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

- 2007, Federal government to Labour making a rare alignment of States, Territories and Feds in 2008, and all except WA in 2009 and 2010

- 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

Agricultural Competitiveness
White Paper July 2015

"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