Transformational reform: lessons and strategies to change the game

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Presentation at AARES 2016
Overview

Purpose
Identify lessons and strategies
to design and implement transformational reform

Outline
• Common obstacles and challenges to reform
• Conditions favoring reform
• Drought policy in Australia
• Lessons and strategies
Transformational reform is ...

• Game changing
• Substantial net gain
• Sustained
  – Broadly accepted
  – Adapts
• Often large in scale or scope, but may be smaller and provide a catalyst
Common obstacles

• Distributional impacts
• Beneficiaries poorly informed
• Bureaucracy aligned with status quo
• Early losses, slower gains
• Associated political risk
• Multiple jurisdictions
Common challenges for environment and NRM reform

- Complexity
- Difficult to detect problem early
- Inadequate information and scientific knowledge
- Measuring values
- Cross jurisdictional boundaries
Conditions favoring transformational reform

• Sense of urgency and need for change
• Size, timing and distribution of costs and benefits understood
• Engagement - wide and early
• Capable, adequately resourced institutions
• Effective leadership
Drought characteristics

• No universal simple definition
• Conditions develop gradually and end may be hard to define
• Impacts can be significant
  – economic, social, environmental and political
• Highly visual, doesn’t ‘go away’, strikes emotional response
Major Australian droughts

1864-66  All states except Tasmania
1880-86  Southern and eastern states
1895-1903 Devastating stock losses
1911-16  Loss of 19m sheep, 2m cattle
          National wheat crop failed completely in 1914
1918-20  Widespread
1939-45  Lost nearly 30m sheep between 1942 and 1945
1963-68  Widespread
1972-73  Mainly eastern Australia
1982-83  One of the most intense, widespread droughts on record. Total loss estimated > $3b
1991-95  Particularly dry in parts of QLD, northern NSW, parts of central Australia. Estimated > $5b cost
2001-11  Inflows to Murray-Darling Basin lowest on record, severe impact on irrigated agriculture
Australian policy context

• Early focus: ‘drought proofing’ agriculture  
  – expanding dams and irrigation
• 1970s: drought considered a natural disaster  
  – low interest rate loans, subsidies and rebates
• 1989/90 onwards: new way of thinking  
  Drought a recurring, natural feature of environment
Australian policy context

Multiple major reviews over decades
Most agreed:

• No universal definition of drought or its severity
• Drought a clear and ever present risk of doing business; need self reliance and risk management
• Interest rate subsidies encourage debt and are poorly targeted
• Transactions based subsidies discourage preparedness
And yet...

• Continued to distinguish severe and lesser droughts
• ‘Exceptional circumstances’ introduced (1992)
• Continued interest subsidies, transactions based subsidies (despite agreement to phase out)
A window opened

- 2010, drought conditions easing
- Cost to Commonwealth budget of interest rate subsidies rising and hurting
There were advances...

• Separation of farm household welfare issues and that of the farm business
• ‘Exceptional circumstances’ condition removed (2012), but still required drought assessment
• Interest rate subsidy removed (2012)
Advances (contd)

• Principles agreed for in-drought support (2011), Intergovernmental Agreement signed (May 2013)
  – Both of questionable strength

• Principles included that in-drought support must be underpinned by monitoring and performance data to ensure appropriate targeting
  – Adequacy and transparency of reporting?
But then ...

- In 2013 drought returned and intensified
- Sept 2013, new drought package
- Concessional loans returned
- Drought again referred to as a natural disaster

$320m for drought-hit farmers
“Drought is one of the biggest challenges farmers face and it has a significant impact on agricultural output, productivity and farm incomes. The Government will always stand by farmers in drought.”

Concessional loans re-introduced
Lessons

• Major complex reform rarely linear
• Lack of clarity about problem, its causes and interactions with other policies/issues can lead to misguided solutions, poor outcomes
• Have or create understanding of strong need for change
• Power of media and lobby groups cannot be underestimated
Lessons

• Need active, continued stakeholder engagement. Harness beneficiary support.
• Media matters. Photographs, stories reinforce public opinions and attitudes.
• Politics matter; don’t ignore
• Cross boundary issues notoriously challenging
  – create incentive structures and use institutional arrangements