5.0 Overall assessment
This chapter provides an overall assessment of the current service delivery system. It also considers underlying reasons why the problems occur. Implications for this inquiry are considered at the end of the chapter.

Key points

- Many Aboriginal and Torres Strait Islander people living in remote and discrete communities experience persistently poor social and economic outcomes, with high rates of unemployment and welfare dependency.

- As many policies by all levels of government affect Aboriginal and Torres Strait Islander people, care is needed in making a summary judgement about the existing stock of policies. Generalisations about performance run the risk of reducing support for good policies as well as bad.

- Even so, the weight of evidence presented to this inquiry suggests that many services are not meeting community expectations or delivering value for money.

- In discrete communities, government essentially ‘operates’ the community—individual choice, markets, rewards and responsibilities have a limited role. This creates ‘principal–agent’ and incentive problems, contributes to welfare dependency, and undermines the development required to bring about fundamental change.

- The system is characterised by:
  - Poor or conflicting incentives—for government (there is a bias towards concentrating on highly visible action), service providers (there are incentives to maintain programs and funding rather than improve outcomes) and users (there are incentives to remain welfare dependent).
  - Unaligned decision-making, funding and accountability—decision-making is concentrated at the highest levels of government, and dispersed responsibilities result in limited genuine accountability to service users, communities, government and taxpayers.
  - Information barriers between government, service providers and service users mean that services may not address peoples’ real needs.

- The system is so large and bureaucratic that it risks serving itself rather than communities. Costs of maintaining the system are high and it is difficult ‘to get things done’.

- Service delivery is often funded on a short-term basis, and the current way of doing things does not reward or encourage effective evaluation and incremental improvement to service delivery and design.

- Anecdotally, there is potential to reduce ancillary costs and service duplication, so that more can be achieved with current investment levels.

- Economic and community development is not supported by the current institutional and policy framework.
5.1 Assessment framework

Service delivery within an overarching development framework

The Terms of Reference for this inquiry ask how available resources can best be used to support increased social and economic participation and deliver high quality services. In this context, this inquiry has considered service delivery within an overarching economic and community development framework. By ‘development’ it is meant:

[...] development consists of more than improvements in the well-being of citizens, even broadly defined: it also conveys something about the capacity of economic, political and social systems to provide the circumstances for that well-being on a sustainable, long-term basis. (Barder 2012, p. 1)

Local capacity and sustained improvements in wellbeing are linked. Externally funded service provision can provide improvements in wellbeing, but unless it contributes to, or does not detract from, development, these gains will not be sustained.

A focus on development establishes the ‘lens’ through which issues, policies and services are analysed. Development improves economic and community participation, which has implications for service delivery, including influencing the level of demand for services. In turn, service delivery can have both negative and positive impacts on development.

A focus on development requires an investment perspective where costs occur up-front with benefits to be derived later. Improving service takes time because, for example, investment in skills development may be required if improved local employment outcomes are to be achieved:

PICC has demonstrated opportunity to increase local employment—but costs more initially for training, mentoring, supervision and lower productivity. However, longer term benefits to individuals, families, community and service delivery make this cost-effective. (Palm Island Community Company sub. 29, p. 1)

The development challenge facing communities is significant with many aspects of development needing to be driven from the local level and from individuals and institutions acting outside of government.

Effectiveness and efficiency of service delivery

The scope of this inquiry is very broad and necessarily considers issues at the level of systems, institutions and the funding arrangements within which service delivery decisions are made, services are delivered, monitored and evaluated. Given the scope of the inquiry and time constraints, the inquiry does not evaluate individual service delivery programs or policies in terms of their effectiveness or efficiency (Box 5.1).

The concepts of effectiveness and efficiency are used in considering the overall level of resources directed to the provision of service delivery, how service delivery can be improved, and the relationships between service delivery and broader economic and community development.
A summary assessment

Aboriginal and Torres Strait Islander people who live in remote and discrete communities experience poor and persistent social and economic outcomes when compared to the average of the Australian population:

- labour market outcomes are worse than the Australian average with high and persistent unemployment rates
- entrenched welfare dependency has resulted in the deterioration of social norms in many communities
- there is very little in the way of economic activity in communities which creates wealth, as opposed to distributing the wealth created by others.

Services and policies at all levels of government seek to enhance the welfare of Indigenous people living in remote and discrete communities. However, some Australian and Queensland government policies have actively contributed to the creation of problems, other policies have contributed to a worsening of problems, while still other policies unintentionally impede change.

Services are not meeting community expectations or providing value for money. The significant level and increase in resources has not resulted in a commensurate improvement in health, child and family safety, economic opportunity and community development outcomes, although there have been some improvements in some areas in many communities (see Chapter 4). While impacts may take time to be seen giving the nature of some problems, the lack of observable improvement to date is well below expectations:

Box 5.1 Effectiveness and efficiency

Effectiveness refers to how well a service is achieving its objectives—is the service working and is it reaching the right places and people? Are the expected benefits being achieved?

Understanding whether services are effective can be complicated—for example, it may be difficult to demonstrate that a program has changed outcomes if these will occur over a long time. Similarly, there is the challenge of isolating the impact of a service from the multitude of other factors contributing to outcomes, as well as accounting for any unintended impacts.

Efficiency refers to how well inputs are combined over time to provide services that produce the outcomes that the community values most. The concept of efficiency is typically considered in three different ways:

- Technical efficiency: for a given outcome, is the program or service delivered at the lowest possible cost?
- Allocative efficiency: is the program or service being delivered to the areas of greatest need and does it provide the things that clients or communities value the most?
- Dynamic efficiency: is the program or service responsive to change (e.g. changing consumer preferences and needs) and being continually improved?

In a policy/service delivery context, the aim is to identify the efficient option—the policy/service that results in the highest net benefit (benefits minus costs) to the community, considering the stream of costs and benefits over time. Efficiency should also incorporate impacts which occur outside the direct impacts of the service.

Despite increasing levels of investment, and more services being funded by government agencies disadvantage is still high. Governments have had limited success in addressing the causes of disadvantage. The result has been an array of un-coordinated services which are expensive and difficult to deliver in remote communities but do little to support individuals or family success. (LGAQ sub. 14, p. 22)

The Forrest Review found widespread evidence of failure nationally, particularly in mainstream services:

*Much of this failure is in mainstream services, which has left us with:*

- an education system that is not giving Indigenous children a decent education
- employment services that deliver lousy results for first Australians despite chronic need
- housing systems that charge such low rents that they create incentives for people to stay in remote communities as opposed to moving to where the work is
- no effective arrangements to enable individual ownership of Indigenous land for first Australians. (Forrest 2014, p. 11)

The problem is not a matter of the aggregate level of resources being spent:

*The level of expenditure juxtaposed against limited progress on the ground starkly illustrates the productivity problem: a huge flow of inputs is achieving very few outcomes in terms of the social, economic and cultural progress of Indigenous Australians. (Empowered Communities 2015, p. 25)*

Despite the high level of expenditures, a stated government commitment to consultation and co-design, and the best intentions of agencies and service providers, stakeholders hold a strong view that services on the ground are often inadequate, poorly designed and inefficient.

This does not mean that all policies and services are performing poorly. Given the vast array of policies affecting communities, and the myriad of services provided, whatever one’s views are as to the best approach, there are usually examples of existing policies and services consistent with that approach (even if in the minority). However, even well-designed policies and services operate within an institutional framework and set of conditions which impede their effectiveness.

### 5.3 Institutional design and funding problems

Institutions set the formal and informal rules within which policies and service delivery are designed and implemented.

Roles and responsibilities for service delivery are influenced by Australia’s system of federalism. When considering the appropriate split of responsibilities, the main guiding principle is the principle of subsidiarity. Subsidiarity says that decision-making should reside at the lowest level of government able to exercise it effectively, and thus as close as possible to the community, to allow them choice as to the services they receive.13

Linking decision-making powers with funding and accountability for monies spent imposes a discipline to make sound decisions on behalf of taxpayers and communities. However, the current delegation of responsibilities has led to dispersed and weak accountability for outcomes. This contributes to the problem of services not matching community needs and the overall effectiveness and efficiency of the system of service delivery.

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13 Another principle that is sometimes used is fiscal equivalency. This principle states that the beneficiaries, and those operating and funding services, should share a similar geographic boundary as this will help avoid under- or over-provision of services.
Consultation and participation in service delivery design

While communities are frequently consulted, there is little real participation at each stage of the policy cycle from the policy development process through to decision making, implementation, delivery, and monitoring, evaluation and feedback processes:

[... ] what I believe to be the key issue in the delivery of services to remote Aboriginal and Torres Strait Islander communities – that the way that services for remote communities are designed and delivered has become too removed from the recipients of those services and has fundamentally disempowered Indigenous community residents by denying their sense of agency in the key decisions that affect them. (Limerick sub. DR5, p. 1)

Indigenous people and organisations currently feel they have little influence in the making of policy by the Australian and Queensland governments, or over service delivery:

It is obvious that geographical issues will impact on the level of service provided from outside agencies. Many Woorabinda residents, however, believe they are not being serviced adequately by visiting services funded to assist their community. The issue is compounded by the fact that local residents have no input into program design to ensure local cultural expectations are met, and no involvement in ongoing decision making ... (fly-in, fly-out services) are unable to deliver the best outcomes and have limited accountability to the local community. (Woorabinda Aboriginal and Torres Strait Islander Corporation for Social and Emotional Wellbeing and Health sub. 5, p. 2)

Clear intentions to consult and co-design are not backed up by supporting arrangements that see no formal mechanism for representation and negotiation to occur on an ongoing basis:

Wicked problems, multi-factoral problems affecting people, such as health, education and employment, do not admit to solutions that do not involve those for whom the program is established. However, I do not know any Indigenous communities or individuals who would claim that their experience of dealing with government has been in line with those preconditions. (Chaney 2012, p. 58).

Duplication and overlap in roles and responsibilities

Within the existing institutional structure and funding frameworks, decision-making is concentrated at the Australian and Queensland Government levels. Table 14 identifies a high degree of overlap in roles and responsibilities, across policy, funding, service delivery and regulation.

At the Queensland Government level, 20 departments are responsible for coordination and policy, with 13 individual departments directly providing or funding services to communities (as discussed in Chapter 2):

There are some duplications and gaps in service delivery across all levels of Government as different agencies have their own programmes that in many cases aim to address the same issues and outcomes. (Torres Strait Regional Authority sub. 22, p. 1)
<table>
<thead>
<tr>
<th>Area</th>
<th>Australian Government</th>
<th>Queensland Government</th>
<th>Indigenous organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policies that directly affect</td>
<td>Councils responsible for local economic infrastructure and planning; support good order, effective markets, and the structural preconditions for private enterprise.</td>
<td>Responsible for national security and border control; oversees frameworks for national identity, citizenship rights and responsibilities.</td>
<td>Councils responsible for exercising authority in the field of Indigenous housing, policy, education and training, social justice, community and child safety policy.</td>
</tr>
<tr>
<td>Economic development</td>
<td>Responsible for mechanisms to enable Indigenous interests to be represented and protected at the national level.</td>
<td>Oversees delivery of economic development (land, tenure, zoning, town planning, infrastructure).</td>
<td>Councils responsible for policy relating to the exercise of local regulatory functions.</td>
</tr>
<tr>
<td>Social housing, health, education and training</td>
<td>Local laws include public health and safety, community protection, and child safety.</td>
<td>Supports programs related to jobs, land and economic development (Indigenous Advancement Strategy; Torres Strait Regional Authority).</td>
<td>Colonial and Aboriginal groups.</td>
</tr>
<tr>
<td>Overlapping and gaps</td>
<td>Limited role</td>
<td>Limited role</td>
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<tr>
<td>Key leads</td>
<td>Limited</td>
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<td>Limited</td>
</tr>
<tr>
<td>Level of overlap and gaps</td>
<td>Low</td>
<td>Low</td>
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</tbody>
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**Table 14: Analysis of Institutional and funding arrangements**

<table>
<thead>
<tr>
<th>Area</th>
<th>Australian Government</th>
<th>Queensland Government</th>
<th>Indigenous organisations</th>
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<tbody>
<tr>
<td>Analysis of institutional and funding arrangements</td>
<td></td>
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<tr>
<td><strong>Overall assessment</strong></td>
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<td><strong>Shared lead</strong></td>
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<tr>
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</tbody>
</table>
The bureaucratic maze makes it difficult to get things done, particularly when the difficulties associated with delivering services into remote locations are added into the mix:

*Current coordination arrangements are not very effective. This is due in large part to the gaps and overlaps between state and commonwealth agencies and funding programs such as health education police.* (PICC sub. 29, p. 1)

Programs are usually delivered within government ‘silos’:

[…] and this creates wastes and reduces the investment that could be put into frontline services…
We find that this approach doesn’t allow the adaption of services to meet our needs and directing how and where the funding is spent, as the contract is between the relevant department and the NGO. (Joint YASC & YLF sub. DR14, p. 3)

*These agencies work largely in silos with authority located in mainstream regional or state offices.* (PICC sub. 29, p. 1)

Duplication and overlap in responsibilities provides the conditions for cost-shifting between levels of government. Cost-shifting can lead to the introduction of policies or services that would not be introduced, or would be introduced in a different way, if the decision maker faced all the costs of the decision. An example of where negative and positive financial impacts of decisions occur across multiple tiers of government is in the inter-relationships between welfare policies and employment and development policies. Likewise, when the financial benefits of an action flow to another level of government, the incentives to act are diminished and may lead to actions—that are likely to provide a net benefit—being delayed or not being taken.

**Dispersed and weak lines of accountability**

There are many overlapping responsibilities, which reduces accountability. The Queensland Government is accountable to the Queensland public, including Indigenous people, for monies it spends. Councils are accountable to the Queensland Government for funds provided to councils. Where government agencies commission services, they are responsible to general taxpayers for the funds spent. Service providers are responsible to the Queensland Government. These responsibilities are often duplicated for Australian Government services.

Contracts commonly place obligations on the recipient to report to the Queensland Government on compliance, with limited or no reporting on outcomes to the public and communities. This lack of accountability to the community was illustrated by the response of a service provider to the Mornington Shire Council’s efforts to map the myriad services into their community:

*Question:* Contact details of the person responsible for all the programs or services you deliver, the length of any contract or period of engagement and other relevant details for each program or service you deliver.

*Response:* “Not sure why you require this information? This is not something we are required to share or discuss in any community I would need to see a lot more detail behind your request before I approve such a resource intensive task …”

*Question:* The Key Performance Indicators or Performance Measures for each program or service or in the absence of these how you assess the value of the program or services delivered.

*Response:* “as above”. (LGAQ sub. 14, p. 6)

Dispersing accountabilities across all parties and relying on compliance reporting mean there is limited genuine accountability to communities or taxpayers, with no party responsible for delivering outcomes.
Indigenous council responsibilities exceed those of other local governments

For Indigenous councils, the scope of activities is often much broader than for non-Indigenous councils. For example, the breadth of activities undertaken by the Yarrabah Aboriginal Shire Council in relation to housing and homelessness matters alone is extensive (Box 5.2).

Box 5.2 Yarrabah Aboriginal Shire Council

Yarrabah Aboriginal Shire Council (YASC) observed:

Most community members and indeed government agencies also assume YASC are responsible for the delivery of services outside of their roles and responsibilities, their funding, specified skill sets and statutory reach. YASC inadvertently endure the stress, cost and risk in filling the gap in services at the risk of other service provision, or are negatively targeted and pressured for not meeting these needs. (YASC sub. 11, p. 7)

In relation to housing and homelessness matters alone, YASC roles include:

- housing provider managing tenancy and associated maintenance of 364 social houses
- responsible for strategic land use planning
- responsible for statutory planning—receiving and assessing development applications
- responsible for provision of trunk infrastructure for water, sewerage and drainage
- responsible for maintenance and management of water, sewerage and drainage systems
- responsible for rubbish collection from social housing and expensive ‘out of community’ disposal of that rubbish
- responsible for the gazetted roads throughout Yarrabah
- manages 306 hectares of Deed of Grant in Trust (DOGIT)
- manages lands where approximately 50 homeless Yarrabah families reside in wait for placement into community houses
- manages the sale of social houses for purpose of home ownership
- issues leases to other stakeholders to facilitate development of housing for their housing needs necessary for successful service provision
- responsible for Native Title and Cultural Heritage compliance with regards to housing and assets and associated activities under requirements of the Yarrabah Local Government Indigenous Land Use Agreements.

Source: Yarrabah sub. 11, pp. 16–17.
This arises partly because of real or perceived community expectations given the level of need in communities. Councils may also be the only entity in the community capable of taking action. However, the breadth of council involvement is also a matter of choices made by councils. The wide scope of activities raises issues concerning:

- the funding and financial sustainability of councils (Chapter 13)
- the funding and delivery of services in communities where, if funded inadequately or performing poorly, acts to draw councils into activities outside the ‘normal’ council activities of ‘rates, roads and rubbish’
- whether financial sustainability issues interact with scope issues to provide incentives that work against development
- whether the resulting concentration of power and control over so many aspects of life in communities is in the long-term interests of communities.

Fragmented and inflexible funding

Grant and program funding is ostensibly aimed at allowing non-government parties to provide services, encouraging competition while ensuring accountability and managing risk. However, the system as currently executed appears to undermine the outcomes it is trying to achieve.

In 2001, the Cape York Justice Study described funding arrangements to community councils as complex and highly fragmented, hampering the ability of councils to undertake proper community and strategic planning (Ellerman 2002, p. 9). There are still concerns in 2017:

_Councils continue to express their concerns about too many funded programs being initiated by state and national capitals relying exclusively on the advice of people who do not live and work in the communities and accordingly, on too many occasions, fail to achieve their desired outcomes._

(LGAQ 2017)

Fragmented funding sources can cause problems for service providers. It can be a drain on resources due to the constant need to apply for additional funds from multiple sources. To meet the requirements of various funding providers, output/outcome measurement can become excessive and reporting requirements can increase. Fragmentation also increases the scope for a conflict of objectives between service and fund providers, and between various fund providers. Some of these effects have been noted by the current national inquiry into human services delivery in remote Indigenous communities:

_The fragmented nature of services means providers often rely on funding from a variety of sources and programs. These separate sources of funding come with their own compliance requirements, placing a particularly significant burden on smaller organisations (Dwyer et al. 2009). Alford (2014) gave an extreme case of one Aboriginal Community Controlled Health Organisation (ACCHO) with over 90 funding agreements, and an associated compliance burden of about 423 reports annually. Funding also tends to be short term and uncertain in nature. As a result, providers and governments spend considerable time and effort managing funding flows rather than focusing on delivering better outcomes._

(PC 2016b, p. 135)

In many communities, numerous programs and services are provided to comparatively small populations. For example, in Coen, 40 separate service providers deliver around 70 services and programs to a population of just over 350 people. Mornington Shire Council has identified more than 100 programs that are delivered by over 40 agencies, with 10 separate organisations funded to deliver the same four programs (LGAQ sub. no. 14, p. 5).
While not necessarily so, fragmented funding may contribute to fragmented service delivery, which appears to be a significant issue in remote Indigenous communities:

The service delivery arrangements for people living in remote Indigenous communities are overly complex. Funding and responsibility for service provision and outcomes are split across governments, departments, programs and providers. Although this is also the case in human services more generally [...], the negative effects of this are stark for remote communities with high levels of service fragmentation, and duplication in some areas and gaps in others. (PC 2016b, p. 134)

Short-term funding and system compliance burdens

Community organisations and NGOs receive much of their funding under short-term contractual and/or grant arrangements.

Submissions to recent inquiries have stated that uncertainty around funding arrangements impedes effective service provision and that contract terms are too short (see PC 2017a, p. 252 and Senate Finance and Public Administration Committee Secretariat 2016).

Competitive tendering over relatively short funding cycles undermines the sustainability of Indigenous corporations and significantly reduces the ability of communities to exert control over service delivery (Moran et al. 2014; SFBACS 2016).

A common complaint amongst service providers is that short-term funding can create a high administrative burden on organisations, diverting energy and time away from service delivery:

The combination of administrative and fiscal fragmentation and notions of accountability stemming from ‘new public management’ reforms has resulted in Indigenous organisations becoming subject to often unsustainable administrative requirements and burdens. This problem is fuelled by the volume of grants that are often small and short-term in nature. Organisations are therefore caught in a continuous cycle of applying for, and reporting against, grants that have often been provided for very specific purposes with only limited allowances for the administrative requirements that accompany them. This approach to funding perpetuates a sense of funding insecurity, often resulting in organisations committing significant human resources to playing the ‘funding game’. The overburden report (Dwyer et al., 2009), also noted the underutilisation of data by the departments that collate them; and importantly, the overemphasis on corporate aspects of reporting while neglecting to collate evidence regarding meaningful and substantive change or outcomes. (Moran et al. 2014, p. 11)

Costs incurred by funded organisations to meet reporting obligations are frequently not commensurate with the size of the payment received (LGAQ 2017; National Commission of Audit 2014; SCRGSP 2016).

The 2009 Overburden report found that, for financial reporting alone, an average Aboriginal Community Controlled Health organisation will produce 22 financial reports for 20 activity reports (statistical and other summaries of the services provided) equating to an average of 42 reports for 21 grants (Dwyer et al. 2009, p. 78).

Other funding issues

Submissions to the inquiry have raised several other funding issues. For example, the Burke Shire Council raised the issues of:

- Funding to rural and remote non-discrete communities, which nevertheless have significant Indigenous populations. For example, the council noted that recent Queensland Government budget initiatives to increase expenditure on social/affordable housing and water, wastewater and solid waste infrastructure to assist Indigenous people was only available to discrete communities. The council stated that co-funding requirements are higher for the council (for example, the council must contribute three dollars for every one
dollar in grant funding compared to 1:1 for Indigenous councils), even in situations where the road it is maintaining is the primary access road to the Doomadgee Aboriginal Shire.

- The potential role for funding and incentive mechanisms to achieve greater collaboration between Indigenous and non-Indigenous councils.

- The scope for reforming funding arrangements to reward councils for good governance by, for example, reducing compliance (red tape) burdens by streamlining requirements (Burke Shire Council sub. 25, pp. 1, 8–9).

The council considered that greater collaboration between councils could provide benefits in reduced duplication of services.

5.4 Underlying problems and challenges

There are reasons why policies fail or under-perform which are systemic in nature relating to government institutions, rules and processes. These reasons apply across policy areas, governments, different tiers of government and sides of politics.

The reasons why policies fail are not exclusive to Indigenous policy, but appear more ‘concentrated’. Some of the reasons for this include: a focus on achieving visible and short-term impacts rather than long-term outcomes; failure to understand the problem and a lack of clear objectives; insufficient attention paid to opportunity costs and unintended consequences; the practical constraints on centralised policy interventions to actually achieve outcomes; poor choice of policy instrument when considering different ways to address a problem; rigidity and uniformity of policy, legal and administrative frameworks; low expectations being a self-fulfilling prophecy; and a lack of transparency and accountability to the people whom service delivery is meant to serve.

There are underlying reasons for poor performance at each stage of the policy cycle. Some of the reasons listed cut across stages—for example, a disposition to intervene is seen both in the policy design process (by agencies) and in the decision-making process (for example, by governments).

A disposition to intervene

There are many reasons why governments and government institutions are disposed to intervene in the lives of Aboriginal and Torres Strait Islander people:

- governments and other non-Indigenous institutions have usurped ‘responsibility’ for the welfare of Indigenous people over many decades.

- governments, being ‘responsible’, tend to be highly risk averse which drives responses to public reporting of poor outcomes

- a ‘moral’ responsibility exists to right past wrongs

- government institutions respond to incentives for expansion or greater control

- governments have underlying concerns that Aboriginal and Torres Strait Islander people are not sufficiently capable

- the underlying belief is held that government institutions and political decision-making processes are more capable than what they are in practice.

Therefore, governments may intervene when they should not, and in a heavy-handed way.
Government as problem fixer—where does responsibility lie?

A policy intervention should address an identified problem, be proportional to the problem and, importantly, consider the realities that limit government interventions in achieving their objectives. But, the practical limitations on government interventions—or the sources of policy failings—are rarely seriously assessed (see Box 5.3). As discussed in the sections below, there are limitations on the ability of governments, large bureaucracies and centralised decision-making to solve problems in communities.

Box 5.3 Government as the fixer of ‘market failures’

Economic policy advice often contributes to the view of government as a ‘fixer’ of problems. Government interventions are to be considered where there are potential welfare-enhancing improvements from intervening in an economy (whether in traditionally ‘economic’ spaces or social policy areas, such as health and education). The potential for a welfare-enhancing intervention is most likely in those circumstances where a policy intervention can address a ‘market failure’ and improve economic efficiency.

The market failure framework provides a two-stage test:

- First, a policy should address a clear market failure, providing for a potential improvement in economic efficiency and welfare.
- Second, the government policy intervention should be capable of fixing the problem and improving outcomes. The second-stage test allows a broad range of perspectives and theory to be applied.

The framework is meant to help guide policy interventions, and it does this in many cases. But, it does not encompass all matters that might be relevant to identifying a problem, understanding the problem and considering whether a policy could improve upon outcomes.

Often the framework is not used in practice, with policies starting from the position based on the accumulation of past policies, or a unilateral political decision, rather than a fundamental questioning of the role of government in relation to the problem.

Even if policies do address some form of market failure, there is rarely robust consideration of whether a government policy response will work in practice. The second-stage test is rarely applied.

Whether it is the role of the Queensland Government or Australian Government to address a problem is a question that needs to be asked more often:

The objectives of overcoming deficits, disadvantage and poverty immediately invoke the standard tools of the welfare state: top-down government intervention through income transfers and passive service delivery. Individual, family and collective agency is relegated to the sidelines, displaced by the strategies, rules and procedures of the bureaucracy. Failure to achieve progress is taken as evidence of the need for increased funding, further government intervention and better ‘coordinated’ programs. (Empowered Communities 2015, p. 13)

If Aboriginal and Torres Strait Islander people are to take greater responsibility for their lives, governments must take less. Therefore, the responsibility for solving many problems rests with the people residing in the communities.

The issue is not so much that policy targets an identified problem, but that government intervention leads to an inertia towards ‘solutions’ that are top-down or centrally driven.
Governments stepping back to an enabling or facilitating role (discussed further in Chapter 8) would mean that the problem is still targeted, but government seeks a solution through assisting individuals or communities to solve the problem. There have been various individual policies or programs consistent with this idea (for example, see Limerick sub. DR5, pp. 1–2) for information on previous community planning and place-based initiatives\(^{14}\), but the overall approach of governments is dominated by a service provision and top-down mentality. Even where developmental or strategic objectives have featured, these objectives have tended to give way to the day-to-day requirements of effective service delivery:

> The supply of a service falls more within the bounds of management control than the messy and chaotic business of engagement with service users to achieve strategic goals. A fixation on the supply of services hampers their improvement by preventing their location within longer-term planning for communities and regions. Therefore services are implicitly considered a means of preventing or fixing a problem rather than a contribution to longer-term development goals in, for example, health, education or employment. (Fisher 2011, p. 9)

### Dispersed knowledge and the coordination challenge

How activities are funded and what gets funded, and many other aspects of community life, are dominated by top-down and centralised decision-making and service delivery (that is, decisions made in Brisbane and Canberra). This approach to decision-making and coordinating activity is ill-suited to solve the complex problems facing communities:

> It is up to the bureaucracy to assess these funding proposals against the stipulated criteria. How can panels of bureaucrats know what is needed for development on the ground and how could they assess what is and what is not a worthwhile investment proposal? (Empowered Communities 2015, p. 60)

A deeper appreciation of the complexity of the mainstream economy and the problems that decentralised markets solve can help provide insights on the challenges facing Indigenous policy and public-sector-driven service delivery as substitute ways of coordinating activity, including the provision of services. The 'coordination problem' that markets solve is the problem of how to make the best use of knowledge in society when it is dispersed broadly across individuals (potentially hundreds or even thousands of people), and cannot be known by any individual or institution in its totality (Hayek 1945).\(^{15}\)

Cultural differences between Indigenous communities and mainstream Australia is one source of dispersed knowledge which adds to the already complex challenge of providing effective and efficient services to remote communities, as well as achieving development:

> There are also unique challenges facing Aboriginal and Torres Strait Islander communities that increase the complexity of service delivery. In particular, services must be answerable to community and sustain cultural legitimacy, or risk becoming irrelevant in the eyes of community. (Queensland Family and Child Commission sub. 15, p. 2)

Differences in culture also occur between different tribes and family groupings within communities, which poses further challenges to achieving safe, prospering communities.

\(^{14}\) A Queensland Government Cross-Agency Place Working Group has adopted the following definitions. A ‘place-based approach’ is a joined-up approach responding to ‘wicked problems’ in a particular location. The problem and the response are owned by all stakeholders and the goal is to achieve long-term positive change. A place-based approach requires a long-term commitment across multiple stakeholders and a high level of effort and resourcing. A ‘place’ can be a state, a zone, a region, a district, local area or even a caravan park.\(^{15}\) See Boudreaux 2014 and the video ‘I, pencil’ at https://cei.org/i-pencil for an insight on the complexity of producing what appears to be a simple pencil and how decentralised markets coordinate the task. The parallel in communities is the challenge of addressing complex social problems, for example, see CYI sub. 26, p. 7 on the causal pathways driving disadvantage.
Re-establishing positive social norms and reducing welfare dependency in favour of economic participation are complex or 'wicked' problems (Box 5.4). Addressing wicked problems requires the close involvement of the people affected by the problems:

The Steering Committee for the Review of Government Service Provision (SCRGSP) sets out in its reports the preconditions for success (and observes that the lack of these factors can often contribute to program failures):

- Cooperative approaches between Indigenous people and government – often with the non-profit and private sectors as well.

- Community involvement in program design and decision making – a ‘bottom up’ rather than ‘top down’ approach.

- Good governance – at organisation, community and government levels.

- Ongoing government support – including human, financial and physical resources. (SCRGSP 2011 and previous)

I think that there are few, if any, authorities who would challenge that analysis. Wicked problems, multi-factoral problems affecting people, such as health, education and employment, do not admit to solutions that do not involve those for whom the program is established. However, I do not know any Indigenous communities or individuals who would claim that their experience of dealing with government has been in line with those preconditions. (Chaney in PC 2013, p. 58)
Box 5.4 Characteristics of 'wicked' problems

Wicked problems are difficult to clearly define. The nature and extent of the problem depends on who has been asked; that is, different stakeholders have different versions of what the problem is. Often, each version of the policy problem has an element of truth.

Wicked problems have many interdependencies and are often multi-causal. There are often internally conflicting goals or objectives within the broader wicked problem. It is the interdependencies, multiple causes and internally conflicting goals of wicked problems that make them hard to clearly define. The disagreement among stakeholders often reflects the different emphasis they place on the various causal factors. Successfully addressing wicked policy problems usually involves a range of coordinated and interrelated responses and trade-offs between conflicting goals.

Attempts to address wicked problems often lead to unforeseen consequences. It is often the case that measures introduced to address the problem lead to unforeseen consequences elsewhere.

Wicked problems are often not stable. Frequently, a wicked problem and the constraints or evidence involved in understanding the problem (e.g. legislation, scientific evidence, resources, political alliances), are evolving at the same time that policy makers are trying to address the policy problem.

Wicked problems usually have no clear solution. Since there is no definitive, stable problem there is often no definitive solution to wicked problems. Solutions to wicked problems are not verifiably right or wrong but rather better or worse or good enough. To pursue approaches based on ‘solving’ or ‘fixing’ may cause policy makers to act on unwarranted and unsafe assumptions and create unrealistic expectations.

Wicked problems are socially complex. The social complexity of wicked problems, rather than their technical complexity, overwhelms most current problem-solving and project management approaches. Solutions to wicked problems usually involve coordinated action by a range of stakeholders.

Wicked problems hardly ever sit conveniently within the responsibility of any one organisation. They require action by the private and community sectors, and individuals.

Wicked problems involve changing behaviour. The solutions to many wicked problems involve changing the behaviour and/or gaining the commitment of individual citizens.

Some wicked problems are characterised by chronic policy failure. Some longstanding wicked problems seem intractable. Indigenous disadvantage is a clear example—‘Its persistence has not been for want of policy action. Yet it has to be admitted that decades of policy action have failed’ (Henry 2006, p. 5).

Source: APSC 2012.

The multitude of relationships between housing and health provides an example of complexity in service delivery. Fisher et al. (2011) sought to formally model the relationships between the management of the remote housing system and resulting impacts on occupants' health. As part of the modelling task, they mapped out some of the relationships demonstrating some of the characteristics of a wicked problem (re-produced in Figure 38). The mapping demonstrates many of the characteristics of a wicked problem (interdependencies and relationships cutting across bureaucratic institutional boundaries).
The complexity of problems has implications for how governments approach the challenge of improving social and economic outcomes in communities. There are implications for decision making concerning whether or not to introduce a policy/service, the processes by which that decision is made, who has authority to make decisions, where responsibilities lie, the design of the policy/service, its implementation, how policies/services are adapted over time in light of their performance, and the institutional and funding arrangements best suited to the long-term development of communities.

Policy failures when good intentions abound

All stakeholders involved in service delivery (decision-makers, bureaucrats, service providers, community members and so on) appear to be unified in their motivation to improve the welfare of Aboriginal and Torres Strait Islander people. Notwithstanding good intentions, community social and economic outcomes are closely related to policy decisions:

Recognise that high levels of Indigenous disadvantage are not related to Indigeneity but are the result of ineffective policies and lack of opportunity—specifically in relation to education, employment and private enterprise. (Hudson 2014)

While the stakeholders have good intentions, they are also influenced by the incentives they face and the institutional environments in which they work:

My experience in government suggests that those who hold positions of power want to believe that they are doing the right thing—that they are pursuing the public interest. But their beliefs are at least malleable enough for them to be convinced by “special interests” that what they want is in the public interest, when in fact it is in their own interest to so believe. (Stiglitz 2012, p. 239)
People also have preconceived notions of how the world works, or ‘models’ that influence how problems and the kinds of solutions that are necessary will be perceived. In some cases, the consequences of policy failings, combined with underlying challenges, accumulate over time and become ‘wicked’ problems.

Reform processes are often difficult, with those who stand to lose from reform often being organised and loud, and those who stand to benefit being ‘the silent majority’:

\[
\text{Reform is always difficult for those who lose in the short run because their losses are imminent, while those who will benefit do not see how they will gain} \ldots \text{The non-indigenous public servants and private service industry ‘rentiers’ who derive comfortable livelihoods from present policies are another interest group vigorously opposed to reform. The preservation of Aboriginal ‘living museums’ is also stoutly defended by academics and consultants whose incomes they substantially boost. (Hughes 2005, p. 3)}
\]

Challenges in whole-of-government coordination

Poor coordination of services can cause a range of problems in service provision that result in resources being used inefficiently and needs not being addressed:

\[
\text{A lack of coordination can cause over and under servicing, duplicated efforts and an inability to prioritise funding towards a critical need. Services are most exclusively developed and delivered within single agencies, with relatively few cross-agency service models. (Local Government Association of Queensland sub 14, p. 7)}
\]

Despite efforts, the current system of service provision to communities suffers from poor coordination:

\[
\text{In Aurukun very recently three experts flew into town for a week to plan the delivery of training (for other on-the-ground service providers or locals) so that people would be accredited to deliver a particular parenting program targeting parents of children with disabilities. This service provider had received funds to train people up in this particular program from the Queensland Government through a central decision-making process that applies more broadly than to Aurukun. Neither the government nor the provider has ascertained from any people in Aurukun whether training of this type was in fact the best use of additional resources available given the local context in Aurukun. No communication had occurred with existing services already supporting parents, or which there are several funded by other areas of government delivering closely related programs, to ensure there would be no duplication and that the additional training and program would support existing strategies and efforts. In the same week, a third area of the Queensland Government commenced a public procurement process for further parenting services across a number of communities, including Aurukun. Again, it appears there was no local input from Aurukun to determine or influence this allocation of additional resources. (CYI sub. 26, p. 10)}
\]

To better improve the coordination of policy and services, whole-of-government approaches may be adopted. However, whole-of-government coordination efforts within governments face many obstacles and there is limited evidence that they have improved service delivery in communities, for example:

\[
\text{An interagency meeting is currently held monthly in Cloncurry. It is reported to be an opportunity for Mt Isa based agencies to meet in Cloncurry, discuss their services, and collaborate with other agencies to minimise duplication. In practice what we see is:}
\]

\[
\begin{itemize}
  \item \text{Constant turnover of officers which results in no continuity for the group in decision making;}
  \item \text{Duplication of services;}
  \item \text{Limited understanding or connection with the Cloncurry community of the issues that the community is facing;}
  \item \text{Reluctance to commit to action or deliver outcomes. (Cloncurry Shire Council sub. DR9, p. 6)}
\end{itemize}
\]
The departmental structure of government, and the alignment of programs with departments, poses a significant challenge to attempts to improve whole-of-government coordination.

At the Australian Government level two advisory committees have described the changes that are essential if whole-of-government coordination is to work. The changes included five basic imperatives:

- **substantial initial cross-agency—stakeholder agreement about the broad purposes to be pursued**
- **use of the outcomes budget framework to pool resources and to create appropriate accountability frameworks**
- **lead-agency staff empowered with sufficient authority to manage whole-of-government settings and to lead the engagement of local stakeholders**
- **empowering these same managers to engage with relevant individuals and interests**
- **ensure the individuals engaged in those latter roles have the appropriate networking, collaboration and entrepreneurial skills.**

*Note that this is an internal high level Commonwealth assessment, not that of some external critic. These are the people with administrative skin in the game. In my view, these imperatives are not ever met.* (Chaney 2012, p. 59)

Whole-of-government approaches are constrained by the existing institutions, rules and processes of government. The constraints may be so difficult to overcome that major structural reforms are needed to re-define the fundamental relationships between governments, agencies, external organisations and Indigenous people:

...[T]he changes in organisation and processes needed to make a whole-of-government approach work ... include ‘substantial’ cross-agency agreements, outcomes-oriented budgeting, provision of greater discretion to frontline staff, and stability in commitments over time. What these features point to is that whole-of-government approaches will not work without proper devolution of authority, funding, accountability and coordinated organisation. More to the point, it is clear that fundamental shifts in structural relations are needed between central and local authorities, and among influential private sector players, community members and representatives of public authorities. (Walker et al. 2012, p. 56)

**Non-market attempts to mimic the benefits of competition**

Markets and competition provide many benefits that systems of non-market provision struggle to replicate (Box 5.5). The absence of competition for non-market activities:

- **Requires other, weaker, performance-correcting mechanisms to be designed** (for example, the Queensland Government’s Performance Management Framework).

- **Means that alternative incentive structures motivate the decisions and behaviours of government and the bureaucracy, and those incentive structures may better serve government and the bureaucracy than the broader community.**

- **Impairs the provision of information to government decision-makers on what is valued, and how much it is valued. This has implications for the allocation of resources within the public sector and through policies, internal cost structures and attempts to improve performance. Consultation is an inadequate replacement mechanism.**

The activities in communities are dominated by non-market activities. The lack of a dominant private sector means that the problems related to the absence of functioning markets and competition are pervasive.
Box 5.5 Why competition supports improvements in welfare

Competition corrects poor performance. Government organisations are not subject to bankruptcy and they usually do not have to worry about competition (Stiglitz 2012, pp. 199–200). The possibility of bankruptcy provides a limit to the magnitude of the losses than an inefficient management can generate, and a natural mechanism for the replacement of management and correction of poor performance.

Competition provides the opportunity for choice. Where there is competition, individuals can reveal their preferences by their acts of choice. The presence of choice forces businesses to come to terms with the costs imposed on those outside their agency as a result of their internal bureaucratic processes.

Competition provides an incentive structure that serves customers. Businesses, in their attempts to attract customers and remain viable, find a mixture of services that best meets customer needs.

Competition provides a basis for comparison. Where only one service is provided, it may be difficult to ascertain whether the service is being provided efficiently.

Competition re-allocates resources towards success. Those firms that are efficient and are able to deliver the kinds of goods and services consumers desire will grow and expand, and those that are inefficient will decline. Business managers have a strong incentive to promote efficiency and to be innovative in developing products and services that better meet the needs of consumers.

Other policy design challenges

Designing policy and service delivery is challenging, particularly when addressing complex problems. The challenges listed in Table 15 can be observed in any area of policy, but they appear more prevalent or concentrated in the Indigenous policy space. Some of these problems are discussed further below (and in remaining chapters).

Table 15 Other policy design challenges

<table>
<thead>
<tr>
<th>Nature of the problem</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent seeking</td>
<td>Rent-seeking is the economic term used to describe attempts by individuals to use the political process to obtain gains for themselves at the expense of others.</td>
</tr>
<tr>
<td>Narrow focus on special interests</td>
<td>Policy design should consider the economy-wide or community-wide impacts of the policy and not just the impacts on a specific target group.</td>
</tr>
<tr>
<td>Lack of clear objectives</td>
<td>A policy may not be based on a good understanding of the underlying problem, or community priorities. The objective/s of a policy may be unclear, or may become clear over time as circumstances change.</td>
</tr>
<tr>
<td>Focus on the visible and short-term</td>
<td>The choice to introduce a new policy, and how to intervene, may be driven by the visible and short-term impacts of the policy.</td>
</tr>
<tr>
<td>Focus on symptoms not underlying causes</td>
<td>The focus on short-term and visible impacts biases the design of policies towards addressing symptoms of problems rather than the underlying problems. Addressing symptoms may provide short-term gains which satisfy the need to be seen to be addressing ‘the problem’.</td>
</tr>
<tr>
<td>Nature of the Problem</td>
<td>Implications</td>
</tr>
<tr>
<td>----------------------</td>
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</tr>
<tr>
<td>Poor choice of policy instrument</td>
<td>To achieve a specific objective, alternative policy instruments are available. Governments often choose instruments which offer a high degree of control and perceived minimum risk, whereas communities may be better served by more ‘light-handed’ approaches which give them greater flexibility and control.</td>
</tr>
<tr>
<td>Not targeted to local conditions</td>
<td>Programs are often difficult to implement locally because they are not targeted to and responsive to local conditions (Moran et al. 2009). Attempts to replicate a successful service delivery model in one location to other locations have often failed.</td>
</tr>
<tr>
<td>Failure concerning the logic of the intervention</td>
<td>The logic of a policy intervention sets out how inputs (e.g. labour and capital resources) will lead to a change in target outputs and desired outcomes. However, the assumed relationships may be wrong. For example, errors may be made concerning the direction of causation in underlying relationships, and the magnitude of impacts.</td>
</tr>
<tr>
<td>Unintended consequences</td>
<td>A policy may produce unintended impacts beyond the target group of the policy. These impacts may be benefits or costs. Often, they involve negative consequences of policy that were not fully appreciated, or were ignored.</td>
</tr>
<tr>
<td>Insufficient consideration of opportunity costs</td>
<td>Resources are not free even if they are provided to someone without charge. Policies may ignore opportunity costs. The resources consumed by a policy means that resources were not used in another way which may have delivered greater community benefits.</td>
</tr>
<tr>
<td>Principal–agent problems</td>
<td>The problem of motivating one party (the agent) to act on behalf of another (the principal) is known as the principal–agent or agency problem. Agency problems arise when the incentives between the agent and the principal are not perfectly aligned and conflicts of interest arise. As a result, the agent may be tempted to act in his or her own interest rather than the principal’s.</td>
</tr>
<tr>
<td>Moral hazard and behavioural responses</td>
<td>Moral hazard arises when an agreed contract or financial arrangement creates incentives for the parties involved to behave against the interest of others. The income support system leads to moral hazard problems when the presence of income support payments changes behaviours, making it more likely that income support will be needed (for example, if people are less incentivised to invest in their own human capital and this leads to a lower likelihood of employment).</td>
</tr>
</tbody>
</table>

Rent-seeking

In response to incentives, people may engage in rent-seeking behaviour. Rent-seeking behaviour generally manifests itself in the form of special interest groups seeking legislative privilege, either by lobbying for special legislation or by seeking increased allocations of public resources. In both cases, the benefits to the recipients are concentrated, while the costs to the taxpayer or consumer are diffuse. This is due to the incentive structure under which governments and agencies operate.

Rent-seeking is an important reason why policy choices may be driven by the impacts on special interest groups or industries over the economy-wide or community-wide impacts. Rent-seeking can lead to policies that in the aggregate reduce welfare: in other words, the sum of the costs of the policy on those not part of the favoured interest group or industry outweighs the benefits to the privileged.

A focus on short-term impacts and treating symptoms

Policies often focus on the visible and short-term impacts of the policy or on the short-term benefits of delivering a service, rather than on the underlying problems and long-term. There are many reasons for this:
• the real causes of problems may not be widely understood, or agreed upon
• the objectives may not be clear, or the objectives may not be those of the community
• the complexity of interactions and relationships may make it very difficult to trace through the potential impacts
• short-term impacts are easier to identify and there may be a political imperative to show ‘progress’ (discussed further below).

One of the consequences of an undue focus on visible impacts is that policies, and therefore resources, are too frequently directed at the symptoms of problems and not at solving the root causes of problems. This problem applies in many areas of service delivery. It is most commonly discussed in relation to the resources that are spent on the treatment of sickness compared to resources that are spent on the underlying determinants of why people get sick (see Chapter 17).

Addressing symptoms is relatively more ‘simple’ than addressing the underlying causes of problems. Addressing symptoms leads more naturally to a policy approach that is more direct and controlling (illustrated in Table 16).

The Cape York Welfare Reforms is an example of an approach which has sought to address underlying causes through a coordinated effort involving both the Queensland Government and the Australian Government. The reforms have sought to improve some of the underlying conditions for development, and have supported needed changes in personal behaviour and social norms through both changing incentives and supporting capacity development.

Table 16 Addressing symptoms leads more naturally to a controlling approach

<table>
<thead>
<tr>
<th>Symptom</th>
<th>Problem</th>
<th>Intervening approach</th>
<th>Key nature of policy instrument</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Addressing a symptom</td>
<td>Poor quality food and unreliable supply</td>
<td>Natural inclination to directly fix the problem (e.g. own and manage stores).</td>
<td>Exercise control; direct action.</td>
<td>In the short- to medium-term it may or may not improve outcomes. Not a long-term solution.</td>
</tr>
<tr>
<td>Addressing the underlying problem</td>
<td>Poor quality food and unreliable supply</td>
<td>Lack of incentives; distrust of capabilities at local level to improve.</td>
<td>'Enable' local people to define and fix the problem/ provide scope to learn.</td>
<td>In the short- to medium-term it may or may not improve outcomes. Longer-term contribution to capability building and development.</td>
</tr>
</tbody>
</table>

Insufficient attention paid to unintended consequences

Government intervention may generate unanticipated impacts, often in areas remote from that in which the public policy was intended to operate. The risk of unintended consequences is higher when interventions operate through large organisations using blunt instruments whose consequences are far-reaching and difficult to forecast.

Four types of unintended consequences can be identified (Table 17).
### Table 17 Types of unintended effects of policy interventions

<table>
<thead>
<tr>
<th>Effect</th>
<th>Definition</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Displacement</td>
<td>The positive outcomes from a policy are offset by negative outcomes of the policy elsewhere.</td>
<td>The displacement of crime from one area, where a crime reduction policy is being implemented, to a bordering area.</td>
</tr>
<tr>
<td>Substitution</td>
<td>The effects of an intervention on a specific individual, group or area are realised at the expense of other individuals, groups or areas, or public monies substitute for private monies.</td>
<td>An employer appointing a jobless person from a government scheme, rather than a standard applicant, in order to secure a recruitment subsidy, or hiring a subsidised person while firing a non-subsidised person.</td>
</tr>
<tr>
<td>Leakage</td>
<td>The policy benefits others outside the target area or group.</td>
<td>Jobs generated in a target area are taken by those who live outside it. For example, fly-in, fly-out workers where there are suitably skilled local Indigenous workers.</td>
</tr>
<tr>
<td>Deadweight</td>
<td>The policy supports outcomes which would have occurred anyway.</td>
<td>An employer receives a subsidy to take on workers who were going to be appointed anyway. The subsidy does not result in additional employment.</td>
</tr>
</tbody>
</table>

Alcohol Management Plans (AMPs) provide an example where legislation to address an important problem has had unintended consequences:

AMPs require some further thought and linking with other changes. Sly grog creates binge drinking of strong alcohol. Spirits are easier to bring in due to lower volume. Alcohol being so expensive due to its contraband nature is consumed quickly – partly to avoid police detection but also to reduce humbugging from family and friends. Thus AMPs can inadvertently promote high consumption of high alcohol content beverages. There is little doubt that AMPs have had positive effect in places such as Aurukun. Nonetheless some further deliberation on optimum legislation is warranted. (Hannan sub. 24, pp. 3–4)

Unintended consequences often begets ever greater policy responses and contributes to the maze of policies and funding arrangements. The range of policies and services being delivered to address and reduce welfare dependency is an important example.

### Moral hazard

The problem of welfare dependency in communities demonstrates the potential of policies to produce results very different to those that are intended (Box 5.6). Welfare dependency is also a good case study in the problem of moral hazard, as the provision of income support altered behaviours damaging to individual welfare and communities. The provision of income support led to a growing demand for more income support and the slow erosion of social norms (such as work ethic) over time (CYI 2007).
Box 5.6 The Cape York Institute on the road to welfare dependence

A range of factors have contributed to the collapse of social norms in Indigenous Cape York Peninsula. Indigenous Australians were violently dispossessed from their land, and experienced forced co-location and long periods of living under rigid missionary rule. The lives of Indigenous people in Queensland were for several generations regulated under discriminatory State protection laws. The impact of dispossession varied in different parts of Cape York Peninsula. These events undermined or made irrelevant many of the social norms which governed Indigenous social life prior to white settlement.

However, even under oppressive circumstances, Indigenous people built socially strong families and stable communities, such as the community of Hope Vale. Forty years ago, a majority of people in Cape York Peninsula had internalised strong values in relation to personal conduct and participation in the real economy.

The belated recognition of full citizenship brought equal rights, freedom from discrimination and entitlement to welfare. Three policy shifts at the end of the 1960s and in the early 1970s were unavoidable consequences of the end of discrimination:

- The introduction of equal wages in 1965 resulted in Aboriginal stock-workers losing employment in the cattle industry and shifting to sedentary life in settlements and on the fringes of country towns. This corresponded with a more general downturn in Indigenous employment in many other rural industries.

- Equal Citizenship in 1967 carried with it the right to enter pubs and drink alcohol.

- The Commonwealth Government providing the now idle Aboriginal men with unemployment benefits that could be used to buy alcohol.

However, introducing idle time, free money and the right to drink had the unintended consequence that the preconditions for alcohol abuse epidemics were created ... The three policies outlined above were followed by a wave of passive welfare service solutions to the escalating problems in the 1970s and 1980s. Across the spectrum of social and economic life, including housing, legal aid and education, policies were implemented which increasingly displaced responsibility from Indigenous people.

Source: Cape York Institute 2007, p. 20.

Decision-making

The exercise of authority over resources almost entirely happens within the public sphere in communities. Therefore, career advancement in communities is tied to the processes which allocate resources (provided from external sources) and deliver funded services.

There are many problems with political decision-making in Indigenous policy:

There is a level of frenetic chopping and changing, and policy pulsing, that comes with electoral cycles and as the political pendulum swings from left to right. Key decision-makers are not in it for the long haul, and are rarely in it long enough to learn from their decision-making over time and to be able to use the sum of that experience to drive better outcomes. Fresh-faced ministerial enthusiasms at the state and national level ensure that decision-making in Indigenous policy feels much like a merry-go round—replete with the same old traps and reinvented wheels. (Empowered Communities 2015, p. 33)
Strong political pressure in responding to community concerns may create an effective demand for action before there is adequate knowledge or time to consider potential side effects. The short time horizon and high time discounts of political actors predispose them to overlook potential unintended consequences of policy.

Indigenous policy is characterised by some recurring problems:

- **Purging**: reforms typically discredit everything that came before. As a result, much developing capacity is swept away with each wave of reform.

- **Policy swings**: policies come and go with regularity, usually overreaching before being replaced (for example, centralisation and decentralisation of powers).

- **Mimicking**: if something is found to work, it is replicated and rolled out in other areas. This often does not work because there are often local factors which are not taken into account, standardisation does not work, or policies or programs have been poorly evaluated (that is, success falsely attributed to policy).

- **Contradiction**: not only do policies and programs overlap, but they also often contradict each other. Programs often have different underlying models for behavioural change, which can be contradictory at the point of impact on their intended beneficiary (Moran 2016, pp. 178–180).

While consultation processes are common, government priorities may not align with community priorities:

> Where funding is directed depends on government priorities which are guided by political cycles and government’s re-election and as a result, community needs are often not included in resource direction or policy setting. (Joint YASC & YLF sub. DR14, p. 4)

Other problems include the problem of low expectations, political and bureaucratic risk averseness, the maturity of the public discourse concerning Indigenous affairs, political cycles and fads, and the risks of concentrated authority at all levels of government (Table 18).

Internationally, the importance of support for local participation in development has waxed and waned resulting in a cyclical nature to policy swings:

> Fads, rather than analysis, tend to drive policy decisions on participatory development. Passionate advocates spark a wave of interest, followed by a few years of disillusionment, which gives ammunition to centralizers, who engineer a sharp reversal. In time, excessive centralization generates negative fallout, which reinvigorates the climate for local participation. (Mansuri and Vijayendra, 2013, p. 80)

A similar cycle appears to be happening in Australian labour market policy. The Community Development Employment Projects (CDEP) ran from 1977 to 2007. CDEP was then abolished and remote Indigenous employment was brought within the mainstream Job Services Australia (JSA) (2007 to 2013). In 2013, remote employment services was moved under the Remote Jobs and Communities Programme (RJCP) where it remained only until early 2015. The RJCP then morphed into the Community Development Programme (CDP). CDP has been subject to criticisms16 and it appears that the cycle is to commence again:

> On 9 May 2017 the Government announced it will be undertaking a consultation process in the coming months on a new employment and participation model for remote Australia ... This will give the Government time to work out, with communities, an ideal remote employment service and what will work best on the ground.17

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16 See the submissions to the Senate review of CDP at https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Finance_and_Public_Administration/CDP.

The successive and significant changes in policy directions has had negative consequences for participation and has frustrated communities: The removal of the Community Action Plan (which was developed under the Remote Jobs in Communities Program (RJCP)) from CDP took away the tangible evidence of community input into the programme and left communities with the impression that their input was not valued. Without the Community Action Plan the social accountability to the community is lacking in the CDP. (TSRA 2017, Submission to Senate Review of CDP, p. 3)

Table 18 Problems in political decision making

<table>
<thead>
<tr>
<th>Nature of the problem</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low expectations</td>
<td>Having low expectations about the potential for positive change leads to complacency that the best that can be done is not much different to what is currently done. It can erode the building of a consensus for reform and increases the perceived risks of major reform efforts.</td>
</tr>
<tr>
<td>Risk averseness</td>
<td>Both politicians and government agency decision-makers are highly risk-averse. They may see a greater downside risk to making a major policy change than an upside benefit. Part of the problem is that benefits tend to be longer-term in nature, with failings more immediate and in full public view.</td>
</tr>
<tr>
<td>Maturity of public discourse</td>
<td>Risk-averseness of politicians is partly determined by the maturity of public discourse. When the public’s discussion of issues more closely reflects the complexity of the issues involved and is not driven by ‘headline crisis’, then this supports better policymaking. Public discourse can focus too much on failings, whereas a transparent discussion of failings is a necessary part of the process of learning and improvement.</td>
</tr>
<tr>
<td>Winds of policy change</td>
<td>Indigenous policy changes direction frequently. Some of the causes of this problem includes competing political ideologies, policy fads, and the incentive to be seen to be doing something about an important problem that is different from the predecessor government. An underlying problem can be a lack of a clear evidence base around which consensus can be built.</td>
</tr>
<tr>
<td>Risks of concentrated authority</td>
<td>All three tiers of government and their agencies exercise authority over significant resources. Some decisions, and the implementation of policy by agencies, are influenced by the desire to protect that role. This can conflict with reforms that seek to devolve a greater share of authority closer to the people impacted by the decisions of governments. Concentrated authority can also contribute to the problem of rigid institutions and processes, and impede individual and community action supportive of development.</td>
</tr>
</tbody>
</table>

Internal incentives and rising costs

Communities acknowledge that the aggregate envelope of money given to Indigenous-specific policies and through mainstream organisations to provide services in communities is large. However, there are strong concerns about the proportion of the resourcing that gets consumed by ‘the system’.

Within the public sector, there are inherent biases to expand and consume an increasing share of program resources in administration costs (Box 5.7):

- there is less of an incentive to produce efficiently compared to organisations that face the disciplines of the market sector, and there is less of an incentive to control costs over time
- there is a tendency for policies and the apparatus that supports the policy to grow in complexity.

Stakeholders raised concerns about the efficiency of service delivery and the share of resources consumed by unnecessary administrative and compliance costs:
Indigenous councils are concerned about the amount of 'leakage' that occurs between the time funding is allocated to the time the service is delivered to the community. (LGAQ sub. 14, p. 5)

At times it is clear that funding bodies place more emphasis on funding compliance than on actual service delivery outcomes. Often compliance issues raised with the organisation are of a minor nature ... Responding to such queries is time consuming and repetitive, and the requests are often generated by Departmental staff with limited understanding of the NGO. (Palm Island Community Company sub. 29, p. 8)

Box 5.7 Why bureaucracies expand

Inefficiency

Markets link, however imperfectly, the costs of producing or conducting an activity to the income that sustains it. Non-market activity (such as, government directly providing a service in a community) removes this link because the revenues that sustain non-market activities are derived from non-price sources (that is, taxes). The absence of the link separates the adequacy and value of the non-market output from the cost of producing it, increasing the scope for the misallocation of resources.

Non-market activities often exhibit rising costs (dynamic inefficiency) and redundant costs (technical inefficiency). If possibilities exist for lowering costs or raising productivity these opportunities are less likely to be exploited fully by non-market than by market activities. The rewards from improving performance are less for non-market decision makers, while their risk-averseness is higher.

Internal incentives

In non-market organisations, output is hard to define, feedback from consumers is lacking, and there are often no competing producers providing incentives to control costs; therefore, non-market agencies often develop internal standards that do not bear a clear or reliable connection with the ostensible public purpose that the agency is intended to serve.

The maximisation objective

Agency decision-makers may seek to maximise the size of their agency or budget, or minimise risks, rather than maximising the value of their outputs over costs for a given level of risk. Agency decision-makers may promote the activities of the agency in the same way a business seeks to expand its activities.

Increasingly complex solutions

Bureaucrats have incentives to design, promote and support complex policy initiatives that both increase the scope for discretion and help increase their budget. Where impacts are complex and difficult to determine, the electorate will have difficulty holding elected officials accountable for policy failures. It may be very difficult to identify the net impacts of a policy, and then to assign responsibility.

Sources: Wolf 1988; Butler 2012.

The problems of the lack of a strong mechanism linking the value of outputs (services) to their costs, internal incentives and maximisation objectives also contribute to the problem of resources not being allocated to their most valued uses (allocative inefficiency).

The complexity of the system makes it less transparent, which diminishes the ability of taxpayers and Indigenous people to hold the system to account for the services it provides. Poor performance of policies leads to an expansion of policies as decision makers seek to influence/control more of the factors affecting policy outcomes, or to deal with the consequences of the policies.
Bureaucratic expansion impedes change, including community-led initiatives:

*There is a need for a mechanism to address specific cases of high levels of bureaucracy and red tape within the Queensland Government bringing key community driven initiatives, programs, funding and service deliveries to a grinding halt due to the bureaucracy built within the State structures.* (Torres Shire Council sub. DR7, p. 2)

A similar model was proposed following the Fitzgerald Inquiry when negotiation tables were established by the Beattie Government. Consultants were employed to develop community plans. Government departments however, kept doing what they had always done to a large extent. (Turnour sub. DR10, p. 1)

Bureaucracies also expand in response to political decisions, including decisions to continue programs that should be ceased:

*Many programs don’t work but continue to receive funding regardless. Like the bewitched broomsticks in The Sorcerer’s Apprentice that continue to multiply, new initiatives are piled on top of old ones that have failed. Simply doing more, by way of providing more services and more programs, cannot produce a different result... Taxpayers and Indigenous people themselves should rightly expect better outcomes for the amount of public funds expended.* (Empowered Communities 2015, pp. 51–52)

Overcoming the weight of bureaucratic processes has proven to be a significant challenge to achieving reforms including place-based reforms agreed by state governments and the Australian Government:

*In 2008, the National Partnership Agreement on Remote Service Delivery identified 29 Indigenous communities for intensive place-based planning and coordination of service delivery by both State and Commonwealth. Baseline mapping of data about service gaps (compared to mainstream comparator communities) was to lead to negotiation with the community of Local Implementation Plans to collectively address the gaps. The whole exercise collapsed under the weight of bureaucratic process and did not sufficiently invest in Indigenous community governance capacity to give any real agency to Indigenous people.* (Limerick sub. DR5, p. 2)

The design of reform proposals should be aware of the incentives that exist in existing institutions and processes when considering the relative merits of alternative arrangements.

**Rigidity of policy, legal and administrative frameworks**

The system of policies, laws, regulations and administration is often highly inflexible. Laws, regulation and policies can be difficult to change. Inflexibility impedes an approach to policy where the knowledge learned from monitoring and evaluation results in incremental improvements to policy.

Rather than reform existing institutions and policy, particularly where solutions cut across levels of government, it is often easier to introduce a new expenditure program. This fulfils the imperative to be seen to be doing something, it responds to internal incentives for expansion, and it avoids the problems of changing existing programs and institutions (including laws and regulations).
5.5 Key implications for this inquiry

There are opportunities to improve the existing institutional, funding and policy frameworks for service delivery. Effectiveness and efficiency can be enhanced through reforms that:

- place service delivery within a framework of economic and community development
- correct incentives to achieve better outcomes for individuals and communities
- make better use of the knowledge held by Indigenous people throughout the policy cycle
- reduce reliance on government activity
- improve accountability and reduce inefficiency.

There are systemic reasons why these types of reforms are difficult to achieve within the existing system, suggesting that a renewed reform effort is required, and that a new set of arrangements may be required. Part B of this report sets out a reform proposal to facilitate change.