including silos or levels within an organisation or larger system.

Organisations must also develop the skills necessary not just to interact productively with the communities they serve, but also to draw them into the work, to cultivate their agency in their own interests. And complementary skills of interacting with government systems and exercising agency alongside them will need to be learned within those communities themselves.
Peter Shergold’s report, *Learning from Failure*, noted both the tendency of pilots to “remain … at the margin of public administration” and the failure to master the level of institutional skill and learning needed for program design and effective delivery.

**Fulfil**

‘Fulfilment’ of a policy initiative in our schema requires firstly, that it attract sufficient resources to grow or be ‘scaled’ to a size appropriate with its merits and suitability – a requirement that could also be subsumed under continuing ‘will’ above. Secondly, it must not just survive its introduction to a world populated by the incumbents of the status quo. Only when it has acquired sufficient legitimacy within the policy community – opinion leaders, officials, politicians and perhaps directly from the public – will it be relatively safe from being swept away when its champions in these communities move on, in the next restructure of the portfolio or the next ‘rebadging’ of an initiative or a government.
Box A: Tech innovation as an illustration of the Will=>Skill=>Fulfil framework

Because they are purely digital plays, Google and Facebook easily achieved the requirements of success according to the Will=>Skill=>Fulfil model. Both projects started with one or two people with the will and skill to build a product. Accessing others’ additional will through the capital markets, they built physical assets and skills to scale their products. Because they encountered little resistance to the disruption they wrought from the market or politics, ‘fulfilment’ was straightforward.

By contrast, Uber’s expansion involved building managerial networks in markets where its users were. Uber needed greater ‘will’ – the capital and resources it could command – than Facebook or Google when they launched. But though its local skill building in local markets exceeded Facebook’s and Google’s, the skills it built were still relatively straightforward involving local management and the contracting in of relevant professional services.

Nevertheless, unlike other ‘pure’ internet start-ups, there were important institutional obstacles that could be anticipated as Uber ‘scaled’. It competed directly with the taxi industry that was almost everywhere heavily regulated and quantitatively constrained. This had put the taxi industry in a strong position of incumbency to obstruct previous, less well organised and funded attempts to introduce ‘ride-sharing’. Here, Uber’s strategy has been to use the vast will or resources of its investors to ‘Fulfil’ its mission, by ‘scaling’ so fast that it becomes, in the words of Wired Magazine, “too big to ban” (see Box 2.2).

From reform within silos to integrated transformation

In what follows, our elaboration of the issues will move from more modest to more ambitious reform goals with principles illustrated by case studies. However, because our Will=>Skill=>Fulfil model is diagnostic – itemising the preconditions of success – we conclude the elaboration of each of these three concepts with a checklist drawing lessons for future policy.

The exposition broadly expounds the categories of Will, Skill and Fulfil in that order, but alongside parallel themes. These too have a natural, if loosely overlapping order. For change can be focused and discrete – locationally, thematically or by portfolio – or it can be more broadly based. And as change becomes more broadly based and comprehensive, it becomes more difficult and rarer.

Thus, our exposition begins with some of the simpler, more modest reforms occurring with a relatively constrained focus, often within a given portfolio or regulatory structure. We begin discussing initiatives to promote regulatory flexibility. Just as the movement from Will to Skill to Fulfil indicates escalating...
difficulty and rarity of examples, so the addition of wider ambitions to overcoming specific regulatory rigidities defines a trajectory of generally escalating difficulty.

Consider the following progression of policy elements:

- Promoting regulatory flexibility;
- Funding and service delivery involving local people and groups not just as stakeholders to be consulted with or co-designed for, but as agents in their own right whose participation directly contributes to program outcomes;
- Coordinating programs between agencies and pooling funding;
- Growing or ‘scaling’ programs from small initiatives into larger regional, state or national programs.

These program elements are not mutually exclusive but are arranged in rough order of difficulty judging by the number of examples of them we have found and the extent to which they have succeeded. Difficulty grows, not just as one moves down the list, but also as one accumulates objectives in a program. And yet usually, so too does the potential gain. It should not be beyond us to get these things right, but so far we are unaware of any program that has scaled from a pilot, much less one that combines that with other elements as identified above.

**Government as ringmaster: Promoting regulatory flexibility**

One guiding metaphor of policy discussion is that governments regulate whilst markets deliver services. According to this perspective, regulation is a necessary evil – because various public goods we value like safety and environmental amenity are not well served by markets. But regulation and regulators are often poorly informed and motivated about what makes sense on the ground and so regulation ends up being more cumbersome than necessary. This perspective has motivated policy action for three decades as governments have focused on delivering regulatory objectives while minimising ‘regulatory burden’, though with modest results.

**Mechanisms of ad hoc challenge** have been one strategy. Thus, in 1988, the Federal government introduced ‘Request and Response’ which enabled firms believing themselves to be over-regulated to seek changes setting out their case. Federal agencies were then required to respond promptly. Unfortunately, the procedure itself was every bit as lacking in thought about real business needs as the regulations it sought to challenge. Applicants had to substantiate their case in the language of policy makers, whilst the only discipline on agencies was a written response, something at which they were already adept in ministerial correspondence.

This illustrates a failure of both will and skill. There was a lack of will in imposing stronger disciplines on agencies to comply with the spirit of the policy. Businesses’ failure to take up the program illustrated their lack of confidence in it. The onerous – and, to business, alien – language they were expected to use to
explain the “economy-wide net benefits” of the policy action they sought in their applications highlighted the government’s lack of the basic skills of engaging on other people’s terms. This was never addressed and the program ceased after falling into relative disuse and irrelevance.

A similar but stronger and more comprehensive approach is the regulatory sandbox. An early example is provided by the UK where, in 2002, the Minister for Education was given a ‘power to innovate’ to grant schools relief from “any requirement imposed by education legislation” for three years to facilitate innovation. The provision of a legislated ‘pathway to permission’ showed palpably more will than Australia’s ‘Request and Response’. It also understood the need to develop the skills to innovate, establishing an Innovation Unit to support the regulatory sandbox and build innovation skills in schools and the education system more generally.

The power to innovate was clearly more successful than ‘Request and Response’ but not greatly so. ‘Regulatory sandboxes’ have made a comeback recently. Following action in the United Kingdom in 2015, the Australian Securities and Investments Commission (ASIC) launched a financial technology regulatory sandbox in December 2016 whilst NSW began a regulatory sandbox by inviting businesses to nominate specific regulations that impeded innovation. Though it is too early to judge how successful these initiatives will be and ASIC’s fintech hub’s provision of services is a good development from the earlier ‘Request and Response’ fiasco, early signs are consistent with earlier, modest achievements. Uptake has been slow, but the first participant in ASIC’s sandbox has recently commenced, and ASIC has recently proposed changes to the regulatory sandbox to broaden the scope of potential participants.

These programs all spring from the implicit concept that successful innovation is the implementation of discrete ideas and that those ideas can be ‘unleashed’ once regulations that obstruct them are identified and modified on request. In fact, successful innovation very often requires considerable investigation, experimentation and coordination between different parts of systems with trade-offs carefully and collaboratively explored.

If governments want to keep good regulatory suggestions flowing from the regulated, they should expend some resources assisting those seeking regulatory improvement. For not only are most such people not experts in regulatory design – it’s not their job – but also, wherever regulatory improvement takes place, it becomes a public good which suggests the wisdom of some public contribution. Moreover, although regulators are usually keen to be helpful, there is typically little pressure on them to consider proposals on their merits as opposed to the ways some change could inconvenience the regulator or others in the system.

The U.S. Small Business Administration provides what it describes as “an impartial … Office of the National Ombudsman [to] direct reported regulatory fairness matters to the appropriate federal agency for high-level fairness review
and works across government to address those concerns, reduce regulatory burdens, and help small businesses”¹. We propose something similar, which might be called a Regional Ombudsman. However, rather than take existing regulation as the standard by which fairness should be judged, as the name ‘ombudsman’ suggests, we suggest that there also be room for such a body to seek regulatory changes on their policy merits, rather than simply to ensure administrative fairness and further, where it felt it did not receive a satisfactory response from the regulator and/or its political masters, to publish a report to this effect. We take this up further below.

Policy and delivery innovation as social problem solving: Policy ‘labs’ and program design

Where problems are ‘thick’, a ‘thicker’ conversation is likely to lead to results that are better thought through and more likely to attract stakeholder support by their demonstrated solving of shared problems. We need a process that seeks an open and independent way through the issues, taking industry, the regulator and others as stakeholders searching for mutual accommodation with the resources to go through a policy and service design process that is open, and independent of all stakeholders.

Policy labs such as NESTA, Y Lab and the Auckland Co-Design Lab offer worthwhile models. They could be established in specific sectors or domains to pursue projects with stakeholders to better understand the practical compromises necessary to build arrangements that truly balance and jointly optimise their interests. Currently, there are executive bodies within the public sector that do this kind of work. The Office of Best Practice Regulation (OBPR) is one such. But its remit is very bureaucratically driven, operating within the Department of Prime Minister and Cabinet (PM&C), overseeing a very process driven approach to improving regulation, largely closed to the public and so without the licence, legitimacy or the skills to pursue the kind of work done by policy labs around the world.

A more promising body is the Behavioural Economics Team of the Australian Government (BETA) operating within PM&C. Built in the image of similar units around the world, like OBPR, it operates within the bureaucracy. However, its raison d’être is to rescue policy makers from their assumptions and to build policy around well-researched evidence about behavioural responses in the life world.

Further, as many of the issues span federal, state and often local governments, it often makes little sense for such agencies to involve only one layer of government given that the issues themselves rarely arrange themselves into federal, state or local issues. Accordingly, policy should explore the scope for such bodies to have a federal remit. They could then work with governments at all levels and other stakeholders including the public to make the ‘thick’ journey to better system responses.

¹ https://www.sba.gov/ombudsman/comments accessed on June 28th.
The methods used would include those of
1. Behavioural economics and cognate fields of behavioural insights,
2. Human centred design,
3. Research going beyond standard ‘desk based’ policy research extending to ‘ethnographic’ work to understand the perspectives of all stakeholders,
4. Prototyping and A/B testing where possible.

An important discipline would be that the work be done independently of any specific stakeholder and be transparent to all. To get buy-in, and because of its much greater financial capacity, funding should be predominantly federal – with the intention being that learning is shared widely between state jurisdictions – but with some state contribution going with some state involvement in governance.

Behavioural Insights Units in Australia are all run from within government, whereas steps have been taken to build the independence of one of the pioneers in the field, the UK Behavioural Insights Unit, which has become an independent joint venture of the Cabinet Office and NESTA. Similar moves could be made in Australia, though alternative moves could be made to promote its independence. There is also the question as to whether the design and development skills in government ‘labs’ should be developed in a strengthened BETA with a larger remit, or whether that capability might be developed elsewhere.

Involving the community: Fostering self-organisation

If there are stakeholders with a natural interest in the provision of a particular good, there are important benefits in engaging their agency to provide it. But what if none have sufficient incentive to provide it on their own? Governments can often play a very useful facilitative role as ‘impressario’ using their leadership and convening power and perhaps providing some facilitative resources to bring parties together and back collaborative action to address perceived issues in local areas. Ultimately, particularly where problems are ‘thick’, the more people solve their own problems, either on their own, or together amongst those affected as an act of self-organisation, the more confident we can be that effective solutions will emerge.

‘Landcare’ provides one very successful illustration of these principles in action. Local Landcare groups are managed by volunteer committees comprising local landowners and residents, some with support from a paid Landcare coordinator working across a region. Local committees negotiate and plan for projects to address local priorities, apply for Landcare project funding, and deliver the agreed projects. Landcare addresses local needs and national environmental priorities with a healthy mix of signals from both the top down and the bottom up. The Australian Government plays a role in shaping the work done by Landcare, through setting these national priorities, and providing most of the funding. State governments also influence its work by setting regional priorities and providing some funding for projects. But the Landcare approach recognises that local communities have a greater level of local knowledge, skills, financial and
technical resources than governments can provide, and therefore, can take reasonable responsibility for developing and managing local projects.

**Australia’s response to AIDS is another success of government as impresario**, though not one focused on rural and regional Australia. With initial momentum from community organisations representing gay men, injecting drug users, sex workers, and clinicians and researchers, the federal Health portfolio led the development of the national strategy to respond to AIDS, working with community organisations, clinicians and state governments. The strategy had a major role for implementation through community organisations. Commonwealth funding to states required that half the money be allocated to organisations working directly with affected communities. Australia’s early and collaborative response to AIDS is credited with keeping the infection rate lower than most other developed countries.

Each of these successes was focused on specific goals – local environmental quality and amenity in the case of Landcare and fighting AIDS. Such approaches also offer promise in nurturing social capital. The federal Stronger Families and Communities Strategy (SFCS) was in many ways a more ambitious program that sought to build and repair social capital within communities. Operating from 2000 to 2008, it assisted communities to identify opportunities to improve, support and strengthen families and the community around them.

SFCS started with understanding the existing strengths of a community, the issues it sought to address, and thus, the type of capability to be developed. Some communities commenced with projects to identify and train potential leaders and form local organisations. One rural community used the funding to build skills for local organisations in project management and accessing grant funding. Many of the SFCS projects generated benefits but potential for sustainable changes was limited due to short project timeframes, the piecemeal approach of small projects that could not address broader underlying problems, and the potential loss of special services funded through SFCS if local organisations were not able to integrate these.

SFCS was a government program to build social capital. A much smaller scale, but even more ambitious program to build social capital is Family by Family, which was designed and is currently operated by the Adelaide based Australian Centre for Social Innovation. Family by Family is targeted at struggling families and reconfigures existing family support. Instead of being supported by professionals, which is prohibitively expensive and often ineffective, families identifying themselves as struggling choose mentor families from amongst their peers – families who have often been struggling themselves and come through.

A key strength of the program is that its encouragement of the self-healing properties of the life world does not happen at the expense of systematised, professional knowledge. The program’s design reflects the systematic professional knowledge and understanding of the academic literature that went into the program (as well as ethnographies of the life world and the direct input of families). Further, the mentoring family receives payment for the training it undergoes and a trained family coach supports the mentoring relationship. After
over five years of delivery over a small area in Adelaide and Western Sydney and despite its promise, it is unclear whether it is being expanded.

The agony of funding across silos

Though some of the programs we’ve discussed considered policy domains in more than one portfolio, none to our knowledge were funded by more than one portfolio. Yet where governments spend large amounts of money delivering services – as for instance in health and education, there are strong gains to be had from greater service and funding integration where it is warranted at least in principle. Sadly, our experience in the area is disappointing.

Two Coordinated Care Trials (1997-99 & 2002-05) tested approaches to the collaborative management of patients with chronic disease such as diabetes with the patient centred coordination of services such as advice, education, monitoring, medication and other services which were funded through separate agencies, and administered separately. The trials aimed for ‘funds pooling’ – across Commonwealth health (Medicare, Pharmaceutical Benefits Scheme, Home and Community Care) as well as state health and other care services. After considerable negotiation, Medicare ‘cashed out’ the forecast value of hospital and pharmaceutical use for the participating patients, allowing the trials to spend the pooled funds on disease management in the community. State governments participated in the trials but did not pool their funds to the extent intended in the design of the trials. PWC concluded that barriers to broader funds pooling appear to be political or administrative, rather than legal.

After the trials, some innovations for Aboriginal communities continued but most other developments were wound up. An evaluation found improved levels of appropriate services, and some improved health and other outcomes for patients, concluding that: “survival of care coordination relies on a solid policy footing”.

We see here in microcosm how difficult pooled funding appears to be, even to establish at the outset in a trial, and further how rare it is for the change to be ‘fulfilled’ – for it to become embedded in business-as-usual. For this reason, this report recommends a register of innovative new pilots and small policy initiatives with reporting each year by the Auditor General on the success or otherwise in applying the lessons learned, including by adapting and growing the initiatives to achieve greater impact. It would make sense to limit such an approach to regional initiatives to trial it before rolling it out more widely.

Nurturing and growing innovation once initiated

Bringing an initiative to scale is the final, critical step in our Will=>Skill=>Fulfil triad. The contrast between how scaling happens organically in a market and how it must be engineered in government is an instructive introduction to the dilemmas that must be faced if innovation is really to be embraced within government.
In the absence of countervailing political forces, the ‘fulfil’ or scaling and embedding stage in a market is always the relatively uncomplicated one of the innovator attracting the funds to expand as far as it can do on its commercial merits. Further, within markets, a firm with a better mousetrap expands whilst its competitors lift their game or are forced to rationalise.

In contrast to what occurs in markets, in government agencies there is no spontaneous mechanism by which one program displaces another by demonstrating its technical superiority for users. This is true on numerous levels. Firstly, even if the innovation simply delivers the same or a very similar service better, the adjustment is unlikely to be politically smooth. Thus, when hospitals are rationalised, service may improve, but it will change in ways that do not suit everyone. Political trade-offs will thus be necessary and they may not be made in the public interest.

Further, although much of the debate about innovation in government and ‘contracting out’ proceeds as if governments can simply choose the most suitable or efficient products like a consumer in a store, it can be misleading. For many new, better services are quite unlike the old services. Choosing one in place of another is far more involved than the analogy suggests.

Thus, many preventative health programs appear very cost-effective compared with treating ill-health when it develops. But not only will the preventative program deliver its benefits in the future, perhaps for a considerable time after the next election, but even then, savings from lower demand for existing services are far from automatic than the analogy would suggest. Services meeting existing needs are often quantity constrained. So budget savings from successful prevention are not automatic without further, often politically difficult cuts to existing programs.

This is even more problematic in the case of interventions that build social capital in communities where the benefits radiate out well beyond the commissioning department’s portfolio. Thus, for instance, if a regional social capital program like Stronger Families and Communities helps lower the incidence of domestic violence, obesity and diabetes, and improves educational outcomes in a region, it will likely take a long time for the organisational and community politics of policing, health and education funding to adjust to that fact.
Vouchsafing, institutionalising and spreading learning

A good monitoring and evaluation regime is built methodically from general objectives to delivery at the coalface. But those in the field and those at the centre must listen conscientiously to each other to serve the wellbeing of the whole system jointly. Yet, the centre and the coalface of the system are also respectively the top and bottom of a hierarchy. If evidence is used by those higher in a system about those lower in the system, this unleashes strong perverse incentives for over-optimistic and euphemistic reporting. Ideally, information should be generated at the coalface to optimise its own performance – and then aggregated through to the centre in such a way that it doesn’t unleash perverse incentives.

The standard of evidence-based decision-making in a well-run business is some considered (often just commonsensical) compromise between values such as timeliness, the probative force of evidence, cost, convenience and the absence of good reasons to the contrary. Thus, various “nudge units” have made A/B testing normal in government – at last! But these aren’t the kinds of skills that are valued in academia and so ‘independent academic’ evaluation will often be unfit for purpose.

For these reasons, we think monitoring and evaluation expertise needs to be provided to those seeking to innovate in the field. Where pilots are established, their monitoring and evaluation should be provided in a way that is:
Expert and collaborative with those in the field to help them optimise their impact and
Independent.

This is taken up below.

Rebalancing responsibility from the administrative centre(s) to regional communities

If new initiatives are to survive on their merits they must establish the political foundations of incumbency. In all this the community should be involved and given good, objective evidence of the successes and otherwise of the initiative. We are increasingly seeing the way in which the natural logic of electoral democracy – it’s *modus operandi* being candidates and parties competing for the consent of the governed – generates ‘thin’, ‘ideological’ and polarising debate.

Given this, mechanisms of community accountability should facilitate community solidarity in problem solving ahead of competition between perspectives. ‘Deliberative democracy’ mechanisms such as citizens’ bodies selected at random offer a compelling means of doing so. By their nature, such arrangements push the discussion towards finding common ground and collective problem solving.

Our proposals: A regional transformation strategy

We propose the establishment of an integrated regional transformation strategy of several elements. It would be a clearing house for experimentation and policy design for the regions. However it would have an eye to generating both high quality evidence about how government programs can be improved and small scale working models of regional innovation that can be adapted more widely, to other regions, and, where appropriate, to urban Australia.

There are likely to be many opportunities to improve outcomes for regional Australia by making adjustments to the delivery of a range of programs and experimenting with their integration. However, there is no current process to discover these opportunities for improvement. Ideally, agencies would routinely seek opportunities both for program improvement and for better integration with other programs. But this mechanism would be focused on ensuring that it happens.

The program would consist of these parts.

A Regional Transformation Agency

First, we propose a Regional Transformation Agency with three key functions.

A. It would house a substantial policy ‘lab’ with skills in policy and program design and implementation of the kind found in policy labs in other countries. It should also have a budget for buying in the same skills on a
consulting basis. The lab would work with governments at all levels and other stakeholders on initiatives to strengthen regions using the methods of

- desk based policy research
- human centred design or co-design including ethnographic work to understand the perspectives of all stakeholders, prototyping and similar methods of testing initiatives and
- A/B testing and other means of randomising treatments to test causal mechanisms

The work would be done independently of any stakeholder and would be transparent to all.

These capabilities of the lab would be important assets in performing the agency’s other two tasks.

B. The agency would manage a fund to resource trials of adjustments to program rules or practice including for large entitlement programs. For example, there is concern that the rules for Newstart Allowance make it costly for people to take up temporary work, leading them to stay on the allowance rather than taking up work. In regional areas, where there may be a greater level of temporary work, this may be a particular barrier to employment. Therefore, it may be possible to identify an adjustment to Newstart rules to better accommodate seasonal and temporary work whilst minimising the risk of lost income. This adjustment could be trialled in a regional area where this is a recognised problem in a trial that is designed to generate evidence about the problem, the causal assumptions, and the impact from making specific changes to program rules.

This stream could also assist with trials to expand the scope of a program to address other problems or to generate other outcomes, which are currently not addressed because to address them would require funding collaboration between programs, agencies or silos within agencies. The fund could meet the costs of investigating such possibilities so that the effort required to obtain greater collaboration between silos would be justified in advance with robust evidence from trials. Before potential adjustments are trialled, it will be important to check that there is a sound causal ‘theory of change’ for how the adjustment would reduce the problem or improve the outcome. This will allow a meaningful trial and generation of evidence that can be potentially transferred to other situations.

Ideally, all large government programs should be generating information on the most promising ways of optimising their costs and benefits, for
instance, to investigate behavioural responses to different rates at which people were tapered off benefits when they earned income. Given that this would be a large undertaking, and in the spirit of ‘learning’ being promoted in this report, it seems more sensible to establish some specified fund that government agencies – and arguably those outside government – could bid for funding from, for specific policy and program experimentation. In the long run, there would seem a strong in principle case for some small proportion of all such spending to be devoted to such research and experimentation.

C. The Agency would also house an Ombudsman for Regional Australia. However, rather than take existing regulation or administration as the standard by which fairness should be judged, as the name ‘ombudsman’ might suggest, we suggest that such a body should be able to seek changes on their policy merits, rather than simply to ensure administrative fairness as uniformity.

Where regulation or administration (including the management of contracts for private service provision) appeared unreasonably inflexible towards the needs of a particular region, those seeking better solutions would not be thrown entirely on their own resources in the search for solutions and in their representations to regulators. This function could also be a source of projects for the lab outlined in point A above.

In the case of service provision, many political and administrative efficiency drives focus on accessing scale economies. While this strategy can work well in cities, economies of scale are hard to find in regional areas, particularly those with low populations. On the other hand, economies of scope often provide more fertile ground. Thus, diverse local services can sometimes be bundled and tailored to meet the community’s needs, where one local organisation is able to combine funding for a range of part-time services into a viable operation able to spread the overheads across a portfolio of small funding sources. Such strategies can be crucial to the survival of service providers in low population regions.

Where the office judged it worthwhile, they could be given some executive support in seeking solutions for their region’s issues from regulators and other administrators and where the office judged that these other government agencies were not being reasonably flexible in meeting regional needs, the agency would have power to publicly report the fact to Parliament.
It would be appropriate to provide some independent governance to this function to ensure it is reported without fear or favour.

**Independent and expert monitoring and evaluation**

**Second**, an independent unit should be established to nurture a community of practice in monitoring and evaluation. It would work in close collaboration with all the initiatives in the program to develop monitoring and evaluation regimes. It would be crucial to this endeavour that the unit took an approach that was:

- highly collaborative with service providers in the field (whether they were employees of the program or were wider stakeholders in the community)
- and
- focused on their need to optimise the effectiveness of the program.

However, the purpose of independent monitoring and evaluation would be to also make monitoring and evaluation outputs available to others, including more senior managers up the line to portfolio heads, but also to the public at large and also to local communities. The transparency this engendered would have two powerful effects. It would maximise:

1. the extent to which experience of specific programs constituted a knowledge commons and community of practice of growing value in all such work; and

2. transparency and so accountability, not just to funding and delivery agencies but also more widely and particularly to the local community enhancing the ‘fulfil’ stage of building local and wider community support for successful programs and understanding where unsuccessful programs are curtailed.

Ultimately, the goal should be to approach ‘look through government’ in which those on the outside would understand how effective different programs were, and crucially as the system matured, be able to compare the cost effectiveness of incumbent programs with newer innovations to enhance the extent to which they compete on a ‘level playing field’.

**A federal remit**

All of the initiatives outlined above should be federal rather than Commonwealth as clearly, cooperation between different levels of government will be important to optimise results. However, given its much stronger funding position, the Commonwealth should fund three-quarters or more of the costs of these proposals with states meeting some costs and being given some role in governance.

The location of the Agency and/or the monitoring and evaluation unit could be shared between a regional city with reasonable plane connections to a state capital and Canberra.
**Addressing the ‘Lord Acton’ problem of the time inconsistency of preferences**

**Third**, we need to address the problems of time inconsistency which themselves are reinforced by the status of those at the top over and above those delivering services. In a political culture that valorises ‘announceables’, pilots and small scale policy innovations are relatively easily established, but then tend to disappear, often irrespective of their merits, replaced by new announceables.

To tackle this, governments should establish greater accountability for the extent to which the system as a whole is managing a healthy pipeline by which trials and pilot programs are widely learned from and grown in scale and impact where appropriate.

Accordingly, we propose a register of policy and delivery pilots and new small scale regional initiatives, with reporting each year by the Auditor General (with coordination with State Auditors General where appropriate) on the extent to which the system is proceeding in an evidence-based way to apply the lessons learned from such initiatives, including by adapting and growing them to achieve greater impact. The Auditor General should also report on the extent to which decisions to continue funding individual initiatives or to defund them is evidence based.
Checklists

In what follows, we also provide checklists for practitioners considering the various stages of policy innovation as sketched out in our Will=>Skill=>Fulfil model. We find deficiencies of practice in each of these stages.

**Will:** Governments frequently announce their intention to introduce some new policy or approach, but then poor attention to detail often follows and the initiative quietly dies. Sometimes, little progress is made beyond announcement or some stated intention. On other occasions, a pilot proceeds and appears successful but is not continued with as priorities change.

**Skill:** Pilots, trials and other small-scale initiatives are often used to develop new skills and investigate the value of various new approaches. Some pilots have trialled integration of service delivery and funding streams between agencies – one of the holy grails in ‘joined up government’. But this has been very rare. More disconcertingly, the scaling of such learning into larger programs with learning feeding back to agencies is rarer again.

**Fulfil:** For innovation to be truly ‘fulfilled’ in our lexicon, it needs to be grown to the appropriate size and to become incumbent – embedded within organisational and political expectations and ‘business-as-usual’. We can think of only one example where this has occurred for regional Australia: Landcare. This is a fine and enduring achievement, imitated around the world and offers a fine foundation for further innovation, at scale.
**Checklist: Is there adequate will for change?**

<table>
<thead>
<tr>
<th>Within formal delivery organisation(s)</th>
<th>Within community</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Does the initiative have sufficient authority and resources?</td>
<td>1. Has the idea been developed drawing on the knowledge of the affected communities?</td>
</tr>
<tr>
<td>2. Do those responsible for progressing it feel some accountability for delivering a result sufficient for them to tackle institutional discomfort towards change (or can the appearance of success be claimed through some minimal response to the original intent)?</td>
<td>2. Does the relevant community understand the rationale for the policy or program and support it?</td>
</tr>
<tr>
<td>3. If there is authority to hold those within an agency accountable, what authority do they have to put pressure on other agencies to contribute?</td>
<td>3. Does the policy or program make use of the knowledge and agency of the local community?</td>
</tr>
<tr>
<td>4. Does the policy or program bring on as partners people or groups in the community who wish to contribute to change?</td>
<td>4. Is there potential for negative impacts on local communities? How will this be monitored and managed and how will the community be involved in these questions?</td>
</tr>
<tr>
<td>5. Will any resulting change continue through time, or could it be swept away with the next policy enthusiasm or re-branding?</td>
<td></td>
</tr>
<tr>
<td>6. Are there resources and the will to ensure that the program is designed with expertise and monitored and evaluated in a way that is collaborative with, but independent of, the program to generate objective, publicly accessible performance information with which the program can be optimised, learned from and held to account?</td>
<td></td>
</tr>
</tbody>
</table>

**Risks**

Self-evidently, the principal risk is that the degree of will to proceed will be inadequate to provide sufficient motivating force to establish or develop an initiative. As this chapter has shown, decisions to proceed can be expressed quite authoritatively and yet count for little if leaders do not sustain the authority to change when the initiative encounters bemusement, discomfort or hostility from those implementing it or from those outside government.
### Checklist: Is there adequate skill and learning?

<table>
<thead>
<tr>
<th>Within formal delivery organisation(s)</th>
<th>Within community</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Has the initiative been designed by people with program design expertise using a ‘thick’ understanding of the underlying problem and local contexts and the potential to adapt state or nation-wide programs to local conditions?</td>
<td>1. Does its delivery recognise that an effective program is a joint product of government and community knowhow and agency?</td>
</tr>
<tr>
<td>2. Has the ‘program logic’ or ‘theory(ies) of change’ been properly investigated and tested to ensure the initiative is effective?</td>
<td>2. Does the initiative embody the knowledge and engage the agency of local people and groups?</td>
</tr>
<tr>
<td>3. Do the people delivering it have sufficient skill and the necessary alignment with the philosophy of the policy or program?</td>
<td>3. Have appropriate resources been devoted to building their skills in contributing to the program’s goals?</td>
</tr>
<tr>
<td>4. Are methods in place to work across silos and mitigate artificial barriers with appropriate escalation where things aren’t working?</td>
<td>4. If locals’ agency is to be maximised, what arrangements (including payments and other recognition) will ensure that demands made of them are taken seriously and not seen as exploitative?</td>
</tr>
<tr>
<td>5. Has monitoring and evaluation (M&amp;E) been organised that:</td>
<td>5. Does the program invite the ‘self-organising’ capacities of local groups so that it can help in areas outside the portfolio from which it is initially funded?</td>
</tr>
<tr>
<td>• embodies expertise in M&amp;E</td>
<td>6. Are these impacts captured in the monitoring and evaluation system?</td>
</tr>
<tr>
<td>• generates timely information about the means by which the initiative generates its benefits to help optimise outcomes</td>
<td></td>
</tr>
<tr>
<td>• collaborates closely with operations but maintains independence of reporting to the community</td>
<td></td>
</tr>
<tr>
<td>• minimises opportunities for and perverse incentives to otherwise conceal performance weaknesses.</td>
<td></td>
</tr>
<tr>
<td>6. Does the organisational culture value positive community outcomes and seek to continuously improve understanding and effectiveness?</td>
<td></td>
</tr>
<tr>
<td>7. Is the initiative continually optimised and does it support learning and mutual capacity-building across organisations and the community?</td>
<td></td>
</tr>
</tbody>
</table>
Risks of form dominating substance

By far the greatest risk to such ‘thick’ initiatives is the prospect, indeed likelihood that delivery will embody the ‘letter’ of good practice, but not its ‘spirit’. It would be possible to embrace much of the form outlined above and yet to fail to deliver an effective program. The risk of form displacing substance is a real one, for all organisations, particularly those in the public sector that lack the disciplines of competing to generate value.

In this regard, important hazards include:

- a lack of candour in reporting the program’s successes, difficulties and outcomes both internally and to those outside the program, whether they are within the organisation or the community.
- the development of a ‘compliance culture’ in which people ‘go through the motions’ rather than a performance culture which is forever seeking to learn, encode and embed that learning and use it as a foundation for further improvements.
- a relationship between those within and outside an agency not based on respect and mutual advantage.
- development and reporting to KPIs that are not carefully designed to support program delivery and decision-making.
Checklist: Will the initiative be fulfilled?

<table>
<thead>
<tr>
<th>Within formal delivery organisation(s)</th>
<th>Within the local community</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Is the initiative being grown/scaled from its original form? If so, should other programs within its portfolio and beyond be transformed and/or rationalised to accommodate the expansion of this program and if so, how? Have they been?</td>
<td>1. Is the program generating benefits that are well understood within the community?</td>
</tr>
<tr>
<td>2. If it is not being scaled, what compelling reasons are there for not ceasing the program? If it has been stopped, what learning has it generated, and how has that been recorded and used for improving other programs?</td>
<td>2. Does the community (or substantial parts of it) think of the initiative as ‘theirs’?</td>
</tr>
<tr>
<td>3. Are the program’s costs and benefits well understood within the agency(ies) delivering it and more widely within the bureaucracy?</td>
<td>3. Given this, would it be politically difficult for a government to remove or fail to support the change even if any funding it receives was directed towards some other putatively worthy goal?</td>
</tr>
<tr>
<td>4. Is monitoring and evaluation continuing to generate independent and public verification of those benefits?</td>
<td>4. If the program is being expanded beyond its original sites, what consideration has been given to developing skills in its original site for delivery elsewhere rather than supplying these needs by default from the centre?</td>
</tr>
<tr>
<td>5. Are there processes in place to observe and recognise positive performance that can be reinforced and spread throughout the network now comprising the initiative?</td>
<td>5. Are all the relevant factors in this table helping develop and sustain bipartisan support for the initiative as a whole, even if parties differ somewhat on which aspects of the initiative to emphasise and expand?</td>
</tr>
<tr>
<td>6. Is the initiative now seen as ‘business-as-usual’? Would changes to it involve as much inconvenience/discomfort within the agency(ies) as the change of other initiatives it/they administer?</td>
<td></td>
</tr>
</tbody>
</table>

Risks and practices to avoid

Given that a successful program will have built considerable skills in engaging with a ‘thick’ issue, there are hazards in trying to defend it politically. The risk is that political debate as currently practiced is too ‘thin’ and ‘ideological’. Amidst such point scoring the subtle achievements of the program can be lost sight of.

Important strategies to mitigate this risk include:

- Maximising the involvement of local people in the program and of local knowledge of the program even amongst those not directly involved.
• Use of political and deliberative mechanisms that embody the logic of consensus and collective responsibility rather than contest between competing interests. This suggests mechanisms like citizen’s juries or merit-based selection of governance or consultative bodies rather than party political election.
Chapter One

The man of system … does not consider that the pieces upon the chess-board have no other principle of motion besides that which the hand impresses upon them; but that, in the great chess-board of human society, every single piece has a principle of motion of its own, altogether different from that which the legislature might choose to impress upon it. If those two principles coincide and act in the same direction, the game of human society will go on easily and harmoniously, and is very likely to be happy and successful. If they are opposite or different, the game will go on miserably, and the society must be at all times in the highest degree of disorder.

Adam Smith (1790)

Introduction

The challenge of meeting the needs of regional Australia is well known. As the OECD noted recently (2016), interregional disparities in income per capita are above the OECD average and growing. The inter-regional disparities in terms of per capita household income have also risen since 2000. Problems felt in regional areas are interconnected and, largely for that reason, poorly suited to narrowly focused programs and services delivered through siloed institutions with siloed accountabilities. Specific local variations and the interactions between different programs are poorly addressed by programs, the administration of which is dominated by the centre and the politics of which is all too often dominated by Australia’s great cities.

This report explores some aspects of these problems in a diagnostic framework that then serves as a basis for offering some suggestions on how to improve the situation. Our particular focus is the extent to which specific remedial initiatives are encouraged that are adapted to particular regional areas, the extent to which they succeed and the extent to which governments learn from such initiatives; in short, the extent to which government is a ‘learning system’ for regional Australia. Given the resources available for this study, our report was unable to survey the field comprehensively. Nevertheless, we think we have put our finger on some important problems and offered some ways of addressing them.

Modern systems of government

In his book, Seeing like a state, James Scott (1998) takes us through the process whereby the states of early modern Europe began to render the geography and communities under their jurisdiction ‘legible’ – that is, understandable from some centre which might aspire to govern it. Here’s his redescription slightly over a decade on:

It is both striking and important to recognize how relatively little the pre-modern state actually knew about the society over which it presided. State officials had only the most tenuous idea of the population under their jurisdiction, its movements, its real property, wealth, crop yields, and so forth.
To follow the process of state-making, then, is to follow the conquest of illegibility. The account of this conquest – an achievement won against stiff resistance – could take many forms, for example: the creation of the cadastral survey and uniform property registers, the invention and imposition of the meter, national censuses and currencies, and the development of uniform legal codes.

Today, we live in the upshot of all this. Virtually all of us acknowledge the profound benefits of the modernisation project Scott describes. It underpins modern finance, transport and communications and any number of areas in which government systems like systems of title to property facilitate trade, commerce and basic organisation. Yet there are domains that are not so easily systematised, to which we now turn.

‘Thick’ and ‘thin’ policy problems

In this report, we characterise ‘thick’ and ‘thin’ policy domains by analogy with some terminology that emerged in the social sciences in the early 1970s. The terms ‘thick description’ and ‘thin description’ were first coined by philosopher Gilbert Ryle in 1971 and taken up by the anthropologist Clifford Geertz (1973). Here is Ryle explaining the inadequacy of thin distinction for the purposes of understanding other people’s actions.

A single golfer, with six golf balls in front of him, hitting each of them, one after another, towards one and the same green. He then goes and collects the balls, comes back to where he was before, and does it again. What is he doing? He is not playing golf. He has no opponent; he does not putt the balls into the hole. (Ryle 1971)

Ryle explains that a simple description of this golfer’s observed actions is uninformative as to his purpose – it’s too ‘thin’ a description. A sufficiently ‘thick’ description would refer to the context and thus reveal the golfer’s intentions. In this case, the context of future golf games, the intention to improve his game, the lack of an opponent and multiple balls make it clear that a normal game of golf is not taking place and suggest that the golfer is practicing.

This language of ‘thick’ and ‘thin’ can be quite useful in thinking about the way governments relate to the job of governing. Just as Ryle and Geertz distinguish between thin and thick descriptions, we offer the analogy of thin and thick policy domains. In the description offered by Scott above, as national governments emerged in early modern history, virtually all problems were ‘thick’. But with growing standardisation, more and more problems became more tractable to national systems and to government from the centre. That is, once the heavy lifting of modernisation was done, they became much ‘thinner’.

Thus, governments change rates of taxation and benefit payments constantly. A decision is made at the ‘top’ and then the existing systems of law or government administration make it so throughout the society. Note that the existing systems not only render changes to existing policies thin – like taxes and payments – they also
create the scope for new policies to be piggybacked onto new institutions and thus to be made ‘thin’ policy problems.

Thus, policies like HECS or the Child Support Agency involved a high-level policy idea (income contingent loans and spousal maintenance payments respectively), delivered by an initially reluctant Tax Office. Of course, government administration can be more or less efficient, but in these areas the policy remains recognisably itself from the top to the bottom of the system.

But there remain wide domains where, we can now see, the modernisation project has its limits. In the delivery of services like health and education, there is no way for services to be simplified or standardised systematically as tax and benefit payments can be. This is particularly so in the regions in at least two respects. First, many systems in regions must operate on a lower scale than areas which have easier access to services from cities. Second, while many regions share the first characteristic in common, circumstances can nevertheless differ substantially between regions. So if it is to be effective, policy must take this into account. Regional policy is thick.

**The pathologies of central planning: the absence of local knowledge and agency**

It is by now commonplace that the delivery of many services by government is often marred by the pathologies of central planning – by too great an emphasis on management from the top down. This approach to government proceeds as if the act of launching a policy or initiative will filter down through the system relatively unproblematically as changes in ‘thin’ domains like tax and payments do.

Elmore (1979) has called this the “noble lie” of public administration. It defines the policy-makers as the ‘principal’ whose intentions are served by the front-line staff as directed agents of the principal. However, delivery requires a range of skills and knowledge that is not held by policy-makers and which is, therefore, not accommodated in accountability processes. The initial design of policies and programs is also limited by central agencies’ lack of understanding of the detail of the problems in the field. All these problems are likely to be particularly acute in regions owing to their likely greater distance – geographically, culturally and economically – from the centre where the big decisions are made.

A top-down approach focused on accountability for delivery does not provide flexibility for experimentation or local variation. This limits opportunities to learn and improve policies and programs. A further constraint on responsiveness is organisational incentives that reward a focus on internal priorities and processes, rather than outcomes. As the OECD puts it:

> Organisational cultures may either not value innovation – there is not an explicit statement of reward for innovation – or accountability for failure may be discouraging employees taking risks. The rewards for innovation may be much smaller than the sanctions for trying and failing. The broader context in which civil servants operate may present them with a reality that is not conducive to innovation, even when it is difficult to pinpoint the exact rules
and procedures that stand in the way. The whole environment may feel rule-driven, strictly regulated and highly procedural. Thus, even if the rules leave room for innovation, civil servants may not feel it is possible, let alone desirable or imperative, to explore and use that room. (2017)

That means tacit knowledge – including knowledge of context – is a critical part of the performance of these systems. These systems struggle to be effective ‘learning systems’ partly because what they have to learn is so complex and often opaque. But there are other compounding reasons. It’s very possible that the state systems that were established to ‘thin’ out these domains and make them amenable to state action in the past now hold back progress – perhaps very substantially. The masters of high policy in Canberra and in State capitals typically have only shallow engagement with the people affected by policy and programs.

There’s another potentially powerful resource that is often ‘crowded out’ in government programs – the agency of local actors on the ground. The State represents and embodies the sovereignty of the collective interests of the community. This is often in clear tension with individual desires. Thus, the citizens acknowledge the right of the State to compulsorily claim some of what would otherwise be theirs whenever they pay tax. In return, they relinquish any responsibility they might otherwise have had within communities to provide many social and economic amenities such as building or maintaining suburban roads or collecting and removing household garbage. Where this division of labour works well in such areas, there are many areas – such as health and education and the repair of social disadvantage – which will not proceed as well without some shared responsibility between citizens, their local communities and their government. This established subordination of the citizens’ agency – and the culture associated with it – may now be impeding the policy and organisational learning we now wish to see from governments.

‘Thin’ policy to deal with a ‘thick’ issue: The case of the Northern Territory Intervention

Recent evaluations of income management offer an illustration of these themes of lack of knowledge and the crowding out of individual agency. Income management commenced in 2007 as part of the Australian Government’s Northern Territory Emergency Response (commonly known as “The Northern Territory Intervention”) and has since been implemented in other parts of Australia. Under income management, a proportion of each recipient’s welfare payments (usually 50%) is quarantined and linked to a ‘BasicsCard’ for use at approved stores. Used like a debit card, the BasicsCard provides a regular, limited allowance for daily purchases. The card is intended to prioritise spending on a shortlist of household essentials and so will not fund spending on alcohol, tobacco, pornography or gambling.
The Australian Government (2009) expressed its policy rationale for income management in these terms:

Income management lays the foundations for pathways to economic and social participation through helping to stabilise household budgeting that assists people to meet the basic needs of life.

Income management provides a paradigm illustration of a ‘thin’ attempt to solve a ‘thick’ problem. The initiative was ‘thin’ in two ways. Firstly it is a single, simple idea. The basic principle seems fairly unobjectionable in its ‘thin’ – which is to say decontextualised – form. Generally speaking, the community does not want to see people using welfare payments to support products and practices that are harmful to individuals and the families and communities of which they are a part. On the other hand, when such treatment is imposed, whether it will make things better or worse is a much more difficult question. It depends on the details of the situation, which discloses a ‘thick’ policy domain.

The initiative was also ‘thin’ because it was simply imposed from above, rather than as part of a larger package with close attention being paid to underlying causes of undesirable behaviour and to local circumstances and agency. If our argument is correct that it is generally a mistake to impose thin solutions on a thick policy problem, we can, in principle, anticipate the following outcomes from the policy:

1. The outcome will be beneficial for some, deleterious for others.
2. There can be no presumption as to which effect will dominate.
3. Unintended consequences (which we have made minimal effort to anticipate or avoid) may be very important.

Broadly speaking, the evaluations of the Intervention that we have, confirm these expectations. In 2012, a review by the Parliamentary Library found that, “thus far, the evidence provided for or against income management is inconclusive. At best, the evidence has only partially clarified particular aspects of a complex situation.” An updated ‘New Income Management’ was implemented in the NT in 2010, with a detailed evaluation that concluded in 2014 that there was no evidence of it having led to any improvement in the conditions it was aiming to improve. Overall, there were no improvements in financial management, child health, alcohol abuse, violence or parenting.

This raises concerns about both the design and delivery of the program. In the NT, 35,000 people had been subject to income management. For most of these people, income management was compulsory, based on the length of time receiving income support, or specific criteria such as child protection risks. The evaluation found that many people subject to Compulsory Income Management did not appear to have the behavioural or financial problems that income management was aiming to address (SPRC 2014, p. 6).

People receiving income support can also participate in income management on a voluntary basis. In the NT, 20% of people on income management are participating voluntarily, and of these, 80% wanted income management to continue. While there was overall no benefit from income management in general, there was some
positive change in objective measures of household well-being for people participating in voluntary income management as one might expect.

Negative impacts included the limited range of shopping choices to places accepting the BasicsCard, with some shops imposing a minimum purchase amount or surcharge for using the card. Rent was an eligible expenditure under income management, but there were problems using these funds for rent to private landlords. Some people subject to compulsory income management reported a sense of unfairness and stigma of using a BasicsCard, particularly where shops had a single checkout allocated to BasicsCard purchases.

There were two main unintended consequences, one negative and one positive. The evaluation report suggested that the income management appears to have increased people’s dependence on the welfare system rather than promoted independence by reducing poor spending choices, and “the tools which were envisaged as providing them with the skills to manage have rather become instruments which relieve them of the burden of management” (SPRC 2014, p. 320). The unintended positive consequence was the benefits to people in remote areas from the free banking services available with the BasicsCard, who otherwise had less access to banking services.

The evaluation report showed different experiences and outcomes across different groups of people, on both demographic and local factors, and family context. But income management was mostly a ‘thin’ policy implementation – a standardised solution offered for complex situations – where the policy intervention was not closely aligned with the underlying problems.

The evaluation found that New Income Management failed to achieve the objectives set for it, probably due to incorrect assumptions – about spending patterns, the influence of humbugging 2 in some communities and the idea that spending restrictions would lead people to develop financial management skills. The evaluators concluded that:

Making income management a large-scale program – in the context of the Northern Territory where it applies to a substantial proportion of income support recipients – has meant that by and large, income management has been implemented as an operational process with limited working with individuals and tailoring the program to their needs. Building capacity is a challenging process that requires time and resources, and it cannot be developed by simply imposing restraints (SPRC 2014, p. 321).

From the ‘what’ to the ‘how’

It is a no doubt a pipedream to have government services perfectly tailored for each situation, but we have known for many years that, when it comes to providing services, governments must get better at providing services that are not “one size

2 ‘Humbugging’ is a term used in aboriginal communities to refer to a practice whereby those who have money are pressured by others to share it with them.
fits all”. Government organisations must become better at learning. And they must become better at involving and engaging people in addressing issues both individually and as communities.

For instance, Tony Blair’s Government in the UK frequently intoned the need to get beyond “one size fits all” approaches to service provision. Yet, despite several decades in which many people have opined that this is what we have to do, the fact remains that little progress has been made. The obvious conclusion is that, for all our confidence about what we have to do, we don’t know how to do it. In one sense this is not so surprising, for building a system that learns is no thin problem and it won’t be built by assuming that it is. It requires much learning itself.

The following three chapters broadly expound the categories of Will, Skill and Fulfil in that order according to our model even though there are overlaps between the categories. Likewise the Will=>Skill=>Fulfil model is expounded alongside parallel themes, which also have a natural and loosely overlapping order. For change can be focused and discrete – locationally, thematically or by portfolio – or it can be more broadly based. And as change becomes more broadly based and comprehensive, it becomes more difficult and rarer.

Thus, our exposition begins with some of the simpler, more modest reforms occurring with a relatively constrained focus, often within a given portfolio or regulatory structure. We begin discussing initiatives to promote regulatory flexibility. Just as the movement from Will to Skill to Fulfil indicates escalating difficulty and rarity of examples, so the addition of wider ambitions to overcoming specific regulatory rigidities defines a trajectory of generally escalating difficulty.

Consider the following progression of policy elements:

- Promoting regulatory flexibility;
- Funding and service delivery involving local people and groups not just as stakeholders to be consulted with or co-designed for, but as agents in their own right whose participation directly contributes to program outcomes;
- Coordinating programs between agencies and pooling funding;
- Growing or ‘scaling’ programs from small initiatives into larger regional, state or national programs.

Thus, fifteen years ago, for instance, Blair said this:

We need an NHS true to the principle of care on the basis of need, not ability to pay, but personalised, built around the individual patient.

Both require an end to the "one size fits all" mass production public service. The purpose of the 20th century welfare state was to treat citizens as equals.

The purpose of our 21st century reforms must be to treat them as individuals as well. And we can’t make that change by more bureaucracy from the centre, by just flogging the system harder. We need to change the system.

Tony Blair’s speech to the Labour party conference in Blackpool, October, 2002. See also “Blair to end ‘one size fits all’ state schooling”, The Telegraph, 9 Sep 2000.
These program elements are not mutually exclusive but are arranged in rough order of difficulty judging by the number of examples we have found of them and the extent to which they have succeeded. Difficulty grows not just as one moves down the list but also as one accumulates them in a program. And yet often, so too does the potential gain. It should not be beyond us to get these things right, but so far we are unaware of any program that has scaled from a pilot, much less one that combines that with multiple other elements.
Chapter Two: The requirements of success: The Will=>Skill=>Fulfil model

In this report, we focus on the question of how some new policy initiative can go from idea to reality, which is to say that it grows to a size commensurate with its merits and becomes embedded within policy, no more prey to the next rearrangement of departmental or political priorities than any other policy. Accordingly we argue that, beyond ideation and the creation of the policy idea, a successful initiative involves three aspects which we name with the rhyming triplet: Will=>Skill=>Fulfil.

Though there are substantial overlaps in practice through time, the list is also indicative of a progression as we elaborate on the concepts as illustrated in the diagram below.

**Figure 2.1: The Will=>Skill=>Fulfil model**

### Will

An initiative won’t be established without the will to do so. Sometimes that exercise of will simply involves a decision to be made at some appropriate level within an organisation or system. Some improvements may come from fixing known problems in programs and regulations, or by simply allowing something that was not previously allowed under regulation.
More often, it will require some more public and deliberate expression of will and will often require the mobilisation of some resources to pursue the initiative.

Box 2.1 There’s more to ‘Will’ than a decision from the top

In 2010, initially lunching with the secretary of a state Education Department followed by discussions with his senior managers, I suggested we tap into free resources all around to update the curriculum and help teach our kids coding.

Second, while teacher training, support and specialisation should be better resourced, on its own that would achieve very little. The last thing we should do is insist on widespread in-service training for existing teachers – for instance, in teaching computer skills – who’d simply go through the motions.

Meanwhile, an immediate human resource is students. We should find those already doing it for themselves and empower them to enthuse and teach their peers – not to mention reverse mentoring their teachers. And if we’re to do that, we must make room for it in kids’ timetables and in the recognition they receive – their marks.

However, that requires some real transformation of existing routines and priorities. And incumbent organisations find that almost impossible. Much better to seek funding for some new, bolt-on initiative. What I’m proposing can’t simply be ‘rolled out’. Just as a manufacturer wouldn’t release a new product without extensive design, prototyping and testing, that’s what should happen here. We should draw out in-system entrepreneurs, cultivate a community of practice, fund experiments and pilots, fixing or jettisoning the failures, identifying, tweaking and growing successes and rewarding those behind them.

After our discussions, I attended a showcase of students’ achievements in IT projects. There I met Ben, a year 8 student. He’d built an iPhone app to hone his brother’s mental arithmetic.

“How do you find maths?” I asked.

“Boring! We keep doing the same stuff.”

“How’d you like to teach other students to write iPhone apps?”

“Awesome!”

“Wait right there.”

I fetched the Departmental Secretary. Here was an opportunity to get going with what I’d proposed. Excited, he summoned his Innovation Chief saying “I want to start on this tomorrow!”

The next year, I asked Ben how things had gone. I still have his reply: “Nothing really went anywhere with my school, didn’t really surprise me”.

Adapted from Gruen 2015.

Skill

To succeed, the initiative will generally require the development of new skills. And because so many skills are the result of ‘learning by doing,’ that will generally be part of the point of the original initiative. Note, however, that by ‘skills,’ we mean far more than skills that can be learned at educational and training institutions and bought on the labour market. We mean everything that’s necessary for a system to learn. That may include skills that are learned on the job. It also includes the flows of
information both within and without formal government organisations that allow those organisations and the systems of which they're a part to learn and make informed decisions.

And importantly, it will often include skills at the interface between things. We intend an expansive meaning here. The ‘things’ referred to might include silos within some organisation or larger system. It might be between levels of some system – for instance, between a government agency and its political masters. And often, it will involve evolving the skills necessary for some new relationship between formal organisations and the life world of people and communities.

Further, where organisations are often oriented around tight rules of accountability, for an innovation to be successful, that organisation will have to learn the skills necessary to support the agency of individuals and groups of individuals in a local community, and of front-line staff with knowledge of the local context. As the lack of progress we have made over the last few decades illustrates, this will often be a difficult business. And yet we have enough experience to know that it is not a pipe dream to try to nurture and mobilise this agency.

The inherent challenges in addressing ‘thick’ policy problems mean that there is always a need for learning – where the causes are not well understood and there is no clear evidence for a reliable way to address the problem. Complex problems have multiple interrelated causes, a successful program in one place may not work in another place where the causes and context are slightly different.

**Fulfil**

The fulfilment of a policy initiative in our schema requires firstly that the innovation have sufficient resources available to it to grow or be ‘scaled’ to a size appropriate to its merits and suitability. Secondly, the initiative needs not just to survive its introduction to incumbents constituting the status quo, it must ultimately acquire the natural benefits of incumbency itself. To do so, it must acquire sufficient legitimacy within the policy community – amongst opinion leaders, the bureaucracy and from politicians and perhaps directly from the public – that it cannot be swept away in the next restructure of the portfolio or the next ‘rebadging’ of an initiative – without consequences for those in positions of power and authority.

**Illustrating the Will=>Skill=>Fulfil Schema**

In this section, we illustrate the Will=>Skill=>Fulfil Schema with examples. Box 2.1 above provides an example in which those at the top of a system imagined that they had provided sufficient will to initiate some process of change. But nothing happened. This is not unusual in our experience. For it turns out that, despite appearances – one presumes even to those in positions of considerable power like the Secretary – the Secretary’s instruction to make something happen and to do it “now” was insufficient to even initiate the next stage of change, which was to trial Ben’s tutoring of other students.

It may have been that those in his school never had any interest in facilitating the idea. More likely, they responded with initial goodwill, but the practical challenges
involved in freeing up Ben’s time to provide the relevant teaching, identifying and freeing up the time of those whom he might teach, finding some room for them to do so, and solving a range of other practical problems, meant that no further steps were taken. The innovation was not realised.

Another useful way of illustrating the model is to consider Uber, for it illustrates a slight but very important distinction between the first generation success of ‘scaling’ services on the internet and the next generation foray of using similar internet resources to spearhead the ‘sharing economy’. Most particularly, Uber is not a pure digital product. It is a digital product (an app accessed either through a browser or a smartphone), but it is used to deliver a physical service of taxi-like services.

Accordingly, much of the Will and Skill parts of the process are similar to first generation Internet successes like Google and Facebook. Each had to find the resources to initiate the project. It was at least as straightforward for Uber to build its app. Indeed, given a decade’s progress in the market in software development, it is likely that Uber was easier to build than Google or Facebook.

There were, however, two important differences. Firstly, because Uber’s app was also delivering a physical and location specific service, it was necessary for Uber to build substantial managerial networks on the ground in markets where it delivered its services.

Thus, Uber’s ‘will’ needed to be much greater than that of Facebook or Google because of the cost of rolling out local business networks to organise services on the ground. Though the scale of its local skill building was much greater than was necessary for ‘pure’ internet plays like Facebook and Google, the nature of those skills was nevertheless relatively straightforward. Local Uber subsidiaries hired local labour – or exported it from headquarters – and contracted in relevant professional services such as legal, regulatory, government relations and public relations services. Each of these responsibilities could be achieved using established professional skills and practices.

4 It is easy to list many more practical questions. How should Ben and those he teaches be supervised in the new endeavour? Should the success of the endeavour be judged? Should Ben and/or his students receive some recognition for their endeavours and their success or otherwise – and if so, should this be within the formal system of evaluation in the school or a more informal kind of recognition? Will teachers think that their role is being usurped? Mapping these possible explanations onto our Will=>Skill=>Fulfil schema illustrates the extent to which the three categories can overlap. Here, one can regard the failure of even some trial to get off the ground as a failure of will – which surely enough it was. But one can also argue that the degree of will required would have been far less if the system had more of the skills necessary to permit the flexibility necessary to enable such trials to be easily initiated.
Box 2.2: Uber seeks to ‘Fulfil’ its mission by becoming “too big to ban”

The question of how Uber would spend its billion-dollar investment was never really much of a riddle. More rides in more places has always been the plan.

But with its ten-figure cushion, the San Francisco-based ride-hailing startup can be more cunning about how it tries to get huge. Uber wants to grow as quickly it can, and right now, it’s chasing that goal by undercutting the competition on price—even if it loses money in the process. This isn’t a novel approach among tech startups, for which profits aren’t valued nearly as much as popularity. But for Uber, playing in the new realm of the so-called sharing economy, the stakes are higher, since so many entrenched interests are trying to regulate it out of existence. With not just success but survival on the line, Uber has even more incentive to expand as rapidly as possible. If it gets big enough quickly enough, the political price could become too high for any elected official who tries to pull Uber to the curb. …

[For its current stage of development, the approach holds little but upside for Uber. Rapid expansion helps Uber both locally and globally. In cities, underselling traditional taxis gets more riders in UberX cars, striking a blow against yellow-cab competition. Popularity in one city creates covetousness in others. Demand spreads, and Uber follows (it now operates in about 140 cities in 40 countries around the world).]

Excerpted from: Wohlsen, Marcus 2014.

Secondly, there were some important institutional obstacles that could be anticipated as Uber ‘scaled’ that were largely absent for pure internet start-ups. Uber services compete directly with the taxi industry. And in virtually every market it competed in, the taxi industry was heavily regulated and quantitatively constrained. This had put the taxi industry in a strong position of incumbency to see off previous, less well organised and funded attempts to introduce ‘ride-sharing’.

Here Uber’s strategy has been to use the vast multi-billion dollar resources of its investors to ‘Fulfil’ its mission, by ‘scaling’ so fast that it becomes, in the words of Wired Magazine, “too big to ban” (See Box 2.2).
Chapter Three: Will

*Rowing is the perfect preparation for public life: you face in one direction while moving in the other.*

Lord Acton.

**Introduction**

The problems facing regional Australia are multiple and complex, solutions are uncertain and both the problem and potential solutions cross traditional policy domains. Governments need to become effective at responding to specific regional needs, the localised impacts of broader problems and the ability of affected groups and individuals in regions to contribute.

Change begins with the perception that action may be worthwhile because it solves a problem or seizes an opportunity. Often the existence of the problem will be part of the conventional wisdom – whether it is right or wrong. Thus, for instance, in one of the examples we cite, the problem of ‘over-regulation’ and ‘red-tape’ was perceived as a widespread problem. Sometimes, this stage of recognising a problem may require a period of learning and problem definition as for instance one might argue was the case when the “Bringing them Home” report highlighted the problems arising from decades of removal of children from Aboriginal families who were parenting them satisfactorily.

**Breaking free from over-regulation**

Since at least the mid-1980s, governments have sought to address the commonly expressed concerns of leaders from business and community groups that we are becoming progressively more heavily regulated and that this is clogging up the arteries of our economy and society. This presents policymakers with a problem, which is that a great deal of regulation addresses questions of micro-detail. This is not easily addressed from on high, but must be tackled on its merits on specific matters of micro-detail.

At least two mechanisms can be identified that have been used to address the situation: Mechanisms of *ad hoc* challenge on the merits and regulatory ‘sandboxes’ in which a policy environment is developed to authorise limited experimentation with alternative arrangements. Early experience in both areas has not been encouraging, and below, we present case studies of each initiative in which a failure of will and arguably of skill has tended to constrain success.

**Challenge mechanisms: and the case of ‘Request and Response’**

One way to overcome the limitations of top-down government is to engage the perspective of people and organisations who are subject to the policy, program or regulation, and to consider changes. Responding to these other perspectives requires some degree of will. It has the potential to challenge the top-down authority.
But even short of this, some injection of a new perspective, a new approach or even a new routine will necessarily disrupt existing ways of doing things.

Nevertheless, the regularity of routines is one of the *raisons d'etre* of organisations – for some scholars, their DNA (Nelson and Winter 1982). In this light, it is hardly surprising that it takes a focused effort of will to change organisational routines even where such changes do not directly threaten authority. Very often, the problem is nothing so straightforward as a threat to authority, but rather the inconvenience and uncomfortable uncertainty of organisational learning.

Within two years of the 1986 establishment of the Hawke Government’s policy of ‘minimum effective regulation’, one of the world’s first ‘regulation review’ initiatives commenced, in a form that became standard over the subsequent decades. When introduced in 1988, it was announced as ‘industry-led regulatory reform’ with the government agreeing to amend regulation, or its application, where there was shown to be a net economic or social benefit. According to the guidelines (Department of Industry, Technology and Commerce 1988), it was expected to address significant problems created by regulations, including:

- negative outcomes of the regulation; where compliance would make products more costly, inhibit innovation, affect firms’ ability to export or compete with imports
- an overlap or conflict with other State or Commonwealth regulations
- high costs or administrative burden to comply with the regulation.

The Industry Commission (now the Productivity Commission) administered this ‘Request and Response’ procedure, on the basis of guidelines that placed the onus for assessing regulatory impacts onto the regulated businesses. Any request was expected to set out the problems with the regulations and propose which regulation/s to remove or change. The guidelines required such requests to quantify the costs and identify the benefits of the current regulation, and the distribution of these costs and benefits across businesses, customers and the government. The costs and benefits of the proposed change were also required to be explained (Department of Industry, Technology and Commerce 1988).

The procedure promised a response to each request. The guideline required that the relevant Department respond to the applicant within one month of a request, indicating whether it would:

- agree to implement the change;
- reject the request on the basis that it would provide no net benefits; or
- refer it to an appropriate body for more analysis, or to State agencies where there was an overlap across jurisdictions.

There were few applications and these were mostly responded to with a polite letter of rejection. Fewer requests led to action by Departments. Some of these were requests by businesses seeking review of a specific unfavourable application of regulation, such as a drug being rejected for listing on the PBS, that is, the objection
regarded the interpretation and application of the regulation, not the regulation itself. The Request and Response procedure was ended in the mid-1990s.5

On the surface, Request and Response appears to be a clear statement of Will by a government – to act to reduce onerous regulation. But this will was inadequate because the procedure placed the onus to demonstrate regulatory problems on the regulated businesses, and it did not effectively challenge the authority of regulators. Regulatory agencies could readily dismiss any request, as there was no mechanism to challenge the regulators, Minister or Parliament and force proper consideration of possible regulatory changes.

The Request and Response procedure appears to show government ‘going through the motions’ of seeking feedback and considering changes, but the reality reveals a shallower reality. For a method like Request and Response to be effective, it requires a stronger expression of will.

A more effective procedure could require the administering agency to investigate and assess the impact of a nominated problem with regulation. This could allow more informed decision-making about impacts than requiring a regulated entity to demonstrate the problem with the regulation and the costs and benefits of any change. Organisational inertia could also be countered through use of a mechanism to make ‘going through the motions’ more difficult for a regulator, Minister or Parliament, for instance, through independent and public supervision of the process and quality of responses. We suggest something similar below.

**Regulatory sandboxes**

In 2002, amidst much ‘third way’ rhetoric about ending the ‘one-size-fits-all’ mentality of government service provision (see Chapter 1 above “From the ‘what’ to the ‘how’”) and fostering government innovation, the Education Act was revised to give the minister (in the UK, the Secretary of State) the power to exempt, amend or relax “any requirement imposed by education legislation” for a school or education authority that sought permission. Known as the ‘power to innovate’ provision, it allowed changes to be trialled for up to three years.

Over the period it operated (2002-03 to 2009-10), 32 orders were made, affecting 639 schools. Schools and Local Authorities used exemptions for both educational and operational reasons, to: establish collaboration between schools; adjust school hours; change the way they dealt with exclusions; or include senior students in school management, and other changes.

Some Local Authorities applied to be exempt from the requirement “to charge every person the same price for the same quantity of the same food”. The exemption allowed them to use the primary school meals budget in a more flexible way. Some provided more free meals or reduced the price of school meals, while others

---

5 The procedure was administered by the Industry Commission (which became the Productivity Commission), which was required to report on the number of responses given to requests. The relevant annual reports show very few reports of the procedure being used, and descriptions show that it was rarely used for the original intent of improving regulation.
discounted healthier food choices. The aim was to encourage more children to eat school meals, particularly in response to the economic downturn and concerns about poor nutrition for children either not eating lunch or bringing unhealthy food. Hull City Council in Yorkshire received an exemption to allow it to provide free school meals, as part of a broader program to improve the nutritional intake of children. An evaluation of the program after three years reported that teachers observed a difference in the students eating the free meals, reporting more energy and less tiredness in the classroom which are seen as indicators of ‘readiness to learn’. As a result of these trials, the legislation was amended to allow schools more flexibility to provide discounted and free school meals.

**Box 3.1: Over-regulation: how rules of thumb can spread misinformation**

Government policy has sought to pursue regulatory flexibility for over thirty years now. So it is not surprising that regulatory drafting is often careful to allow for flexibility in the delivery of regulatory objectives. Yet where regulation is also complex (and regulation has steadily increased in complexity despite the strictures and advocacy of ‘better regulation’), regulated entities may nevertheless forego that flexibility in the search for simple rules of thumb for regulatory compliance.

Thus, for example, specialists in privacy legislation report the problem of BOTPA – ‘because of the Privacy Act’ – an explanation that is given for not sharing information, even when there is no relevant requirement in the legislation. Research by the Australian Law Reform Commission (ALRC 2008) found that BOTPA occurred across a range of organisations, sometimes based on a misunderstanding of the Act, but sometimes used as an excuse to avoid sharing information:

For example, the ALRC heard complaints from people who, ‘because of the Privacy Act’, were unable to:

- access or correct their own personal information held on a government or corporate database
- assist an elderly relative or neighbour with their banking, or
- deal with a public utility or government agency – even where that person had written authorisation or held a valid power of attorney
- urge their church congregation to pray for a named individual who was unwell and in hospital.

All of these things are allowable under the Privacy Act. Inflexible compliance with flexible regulation is likely to be particularly pronounced where it aligns or does not conflict with other institutional preferences. In the cases above, restrictive interpretation of compliance needs may have aligned with the convenience of the organisations applying them.

*Source: Australian Law Reform Commission (ALRC) 2008.*

To support the ‘power to innovate’ provision, the Department for Education established an Innovation Unit to provide advice and support to schools considering innovation, and to process applications for exemptions. However, many of the applications for exemptions were unnecessary, as schools already had the flexibility...
to make the changes requested. This is a known problem in highly regulated environments (See Box 3.1).6

This example demonstrates ‘will’ at a high level – the intention to empower innovation by removing regulatory impediments on request. It was also notably more successful than Australia’s more general and less considered Request and Response procedure. In particular, it was authorised under amendments to the relevant act, encouraged far more applications than the Request and Response procedure, and the provision of resources for innovation showed an understanding of the need for resources to be directed towards developing the skills necessary to innovate.

Yet, while the ‘power to innovate’ permitted some administrative flexibility, for instance, in school hours and the prices charged for school meals, it did not stimulate widespread innovation or improvement in British schools. Perhaps a clue to this relative failure is that both initiatives suggest an understanding of innovation in which identifiable hard constraints such as specific regulatory inflexibilities lie behind the lack of innovation with some relaxation of them expected to unleash substantial innovation.

Yet innovation isn’t only the implementation of discrete ideas but also the systematic investigation of new possibilities requiring much investigation, experimentation and coordination (Ries 2011). As Margaret Heffernan puts it,7

> If there’s anything more dangerous than the myth of the heroic soloist it’s probably the myth of the genius idea which emerges fully formed from the human brain. Any time you dig into great ideas you discover that it took a lot of wandering around, confusions, mistakes, re-conceptions, redesigns and so on…

Facilitating innovation through exemptions assumes that schools and local authorities have a clear idea for an innovation to trial, whereas many would need expert resources and access to communities of practice to trial and evaluate the effectiveness of different approaches. The Innovation Unit established with the ‘power to innovate’ has moved more in this direction in recent years.

**Regulatory Sandboxes revived**

The ideas identified above have made a comeback recently in the United Kingdom in 2015 with Australia following suit with the Australian Securities and Investments Commission launching a financial technology or ‘fintech’ regulatory sandbox in December 2016. Other regulators internationally have also begun similar sandbox

---

6 For instance, see OECD (2017, p. 37)

Often, it is not the formal regulations that provide obstacles, but instead people’s interpretation of them. In those cases, red tape reduction, deregulation or rule exemption policies cannot help, unless the goal is to confront organisations and individuals with the actual amount of discretionary space they have, and clarify the boundaries of formal authority if necessary.

programs. None of these sandbox programs have yet completed the first round, so it will be impossible to judge them properly for some time.

In some ways, the aims are more modest than earlier ‘sandbox’ approaches, with the idea being to lower the cost of market entry by exempting them from some regulation while they determine the shape and viability of their new business. Certainly, the complexity and multi-agency regulation of financial services is costly for fintech start-ups (See Box 3.2). The ASIC arrangements exempt businesses from the requirement to hold a financial services or credit licence for up to 12 months, in order to trial new financial or advisory products. This is complemented by ASIC’s fintech innovation hub which offers guidance to start-ups on the compliance requirements for financial operation in Australia.

Uptake has been slower than expected, with the first business commencing use of the sandbox provision in May 2017. It appears that the rules for participants were based on assumptions about businesses structure and management that did not hold for startups, which were using automated software for decision-making rather than traditional management processes (FINSIA 2017). ASIC has now committed to revising the legislation to allow the sandbox period to be extended to two years, and for a broader range of fintech products to use the sandbox facility. However, ASIC has also reported that businesses are using its fintech innovation hub to expedite their licencing process, and therefore, not requiring the additional security of a regulatory sandbox, while some applicants have been advised that their innovation does not require a licence and they can proceed to release their product (Sadler 2017).

NSW began a potentially broader regulatory sandbox program in 2016. It is in an exploratory state at this point and has not been founded on any legislative changes. It invited innovators with an innovative product or service to nominate a NSW specific regulation that impeded innovation, where exemption might allow them to develop a new product, service or business model. From these submissions, Innovation NSW will select relevant regulation for the first regulatory sandbox, in conjunction with the relevant regulator. Once the regulation is selected, businesses can apply to participate in the sandbox. The expectation is that these businesses will be able to release a product or service at the end of the sandbox period, and that the regulator will make relevant changes to legislation or policy to permit these to operate. Consistently with experience with such initiatives previously, we understand that the number of expressions of interest that show promise in improving regulation is not high.
Box 3.2: Regulatory costs of fintech innovation: the case of Rismark

The Australian government must appoint an over-arching body to guide innovators through the regulatory maze or risk missing out on genuine product development in financial services, one of the entrepreneurs behind the shared equity market contends.

Rismark International’s Founder and CEO, Christopher Joye, said Rismark spent more than two years negotiating with ASIC, the ATO, the Treasury, state Fair Trading Offices and the ACCC to launch the company’s new shared equity mortgage. “We spent $4 million on legal fees alone.”

Joye said Rismark started working on its shared equity mortgage in 2003. Would the product be treated as a consumer credit contract regulated under the Uniform Consumer Credit Code, or a financial product regulated by ASIC, needing a full prospectus and distributed only through licensed financial planners? Eventually, ASIC gave Rismark relief from coverage under certain parts of the Corporations Act but made it a condition that the company issue a detailed disclosure document with the loan.

With the product having no interest rate, only repayment at the end of the loan, what was the tax treatment of the loans once securitised back to investors? The ATO has indicated that the securities will be taxed on realisation and not on accruals, thereby aligning the investors’ tax liabilities with the timing of EFM cash flows. At the same time, Treasury was planning changes to taxation that could have an effect on the taxation of these securities.

Targeted at first home buyers and upgraders, the new product was to be used in conjunction with a standard home loan – in this case, via Rismark’s partner, Adelaide Bank. But this raised the question of whether this pairing involved ‘third line forcing’. The ACCC reviewed Rismark’s submission, clearing it to proceed.

Would state Fair Trading departments have additional requirements? Under the terms of the Uniform Consumer Credit Code (UCCC), lenders must disclose the interest rate being charged in a credit contract. However, Rismark’s loan did not have an interest rate. Fair Trading departments advised Rismark to clearly disclose the method used to calculate the cost of the product.

As well as costly representations to regulators, Rismark consulted extensively with consumer groups, research companies and other industry bodies to get feedback on its approach to disclosure and to show the rigour of its approach.

Another lender wanting to get a shared equity loan into the market would face similar challenges. The product rulings, relief and general guidance Rismark received applied, in almost all cases, only to that product. Therefore, a rival would have to go through the same process before offering a similar product.

Joye said that despite the time and expense involved in getting the Equity Finance Mortgage to market, it was worthwhile, but would like it to work a bit more smoothly next time. “I think there is a role for a high level coordinating body within government to get innovation going. Too many people in regulatory bodies are there to manage the downside.”

Paraphrased from Kavanah 2008. “Regulation stifles industry innovation”, The Sheet

While it’s too early to be definitive about the likely outcomes of these initiatives, they have an eerie similarity with the earlier initiatives outlined above. And underpinning them appears to be the same implicit theory of innovation – as existing or unproblematically flowing from the market, once ‘unleashed’ by appropriate deregulation. There are at least two problems with this view.
First, it assumes innovation begins with ‘ideas’ that are then ‘implemented’ in some organisationally stable form – a product, a business model or new approach for an organisation. But as we have argued above, this is too ‘thin’ a description to fit much innovation. In the actual experience of most innovation which will involve myriad ideas, many of which will be false starts, research, development, prototyping, testing in the market, failure and, with luck and perseverance, some kind of success, it is far from clear that one can identify the regulation that is the problem early in this process. Yet the ‘sandbox’ model is of limited use if one cannot.

**Box 3.3: Examples of inflexibilities that harm program efficiency in regions**

**King Island Landcare**

Landcare enables community groups on King Island to replant native vegetation along stream banks, but this specifically excludes funding for fencing to keep wallabies out. So any replanting is pointless as the new plants are immediately eaten by wallabies. King Island Landcare would prefer funds for exclusion fencing which would result in native plants regrowing by themselves anyway – without a need to replanting.

**Open air exercise equipment in NSW**

A NSW local council received a sizeable grant from NSW Government to install exercise equipment in parks across the local government area. However, the capital works funding did not allow for any training in how to use the equipment, or running of any exercise programs that made use of the new equipment. Council was able to find funding for these non-infrastructure components (needed to actually activate the infrastructure) through another large-scale long-term program funded through Commonwealth Health. Council was able to do this as the scale of its grants programs enabled some internal flexibility in delivery, and its internal skills enabled this to be managed. In effect, the process of combining funding from two different silos was left to Council – a typical devolution downwards of responsibility. Council has done what the funding bodies should have done themselves – joining forces to provide a meaningful package of value to the community.

Similar issues have arisen for funding to redevelop an arts centre, with funding available for the building without funding for the curatorial skills required to run the centre properly.

*Source: Regional Australia Institute*

The sandbox could provide some level of comfort that future requests for regulatory change would be considered sympathetically. Yet here also, we confront the fact that the understanding of regulatory reform implied by the regulatory sandbox is often as unrealistically ‘thin’ as the understanding of innovation itself. Thinking of our regulatory difficulties as a simple example of over-regulation weighing down those who are regulated with red tape suggests the existence of ‘low hanging fruit’ or ‘easy wins’ where regulatory compliance can be simplified fairly straightforwardly without discomfort for any other stakeholders.

However, given that modern ideas of flexible regulation have been with us for over three decades, much regulation is already written to maximise flexibility – for instance, by being technology neutral. So opportunities for costless improvements will no doubt exist, but they’re likely to be rare and they will often be of very modest benefit. More often, regulatory decisions require trade-offs. Here we encounter the tension comically adverted to by Lord Acton’s dictum at the head of this chapter. It costs politicians and regulators little to indicate their preparedness to be flexible in
the future and in general. But when that future comes – in the form of a specific request that may disappoint some interest group or upset some applecart – those ‘in principle’ general commitments in the future suddenly come into relief in the concrete here and now and the results may differ from original intentions.

The U.S. Small Business Administration provides “an impartial .... Office of the National Ombudsman [to] direct reported regulatory fairness matters to the appropriate federal agency for high-level fairness review and works across government to address those concerns, reduce regulatory burdens, and help small businesses”. We propose something similar, which might be called an Ombudsman for Regional Australia. However, rather than take existing regulation as the standard by which fairness should be judged, as the name ‘ombudsman’ suggests, we suggest that there also be room for such a body to seek regulatory changes on their policy merits, rather than simply to ensure administrative fairness and further, where it felt it did not receive a satisfactory response from the regulator and/or their political masters, to publish a report to this effect. We take this up further below.

---

8 [https://www.sba.gov/ombudsman/comments](https://www.sba.gov/ombudsman/comments) accessed on June 28th.
Box 3.4: Indirectly discriminating against the regions: the case of Training and Assessment

An essential qualification in vocational education and training (VET) is the CIV Training and Assessment, with the latest iteration being TAE40116, released on 6 April 2016. In 2016, the Certificate IV (CIV) Training and Assessment qualification became a pre-requisite to work to deliver Nationally Recognised Training. Several of its elements are difficult to satisfy within regions. There is now requirement for courses to run with at least eight students, with students attending at least one face-to-face class each week over 30 weeks, a longer period than previously required.

Recently, the course was redesigned and restructured and those who had already completed earlier versions of the qualification are now required to recomplete the qualification. Regional communities and training providers were not included in the consultation process associated with the redesign and restructure of the qualification, a logistical challenge to education and training professionals in regional and rural areas.

Regional trainers argue that the requirement to teach at least eight students is unreflective of current practice where it is not uncommon for them to train groups of two or more students.

The TAE40116 is most likely to be delivered in large regional centres or metropolitan areas, where class sizes of eight are easier to obtain. As such, those regional trainers that are required to recomplete the training will need to travel every week to undertake their study, adding disproportionately to the cost and time required to maintain their qualification.

When the TAE was released nationally, there were 730 providers, although 12 months later this has dropped to 562 providers. RTOs in the Central West of NSW believe the course is uneconomic to deliver in these circumstances and so it is not worth the cost of applying to run it. Previously there were nine providers running the course in the region including TAFE NSW. Today, with TAE40116, there are none.

Source: Regional Australia Institute

Second, however much regimes to simplify regulatory compliance may demonstrate that governments are listening to the regulated, regulation seeks to address some perceived need in a social and political context – for instance, consumer, occupational or environmental safety. In this case, the most promising avenue will be a conscientious attempt to jointly optimise the government’s need to deliver regulatory objectives and regulated entities’ need to meet that at minimum cost.

Regulatory reform principles – like regulating for outputs and regulating in a technology neutral way – will often offer a painfully ‘thin’ perspective on this task. Even if they offer a solution without any policy downsides, that may not change the political dynamics that produced the regulation in the first place.

More often, the practicalities of the regulatory situation mean that simple – ‘thin’ – principles, like regulating in a technology neutral way or regulating outputs rather than inputs, can only pose important questions. Those questions can only be

---

9 Thus, for instance, outputs are usually harder to observe than inputs. So output regulation tends to target proxies for outputs and may increase scope for avoidance and other kinds of gaming. Given this, we can only be confident of benefits exceeding costs by engaging in policy making that is sufficiently ‘thick’, sufficiently understanding of the facts on the ground that it comprehends the
answered with a ‘thick’ engagement to see the issues from all important stakeholders’ perspectives, explore alternatives, test and prototype alternatives looking for some new, better way forward.

Thus, taking the example of the way vocational education and training qualifications have recently been changed in a way that disadvantages the regions (See Box 3.4 above), ‘in principle’ solutions are unlikely to work. The problematic change is unlikely to have been introduced frivolously. What is required is a collaborative search for solutions that deliver a satisfactory outcome to both the regions and the regulator in the light of the costs and benefits of alternatives. This requires diligent, patient, and collaborative search.

We explore this further in the subsequent chapter on skill.

practical costs of regulating outputs rather than inputs to be weighed against the obvious theoretical benefits.
**Checklist: Is there adequate will for change?**

<table>
<thead>
<tr>
<th>Within formal delivery organisation(s)</th>
<th>Within the local community *</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Does the initiative have sufficient authority and resources?</td>
<td>1. Has the idea been developed drawing on the knowledge of the affected communities?</td>
</tr>
<tr>
<td>2. Do those responsible for progressing it feel some accountability for delivering a result sufficient for them to tackle institutional discomfort towards change (or can the appearance of success be claimed through some minimal response to the original intent)?</td>
<td>2. Does the relevant community understand the rationale for the policy or program and support it?</td>
</tr>
<tr>
<td>3. If there is authority to hold those within an agency accountable, what authority do they have to put pressure on other agencies to contribute?</td>
<td>3. Does the policy or program make use of the knowledge and agency of the local community?</td>
</tr>
<tr>
<td>4. Does the policy or program bring on as partners people or groups in the community who wish to contribute to change?</td>
<td>4. Is there potential for negative impacts on local communities? How will this be monitored and managed and how will the community be involved in these questions?</td>
</tr>
<tr>
<td>5. Will any resulting change continue through time, or could it be swept away with the next policy enthusiasm or re-branding?</td>
<td></td>
</tr>
<tr>
<td>6. Are there resources and the will to ensure that the program is designed with expertise and monitored and evaluated in a way that is collaborative with, but independent of, the program to generate objective, publicly accessible performance information with which the program can be optimised, learned from and held to account?</td>
<td></td>
</tr>
</tbody>
</table>

**Risks**

Self-evidently, the principal risk is that the degree of will to proceed will be inadequate to provide sufficient motivating force to establish, or develop an initiative. As this chapter has shown, decisions to proceed can be expressed quite authoritatively and yet count for little if leaders do not sustain the authority to change when the initiative encounters bemusement, discomfort or hostility from those who must implement it.
Chapter Four: Skill

Honor your errors. … To advance from the ordinary requires a new game, or a new territory. But the process of going outside the conventional method, game, or territory is indistinguishable from error. Even the most brilliant act of human genius, in the final analysis, is an act of trial and error. “To be an Error and to be Cast out is a part of God’s Design,” wrote the visionary poet William Blake. Error, whether random or deliberate, must become an integral part of any process of creation. Evolution can be thought of as systematic error management.

Kevin Kelly (1994)

Program delivery and institutional skill

Reviewing the question of the organisational skill required to run a new major program, drawing on the experience of the home insulation program, Royal Commissioner Ian Hanger argued that agencies should consider whether they have the capability to deliver programs they have been tasked to deliver. He makes it clear that this is not a question of ‘buying-in’ skills through recruiting staff and contracting experts, but about the skills of the organisation itself to deliver a program in such a way that it achieves its intended outcomes. He argues that the commonly stated intention to build capability is “often a euphemism for the agency having a serious gap in its capacity, promising to redress it - but often not knowing how to do so - and underestimating the difficulty of building institutional (as distinct from individual) competence and capacity”. (Hanger 2014, p. 302)

In response to the Royal Commission’s findings, Peter Shergold argued in his report (2015) that the skilfulness of agencies and their ability to deliver programs was sorely impeded by the widespread cultural presumption within the public service that policy is superior to delivery, which underpins not just the lack of organisational skill but organisations’ inability to acquire it.

Here is a truth rarely admitted in the APS. Policy skills are generally viewed as ‘creative’ or ‘strategic’ while implementation skills are often perceived as ‘corporate’ or ‘operational.’ This outdated assumption can result in a bias towards promoting the former at the expense of the latter. It is premised on a falsehood. (Shergold 2015, p. 51)

While the outdated view is that policy is the creative work, Shergold argues that there is insufficient emphasis on the creative work needed for program design and delivery. He recommends greater attention to the skills of program management, based both on the individual professional capabilities of specific staff members and more broadly on organisational practices. Program management is a more challenging, critical and creative function than traditional project management. He notes that many program managers are ‘accidental’ practitioners, without understanding the skill of program management. There is a habit of treating program and project management as control activities based on templates and schedules, which overlooks the critical creative function of design and effective implementation. (2015, p. 11)
The Royal Commission, ANAO reports and the APSC capability review process have all found a similar lack of program management skill within agencies, which is a critical limitation on the effectiveness of government.

Capability needs to be progressively enhanced across the APS in a systematic fashion. In the past, public servants tended to administer by the prescription of process. Management directed its attention to the distribution of allocated inputs. Today the focus is far more heavily on performance-based outcomes. Results matter. New professional skills are required. (Shergold 2015, p. 6)

This lack of institutional capability within government is a particular challenge for regional areas, where complex and interrelated problems are met by fragmented programs designed and delivered with insufficient skill or knowledge of local contexts. Addressing the challenges for regional Australia requires the skilful and creative work to design policies and programs that can achieve outcomes, that Shergold notes is lacking.

Learning from the life world and local contexts

The preliminary stage of developing programs – investigating and understanding a problem and plausible solutions – is particularly challenging for policy-makers remote from the problem and without knowledge of the issues. A critical thing those at the centre must learn is that knowledge of the life world is important, hard to obtain in the normal course of bureaucratic routines, and difficult to assimilate into reporting routines in a way that enables learning.

Often the knowledge is tacit, which is a challenge for capturing learning even within an organisation. But the challenge is magnified by the fact that tacit information needs to travel from outside the organisation to within it, and to be recognised within that organisation as existing and capable of contributing to the learning and outcomes that the organisation is seeking. This knowledge may not come with a credential or any other clear bureaucratic means of recognising it as the best source of information.

This difficulty in gaining knowledge about the life-world and contexts at a distance means that situations are understood in a simplified way. In turn, this leads to the selection of ineffectual policy options. Both bureaucratic and political systems often use ‘thin’ ideas to engage with ‘thick’ issues with predictably disappointing results. The causes of this include:

- ignorance of local regions where the bulk of administrative capacity resides in a capital city
- management's difficulty in getting out of the office, out of its own frame of reference
- much professional expertise is context independent, and therefore, traditionally conveyed without the 'thick' description that communicates context
• political ideology – active at both party political level and to some extent within bureaucracies – is ‘thin’, and provides summary understandings of issues, whereas the reality on the ground will often be ‘thick’ with context.

Box 4.1: Adapting programs to local circumstances

The National College of Ireland took an early childhood development program from the US, Parent-Child Home Program and adapted it for a Dublin context. The program introduces new parents to reading and play activities to do with their children which has long-term effects on children’s engagement in school and parenting capability and reduces high school dropout rates.

When adapting it, coordinator Beth Fagan knew that the fidelity couldn’t change but some other things could as long as it “maintained the core”. In the US, the program used retired social workers, but those individuals in Dublin didn’t want to go into the areas with high deprivation in the docklands.

They made an adaption to instead up-skill local women to deliver the ‘play and learning training’ to parents. And this adaptation has been critical to the program’s success. Being part of the community gave workers respect and helped them recruit parents more easily. There was even an unforeseen bonus to the adaptation. The workers began practicing the techniques on their own children – it improved their own parenting and outcomes for their own kids.


This misalignment between ‘thick’ problems and ‘thin’ policy responses, coupled with lack of institutional skill and learning, limits the potential for governments to address regional problems. Yet government agencies can become more capable by developing the skill of learning from the life world and understanding local contexts. Building relationships with communities and local organisations allows a depth of understanding that enables better design and decision-making. In this, both the organisation and those in the community will be ‘learning by doing’ – enabling the initiative to be based on knowledge from the community and also to engage the agency of local stakeholders outside the government agency.

Shergold (2015) identified 10 key lessons to be learned by governments for effective policies and programs, beginning with:

First, policy is only as good as the manner in which it is implemented. The development of a policy and its delivery are inextricably linked. Implementation should be integral to policy design. A policy cannot be elegant if its execution is poorly communicated, ineptly administered or inadequately evaluated. The proof of the pudding is in the eating. (Shergold 2015, p. 4)

New skills for program development from a ‘thick’ understanding of the issues

Various professions and practices have developed methods to engage with communities – to respectfully listen, draw out tacit knowledge and develop shared understandings of problems and options for improvement. Government organisations can draw on the expertise of social researchers, service designers,
evaluators and their associated communities of practice to build a better understanding of people, communities and local contexts.

Contemporary human centred design and co-design approaches search for an understanding of the issues that is sufficiently ‘thick’ to be true to the experience of all the relevant stakeholders rather than a ‘thin’ understanding and abstracted at the convenience of program administrators and those at the top of the system. Good design is layered – from the overall concept of the program and how it will generate benefits to the detailed implementation design of each of the component activities, procedures and documentation, which jointly contribute to outcomes.

Moreover, when it is well done, human centred service design and co-design tend to have two attributes that appear to be at some tension, but really reinforce one another in crafting interventions in the life world to maximise intended impacts while minimising unintended, harmful impacts. They access the views of stakeholders directly – by involving them in the process. And within this structure, they bring the spirit of science to bear, elaborating formal theories of change or program logic, with each assumption tested as the program is being developed. These approaches can be thought of as R&D for services bringing real engagement with the life world and between it and systematic knowledge. This is a much richer, thicker, more promising way to develop programs than from book learning and relatively simple consultation with stakeholders.

The significance of local agency and self-organisation

So far, we have spoken of the knowledge and skills necessary to access and then to accommodate local knowledge and skills. But local agency will also often be critical. In ‘thick’ policy domains, programs can be more effective when they enhance personal and community agency, which leads to self-organising activities and outcomes. Working closely with the community to support agency may first require additional resourcing, funding participants to work with government rather than requiring them to fund their own time. There may also need to be training and support structures to assist people and community organisations to express and act with agency, and to facilitate self-organising responses.

Self-organising responses from communities provide much promise but also require greater flexibility from government organisations to respond and adapt to the community’s expression of its needs and capabilities. They also require a greater range of skills from agencies. And they introduce a risk. Many of the skills required are subtle ones. It will be tempting for those whose skills are not well developed to ‘go through the motions’ as if they had those skills. This underpins the need for candour and expertise in reporting.

Evidence-based policy, delivery and learning

The call for evidence-based policy is often heard from senior public servants and economists. It seems like the purest commonsense. Yet, high quality evidence-based policy and delivery are very rare. Thus, for instance, in the United States,
where much of the push for evidence-based policy has originated, Peter Orszag and Jim Nussle (2014) report:

 Александринш, based on our estimate, less than one dollar out of every hundred dollars the federal government spends is backed by even the most basic evidence.

Whether or not the problem is as bad in Australia as this, the deficit is similar. Here is Fred Chaney on the subject:

Given the successive scandals in public administration resulting in huge waste of public monies, it is not surprising that there is interest in evaluation of government programs. I am bewildered how billions can be wasted on training subsidies, family day care, and ineffective programs for Aboriginal advancement, and how abuses in aged and disability facilities and in failed child protection systems can continue even after they have been publicly reported. It is striking how often these huge examples of waste and of abuse are exposed not by the processes within government but by investigative journalists (personal communication).

Part of the problem, we think, is that many of the most senior calls for evidence-based policy tend to imply that it is a relatively straightforward matter. (Indeed, all the programs mentioned above would have had some kind of story to tell about how they were taking evidence into account.)

Disappointingly, often calls for evidence-based policy lead to processes which deliver the plausible appearance of being evidence based, but which, on closer inspection, do not deliver the substance. Even in systems which generate rich data, which could, for instance, call up detailed records of specific cases, this data is a residue of meeting administrative need, rather than the system’s need to identify promising ways to improve its performance. This is strikingly illustrated in The Australian Centre for Social Innovation’s documentation of one government Department delivering child protection services. The Department had sought to improve system performance and lower costs by identifying those children who might be safely reunified with parents from whom they had been removed for neglect and/or abuse and then proceeding to reunify them:

Alexander discovered a team that flipped restoration (reunification) rates from 70% failure to 85% success rates. Unfortunately, it was overlooked by senior leadership and disbanded despite its innovative design and efficacy. While this kind of crossing wires of competing priorities is not uncommon, it doesn’t have to be the norm. (Weinstein 2016)

Building systems rich in meaningful performance information is often difficult, the more so for performance information that will help practitioners improve their own practice. As Fred Chaney continues from the passage above, “I’d be alarmed … if the new interest [in evidence-based policy] results in a series of external evaluations of the sort I am seeing around the healthy welfare card”. Such evaluations – often done at considerable cost by a university centre – are frequently compromised. Their independence may be compromised simply by being chosen by the agency that is being evaluated and their quality will be highly compromised if the evaluation is not built in from the start.
Some of the more important of the many ways in which the appearance of evidence-based policy, delivery and learning can be simulated with the substance being compromised include:

- Performance metrics ‘by default’. Here, because there is a lot of it, data that happens to be generated by program administration is taken to be good data;
- Performance metrics reflecting institutional imperatives rather than the need to understand the performance of the program and how to optimise it. Those institutional imperatives might involve:
  - the supervision of contractual requirements
  - the need for supervisors and funders to supervise subordinates.
    (This will generate perverse incentives to massage the data all the way up the information supply chain in which each level justifies itself to the level above it.)
- Performance metrics that are designed inexactly and haphazardly. This is very common. How often are KPIs designed in such a way, rather than with real expertise, reflection and intentionality?

The kinds of pathologies outlined above are evident in these comments on community program reporting for Landcare:

> The complexity and frequency of reporting has increased exponentially over the subsequent changes to programmes. It is now often the case of the ‘tail wagging the dog’ with more effort and expenditure spent on compliance than delivery. It is acknowledged that there needs to be monitoring, evaluation and reporting, however 25 years of increasingly complex reporting formats, has given little in the way of accessible data sets and access to lessons of the past. Many reports are lost in archives, and never used other than to tick the box of acquittal. (Landcare NSW 2014)

Similar kinds of pathologies are observed elsewhere. Thus for instance, contracting out is often introduced with the hope that competition between private providers will stimulate innovation. But over time, as problems arise with the performance of the program or of individual competitors – and these can be either real problems or problems of perception generated by precisely the innovation that the program was intended to generate – regulations or contract terms are added which gradually constrain contractors to replicate something which comes to resemble the old system in its lack of flexibility.

**Monitoring, evaluation and learning**

The use of monitoring and evaluation (M&E) systems or frameworks is a common way for agencies to establish a learning system, although M&E can be used in a

---

10 An M&E system or framework is an organised method for gathering, compiling, reviewing and interpreting information to track performance and outcomes, which is intended to be used to build knowledge and guide management. The word ‘system’ does not necessarily imply the use of a computer system.
'thin' way, as compliance activity that does not support organisational learning. An effective M&E system is a valuable organisational asset, but requires expertise to develop and maintain, with many public organisations now focusing on building evaluation capacity to make better use of M&E. A well-designed M&E system generates timely information about the means by which activities generate benefits, which can be used to help optimise outcomes.

At heart, there is an ethical dimension to monitoring and evaluation and learning because learning will falter where a person or organisation shields itself from candid information about its own performance and how it can be improved. Therefore, it may require independence, and/or the use of agreed methods and practices to guard against bias. This requirement for honest self-reflection is usually a challenge for large organisations, not least government agencies which operate in an environment in which their political masters are under constant threat of attack from their official political adversaries and the media and the agencies are keen to protect them from such embarrassment.

Box 4.2: The case for an Evaluator-General

Monitoring and evaluation at the coalface should be principally for the purpose of optimising effectiveness and efficiency at the coalface. But its output should also flow to the top. Subject to respect for privacy, it should also be available more widely.

Under an Evaluator General (EG), evaluation would be done by those with domain skills in both evaluation and service delivery who would be formally from the Office of the EG. They would report to the portfolio agency delivering the program to assist its continuous improvement but also to the EG which would make outputs available publicly.

Such arrangements would ensure that

1. Expertise in evaluation has a home which is independent, has some teeth and offers career progression.
2. It is difficult for soft secrecy and euphemism to contaminate the evaluation system.
   Unlike officers of a line agency, and as with the auditor-general, officers of the Evaluator General would face minimal incentives to make the government or the wider executive look good – or bad.
3. The involvement of EG officers in the system, in system design and at the 'coalface' of delivery, should help reduce the tendency of the top of hierarchies to dictate terms to those at the coalface. The whole monitoring and evaluation system only has an interest in generating accurate information. The intrinsic motivation of EG officers should generally lead EG officers to help the agencies they work with to improve their performance.

This is also a development of the principles of Westminster government which I’d argue is constructed from two separate systems. Both systems aim at public good, but the former (which delivers government services and assists the political executive decide what should be done) does it on the presumption that public good is best done via a competition between political representatives who compete for the public’s consent. The latter (which one might suggest provides the informational superstructure on which the former operates) reports on what is being done and guards basic integrity. It produces public good outputs that are owned by all.

Source and further elaboration in Gruen (2016).
Moreover, even given good monitoring and evaluation, developing organisational learning practices is a task that requires considerable specialist capability for most agencies. Traditional methods of data collection and interpretation have been superseded by various new methods for gathering richer and more meaningful information to support learning and improved performance. The value of a systematic approach to learning is broader than a single program or agency. Learning from program delivery by one agency can be shared across the policy community, as knowledge is gained from implementation, experimentation and evaluation.

As learning practices grow across organisations, appropriate forms of management, data and information may become standard, allowing for comparison of effectiveness across programs and outcomes and better promoting the community of practice behind successful programs and innovations. An effective learning system can reduce the problem of uninformed decision-making about program design and implementation. By building knowledge and sharing experience across programs, government agencies can build their institutional skill beyond policy development.

Learning networks are also valuable for sharing ideas and scaling good practices to a range of organisations. For example, formal and informal learning networks are used in the UK’s National Health Service (NHS) to bring people together – through forums, events and online contacts – for mutual sharing of ideas and advice on specific topics in healthcare improvement.11 These networks are focused on the transition mentioned in the conclusion to Chapter One above – making the transition from understanding what needs to happen to working out how to bring it about. As a recent NESTA report pointed out, the networks “are particularly valuable in helping people to understand how to achieve change, not just what to change.” (NESTA and The Health Foundation 2016, emphasis added.)

Something a little similar happens within well run franchises. As Bradach explains using numerous examples, “Franchises provided local variation and experimentation, which served as a natural laboratory for identifying and testing ideas for a system wide adaptation”. (Bradach 1998, pp. 140-141) And though we doubt how easily or quickly new knowledge in regional policy can be “scaled fast”, we offer the experience of McDonald’s as instructive of how the centre of the system should promote learning at the periphery and then do what it can to disseminate it more widely throughout the system as appropriate (See Box 4.3).

**Box 4.3: McDonald’s on thinking big, starting small and scaling fast**

Turning those ideas into new products and processes requires “thinking big, starting small and scaling fast”, a concept credited to Mats Lederhausen, managing director of processes, but the company has to know where to make its bets. It can allow some amount of regional or franchisee variation to suit local tastes, but cannot dilute its brand – amongst the most famous and significant in the world.

The organisation has responded by establishing several groups and processes to create, review, and pilot innovations that include owner-operators. Jim Skinner, Chairman and CEO, and Mike Roberts, Chief Operating Officer, champion this work. Roberts’ view is, “Seven in, two out”: It takes seven great food ideas to get two innovations out of the pipeline and into the hands of customers.

Central to these are the Innovation Centre, the Innovation Council, and the Strategic Innovation Process. The Centre takes ideas from around the world and puts them into a restaurant setting. The Centre is a giant warehouse that has several model kitchens in it. When you change a product, you often have to change the kitchen to support it. After testing the new product and process, the company partners with neighbouring restaurants to try the innovation. It usually takes 50 to 100 restaurants to see if something will work. This enables the company to test not only the menu, but also the operating platform and all the systems in the restaurant to synch up the changes.

*Source: Gubman, E. and Russell, S. 2006, p. 21*

The UK’s Advancing Quality Alliance offers an example that is probably better suited to illustrate the issues in complex service delivery. It is a network to promote evidence-based practices in healthcare in North West England. It provides training and information targeted to specific decision-makers, as well as benchmarking and other methods to communicate and promote evidence-based practice. By establishing cooperative networks and building collective intelligence, these learning networks are able to provide targeted learning to people who can use it and, therefore, increase the uptake of the preferred practices. (The Health Foundation 2014)
The Shergold Report likewise endorsed the importance of spreading learning throughout the system:

For agencies to become learning organisations they must transition from a ‘need-to-know’ approach to information to a ‘need-to-share’ philosophy. Of course, standards around security, confidentiality and privacy cannot be compromised. But the APS needs to find ways to improve how it shares data and experience from early lessons, rather than relying on post-implementation audits and risking large-scale failures. … Perhaps [the government’s existing] requirement [that the results of government funded research be openly available to the broadest possible audience] could be extended to all government funding, similar to many areas of public funding in the US. Perhaps too, we might learn from the UK Government, which regularly creates opportunities to assess and publish the results of different approaches to government delivery. Staying agile, continuously learning and adapting requires a change of mindset. (2013, p. 73)

In this regard, one important way of orchestrating such learning is to drive it out from organisations and into the community of practice around them. Toyota established a ‘knowledge commons’ around its entire supply chain (See Box 4.4). In government, as we argue in a later chapter, there is more than one potential prize from establishing a similar knowledge commons. It can help drive learning that is system-wide, rather than narrowly based. And it provides a powerful platform on which not only can the community have input and perhaps gain some agency in improving the program’s performance, it can also hold the system to account, creating incentives for the government delivering the services to address weaknesses or cancel the
program if its performance is lacklustre, or maintaining the program and building on its strengths if it is succeeding.

Box 4.4: How Toyota resourced and accessed the skills of a distributed system and established a knowledge and learning commons

Developing Henry Ford’s ideas about driving out waste, Toyota drew its employees and suppliers into higher trust relationships than those in Ford. It supported its suppliers with its engineering resources, allowing them to share the resulting cost savings. It gave its employees far more training than their American equivalents, tasking them to use numerical control machine tools to endlessly optimise their performance.

Competition and market relations were the leitmotif of the American system and so conflicts of interest between the various parts of the system – managers, designers, employees, suppliers, dealers, customers – often dominated, crowding out the common interests they all shared. Though the market conditioned and disciplined relationships, Toyota’s focus was on long-term cooperative relationships between the parts of the whole system.

By contrast to the KPI driven accountability systems of many producers, Toyota’s production system was an exercise in applied humility. Predicated on the conviction that teams of employees have an intrinsic desire to perform well, employees were trained in statistical control and (CNC) machine tool supervision and tasked with using those skills to endlessly optimise performance between and across teams. Thus, no practical arrangement for handling information will be perfect in the manner it might be in an economist’s model. We should look to evolve hybrid institutions that capture the best of competition and collaboration where possible, whilst avoiding their worst pathologies. That’s what Toyota did with its supply chain.

In addition to the generous technical support it offered its suppliers, it also sponsored regular supplier wide-open days – both at Toyota and at the supplier factories. Non-cooperation in the knowledge commons was not an option for suppliers wanting to retain Toyota’s patronage. This rapidly normalised the culture of sharing and collaboration both within and between firms within the ‘family’ of suppliers, thus increasing the rate at which successful innovations spread. In the upshot, Toyota’s knowledge and learning commons was instrumental in its often doubling its American competitors’ labour productivity while exceeding their production quality.

Adapted from Gruen and Vanstone, 2016.

Learning through research, development and experimentation: understanding causes

Even where agencies build monitoring and evaluation into their operations, it may generate information about the performance of the program without generating good evidence that explains why it performs as it does and so how to improve its performance. In this regard, the experience of the insurance industry is instructive. As Howard et al. point out, although it was knee deep in data, that data didn’t answer important commercial questions, most particularly “How will consumers react to increases or decreases in price?”

Against initial resistance, Howard’s consulting company Optimal Decisions Group (ODG) proposed to “randomly change … the prices of hundreds of thousands of policies over many months.” Today, there is renewed interest in using similar methodologies to answer ‘what if’ questions of government programs at both the
micro and macro level. Thus, behavioural insights units starting in the UK and the US but spreading to Australia in the last few years have used similar techniques to bring greater experimental rigour to optimise government programs.

A/B testing has been used to optimise the response rate to arrears notices. Likewise, the government ‘design labs’ discussed below explore how services and interventions look from the perspective of those they are designed to help and use A/B testing, prototyping and other methods to test specific interventions and the assumptions behind them to add scientific rigour to the programs they are designing or investigating.

At the macro level, government needs to know the answers to questions like “How important are effective marginal tax rates as welfare benefits taper off and tax is paid on earnings, compared with other kinds of supports?” or “How might welfare benefits be integrated with other service provision to improve the rate of exit from welfare into work?” or “How much do people avoid temporary paid work when receiving welfare to avoid rules that restrict their welfare payments where other income is being received?”

**Box 4.5: Experimenting with the income support system in Finland**

Through 2016 and 2017, Finland is running a trial of a universal basic income for people currently receiving unemployment benefits. Two thousand beneficiaries aged between 25 and 58 were randomly selected for the trial, with the rest serving as controls.

For the two years of the trial, the participants are being monitored through central government data such as taxation and employment records. To minimise ‘observation effects’ that can bias the study, no data is collected directly from participants during the two years of the trial.

Recognising the significance of this trial, the welfare agency and researchers spent more than a year consulting and developing the experimental design of the trial. It is intended for this to be the first of a series of experiments to test various approaches to basic income provision and its interaction with the tax system. The aim is to find satisfactory ways to simplify income support while understanding the impacts of doing so on employment. This two-year experiment will enable the evaluation of the effect of a basic income on different population groups and an assessment of associated costs and benefits.

Challenges that had to be overcome to run the trial included gaining permission to circumvent a constitutional requirement for equality in the delivery of government programs, and uncertainty as to whether the two-year duration is sufficient to observe the important behavioural and economic effects on people and communities. Professor Olli Kangas, who led the design for the trial, said that despite the challenges, the trial will provide important information: “this is trial and error, and the door is now open for better experiments.”

**Sources:** The Economist (2017), Kela (2017)

The Shergold Report considered the role of testing and experiments. Conclusion F.24 calls for:

Staged decision-making for large projects should incorporate the allocation of seed funding to agencies to develop a business case and proof-of-concept, which can be tested before the project moves to a further stage.
We develop this idea of testing alternatives to better understand the ‘what if?’ questions necessary to improve policy and program delivery in the concluding chapter.

**Building the capability of partners and communities in the regions**

Greater engagement with the regions will require increased organisational skill at both the centre and the regions. To work together with government, regional organisations and communities will have to develop skills to investigate and report on their local problems, and to negotiate for resources. They must also learn to manage grants and contracts and deliver programs as planned. Some regional organisations have considerable skills and experience in working with government. Many do not.

This requires mutual capacity-building across organisations. A government agency that develops particular skills in implementation design will be able to support regional organisations better and build their skills and capability. A regional NGO with strong skills in community engagement can assist government agencies to learn the perspectives of regional communities. An NGO or regional organisation with experience of administering government contracts can provide guidance to smaller local organisations.

Communities may have existing capability to work with local organisations and government, or may need support to build community capability in order to access the agency of locals within government programs and services. Activities that develop community capability can strengthen communities, build resilience, and allow communities to support individual and collective wellbeing better.

**Developing community capability**

The federal Stronger Families and Communities Strategy (SFCS) operated from 2000 to 2008 to assist communities to identify opportunities to improve the circumstances in their community, and to fund a diverse range of projects that met these identified community needs. ‘Local solutions and local management’ was important in the design of the SFCS. Projects were expected to support and strengthen families and the community around them.

Many projects funded through the SFCS aimed to specifically build capability, while other projects were predicated on the presumption that some capability would be developed through participation in and the outcomes of projects. (Funnell et al. 2004). The SFCS approach to developing community capability started with understanding the existing strengths of a community, the issues the community sought to address, and therefore, the type and extent of capability to be developed. This was an explicitly different approach from top-down government programs that focused on deficits in communities and sought to address the deficits.

SFCS recognised that some communities needed to start building capability for community cohesion before they could be ready to deliver projects for the
community. Therefore, some communities commenced with projects to identify and train potential leaders and form local organisations. Other communities had significant strengths, but needed to develop new capability. One rural community used the funding to build skills for local organisations in project management and accessing grant funding. (Funnell et al. 2004)

Evaluations of the SFCS funding found that while many projects had benefits for the participants and local community, there was limited potential for sustainable changes due to the short timeframes of projects, the piecemeal approach of small projects that could not address broader underlying problems and the potential loss of special services funded through SFCS if local organisations were not able to integrate these. (Funnell et al. 2004, Muir et al. 2009)

If early intervention and prevention initiatives are to have positive outcomes for people or communities in considerable distress, other social issues must also be addressed. Long-term government involvement and funding is also necessary to realise potential benefits and sustain positive outcomes of the program. Short-term initiatives are not only inadequate, they also build distrust in people when services they have come to rely on are withdrawn. (Muir et al. 2009)

SFCS was a government program to build social capital. A much smaller scale, but even more ambitious program to build social capital is Family by Family, which was designed and is currently operated by the Adelaide based The Australian Centre for Social Innovation. Family by Family is targeted at struggling families and reconfigures existing family support. Instead of being supported by professionals, which is prohibitively expensive and often ineffective, families identifying themselves as in need of support choose mentor families from amongst their peers – families who have often been struggling themselves and come through.

A key strength of the program is that its encouragement of the self-healing properties of the life-world does not happen at the expense of systematised, professional knowledge but rather is integrated within it. The program’s design reflects the systematic professional knowledge and understanding of the literature that went into the program (as well as ethnographies of the life world and the direct input of families). The mentoring family receives a stipend for the training it undergoes and the mentoring relationship is coached by a trained family coach. The program has run in selected outer suburbs of Adelaide and Sydney for several years. Despite its promise, it is unclear whether it is being expanded. In our concluding chapter, we make recommendations that would enable a more systematic approach to this kind of intervention.

---

12 Nicholas Gruen, Lateral Economics CEO was Chair of TACSI from 2010 to 2016.
Policy and delivery as social problem solving: the case for ‘policy labs’

Where problems are ‘thick’, we think a ‘thicker’ conversation is likely to lead to results that are better thought through, more likely to attract stakeholder support by their demonstrated solving of problems and more likely to foster local participation and contribution. Innovation or policy design ‘labs’ like TACSI, which designed Family by Family, have been developed to embody multiple stakeholder perspectives in program design and delivery in an evidence-based way.

Box 4.6: The case of New Zealand drivers’ licences

New Zealand recently increased the stringency of the process by which people qualify for driver’s licences. This reduced road accidents but imposed social costs. Around 70-90,000 fewer people per year gained their licence, rendering their position in the labour market more marginal. Many reported driving without a licence.

To understand these social consequences and options to improve the situation, the NZ Transport Authority set a design challenge: ‘How can we improve access to the things that a driver's licence enables (legal driving, employment, access to services) – while making our roads safer?’ The Auckland Co-Design Lab coordinated the research and design process across multiple agencies. Information in this box is taken from their report on this project (2017).

Research showed that “being licensed is key to peoples’ future employability”, with 70% of jobs requiring driver’s licences. Economic analysis estimated the cost to government of young people being without a licence. One scenario suggested that increased employment of those currently without licences would save NZ$16 million in Ministry of Social Development outlays on welfare whilst generating around NZ$7 more in PAYE tax income (NZIER 2016, p.10). This helped frame the issue as being broader than road safety and licence compliance.

The design team investigated underlying reasons for low rates of licence completion, and tested the assumptions underlying the licensing regime. From this, it developed an intervention logic to map out the barriers to higher licence completion and the outcomes that any intervention must achieve to meet the joint goals of road safety and improved economic outcomes and the resulting budget savings.

Using social research techniques used in software development, the design team interviewed many young people and developed ‘user stories’ of example ‘personas’ – common types of users of the system whom the new approach needed to assist.

This rich understanding of ‘users’ currently excluded from full participation enabled the development of a range of new interventions: A mix of programs and changes to policy or processes, each designed to target specific ‘user’ groups and to address known barriers to licence completion. Together, these formed a coherent package for decision-makers to consider, which could then progress to implementation design.

Source: Auckland Co-Design Lab (2017)

A similar development has been the establishment of behavioural insights units pioneered in the UK and the US. Because they have a similar commitment to understanding users, they share some cultural similarities with policy ‘labs’. However, their work tends to focus less on deep engagement with ethnographic
work and stakeholder engagement and more on mining the literature and market testing to infuse government administration with greater insight into users. Though Australian governments were at the forefront of policy and delivery innovation from the mid-1980s and for a long period since then, countries like the US, UK, Canada and New Zealand appear to have pursued innovation in their own operations more vigorously than Australia has in recent years. Australia has been a ‘fast follower’ in some areas such as behavioural insights, but is still a laggard in the area of policy labs with little buy-in on the subject from central agencies.

As we elaborate below, we think a ‘policy lab’ could be very usefully focused on specific issues in regional policy and program delivery to pursue projects with stakeholders to better understand the practical compromises necessary to build arrangements that truly balance and jointly optimise their interests.

**Box 4.7: NESTA’s Innovate to Save program**

This Innovate to Save program is a new program run by NESTA (a British innovation foundation) for the Welsh government. It will fund government agencies or NGOs to trial projects that address complex problems and “generate cashable savings”. It recently called for applicants to propose projects for funding, from a pilot fund of £5 million. The initial policy focus is on projects for children in care, social prescribing, public sector procurement, data & digital technology; as well as other ideas to improve services and generate savings. NESTA is currently selecting participants for the first round, an R&D stage to plan and develop concepts for piloting. Some of these developed concepts will go on to stage 2 funding for an implementation pilot. Information in this box is taken from the website for this new program. (NESTA 2017)

The Innovate to Save program was developed by the Welsh Government in response to findings from evaluation of its existing ‘Invest to Save’ fund for program improvements. The evaluation found that the current innovation funding program had limited effectiveness due to:

- lack of capability to support the projects in development or while being implemented
- lack of evaluation to determine the real savings and medium- to long-term impacts from the innovation projects
- inability to share costs and benefits where an investment is made to improve one program or service but the benefits will be realised in another program, service or organisation
- difficulty of funding and supporting more innovative projects, partly due to the requirement to repay funding from savings achieved.

The Innovate to Save program has been created in response to these findings – focusing on providing targeted support for innovation that clearly links to ‘cashable savings’ and dealing with long-standing problems. While the former program was run by government, the new program is delivered jointly by NESTA and an innovation lab (Y Lab). The program will work with proponents through an R&D stage with guidance from innovation specialists, assistance on estimating savings and support to connect with other agencies that may benefit from the expected savings. Once the R&D stage is completed, successful project concepts can seek loan funding from the Invest to Save fund in order to implement their project.
## Checklist: Is there adequate skill and learning?

<table>
<thead>
<tr>
<th>Within formal delivery organisation(s)</th>
<th>Within the local community</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Has the initiative been designed by people with program design expertise using a ‘thick’ understanding of the underlying problem and local contexts and the potential to adapt state or nation-wide programs to local conditions?</td>
<td>1. Does its delivery recognise that an effective program is a joint product of government and community knowhow and agency?</td>
</tr>
<tr>
<td>2. Has the ‘program logic’ or ‘theory(ies) of change’ been properly investigated and tested to ensure the initiative is effective?</td>
<td>2. Does the initiative embody the knowledge and engage the agency of local people and groups?</td>
</tr>
<tr>
<td>3. Do the people delivering it have sufficient skill and the necessary alignment with the philosophy of the policy or program?</td>
<td>3. Have appropriate resources been devoted to building their skills in contributing to the program’s goals.</td>
</tr>
<tr>
<td>4. Are methods in place to work across silos and mitigate artificial barriers with appropriate escalation where things aren’t working?</td>
<td>4. If locals’ agency is to be maximised, what arrangements (including payments and other recognition) will ensure that demands made of them are taken seriously and not seen as exploitative?</td>
</tr>
<tr>
<td>5. Has monitoring and evaluation (M&amp;E) been organised that: • embodies expertise in M&amp;E • generates timely information about the means by which the initiative generates its benefits to help optimise outcomes • collaborates closely with operations but maintains independence of reporting to the community • minimises opportunities for and perverse incentives to otherwise conceal performance weaknesses</td>
<td>5. Does the program invite the ‘self-organising’ capacities of local groups, so that it can help in areas outside the portfolio from which it is initially funded?</td>
</tr>
<tr>
<td>6. Does the organisational culture value positive community outcomes and seek to continuously improve understanding and effectiveness?</td>
<td>6. Are these impacts captured in the monitoring and evaluation system?</td>
</tr>
<tr>
<td>7. Is the initiative continually optimised and does it support learning and mutual capacity-building across organisations and the community?</td>
<td></td>
</tr>
</tbody>
</table>
Risks of form dominating substance

By far the greatest risk to such ‘thick’ initiatives is the prospect, indeed likelihood that delivery will embody the ‘letter’ of good practice, but not its ‘spirit’. It would be possible to embrace much of the form outlined above and yet to fail to deliver an effective program. This is a risk for all organisations which have a habit of substituting form for substance. This is particularly the case in the public sector where agencies lack the disciplines of market competition.

In this regard, important hazards include:

• lack of candour in reporting the program’s successes, difficulties and outcomes both internally and to those outside the program, whether they are within the organisation or the community.
• the development of a ‘compliance culture’ in which people ‘go through the motions’ rather than a performance culture which is forever seeking to learn and improve.
• a relationship between those within and outside an agency not based on respect and mutual aid and advantage.
• development and reporting to KPIs that are not carefully designed to support program delivery and decision-making.

Box 4.8: Amazon’s Jeff Bezos on form crowding out substance

As companies get larger and more complex, there’s a tendency to manage to proxies. This comes in many shapes and sizes, and it’s dangerous, subtle …. Good process serves you so you can serve customers. But if you’re not watchful, the process can become the thing.

This can happen very easily in large organizations. The process becomes the proxy for the result you want. You stop looking at outcomes and just make sure you’re doing the process right. Gulp. It’s not that rare to hear a junior leader defend a bad outcome with something like, "Well, we followed the process." A more experienced leader will use it as an opportunity to investigate and improve the process. The process is not the thing. It’s always worth asking, do we own the process or does the process own us?

Another example: market research and customer surveys can become proxies for customers -- something that’s especially dangerous when you’re inventing and designing products. "Fifty-five percent of beta testers report being satisfied with this feature. That is up from 47% in the first survey." That’s hard to interpret and could unintentionally mislead.

Good inventors and designers deeply understand their customer. They spend tremendous energy developing that intuition. They study and understand many anecdotes rather than only the averages you’ll find on surveys. They live with the design.

Source: Amazon 2016 Letter to Shareholders (Bezos 2016)
Chapter Five: Fulfil

Too much innovation remains at the margin of public administration. Opportunities are only half-seized; new modes of service delivery begin and end their working lives as ‘demonstration projects’ or ‘pilots’; and creative solutions become progressively undermined by risk aversion and a plethora of bureaucratic guidelines.

Peter Shergold (2013)

Nurturing innovation once initiated: challenges within a hierarchy

Whether in government, business, science or in the life of communities, innovation is fragile. Often, innovation will produce some benefits in its own domain, but will usually have some impact on other elements of the evolved, incumbent system. And interests that are incumbent within a system will usually have greater influence on decision-making within it than things that are only newly arrived.

Making decisions on their merits – rather than according to other criteria, like status, maximising consensus and protection from discomfort – can be a very difficult business within organisations (Shariatmadari 2015). There are literally hundreds of documented cognitive biases to which individual decision makers can be prey. And many are activated or exacerbated within groups of people, particularly when organised into hierarchies.

Furthermore, in a government agency, those at the centre of the organisation will be senior to those in the field. They will not only be paid more, they will also have much more direct access to the organisation’s highest decision makers and their political masters, and be in positions that are aspired to by those throughout the agency. To a substantial extent, they will sit in judgement on the work of those out in the field as they examine their performance and assess them for promotion, preferment, or, if the services at the edge are contracted out, for payment.

This is an unpromising environment in which to hope that lessons in the field will be taken on board by those at the centre of the organisation. And yet if these are ‘thick’ problems, a great deal of the learning in the organisation must occur from the bottom up. As Elmore puts it:

Formal authority travels from top to bottom in organizations, but the informal authority that derives from expertise, skill, and proximity to the essential tasks that an organization performs travels in the opposite direction.

13 The cognitive bias codex organises them into four categories: biases that arise from too much information, not enough meaning, the need to act quickly, and the limits of memory. https://en.wikipedia.org/wiki/List_of_cognitive_biases

14 This helps explain why flattening management structures has been a characteristic of many successful innovation successes. It makes informal contact, problem solving between individuals and different parts of an organisation easier, and can minimise the possibility of the mutual adjustment necessary to progress being impeded by institutional imperatives of various kinds.
Delegated discretion is a way of capitalizing on this reciprocal relationship; responsibilities that require special expertise and proximity to a problem are pushed down in the organization, leaving more generalized responsibilities at the top. ... Policymakers do not need to know how to perform the task, or even whether the task is performed uniformly; in fact, diversity in the performance of the task is an important source of knowledge about how to do it better. (1979)

**Disruptive innovations in the market and within organisations**

The expression ‘disruptive innovation’ has now become something of a cliché. Explaining how the manufactures of 3.5 inch disc drives displaced the manufactures of 5 inch disc drives, Clayton Christensen (Bower and Christensen 1995) argued that the ‘disruptive’ innovation begins as a less mature and so, less profitable product than the incumbent product. This makes it difficult to develop within the incumbent organisation because it cannot demonstrate adequate current return on investment in competition with the incumbent, high profit product.

By the time the disruptive innovator has caught up with the incumbent, the incumbent has fallen behind technologically and this portends its ultimate falling behind commercially. Of course in a commercial environment, this then sets the stage for an innovation to disrupt incumbents. But Christensen’s whole message is
that such disruptive innovation is more likely to be killed off within incumbent organisations rather than be persevered with to achieve its potential.

And though Christensen explains the managers of the incumbent firm’s hostility to ‘disruptive’ innovation as a rational, if short-sighted response to its lower profitability, the reasons middle and senior managers offer for opposing new arrangements can diverge a long way from an assessment on the merits for the whole organisation or its mission. As Alex Roberts puts it contemplating innovation in government:

[It] is very easy to inhibit or stop the innovation process. Responding negatively to someone’s idea can be enough to stop them trying again. Coming up with reasons of why something shouldn’t be tried is very easy. Seeming to be supportive while at the same time acting in a way that delays things is very easy. Innovation requires a certain amount of momentum to overcome the surrounding bureaucratic inertia of organisations, and that momentum usually comes from enthusiasm and passion, from leadership, from external forces, and/or from an internal innovation capability. (2016)

And so far, we’ve discussed decisions that are made within one organisation. Often, decisions will involve other systems and so decision-making about them must ideally comprehend numerous stakeholders not joined in any unitary command structure. As Mulgan et al. argue (2007), most successful innovation operates across the boundaries of sectors and organisations, or as Steve Jobs put it more compellingly, “innovation is about making connections”.

**Growing or bringing an innovation to scale**

Bringing an initiative to scale is the final, critical step in our Will=>Skill=>Fulfil triad. It is central to successful innovation in the digital world. As defined in Chapter Two, the fulfil stage requires both resources and authorisation for the innovation to achieve its appropriate scale and reach. For Google and other founding ‘Web 2.0’ platforms like Facebook, Twitter and Wikipedia, because the internet, the world wide web and the personal computing revolution had made ‘thin’ what had previously been the ‘thick’ problem of interconnecting computers and their operating systems, the resources needed to scale these services or web ‘apps’ were comically small given the extent of their impact.

Google, for instance, cost of the order of one million American dollars to bring to market, whereupon, connecting it to the Internet enabled it to ‘scale’. Of course as demand for the service grew, Google’s service could not have coped with further investment in servers – a technology it became sufficiently good at providing that it became a second source of competitive advantage for it. This required resources, but those resources were funded straightforwardly enough from a capital market keen to invest in Google’s future profit making potential. This was true for Facebook and Twitter.15

---

15 Even in the case of Wikipedia, the magnitude of the impact compared with the money necessary was sufficiently great that it attracted the necessary funds from donors.
In the absence of countervailing political forces, the fulfil stage in a market is always the relatively uncomplicated one of the innovator attracting the funds to expand as far as it can do on the merits of its innovation in the market. As we outlined in Box 2.2, the case of Uber allows us to usefully illustrate the ‘fulfil’ stage in our model. Because its value proposition to the end user is a physical service, it becomes drawn into further organisational investment in administrative and executive resources in the markets in which it seeks to develop. This requires more money than the first generation of Web 2.0 platforms required. But as we have seen, Uber has been lavished with funds from the capital markets in anticipation of its success in the market.

The more difficult problem for Uber and the problem that has some similarity with innovation in government is that in virtually all markets into which it has expanded, Uber has encountered political opposition orchestrated largely by the taxi industry against which it competes. As we have seen, its strategy to achieve ‘fulfilment’ is to get ‘too big to ban’, something which its war-chest of investors’ money looks like making possible.

The difference in scaling innovation in markets and in government

When it works well, market competition also facilitates the re-allocation of resources in the light of some innovation. For instance, upon the introduction of the iPhone, the producers of other smartphones like Nokia and Blackberry had plans to continue their expansion. But as demand for iPhones and iPhone’s close imitator and competitor Android phones soared, market disciplines meant that incumbent smartphone producers couldn’t sustain their planned expansions and were soon forced to cut production. As a result, the market restructured towards the preferred technology with ruthless efficiency (and considerable disruption for those employed by or those who invested in the losing firms. See Figure 5.2).

---

**Figure 5.2: Markets adjust spontaneously to improvements in technology**

Source: [http://tinyurl.com/y825v9au](http://tinyurl.com/y825v9au)
Within a centrally planned system, none of these changes happen spontaneously. Imagine a new and in some way superior method of teaching emerges in a regional state school. It might sit unremarked and even unnoticed by the managers of the host school. If it is noticed, the administrators of the school or even the district won’t necessarily regard it as their role to spread the word. They are unlikely to be funded to do so.

But assuming the new approach is promoted locally, how far will it spread? Career incentives for those in the centrally planned system are not typically set to reward those who detect such improvements, to resource administrators to spread them or to defund less successful approaches. If the improvement does spread, there will be interests within the system that remain at best indifferent, if not actively hostile to the discomfort that spreading the system would entail. Further, the new approach might emerge from some difference in sensibility – which may mean that if the approach is to spread, it will need to be spread by people with that sensibility. Yet the insiders already in the system will likely have the strongest claims to be employed rolling out the new system – irrespective of their aptitude to do so. That fact alone may vitiate the effectiveness of extending the innovation beyond its origins.

Box 5.1: Successful programs not continued

A council had a large scale health program (over $700,000 over three years) which was closely monitored and evaluated – down to participants in exercise classes having BMI assessment recorded for quarterly report. Outcomes were very good, especially in Aboriginal communities due to a very effective locally-driven capacity building program within these communities. Results were seen to be the best in the state. But there was never any suggestion that the program, or a similar aimed one, would continue after the three years. Now that depth of community skill and experience is already diluted, and next time an Aboriginal health program is on offer, capability will need to be built up from scratch again.

Source: Regional Australia Institute

In contrast to what occurs in markets, there is no spontaneous mechanism by which one program displaces another by demonstrating its superiority in getting results. This is true on numerous levels. Firstly, even if the innovation simply delivers the same or a very similar service better, the adjustment is unlikely to be politically smooth. Thus, when hospitals are rationalised, service may improve, but it will change and it is very probable that some people will be worse off and unhappy about it.16 In such circumstances, political trade-offs are necessary. But communities’ confidence in their political system is at record lows, and this is a poor environment in which to arrive at the best decisions for the community at large.

And where government services are concerned, innovations may be materially different to existing ways of doing things. For instance, most preventative health programs appear very cost-effective compared with treating ill-health when it

16 Note that in principle, some change could be better for everyone in a region, and yet still not be contentious. Thus, people could campaign against changes in their backyard – for instance, to preserve their own local hospital – even in the context of substantially expanded and improved regional services.
develops. But government services meeting existing health needs are often quantity constrained which means that there are no automatic benefits to the budget from successful prevention without further, politically very visible cuts to existing programs.

This is even more problematic in the case of interventions that build social capital in communities enabling them to solve many more of their own problems. For instance, consider Family by Family as currently funded by the NSW Department of Families and Community Services (FACS) budget in order to promote NSW 2021 Goal 13 to “Better protect the most vulnerable members of our community and break the cycle of disadvantage”, which is a central objective of FACS and a common problem in regional Australia.

If the evidence suggests that Family by Family is cost-effective in pursuing this objective, then FACS should presumably expand funding as Apple consumers expanded their demand for iPhones. However, just as the corollary of Apple’s expansion of market share was other firms’ contraction, so if FACS is to scale up Family by Family, it will generally be at the expense of other FACS budget priorities. The logic is simple and we have heard many proponents of innovation in government advance it. Family by Family’s social return on investment is higher than other programs and so it should be expanded at their expense.

However, it’s not so simple. First, the program is a preventative one which introduces timing issues. A short-term budgetary expansion can be no easy thing in an environment of targets and budget ceilings. The ‘investment approach’ pursued by New Zealand in which the Australian Governments have taken a bipartisan interest is the appropriate ‘top-of-system’ response to this with certain types of expenditures – for instance, on welfare – being reconceptualised as a long-tail liability as they would on the books of an insurer. Short-termism can still raise its head in numerous ways, particularly at the political level as opposing politicians seek to ‘spin’ things their way.

Spending more on preventative programs also risks their not working as advertised. In NSW, substantial spending increases on child protection were authorised on the promise of prevention, but the benefits didn’t materialise. More importantly, resources for treating child neglect and abuse are already both stretched and quantity constrained, meaning that relief of pressure may end up flowing through to more traditional services (either per case or on more marginal cases), rather than lower expenditure. With good leadership at both political and administrative levels, these problems can be managed.

There will be pressures within the organisation not to disrupt existing routines. Some may be the product of managerial or employee inertia – some of it entrenched by institutions beyond the relevant organisations – like unions and the human resources practices and commitments of government which will enforce a strong preference for existing employees over outsiders whatever their respective merits.

For these and other reasons, the new program will probably be more at risk of having its funding curtailed when governments tighten their budgets as the adverse effects of defunding direct remediation are more immediately felt than the defunding of preventative programs.
The agony of working across silos

As the previous section has argued, specific markets affected by disruptive innovation adjust quickly and ruthlessly to new micro-economic developments in ways that are much more problematic for governments. The contrast is even greater in the case of markets adjacent to disruptive innovation. Thus, if we take the same market disrupted by new smartphone products as illustrated in the previous section, this was the beginning of knock-on disruption and reconfiguration in adjacent markets. For instance, Microsoft’s near monopoly on personal computing operating systems was undermined, and the ‘mobile revolution’ meant that many providers of software and apps for personal computers – like Facebook and Twitter – began building for mobile as well and over time gave precedence to this channel. Other providers of mobile apps on their own dedicated hardware like navigation aids rebuilt their products for the mobile smartphone platforms, though this failed to stop them being disrupted in their turn when Google Maps began freely providing navigation services.

Thus in markets where innovation requires it, different providers are constantly reconfiguring their relationships with each other as commercial pressures and opportunities present themselves. The contrast of this agility with the difficulty governments have getting their own systems to do something analogous is profound. The Coordinated Care Trials (1997-99 & 2002-05) tested approaches to the collaborative management of patients with chronic disease, such as diabetes, who are frequent users of health services. By improving access to care from GPs and outpatient clinics, as well as education and support services, the trials aimed to improve health outcomes and reduce hospital admissions. The design of the trials recognised that people with chronic disease need access to a range of services for substantial periods and that this could be provided by different combinations of support, education, monitoring, medication and other services. However, these services generally need to be coordinated and patient-centred to be effective.

But each part of health care is funded and administered separately. The trials aimed for ‘funds pooling’ – not just across Commonwealth health (Medicare, Pharmaceutical Benefits Scheme, Home and Community Care) but also state health and other care services. After considerable negotiation, Medicare ‘cashed out’ the forecast value of hospital and pharmaceutical use for the participating patients, allowing the trials to spend the pooled funds on disease management in the community. State governments participated in the trials but did not pool their funds to the extent intended in the design of the trials. PWC concluded that barriers to broader funds pooling appear to be political or administrative, rather than legal barriers. (2007, p. 8)

The trials illustrate how difficult it is to get coordination across silos, particularly where coordinated, collaborative funding is required. While senior government representatives agreed to the trials in principle, there was clearly insufficient will to drive the necessary organisational changes through the various organisations necessary to pool funds properly for coordinated care services. As with the example of trialling student peer teaching outlined in Box 2.1, this may also reflect lack of organisational skills necessary to manage the necessary change and coordination.
across agencies and portfolios. As trials, there was no specific plan for the care coordination or funds-pooling to be continued. While some coordination processes established through the trials had the potential to be continued through general practice, the funded positions for service coordinators and practice nurses may not have continued after the end of the trial funding. (PWC 2007)

Two Aboriginal community controlled health organisations began as part of the coordinated care trials, which marked a major change to the funding model for remote health services. Katherine West Health Board (KWHB) was founded in 1997 to participate in the first round of trials and is now the health service provider for seven remote communities south-west of Katherine, providing a range of clinical and preventive health services.

For the Aboriginal coordinated care trials, the Commonwealth recognised that people in remote communities had little access to Medicare and PBS funded services, and therefore, contributed to the funds pool the average annual cost of Medicare and PBS per Australian, rather than local usage. Territory Health Service contributed funds equal to the cost of past service provision to the region. Under the trial, the KWHB was permitted to either purchase services from Territory Health Service or provide services directly, and chose to establish direct services. This pooled funding enabled KWHB to provide a broader range of health services to the region, including regular GP services and nutrition programs. (Moran et al. 2014, p. 23-25)

In the second round of trials, Sunrise Health Service was established to provide health services in the region east of Katherine, and continues as an Aboriginal community controlled health organisation. After the trials, these two services were funded through the Commonwealth Primary Health Care Access Program, established in recognition of the fact that Medicare and PBS funded services were not available to people in remote areas. (PWC 2007, p. 48) The evaluation found that all trials reported an improved level of appropriate services, and some health or other outcomes for patients. While the general model of care coordination was considered effective, across the local variations in the trials, the evaluation concluded that: “survival of care coordination relies on a solid policy footing”. (PWC 2007, p. 16)

We see here in microcosm how difficult it is to really prosecute new delivery initiatives in the public sector. For all the will shown to establish the trials and the skills learned along the way, it wasn’t sufficient to ensure that the project fulfilled its potential, which is to say that the learning to which it led was captured and bore fruit as the initiative grew to the scale its merits warranted and, indeed, was taken on-board elsewhere within government. As Peter Shergold commented recently (2013), opportunities in the public sector “are only half-seized; new modes of service delivery begin and end their working lives as ‘demonstration projects’ or ‘pilots’”.

For this reason, we suggest that there should be a register of innovative new pilots and small policy initiatives with reporting each year by the Auditor General on the success or otherwise in applying the lessons learned, including by adapting and growing the initiatives to achieve greater impact. It would make sense to limit such an approach to regional initiatives to trial it before rolling it out more widely.
**Interventions, social capital and spill-over benefits**

Many of the most promising interventions in regional policy nurture the agency of local individuals and communities. They build social capital and this radiates benefits far beyond the original domain from which the program might initially be funded. We return to such programs in the next chapter, but refer to them here to illustrate the difficulties in the fulfil phase – in the scaling of such programs.

Where programs like the Stronger Families and Communities Strategy (SFCS) or Family by Family were successful, one would expect those benefits to be found not just in lower rates of child removal, but also in areas such as domestic violence, education, health, mental health and corrective services.

However, we’ve already seen that there are problems of ‘organisational fit’ between preventative, social capital based interventions and incumbent programs even when they’re within the same portfolio. Though public discussion often proceeds as if it were that simple, typically, an agency cannot optimise its performance like a person in a supermarket by simply funding an optimal allocation of different programs. Programs produce complex and interrelated outputs (See Figure 5.3).

**Figure 5.3: Nurturing social capital: Diverse benefits from narrow funding**

![Diagram showing diversified benefits from narrow funding](image)

Thus, if FACS is buying in the services of a program like Family by Family for its superior performance in child protection and domestic violence (both of which are in FACS’ portfolio), it won’t have the funds to simply roll it out wherever it would generate substantial benefits. It must go through a much more involved and painful process of both prioritising its funding – defunding some things to increase funding on others – and reshaping routines and programs so as to knit together their resulting impacts as best they can. Even understanding precisely what *should*
happen is far from easy, but even if it were, working out how is another process altogether. We’re unaware of examples of it really being tried at scale. As we illustrate in the next section, working across silos with any real depth, as illustrated for instance in cost sharing between them is very rare even in the trying, let alone in the succeeding.

Rebalancing responsibility from the administrative centre(s) to regional communities

To maximise the chances of some initiative becoming part of the regional landscape, a process must take place by which it acquires the political foundations of incumbency. It must become difficult for those making funding decisions to defund it, or at least as difficult for it to defund this initiative as any other incumbent initiative. Only in this way can our political system – which depends on competition between politicians for favour from constituents, potential funders and the politically powerful – place the new initiative on a level playing field with the incumbent to compete as best it can on its policy merits.

In some ways, one of the preconditions for success at the initiative’s inception – that of accessing local knowledge and agency – are also the preconditions for growth and longer-term incumbency in the ‘fulfil’ stage. Thus, Landcare’s involvement of local communities and its perceived success saw it transition relatively smoothly from a new, rapidly scaled program to incumbency. The AIDS strategy was always more at risk because of the anxieties of some in the community and the risk of ideological conflict. However, it turned out that those anxieties were not amplified in Australia as they were in some other political cultures – like that of the United States – and the initiative was scaled and succeeded.

For similar reasons, cooperation between levels of government in delivering initiatives augurs well not just for the quality of the program, but also for its capacity to become part of ‘business-as-usual’ at the different levels of government. For if the cooperation is bona fide and skilful, this improves its likelihood of being successful at the outset and then strengthens its chance of incumbency and survival on its merits in competition with other political and administrative priorities. If the support of one level of government weakens, the others may exercise countervailing power and advocate on its behalf.

In all this, we think it critical that the community be involved and given good, objective evidence of the successes and otherwise of the initiative. It may also make sense for the initiative to build its own mechanisms of engagement with, and accountability to, the community. We are increasingly seeing the way in which the natural logic of electoral democracy – it’s modus operandi being candidates and parties competing for the consent of the governed – generates ‘thin’, ‘ideological’ and polarising debate. For instance, in areas of social policy, those leaning ‘right’ ideologically are likely to emphasise individual responsibility whilst those leaning ‘left’ are likely to emphasise solidarity with the disadvantaged and community responsibility. This tends to generate polarisation between the two perspectives where, in different circumstances, everyone would not only see the wisdom of some ‘thick’ admixture of the two perspectives but also be keen to support it themselves.
Given this, mechanisms of community accountability should facilitate community solidarity in problem solving ahead of competition between perspectives. One of the most compelling ways to do this is with ‘deliberative democracy’ mechanisms such as citizens’ bodies selected at random from the population as juries are in courts of law or some interested subset of that community. By their nature, such arrangements push the discussion away from the polarisation we see in electoral democracy and towards finding common ground and collective problem solving if necessary through negotiation. Such mechanisms can also have a powerful democratic legitimacy which could be critical to having the success of regional programs assessed on their merits.
### Checklist: Will the initiative be fulfilled?

<table>
<thead>
<tr>
<th>Within formal delivery organisation(s)</th>
<th>Within community</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Is the initiative being grown/scaled from its original form? If so should other programs within its portfolio and beyond be transformed and/or rationalised to accommodate the expansion of this program and if so how? Have they been?</td>
<td>1. Is the program generating benefits that are well understood within the community?</td>
</tr>
<tr>
<td>2. If it is not being scaled, what compelling reasons are there for not ceasing the program? If it has been stopped what learning has it generated, and how has that been recorded and used for improving other programs?</td>
<td>2. Does the community (or substantial parts of it) think of the initiative as ‘theirs’?</td>
</tr>
<tr>
<td>3. Are the program’s costs and benefits well understood within the agency(ies) delivering it and more widely within the bureaucracy?</td>
<td>3. Given this, would it be politically difficult for a government to remove or fail to support the change even if any funding it receives was directed towards some other putatively worthy goal?</td>
</tr>
<tr>
<td>4. Is monitoring and evaluation continuing to generate independent and public verification of those benefits?</td>
<td>4. If the program is being expanded beyond its original sites, what consideration has been given to developing skills in its original site for delivery elsewhere rather than supplying these needs by default from the centre?</td>
</tr>
<tr>
<td>5. Are there processes in place to observe and recognise positive performance that can be reinforced and spread throughout the network now comprising the initiative?</td>
<td>5. Are all the relevant factors in this table helping develop and sustain bipartisan support for the initiative as a whole, even if parties differ somewhat on which aspects of the initiative to emphasise and expand.</td>
</tr>
<tr>
<td>6. Is the initiative now seen as ‘business-as-usual’? Would changes to it involve as much inconvenience/discomfort within the agency(ies) as the change of other initiatives it/they administer?</td>
<td></td>
</tr>
</tbody>
</table>

### Risks and practices to avoid

Given that a successful program will have built considerable skills in engaging with a ‘thick’ issue, there are hazards in trying to defend it politically. The risk is that political debate as currently practiced is too ‘thin’ and ‘ideological’. Amidst such point scoring, the subtle achievements of the program can be lost sight of.

Important strategies to mitigate this risk include:

- Maximising the involvement of local people in the program and of local knowledge of the program even amongst those not directly involved
- Use of political and deliberative mechanisms that embody the logic of consensus and collective responsibility rather than contest between competing interests. This suggests mechanisms like citizen’s juries or merit
based selection of governance or consultative bodies rather than party political election.
Chapter Six: Government as impresario: cultivating self-organisation

Policy packages are more important than individual policy measures. Policy synergies and co-ordination across related domains can make a real difference. … Formal and informal institutions that facilitate negotiation and dialogue among key actors in order to mobilise and integrate them into the development process are vital, as are those that enhance policy continuity. At times the challenge is to create institutions that strengthen the regions ‘voice’ in dealing with other regions, and countries and those that foster linkages among the private, public and education sectors.

OECD (2012)

The significance of local agency and self-organisation

This concluding chapter explores an area which is hard to place within just one of our categories of Will, Skill and Fulfil because it exemplifies all three. This overlap is already evident in the discussion of ‘social capital’ interventions explored in the previous chapter. Communities have inherent ‘self-organising’ capabilities and fostering those capabilities is often the surest route to successful outcomes. As OECD researchers Noya and Clarence put it (2009):

[Policy makers should understand that most decisions and support should be exercised within communities as much as is practically possible. Social capital or community capacity is less likely to be created or sustained from the outside. Ultimately, it is the community and its residents that have the strongest understanding, ability and motivation to shape it for the better.]

This chapter explores these issues more fully and sets the stage for our concluding recommendations.

The value of local involvement

A simple model of the world has it that competitive firms generate private goods – like hamburgers, horses and holidays17 within the market, whilst government provides public goods (like suburban roads, a legal system and defence) and/or ‘beneficial goods’ which act as a ‘safety net’ for services like education and health and for basic income. However, the world is more complex. Firstly, a critical ingredient of a functioning private sphere – both of the market and of civil society – is social capital which somehow sits in the background operating as a public good.18

17 As illustrated in this example, except where otherwise implied in this report, the expression “goods” includes services.

18 This was partly the point of the first book of Adam Smith, the founder of modern economics in his *Theory of Moral Sentiments*, published in 1759, 17 years before the publication of the work that is more famous today – though not in his own time – *The Wealth of Nations*. 
Governments have not typically been good at supporting social capital. Indeed, many would argue that governments often ‘crowd out’ spontaneous self-provision in the community. Even so, as we have suggested in the previous chapter, some government programs can nurture social capital.

**Box 6.1: The Documentary Australia Foundation: an uncovered commons**

In 2004, Ian Darling, a fund manager with a passion for documentary filmmaking, saw patterns emerging in the credits of some successful documentaries doing the circuit with his own:

a significant number of the documentaries had received financial support by way of philanthropic grants from foundations, corporations and private individuals. These disparate groups were not only raising awareness and funds, but also promoting the particular documentary, to keep it alive long after the broadcast … and creating new audiences outside the traditional streams of cinema and television.

Along with other filmmakers, Darling established the Documentary Australia Foundation (DAF). Amongst other things, this brought together documentary filmmakers and philanthropists with common interests in creating change. It educated unions, businesses and community groups to understand the benefits of being less controlling with their funding to bring on board other like-minded partners, at the same time as bringing government funded organisations like the ABC, SBS and the screen agencies to a much more sophisticated appreciation of sponsorship.

DAF quickly became far more than a conduit and soon took on some remarkably complex functions. Every funded documentary has a chain of milestones, IP requirements, and financial drawdowns. In this area, it has a parallel set of tasks about the social media presence, the impact production and ultimately the outreach delivery. All of this is channelled through DAF, so donors know that the production is transparent and professionally controlled.

In partnership with the international NGO Good Pitch Squared, filmmakers could raise substantial budgets, donors could see the range and integrity of projects, and both sides could see just how carefully a good advocacy film is planned. From that moment on, outreach was a word in Australian documentary. Over three events, “more than $14 million has been raised in philanthropic grants for the funding of 19 social impact documentaries and their impact campaigns, forging priceless pro bono support and 300+ powerful strategic partnerships between community groups, the corporate sector, NGOs and policy makers.”


Secondly, various stakeholders will often have some interest in the creation and provision of some good, but none have a sufficient stake in it to bring it into

19 Good Pitch squared offers this description of its activities on its website.

Good Pitch brings together documentary filmmakers with foundations, NGOs, campaigners, philanthropists, policymakers, brands and media around leading social and environmental issues – to forge coalitions and campaigns that are good for all these partners, good for the films and good for society.
existence on their own. This is similar to a typical ‘public good problem’ where governments have typically had the role of compulsorily taxing the community to fund such goods. But if there are stakeholders with a natural interest in the provision of a particular good, there are important benefits in engaging them in its provision:

- In principle, it is more equitable for those who benefit from a good to fund it instead of those who are indifferent to it.
- It is also likely to be more efficient because government funding must be administered which is costly in itself as is raising those funds from taxation which imposes economic costs.
- Their interest in the project makes them typically better informed than others – including governments – as to how to design, govern and adapt the delivery of the good. In this sense, partners brought on board help not just with the motive force or ‘will’ and resources behind the project, but also with the skills necessary to deliver, sustain and govern it into the future. Being stakeholders, they may also be able to help fulfil the project, anchoring it in local expectation.

Nevertheless, governments can often be useful as ‘impresarios’ using their leadership, convening power and, if necessary, some facilitative resources to back collaborative action to address perceived issues in local areas. Where problems are thick, the more people solve their own problems, either on their own, or together amongst those affected as an act of self-organisation, the more confident we can be that those solutions will meet their needs.

‘DIY Infrastructure’

NAB chair and former Treasury Secretary Ken Henry recently backing ‘DIY infrastructure’ which seeks to unlock self-organisation within local communities to fund infrastructure:

If we can get business, consumers – the DIY protagonists – at the community level to think about the infrastructure their community needs, they may be able to solve many of the problems themselves; they may be able to identify opportunities for their region that would never occur to those sitting behind government and corporate desks in our capital cities. (Henry 2017)

The Better Infrastructure Initiative (a collaboration between National Australia Bank and the University of Sydney) recently released a report identifying ways to encourage DIY infrastructure proponents in communities. The proposal is to establish an ‘eco-system’ similar in concept to the eco-system Ian Darling established around the production of documentary films to fund local infrastructure.

---

In principle, they could enter into mutually beneficial partnerships with others to bring about the good. But without some kind of entrepreneurial impetus, the possible partners in creating the public good may be unaware of its possibility, or may lack the imagination or the will to explore a partnership that may lead nowhere.
It would be centred on an independent not-for-profit Community Infrastructure Hub to coordinate proposals and assess them for community benefits. This Hub would interact with a Community Capital Enterprise, providing a market-making function to refine proposals and link proponents with suitable funding from government, philanthropic or commercial funding sources. (Bowditch 2017, p. 26)

The Better Infrastructure Initiative has launched a project to test this ecosystem model with stakeholders, aiming to bring together business, universities, providers of capital, government and the community sector. As Garry Bowditch (2017) put it in the paper supporting the proposals:

> Vision and passion of infrastructure protagonists drawn from citizens, community groups and business are key market actors that bring imagination and agility to challenge and disrupt traditional “silo” infrastructure as well as to help stitch together a better functioning system-wide performance.

**Landcare: community action, co-resourced by governments**

Landcare provides one of the few examples of a scaled innovation benefiting regional Australia. Keys to that scaling to its successful navigation of the Will=>Skill=>Fulfil journey were that it:
had high-level political support throughout
was a very cost-effective and popular response to a policy and political enthusiasm of the time, ecologically sustainable development
was not expensive and was seen by the government as saving money in a range of respects
was not difficult to scale as the principles and administration of the program were relatively straightforward
did not require any difficult cross-agency collaboration or funding
was strongly supported at the local level, meaning that it made its way safely into organisational and political incumbency.

It began in Victoria in the 1980s, to coordinate community responses to degradation of farmland, public land and waterways, and for improving land management practices. It became a national program in 1989 with the ‘Decade of Landcare’. Now there are over 5,000 Landcare and associated groups across Australia – Bushcare, Rivercare, Coastcare and similar groups – with 100,000 active volunteers. As the Australian Framework for Landcare observed (2010):

This army of volunteers and stewards has changed the face of Australia’s rural and urban landscapes. It has planted millions of trees, shrubs and grasses; repaired riparian zones and restored water quality by reducing erosion and fencing out stock from riverbanks; protected remnants of native vegetation; regenerated areas to provide habitat for native wildlife; improved ground cover, grazing methods and soil management; and rehabilitated coastal dunes and recreational areas.

Local Landcare groups are managed by volunteer committees comprising local landowners and residents, some with support from a paid Landcare coordinator working across a region. Local committees negotiate and plan for projects to address local priorities, apply for Landcare project funding, and deliver the agreed projects. In the early days of Landcare, tree planting to reduce erosion and salinity was a common project. Now, projects are very diverse and include training programs for low-impact farming methods, dealing with feral species, as well as local rehabilitation projects. Local groups have formed regional Landcare networks to coordinate a regional approach to land and water management. This recognises that land degradation often affects a broad area and has multiple causes, therefore, cannot be dealt with in isolation.

Landcare aims to address both local needs and national priorities – such as threatened species, or weeds of national significance. The Australian Government plays a role in shaping the work done by Landcare, through setting these national priorities, and providing most of the funding. State governments also influence its work by setting regional priorities and providing some funding for projects. But the Landcare approach recognises that local communities have a greater level of local knowledge, skills, financial and technical resources than governments can provide, and therefore, can take reasonable for developing and managing local projects.
As Youl observed:

The strength of Australian Landcare is that community groups and networks, with government and corporate support, conceive their own visions and set goals for local and regional environmental action. Working from the ground up to achieve these goals creates freedom and flexibility, giving communities a great sense of purpose. (2006)

Over time, Landcare groups have become a major part of regional communities, providing a means of coordinating responses to common problems, and an opportunity for community interaction and capacity-building. As the Australian Framework for Landcare observed:

The environmental focus of the Landcare approach evolved to incorporate a strong social aspect. Communities have understood the benefits of joint action to analyse and solve local problems, including many that are beyond the capacity of individuals to solve. This has been vital in providing social cohesion and support structures in rural communities struggling to survive in the face of drought and market pressures. In this sense, the Landcare approach has contributed to the health and welfare of local communities. (2010)

**Australia’s response to AIDS**

The first AIDS case in Australia was diagnosed in 1982. The cause of the disease was unknown, the mode of transmission was uncertain, and there was no treatment. Instead of treating the disease as a political or moral issue, as was done in the USA, Australia chose to treat it as a bipartisan public health issue. The initial momentum for an AIDS policy response came from community organisations representing gay men, injecting drug users and sex workers, as well as clinicians and researchers. As Bowtell observed:

The emergence of these politically active groups occurred spontaneously and without direction from government. Once these groups emerged, however, Australian governments swiftly saw the good sense of engaging them in HIV/AIDS policy formulation and development. (2006)

In 1983, the Health Minister led the development of the national strategy to respond to AIDS, working with community organisations, clinicians and state governments. This strategy had a major role for implementation through community organisations. Commonwealth funding to states required that half the money be allocated to organisations working directly with affected communities. Continuing the focus on harm-minimisation and rights of affected individuals, AIDS responses extended to other policy areas – education, social security, housing, drug law enforcement, human rights and anti-discrimination. These policy responses were often developed with relevant community organisations. In states where there was no community organisation representing at-risk groups, particularly injecting drug users, governments funded the establishment of organisations for coordination and community education.
Speaking in 2014, both the health minister at the time, Neal Blewett, and the shadow minister, Peter Baume, reflected on the importance of the bipartisan approach and partnership with affected communities. Both believe that the bipartisanship and community partnerships would not be possible today. (ABC Radio 2014)

Australia’s early collaborative response to AIDS has been credited with keeping the infection rate lower than most other developed countries. Activist groups worked with governments to communicate community needs, and led community education campaigns. Despite some policy objections and delays, the response evolved to meet community needs for harm minimisation and access to treatments. This included lifting import quotas on AIDS medication, and allowing health services to offer needle exchanges. As Bowtell concluded:

Australia has controlled the spread of HIV/AIDS and maintained very low rates of new HIV infection relative to comparable countries. Australia’s relatively successful response to HIV/AIDS came about because the Australian people, civil society organizations, clinicians, researchers, and provincial and national governments fashioned timely, practical, and imaginative responses to the complex challenges posed by the HIV/AIDS epidemic. Australia built its response to HIV/AIDS from the grassroots up, not from the top down. (2006)

The success of Australia’s AIDS response was an example of the role of the national and state governments as impresario – using their powers of convening, coordinating, persuading, learning and resourcing to enable the affected communities to deliver sophisticated community education and harm reduction programs, support services for people with AIDS and the quick uptake of testing and treatment. This has created an effective community and healthcare infrastructure that continues to provide services for health and wellbeing for affected communities.
Chapter Seven: Summary of our argument and proposals

Summary of our argument

Australia has excelled at reform, which can be conceived of from the top and ‘driven down’ through administration in a fairly straightforward way. Where problems are complex, however, we need to understand what is happening on the ground and to engage those where it is happening. Adapting language from anthropology, we call the former policy issue and solution ‘thin’ and the latter more complex problem and solution ‘thick’.

Where thin problems can be effectively managed from the top, for thick problems institutional learning must travel ‘up’ the chain of command as well as down – from out in the field to the centre as well as in the other direction. Yet there are profound institutional and cultural obstacles preventing this occurring, and where it does occur, preventing it being embedded or properly institutionalised.

The greater status given to policy making compared with delivery is a central foundational obstacle to achieving two related goals:

First: We need to ensure that government services and regulation have sufficient flexibility that they don’t unreasonably discriminate against regions with their smaller scales of economic operation and distance from major cities.

Second: Similarly, there’s much positive learning to be done in developing programs that meet the needs of regional communities and their economies and in having the learning such programs embody:

- assessed and understood and
- scaled on their merits.

We have anatomised these inadequacies in terms of the early, middle and late stage of the necessary process of institutional learning and change-making – which we have summarised using the rhyming triplet of Will=>Skill=>Fulfil.

There are deficiencies of practice in each of these stages.

Will: Governments frequently announce their intention to introduce some new policy or approach, but then poor attention to detail often follows and the initiative quietly dies. Sometimes, little progress is made beyond announcement or some stated intention. On other occasions, a pilot proceeds and appears successful but is not continued with as priorities change.

Skill: Pilots, trials and other small-scale initiatives are often used to develop new skills and investigate the value of various new approaches. Some pilots have trialled integration of service delivery and funding streams between agencies – one of the holy grails of ‘joined up government’. But this has been very rare. More disconcertingly, the scaling of such learning into larger programs with learning feeding back to agencies is rarer again.
Fulfil: For innovation to be truly ‘fulfilled’ in our lexicon, it needs to be grown to the appropriate size and to become incumbent – embedded within organisational and political expectations and ‘business-as-usual’.

Against this diagnostic forward, we have proposed checklists corresponding to each of these stages/aspects of a successful initiative.

A regional transformation strategy

We propose the establishment of an integrated regional transformation strategy of several elements. It would be a clearing house for experimentation and policy design for the regions, but with an eye to generating both high quality evidence about how government programs can be improved and small scale working models of regional innovation that could be adapted more widely, to other regions, and, where appropriate, to urban Australia.

There are likely to be many opportunities to improve outcomes for regional Australia by making adjustments to the delivery of a range of programs and experimenting with their integration. However, there is no current process to discover these opportunities for improvement. Ideally, agencies would routinely seek opportunities both for program improvement and for better integration with other programs. But this mechanism would be focused on ensuring that it happens.

The program would consist of these parts.

A Regional Transformation Agency

First, we propose a Regional Transformation Agency with three key functions.

A. It would house a substantial policy ‘lab’ with skills in policy and program design and implementation of the kind found in policy labs in other countries. It should also have a budget for buying in the same skills on a consulting basis. The lab would work with governments at all levels and other stakeholders on initiatives to strengthen regions using the methods of:

- desk based policy research
- human centred design or co-design including ethnographic work to understand the perspectives of all stakeholders, prototyping and similar methods of testing initiatives and
- A/B testing and other means of randomising treatments to test causal mechanisms

The work would be done independently of any stakeholder and would be transparent to all.

These capabilities of the lab would be important assets in performing the agency’s other two tasks.

B. The agency would manage a fund to resource trials of adjustments to program rules or practice including for large entitlement programs. For
example, there is concern that the rules for Newstart Allowance make it costly for people to take up temporary work, leading them to stay on the allowance rather than taking up work. In regional areas, where there may be a greater level of temporary work, this may be a particular barrier to employment. Therefore, it may be possible to identify an adjustment to Newstart rules to better accommodate seasonal and temporary work whilst minimising the risk of lost income. This adjustment could be trialled in a regional area where this is a recognised problem in a trial that is designed to generate evidence about the problem, the causal assumptions, and the impact from making specific changes to program rules.

This stream could also assist with trials to expand the scope of a program to address other problems or to generate other outcomes, which are currently not addressed because to address them would require funding collaboration between programs, agencies or silos within agencies. The fund could meet the costs of investigating such possibilities so that the effort required to obtain greater collaboration between silos would be justified in advance with robust evidence from trials. Before potential adjustments are trialled, it will be important to check that there is a sound causal ‘theory of change’ for how the adjustment would reduce the problem or improve the outcome. This will allow a meaningful trial and generation of evidence that can be potentially transferred to other situations.

Ideally, all large government programs should be generating information on the most promising ways of optimising their costs and benefits, for instance, to investigate behavioural responses to different rates at which people were tapered off benefits when they earned income. Given that this would be a large undertaking, and in the spirit of ‘learning’ being promoted in this report, it seems more sensible to establish some specified fund that government agencies – and arguably those outside government – could bid for funding from, for specific policy and program experimentation. In the long run, there would seem a strong in principle case for some small proportion of all such spending to be devoted to such research and experimentation.

C. The Agency would also house an Ombudsman for Regional Australia. However, rather than take existing regulation or administration as the standard by which fairness should be judged, as the name ‘ombudsman’ might suggest, we suggest that such a body should be able to seek changes on their policy merits, rather than simply to ensure administrative fairness as uniformity.

Where regulation or administration (including the management of contracts for private service provision) appeared unreasonably inflexible towards the needs of a particular region, those seeking better solutions would not be thrown entirely on their own resources in the search for solutions and in
their representations to regulators. This function could also be a source of projects for the lab outlined in point A above.

In the case of service provision, many political and administrative efficiency drives focus on accessing scale economies. While this strategy can work well in cities, economies of scale are hard to find in regional areas, particularly those with low populations. On the other hand, economies of scope often provide more fertile ground. Thus, diverse local services can sometimes be bundled and tailored to meet the community’s needs, where one local organisation is able to combine funding for a range of part-time services into a viable operation able to spread the overheads across a portfolio of small funding sources. Such strategies can be crucial to the survival of service providers in low population regions.

Where the office judged it worthwhile, they could be given some executive support in seeking solutions for their region’s issues from regulators and other administrators and where the office judged that these other government agencies were not being reasonably flexible in meeting regional needs, the agency would have power to publicly report the fact to Parliament.

It would be appropriate to provide some independent governance to this function to ensure it is reported without fear or favour.

**Independent and expert monitoring and evaluation**

**Second**, an independent unit should be established to nurture a community of practice in monitoring and evaluation. It would work in close collaboration with all the initiatives in the program to develop monitoring and evaluation regimes. It would be crucial to this endeavour that the unit took an approach that was:

- highly collaborative with service providers in the field (whether they were employees of the program or were wider stakeholders in the community) and
- focused on their need to optimise the effectiveness of the program.

However, the purpose of independent monitoring and evaluation would be to also make monitoring and evaluation outputs available to others, including more senior managers up the line to portfolio heads, but also to the public at large and also to local communities. The transparency this engendered would have two powerful effects. It would maximise:

1. the extent to which experience of specific programs constituted a knowledge commons and community of practice of growing value in all such work; and
2. transparency and so accountability, not just to funding and delivery agencies but also more widely and particularly to the local community enhancing the ‘fulfil’ stage of building local and wider community support for
successful programs and understanding where unsuccessful programs are curtailed.

Ultimately, the goal should be to approach ‘look through government’ in which those on the outside would understand how effective different programs were, and crucially as the system matured, be able to compare the cost effectiveness of incumbent programs with newer innovations to enhance the extent to which they compete on a ‘level playing field’.

A federal remit

All of the initiatives outlined above should be federal rather than Commonwealth as clearly, cooperation between different levels of government will be important to optimising results. However, given its much stronger funding position, the Commonwealth should fund three-quarters or more of the costs of these proposals with states meeting some costs and being given some role in governance.

The location of the Agency and/or the monitoring and evaluation unit could be shared between a regional city with reasonable plane connections to a state capital and Canberra.

Addressing the ‘Lord Acton’ problem of the time inconsistency of preferences

Third, we need to address the problems of time inconsistency which themselves are reinforced by the status of those at the top over and above those delivering services. In a political culture that valorises ‘announceables’, pilots and small scale policy innovations are relatively easily established, but then tend to disappear, often irrespective of their merits, replaced by new announceables.

To tackle this, governments should establish greater accountability for the extent to which the system as a whole is managing a healthy pipeline by which trials and pilot programs are widely learned from and grown in scale and impact where appropriate.

Accordingly, we propose a register of policy and delivery pilots and new small scale regional initiatives, with reporting each year by the Auditor General (with coordination with State Auditors General where appropriate) on the extent to which the system is proceeding in an evidence-based way to apply the lessons learned from such initiatives, including by adapting and growing them to achieve greater impact. The Auditor General should also report on the extent to which decisions to continue funding individual initiatives or to defund them is evidence based.
Appendix One: The legal foundations of tax and payments and their implications for project design

State involvement in both income tax and income support payments was previously extensive in Australia and this is broadly the case in most if not all other developed countries that are federated today. Australia became exceptional, however, during WWII, which saw the Commonwealth effectively monopolise the income tax power. The resulting imbalance between the Commonwealth’s and the State’s revenue raising powers has also entrenched Commonwealth domination of income support payments.

As in other developed countries, Australia’s tax and income support payments are built on strong legislative foundations with elaborate legislation that is frequently amended. The legislative architecture for Commonwealth income tax is provided in three acts, the most important two of which are the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997. Together, they run to well over one thousand sections and around seven thousand pages. The Social Security Act 1991 and the Social Security (Administration) Act 1999 provide the legislative underpinning for income support payments such as Newstart. Together, they take up more sections but fewer pages than the corresponding tax legislation.

The legal provenance of these systems is of some significance as variations in tax payments and entitlements attract S51(ii) of the Australian Constitution which grants the Commonwealth power over “taxation; but so as not to discriminate between States or parts of States” (emphasis added).

S51(ii) does not prohibit regional variation in tax outright. S76A of the Income Tax Assessment Act 1936 has, since the 1940s, provided a valid legislative basis for tax relief for those in particular regions regarded as requiring assistance in some way, with the payments system providing analogous support via Remote Area Allowances. Nevertheless, the jurisprudence does impose important disciplines on regional variation.

This is of some significance to the question of varying payments as the legislative underpinning of payments to families with children – “family tax benefits” – are provided within the tax system under the A New Tax System (Family Assistance) Act 1999 and the A New Tax System (Family Assistance) (Administration) Act 1999 which were introduced with the GST reforms. Our discussions with lawyers lead us to believe that it would be possible to authorise entirely within Commonwealth constitutional power ways for such payments to be made more generous to some, or the means of testing arrangements by which they are withdrawn on people’s earning of income for the purposes of generating knowledge to improve Commonwealth programs. But it would require careful legal crafting.

However, there are no equivalent constitutional constraints in the Commonwealth’s power in relation to social security. There are already variations in people’s social security rights by location under current social security law, for instance, in income management – i.e. the setting aside or quarantining of a portion of a person’s social security payment to pay for necessities such as food. Thus, for instance, the Minister
has the power under s 123UCA of the Social Security Administration Act to specify a State, Territory or other area as one where a “vulnerable” recipient, as defined, is to be income managed. This power has been exercised in relation not just to remote communities, but also to regional cities such as Shepparton in Victoria and Logan in the south-western suburbs of Greater Brisbane, Queensland. Though this does not involve varying the amount of a social security payment, just the proportion available in cash, we are unaware of any constitutional obstacle to doing so if this was considered desirable.

Another example is provided by the recent attempt by the Minister for Indigenous Affairs to vary parts of social security legislation in their application to remote areas of Australia. The Social Security Legislation Amendment (Community Development Program) Bill 2015 did not proceed amid controversy centred on other aspects of the program of which it was a part and it lapsed at the last election. However, had it been enacted, the Bill would have introduced a higher income threshold at which social security payments were reduced in designated areas.

This would have meant that social security recipients with earnings may have received a higher rate of social security payment than someone with the same earnings in a non-remote area. Note in all cases we can imagine, there are likely to be large political obstacles to varying people’s entitlements downward, and it is possible there could be some legal obstacles also, though these appear to have been managed in the case of income management.

If there were any concerns about the constitutionality of proceeding with some course of action, one promising option, which is in the spirit of our suggestions in this paper in any event, would be to invite the states to participate in regional trials to vary some of the provisions of Commonwealth benefits or family tax benefits, with the Commonwealth assisting as most expeditious with funding and cooperation with its administrative systems. If this were at risk of being at legal risk as triggering constitutional disciplines against ‘discrimination’ between states or regions, the Commonwealth might – again consistently with other considerations in this report – design a program whereby different states could bid on the merits to host regional trials.
References


Gruen, Nicholas and Vanstone, Chris, 2016. “Competition as a means to an end: human services supply chain needs a brain”, The Mandarin, 19th August. Available at


