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BLAVATNIK
SCHOOL OF
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THE TRUST ISSUE

THE PITFALLS OF REFORM

HOW TO TACKLE CORRUPTION

BUILDING GOVERNMENT IN FRAGILE STATES

THE CHINESE MODEL

A 21ST CENTURY UK CIVIL SERVICE

PAYING FOR POLICY SUCCESS

OXFORD GOVERNMENT REVIEW

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INTRODUCTION

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SCHOOL OF GOVERNMENT

In 2016, governments are in the firing line. Their populations suspect them of accelerating globalisation for the benefit of the few, letting trade drive away jobs, and encouraging immigration so as to provide cheaper labour and to fill skills-gaps without having to invest in training. As a result the 'anti-government', 'anti-expert', 'anti-immigration' movements are rapidly gathering support. The Brexit campaign in the United Kingdom, the Presidential run of Donald Trump in the United States, and the Five Star movement in Italy are but three examples.

Against this background, the Blavatnik School of Government presents this report from its annual conference in May 2016. Every year the event brings together leaders from governments, business, the media, academia and civil society, from all parts of the world, to find and share solutions to the most serious public policy challenges. At a time of widespread pessimism, this year's meeting highlighted ways in which governments can improve their performance in the face of contemporary challenges. The report highlights five lessons.

First, governments need quickly to learn to better use information. Technology permits big data, better analytics and problem-solving capability, and as Andrew Grant and Bjarne Corydon write, this means governments can formulate policy with much finer-grained information about their citizens, their housing stock, their agricultural production and so forth. But data and analytics alone are not enough. As Geoff Mulgan reminds us, many of the mistakes of governments derive from a lack of empathy rather than analytics. This is as true now as it was when Robert MacNamara first noted it. Public leaders need to better understand human motivations. This is incisively put in Eldar Shafir's article. Leaders in the 21st century need to understand human psychology rather than making false assumptions about it. Humans are driven by a richer set of motivations than economists used to assume: paying people to donate blood does not increase donations, in fact it does the opposite. Better data and analytics can combine with greater empathy and better psychology to shape more powerful and effective public policy.

Better leadership is a second theme that emerges in this report. Bo Rothstein highlights that selfless, impartial service must be taught and reinforced in the public sector – it will not occur 'naturally'. This is echoed in the core principles of "honesty, integrity, impartiality, and objectivity" on which the modern UK civil service was founded, as we are reminded by Rupert McNeill. Closer up, Elizabeth

Linos highlights the role of intrinsic motivation in fuelling better performance and the strategies leaders can use to unleash it (and the dangers of reverting to crude monetary and other incentives). Recruitment, training, and the promotion of the most talented future leaders has been 'crucial' to China's success, Gerald Lan writes. This is sobering when applied to Syria and other fragile states. Rafat Al-Alkali notes the dramatic increase in fragile states over the past eight years, and the seeming intractability of their crisis of governance and security. Stefan Dercon focuses on one aspect – the enormous 'brain drain' from Syria and conflict-states that impedes the rebuilding of any government that can bring security and economic reconstruction to the country. He urges measures that make it possible for the talented to stay within proximity of the country.

Within all governments, there is a challenge to ensure greater diversity. Hamidin Abd Hamid's account of Malaysia and McNeil's note on the United Kingdom highlight that diversity is not just about a more representative civil service, but an important way to drive improved performance. Leading practitioners including Margaret Hodge and Hidehiko Yuzaki each share practical lessons on how to achieve greater diversity. Linos brings the academic evidence to bear on the issue with useful pointers about directions governments need to take.

A fourth theme in this report is about the organisation (and reorganisation) of government. A stark warning is offered by Ruth Dixon, who reports on her work with Christopher Hood in measuring the impact of public sector reforms in the United Kingdom. A series of reforms aimed at reducing cost and improving the quality of government in fact resulted in government which "worked a bit worse and cost a bit more". So how can reforms be taken forward? In China (as Gerald Lan notes), some transformations have been achieved by creating a dual track whereby the new innovation is developed alongside business as usual, and subsequently dominates. Decentralisation has also permitted experimentation. A different approach is laid out by Jeffrey Liebman, who highlights the scope for using 'Pay for Success' models as a way to get governments to focus on prevention (investing in youth) rather than endlessly paying for bad outcomes (paying for prisons). Equally importantly, PFS can orient governments towards better understanding those they're trying to

help, and innovating and adapting approaches to doing so. Implicit in Liebman's account are some warnings about how to avoid falling short of these transformational effects. At the core of success is well-structured collaboration.

Collaboration is vital for better government performance. Ideally, government needs to work with the private and not-for-profit sectors to leverage the best of each. That said, public-private collaborations can inadvertently end up combining the stifling bureaucracy of the public sector with the narrow, transactional approach of the private. Co-creating public policy is not easy, as Victor Bekkers highlights. Liebman usefully cites the positive example of the New York state prisoner entry initiative to highlight how carefully designing collaboration can overcome these problems. For example, instead of paying for individual outcomes (which can encourage 'cherry-picking' the easiest-to-help), the initiative defines a population group and pays for the results achieved (or not, if not) for the whole.

I hope you will enjoy reading this report. We are hugely grateful to McKinsey and Company whose support for the Challenges of Government Conference enables us to bring outstanding academics and leaders from across the world to learn together and engage on these issues.

The Blavatnik School of Government is driven by the desire to improve government through research, teaching, and collaboration. The participation and generosity of time, spirit and ideas of the academics and practitioners who work with us is what makes this possible.

We are particularly grateful to the authors in this report, and to students from the 120-strong, 2015 cohort of the Master of Public Policy, and the nine DPhil in Public Policy students, at the Blavatnik School of Government, whose summaries of the Conference sessions can be accessed online.

We look forward to seeing you at the 2017 Challenges of Government Conference. ●

Ngaire Woods

TRUST AND GOVERNMENT

BUILDING TRUST IN GOVERNMENT

BJARNE CORYDON & ANDREW GRANT

For many people, government is one of the least trustworthy institutions they know. Public trust in government has increased since the global financial crisis but remains significantly lower than trust in non-governmental organisations, business, and the media.[1] The trust deficit that many governments face is worrisome, for trust underpins people's involvement in civic life, from community level to national level.[2]

Nonetheless, citizens expect a lot from their public institutions.[3] From our research and work with public-sector organisations, we see three principles that can help governments to increase citizens' support and respect for government.

Develop better insights into how citizens' lives are changing
People's lives have always been influenced by trends that transcend borders and boundaries, as well as changes at the local level. What's different now is that governments can use big data, analytics, and novel forecasting techniques to understand how these forces affect citizens before designing targeted, effective interventions.

Germany's federal labour agency, Bundesagentur für Arbeit, sought to understand the behaviours of unemployed workers better so it could improve the services it provides. The agency analysed its huge store of data on the histories of unemployed workers, the assistance programmes that it manages, and the outcomes it produces, including how long it took people to find jobs. This analysis, along with other initiatives applied over three years, allowed the agency to reduce its annual spending by €10 billion ($14.9 billion), shorten the time it takes unemployed people to find work, and increase clients' satisfaction with the agency's services.[4]

Analytics can also work in places where data may seem less readily available, for instance, researchers are using large sets of data on mobile-phone usage to estimate the distribution of wealth throughout Rwanda.[5] Another research group measured poverty at the square-kilometre level in Uganda by running satellite photos of the country through advanced algorithms.[6] Satellite imagery can also be used to estimate the sizes of harvests and to predict crop failures so governments can target assistance where it will be needed most.[7]

Governments can also look at big upcoming social and economic changes, consider how they might play out for their citizens, and prepare accordingly.[8] The spread of 3-D printing, for example,

could disrupt labour markets and industrial sectors[9] as companies look to move factories closer to end customers.[10] This is the type of technological trend that Singapore's Committee on the Future Economy is responsible for considering. The committee, which draws its members from the government, the private sector, the labour movement, and academic institutions, is studying global trends to identify the infrastructure, capabilities, and skills that Singapore needs to prepare for the future, particularly in priority industries and markets.[11] The committee's insights also inform the work of Singapore's Skills Future programme, a fund that helps citizens learn new job skills to adapt to the changing needs and demands of the economy.

Enhance models for providing services
Building trust starts with knowing and anticipating citizens' needs, but governments must then use that understanding to provide effective, timely services. Often, however, the issues that citizens care most about are too big for any single ministry or agency to handle. While in some cases these issues may require new institutions and processes, governments can also find ways of collaborating across agencies and sectors.

In New Zealand, the prime minister's office sets concrete targets for ambitious reform efforts like reducing long-term dependence on welfare, then assigns responsibility for the targets to all the ministries that have influence on the intended reform. The ministries, in turn, designate some of their employees to serve on teams that design, monitor, and administer the reform programmes. These teams also solicit advice from groups of people representing the government, business, and the social sector.[12]

Similarly, other governments have created programmes by gathering people from the public, private, and social sectors to work together on problems in which they have a stake. One government convened 350 people from the private sector and 150 public-sector employees to develop an economic-transformation programme. The group produced clear targets, a set of initiatives, an action plan, funding requirements, and endorsements for the programme from everyone who would be involved in it. The private

sector agreed to jointly lead the programme and contribute more than 90 percent of the required investment.[13]

Strengthen transparency and accountability
It's not just a matter of *what* the government does, but also *how* it does it. Transparency and accountability are fundamental to rebuilding the public's trust; a deficit in either can undermine any performance gains a government makes.[14] Given the financial value and public interests at stake, budgeting and procurement are two critical areas where government can promote transparency to strengthen accountability.

Transparency in budgeting makes it easier for the public to understand fiscal policies and government priorities. This, in turn, builds accountability for the government not only to produce realistic, sustainable and inclusive budgets, but also to follow through.[15] One way governments can do this is through a 'citizens' budget' – a simplified version of the government budget.[16] Such budgets have typically taken the form of written documents that use illustrations, infographics, and other visual aids to convey important and complex information. More recently, some cities in the United States have introduced interactive online budgets that citizens can view and manipulate to model the financial impact of budgetary choices. Using the tool, citizens can also grapple with the trade-offs and constraints faced by city decision makers.[17]

In public procurement, transparency is essential for minimising the risk of corruption and mismanagement of public funds, as well as promoting fair competition.[18] Governments around the world are starting to adopt 'open contracting', allowing citizens and businesses to track spending across the entire procurement cycle. The United Kingdom will pilot this model for its High Speed Two railway infrastructure project, making the end-to-end process of awarding public-sector contracts visible to the public.[19] Citizens and businesses seem to value this transparency and the opportunity to hold governments to account. After Slovenia mandated that all contracts be published online, more than eight percent of citizens checked a public contract, and competition among companies bidding for contracts nearly doubled over the course of a year.[20]

The problem of low trust in government can't be solved with the approaches that failed to prevent public trust from eroding in the first place. Building trust in government requires a willingness to reform. As some governments around the world have shown, gleaning insights from far-reaching data sources, devising new and collaborative models for public service, and enabling citizen oversight can all help to close the trust gap while improving people's lives. ●

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"BUILDING TRUST STARTS WITH KNOWING AND ANTICIPATING CITIZENS' NEEDS"

CORRUPTION AND THE QUALITY OF GOVERNMENT

BO ROTHSTEIN

Increasingly, survey data shows that national populations do not trust their governments. Problems such as corruption flourish, which further weakens the fabric of democracy. A central question is then how government leaders can build trust and integrity in government.

In this discussion, it is important to understand that what is usually termed as corruption is seen to be the 'default position' – a corruption-free country is about as likely as a country with no crime. Most standard measures of corruption, the rule of law and government effectiveness etc., show that on a global level, 75% of the world's population live in countries with a high or at least a medium level of corruption. This, unsurprisingly, has an extremely negative impact on almost all standard measures of human wellbeing. This is universal: corruption and other forms of 'bad governance' are not just a problem in the developing world, or former communist countries.

Traditionally, the 'standard operating procedure' for a person of official power, elected or appointed, has been to use their position for personal gain (for their family, clan, tribe, political faction etc). The norm of not doing so, which is the norm of acting according to the principle of impartiality when exercising public power, is a matter of learning and training. Thus, what modern leaders should do is to ensure that these ethical norms, of acting with neutrality when in a position of public power, are cultivated and implemented in the public sector.

The Blavatnik School of Government aims to improve the quality of government and public policymaking worldwide through its research, and, perhaps most importantly, by educating those who are going to work in, or with, the public sector. Education is not only about knowledge but also about ethics and norms. In the area of 'good governance' we are now facing a policy failure of gigantic proportions. Despite almost 20 years of 'good governance' efforts, and projects by many development organisations, the results on the ground are almost zero. In some cases, things have improved, but not as a result of aid programmes for improved quality of government.

One problem is that anti-corruption and 'bad governance' programmes have been based on the economic approach of 'principal agent theory'. I have argued that this approach represents

"IN NUMEROUS COUNTRIES THE ELECTORATE ARE FAILING TO PUNISH CORRUPT POLITICIANS."

a serious misspecification of the problem of corruption. The theory says the problem of corruption can be dealt with if an 'honest principal' changes incentives for his 'agents', so when the fear of being caught for corruption is higher than personal greed, people self-regulate their behaviour, and corruption is therefore decreased. However, if this were the case, corruption would have been eradicated years ago as there is no lack of knowledge of how to change incentives, rather in a systemically corrupt setting, the theory simply has no answer as to where we can find the 'honest principal'. I believe that corruption and bad governance should instead be subsumed under the different, more political and sociological approach (theory of collective action). This changes the policy recommendations from tinkering with incentives, to the need for a new social contract between governments and their citizens.

The problem of lack of trust in governments is becoming acute. According to recent World Value Survey data, we can see that an unprecedented number of citizens in the US and Europe (the youth in particular) are questioning if democracy is the preferred system, and there is increased support for illiberal political leaders. Additionally, in numerous countries the electorate are failing to punish corrupt politicians, instead they are frequently re-elected. This shows that the 'accountability mechanism' isn't working as it should (according to the theory on which representative democracy is built).

However, we are also seeing that political parties and social movements that mobilise around the notion of 'clean government' can be quite successful. We now have a heightened awareness of the huge costs, in terms of human wellbeing, related to corruption and other forms of 'bad governance'; for instance, we now have the United Nations Convention against Corruption which has been ratified by more than 150 countries. Many countries, including the UK, have, in a quite dramatic way, sharpened their legal tools against corruption. But it is important to realise that systemic corruption is not a minor flaw that can be fixed with a set of incrementally launched legal technicalities, and in many countries and sectors it is deeply ingrained and embedded in long-held practices. In such cases, change requires nothing less than a 'big bang' approach. This implies that governments who want to tackle systemic corruption have to send strong signals to show that they really mean business. Governments need to exploit the many possible 'tools' available to them, for example in how they recruit and promote personnel in public administration, how they ensure fair competition for public contracts, how they ensure equality before the law, and how they promote gender equality. ●

Professor Bo Rothstein, who teaches government and public policy at the Blavatnik School of Government, is also a Professorial Fellow of Nuffield College. He co-founded the Quality of Government Institute at the University of Gothenburg, where he held the August Röhss Chair in Political Science.

MARGARET HODGE

ZAHRA LATIF

The theme of this year's conference was trust – how do we rebuild trust in our politicians, and how can we overcome short-termism in policy making?

MH: We have to overcome cynicism by reconnecting with people and recognising that all politics is local. Who we are as people matters, the language we use matters and we as politicians need to listen, respond and communicate to rebuild trust.

More and more politicians see themselves as parliamentarians and engage in cross-party collaboration, particularly you see women supporting women across the bench. It's up to individuals to be open and take the initiative to work together. It's very important to make legislative changes in the little areas of policy that actually have a big impact. It's essential to work effectively with people, building relationships across parties, this enables MPs when in opposition to incorporate their work with government policy.

The policy position of being in opposition is different to that of policy making in government. The politics of pledge-making is different to the reality of governing. Overcoming short-termism is a hard problem, we have to try and be better and the government of the day also has a role in reaching out to the opposition to enable longer-term policy making.

The role you had in holding public figures to account as chair of the Public Accounts Committee was significant, and to see a woman in that role was impactful; we also know that women in public life can have it much harder, not least due to online abuse and trolling. What are your thoughts on enabling women's participation?

MH: There are lots of challenges! So what are you going to do? I think the positive action Labour took was tremendously important and we have a really talented bunch of young women in the party as a result. So having positive action from the first step, all the way up the ladder, is key to culture change.

Networking is also important. Someone said to me if you get promoted, make sure you promote a woman underneath you. You have to have it always in your consciousness.

Something I will say is it's a long marathon and not a short sprint. When I first started in politics, some of my male contemporaries leaped ahead, whereas I opted not to take certain roles because I had children, and wanted to spend time with them. But that's fine, I have done well and I think it's important to take the time when you need to for family, for children, for elderly relatives. In the long run it matters and it pays off. There can be this fear for people in their 30s that you must leap ahead, but there's lots of life ahead!

Do you think the culture of the Westminster bubble has changed?

MH: Oh yes! When I got there the only ironing board was in the women's loos! It's a lot better now. But there's still work to do. Look at the leadership in political parties and on Europe – there's still a marked lack of women. I do think in the Blair and Brown governments we did some good work – we had women in certain roles and we refused to let go of that. It was very important, we made our case and stuck to it.

What is your advice to the next generation of changemakers?

MH: Focus. Don't try to do too much, that's something I learned and really developed in my last ministerial position – focus. Give yourself time. Build partnerships with people – the best government is based on partnership rather than confrontation and that requires work every day. I think spending time on dreaming up policies isn't hard, the challenge is in implementing them and being effective. Have timelines, and create the alliances needed to make the policy happen. Being radical and innovative, but knowing when to pull the plug when things go wrong, is also key. And you have to really care and have a public-sector ethos: in the end public servants don't earn a lot, but we have a hell of an interesting life. You have got to want to change the world and make it better, that's what drives you. You just have to stick at it. ●

Rt. Hon Margaret Hodge MBE has been the Member of Parliament for Barking since 1994. She is the former Chair of the Public Accounts Committee, the first female and elected person to take that role. She held numerous positions within the Labour Government between 1998 and 2010.

Zahra Latif, a Master of Public Policy student, worked in the third sector on her key interests, which include community cohesion, human rights, and engaging young people in politics and interfaith.

GLOBAL CASE STUDIES

THE PITFALLS OF REFORM: A UK CASE STUDY

RUTH DIXON

Public sector reforms are often launched with great (political) fanfare, but objective evaluations of their long-term outcomes receive much less attention. Although international public sector comparisons are increasingly frequent, and are valuable for providing a snapshot of relative performance, such comparisons are usually unable to provide in-depth evaluation of reform outcomes. A detailed single-country study can provide the evidence needed to establish how government performs as a whole over the long term. That is what we set out to achieve looking at the UK's experience.

Christopher Hood, a leading scholar of public-sector reform, coined the term 'New Public Management' (NPM) in the early 1990s. NPM focuses on efficiency (often narrowly interpreted as cost-cutting), and on performance improvement through targets and organisational ranking. Although originating much earlier, NPM-type concepts became particularly prevalent in the UK public sector from the early 1980s. The UK is therefore an ideal case in which to evaluate such reforms.

In our book,[1] Christopher Hood and I describe our study of the outcomes of successive waves of reform in UK central government over the past three decades. Did the reforms, as their proponents intended, reduce government's costs and improve its quality? Or, as commonly asserted by critics, did the reforms result in the deterioration of important administrative values such as fairness and consistency? We found that neither the most optimistic nor the most pessimistic expectations of the effects of NPM reforms were realised.

The most we can say is that UK government 'worked a bit worse and cost a bit more'. We concluded that government 'worked a bit worse' because formal complaints about government maladministration to the Parliamentary Ombudsman, and challenges to UK government decisions in the form of judicial review applications (excluding immigration claims), rose particularly rapidly in the 1990s and continued at high levels despite the introduction of many other routes of complaint. We judged, therefore, that the perceived fairness and consistency of government administration deteriorated during the period of our study, while the 'back-office' costs of running government – the target of many efficiency programmes – increased substantially faster than inflation from 1982 to 2010.

I suggest that our findings offer at least four key insights which are relevant beyond the UK:

- Complaints and challenges to government provide performance information that is difficult to manipulate.
- Head-count reductions may not result in cost savings.
- Public sector improvement requires continuity and consistency of performance and cost indicators.
- Benefits will not be realised if reform cycles are too rapid.

First, the numbers and topics of formal complaints to government enable administrations to assess their own performance, these being metrics that are difficult for politicians or officials to manipulate or 'game'. Our study portrayed considerable dissatisfaction among UK citizens with administrative fairness and consistency, and identified some government departments that were the subject of recurring complaints. The relevant finding for international audiences is that even in jurisdictions where data and systems may be lacking to track government performance, complaints provide an accessible and relatively trustworthy source of data to identify areas of government service in urgent need of improvement.

Secondly, our study showed that cutting staff does not necessarily mean cutting costs. Although government running (administrative) costs were a particular focus of Prime Minister Margaret Thatcher's administration from 1979 to 1991, during that time running costs rose in real terms despite substantial civil service (central government administration) staff cuts. Over the three decades of our study, the number of civil servants fell by about one-third, inflation-adjusted staff costs stayed fairly constant, but total government running costs continued to rise in real terms (though not as fast as welfare and public sector programme costs).

Thus, non-staff running costs (such as IT and consultancy) rose considerably faster than inflation. Governments that are serious about cutting back-office costs should therefore look beyond head-count reductions and consider administrative spending as a whole.

A third point is that meaningful evaluation – and hence improvement – of public sector performance depends on consistent and comparable data. Of course, there is always tension between relevance and continuity. Political, social and technological changes require that some datasets end and new ones be started. Many official datasets, however, suffer from a less transparent problem, which is that the definitions or components alter so much from year to year that comparisons are at best laborious, and at worst, impossible. For example, the running costs mentioned above suffered from frequent classification changes that often had larger effects on the reported costs than the actual changes that we aimed to measure. Without the time, resources, and perseverance to disentangle 'real' from 'reclassification' changes, such datasets are almost useless for policy evaluation. Practitioners should therefore weigh the benefits of changing data definitions against the significant costs of being unable to conduct effective, long-term evaluations in the future.

A final, and related, issue is that attention should be given to continuity not just of metrics but of institutions and personnel. Reforms and reorganisations often have high up-front costs (such as for new IT systems or agency creation) with the aim of making savings or service improvements in the longer term. If a new initiative is rolled out before the previous one is complete, the long-term benefits may never be realised. That tendency is exacerbated by the rapid movement of officials between posts, often considered to enhance promotion prospects in the civil service. When institutional memories are briefer than cycles of reform, the capacity to evaluate initiatives and to advise ministers is much diminished.

To sum up, it is clear that public sector reform is not a 'solved problem' even in the UK, a country with a well-established government machine. We found few grounds for complacency

"CUTTING STAFF DOES NOT NECESSARILY MEAN CUTTING COSTS."

even in the apparently mundane administrative concepts of fairness, economy, and consistency on which our study focused. As governments around the world seek to cut costs and improve services, our study offers some pointers as to how reforms might be assessed and sustained. ●

Dr Ruth Dixon is an Associate Member at Oxford University's Department of Politics and International Relations. She has worked in the University's Departments of Chemistry and Biochemistry, and as a Senior (non-clinical) Scientist at the MRC Biochemical and Clinical Magnetic Resonance Unit.

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CHINA'S MODEL FOR GOVERNMENT REFORM: A CHINESE CASE STUDY

GERALD ZHIYONG LAN

China's reforms have achieved phenomenal results. From its officially announced reform year in 1978, its per capita GDP has grown from 382 Yuan to 7,902 Yuan in 2000, and 46,629 Yuan in 2014, at an average annual growth rate of 13.5%. In 2010, it surpassed Japan to become the world's second largest economy, and has lifted 660 million people out of poverty (as measured by the UN's poverty standards).

The nature of China's reform
Many perceive China's transformation to be a result of economic reform, yet the essence of it is administrative and governmental reform. Historically, China has been a tightly controlled economy, and the removal of these controls over production and over local governments were its initial reform targets.

In November 1978, 18 farmers in Anhui Province risked imprisonment by dividing their collectively owned land among themselves, and pledging to each take full responsibility for their share of land and enjoy its produce accordingly. When government officials discovered (and reported) this, Deng Xiaoping, the party leader, decided to adopt a wait-and-see attitude. This was the seed of China's contractual system, a major policy tool used by the government to govern many relationships during the reform.

China's official statement on reform was made during the Third Plenary Session of the 11th National Party Congress (China's paramount policy authority), held in December 1978, when a resolution to initiate an overall open-door reform was passed. This preceded Margaret Thatcher's privatisation and Ronald Reagan's decentralisation efforts. In the years that followed, a series of reforms were launched including the downsizing of governmental agencies, invigoration of private businesses, encouraging market growth, reform of the banking system, anticorruption measures, and the roll-out of public-private partnerships. It is therefore clear that China's story is of a series of different types of reform, most often implemented from the top down.

While many think that China's reform started in 1978, reform has always been at the forefront of the country's agenda since the 1840s, after the Opium War opened its doors to the West and the country suffered a century of foreign invasion, famine, war, and revolution. Generations of China's elite and its most knowledgeable leaders, reformers, and intellectuals, all pursued the same dream

"THE COUNTRY'S LEADERS HAVE MADE IT THEIR LIVES' MISSION TO REFORM, CHANGE, AND TRANSFORM CHINA."

for national reinvigoration. To them, their lifelong mission was to restore China to the peace and prosperity it had formerly enjoyed, which was to be brought about through reform.

This mission was reiterated in the 18th National Party Congress (2012), specifically, the policy agenda includes: reforming the economic system to restructure the government-market relationship and promote market operation; reforming the new social systems to build a modern governance system, ensuring equitable social services and improving the livelihood of the people; and reforming the ecological system to ensure a beautiful China and its sustainable development.

How did China do it—reform implementation strategy
Reform means change and transformation, and is bound to meet resistance. So how did China achieve what it has achieved?

Incessant leadership drive. The foremost reason for reform success comes from an incessant leadership drive. When reform enthusiasm dies down, new waves of initiatives are launched. The country's leaders have made it their lives' mission to reform, change, and transform China.

Decentralisation. China's contractual system has greatly empowered local governments. As a partner in a contract, local governments can be responsible for their own affairs, and can retain a portion of the revenues at their own discretion after central government quota targets are met. This is an obvious incentive for local officials. Though, after the tax-sharing reform in 1994, and retraction of local financial power, local initiatives have been somewhat negatively affected.

Respect for knowledge and promotion of talented young cadres. As soon as Deng Xiaoping returned to power in 1976, he launched a national campaign to recognise the value of science, technology and education. He restored China's higher education system and put emphasis on quality education; he also insisted

on the promotion of young cadres [public officials in party and government] with knowledge and skills by encouraging open competition for cadre selection and promotion. The Party's Cadre Management Departments played a critical role in promoting change in China by working diligently to place the young, talented, and reform-motivated cadres into key positions to help implement reform.

Multiple models and local competition. While some believe that there is a singular 'China model' for reform, which emphasises the integration of authoritarian control with market reform, there are in fact many different models. At least, three major models are easily identifiable, each having worked in their own region. The Pearl Triangle Region heavily relied on international investment, talents and trade to grow and succeed. The best talents here are international players, either in private, state-owned, or mixed-shares enterprises. The Wenzhou model in Zhengjian Province is privately driven by individuals and small enterprises who have raised their own money; the government's input is weak. The best talents here are therefore clearly private individuals. The South Jiangsu Model, however, is entirely different, heavily depending upon collective efforts and tight local government control and planning. The best talents in this region work for the government or collective enterprises.

Other models have worked as well. For example, Shanghai morphed into a financial centre despite its history of being China's centre of light industry, while Shengyang struggled to survive by sticking to its large-scale, state-owned enterprises, with varying efforts to bring in international corporate partners.

The same model may also be utilised in different regions in different ways. Hangzhou city used citizen-satisfaction surveys to evaluate its cadres and promote change; a special government performance evaluation unit was created to ensure the validity and salience of the reform. Fujian Province heavily depended on

party discipline departments to diligently check and supervise official behavior. Their disciplinary officials worked 12 to 16 hour days, seven days a week, identifying under-performing officials and removing them from office. Gangsu province, in China's west, emphasised the use of third sector institutions to help evaluate local government performance. These evaluations have had impact and led to real organisational consequences.

Central government also upholds performance indicators, such as GDP growth, for all local governments and encourages them to compete with one another. This therefore shows that China's reform has been successful thanks to the use of multiple models applied in multiple ways, taking into account local cultures, resources and other specificities.

Dual track system. The hardest thing in reform is to change the values and habits of people, and their organisational culture from existing, but outdated, systems. Instead of tackling the old systems head-on, reformers created a dual track system, which allowed old systems to remain untouched, while creating a new, parallel organisation which used the required new processes. Once successfully functioning, they substituted the old system for the new one, or, alternatively, forced the old system to adopt the new ways. While this has caused some confusion, alienation, and resentment, it has on the whole proven to be much more successful than other alternatives.

Political campaigning. Political campaigning is widely recognised as the country's way of getting things done. This is a legacy from China's wartime experience, when rule of law did not exist; Chinese leaders heavily depended upon campaigns and political propaganda to urge the people to follow the party line. The publicity generated, administratively and through media, creates national moods to support the stated missions. More often than not, the mission is/was accomplished, although maybe at the expense of other developmental indicators.

Organisational learning. Though hardly mentioned in formal literature, governmental reform has partly been successful thanks to China's dependence on organisational learning. The open-door policy created many opportunities for its local leaders to learn from the wider world and collaborate with international organisations and businesses. There are numerous programmes run by various Government Cadre Management Departments that frequently bring together cadres from different localities for training. This has created a network that enables learning and policy practice transfer among China's 25,000 local governmental units. Many local governments' service deliveries, such as at-home care for the elderly, public information kiosks, and publicly provided city bikes, are all examples of local governments learning from one another.

More challenges
Despite numerous successes, China faces acute challenges as well. For instance, pollution, public housing, corruption, education, medical services and social welfare are all urgent problems that have to be addressed. To properly solve these problems, a lot more questions need to be answered.

The immediate tasks proposed in the governmental reform agenda, however, include items such as: continuation with anti-corruption movements; promoting innovation-driven developments; and reinventing regional economic order. The success of these reform efforts, of course, is dependent on the building of a robust, modern governance system. ●

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'PEOPLE FIRST, PERFORMANCE NOW': A MALAYSIAN CASE STUDY

HAMIDIN ABD HAMID

Correction does much, but encouragement does more – Goethe

Governments throughout the world are embracing transformation in order to remain relevant and to address the changing expectations of their people. It is therefore pertinent to think on how to better manage expectations, particularly in increasingly challenging landscapes. With the need to respond fast and effectively to the peoples' expectations, the Civil Service, or Public Service, must continuously assess its effectiveness and redefine its role.

The desire for Malaysia to become a truly successful 21st century nation has initiated the introduction of many transformation initiatives, most of which have been overseen by the National Transformation Agenda (NTA). One of the NTA's focuses has been on the Malaysian Civil Service, which is an institution that has been continually evolving and adapting to modern society since its creation, by adjusting and fine-tuning policy, restructuring civil service, and overseeing institutional reform.

The NTA has successfully implemented a number of initiatives in the 'transformation plan', aimed at creating Public Service excellence. In 2010, the Government Transformation Programme (GTP) was conceived to make the Public Service more efficient, effective and responsive, as well as transforming it into a more citizen-centric service, ultimately ensuring that government is serving the needs of the people. The GTP did this by focusing performance measurement within public service delivery (holding the government accountable).

The focus on 'People First, Performance Now' was complemented by the 'Humanising the Public Service' initiative, which was introduced in June 2012. Under this notion, and the Civil Service's ultimate aim of ensuring delivery meets the requirement of the people, there were a number of concepts introduced, including openness, grassroots engagement, instilling a sense of belonging, resource sharing, and collaboration.

The notion is further reinforced by the National Blue Ocean Strategy (NBOS), launched in 2009, in which the Public Service continuously works with all stakeholders[1] and initiatives to instil innovation through collaboration amongst public servants. These efforts successfully transcended organisational boundaries between, and within, public sector institutions towards achieving shared goals

set out in the 10th Malaysia Plan (2011–2020). NBOS initially began in 2009 with only 10 initiatives and has now grown to 89 initiatives involving over 80 ministries and agencies. In the long run, the notion of Public Service innovation initiatives via NBOS programmes will significantly change the culture within the civil service.

In the 11th Malaysia Plan (2016–2020), the Government has stated it will become more citizen-centric, and focus on enhancing the efficiency and productivity of the public service.[2] The focus will shift towards more participatory governance by citizens, including better understanding citizen preferences and engaging them as partners in service design and delivery. This requires Public Service leaders to be more adaptive, flexible and highly responsive to external and internal changes.[3] In order to bring about and sustain change, the public sector need to strengthen its

talent management capabilities and leadership to enable quality improvement in service delivery.

The Public Service has shifted away from the present hierarchical, fixed and problem-based environment through collaboration and partnership. Engagement is required to keep stakeholders actively involved in achieving their common goals. In order to achieve this, the required dialogue must be conducted in the right way, focusing on the right issues, engaging the right people, and utilising the right time and space.[4]

In order to achieve transformational reform, the Public Service needs to have a sense of public value, which requires public sector leaders to increase it. If values are discussed in a consultative manner with all involved, and if the input and ideas of the people in the organisation are solicited, welcomed and acted upon, this can be a powerful way to motivate employees and empower them

to raise concerns, offer alternative solutions and take action. Paramount to this process is that the organisation leaders must themselves internalise and demonstrate these values.[5]

The key challenge for today's Public Service in Malaysia is to tackle multiculturalism, especially among the young or youth leadership in Public Service. It is vital to recognise the need for public organisations to develop leadership development strategies, and as a result, the Razak School of Government is conducting a study to explore cross-cultural research among youth leadership in the public service and private sectors, as well as into the promotion of multiculturalism in Malaysia. This is to renew, and adapt, talent management and leadership strategies, which is much needed in the public sector as both job fit and cultural fit are crucial to increasing impact on leadership skills and functional specialisation. ●

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TRANSFORMING THE CIVIL SERVICE FOR THE 21ST CENTURY: A UK CASE STUDY

RUPERT MCNEIL

Just as the United States has its founding documents (in the Declaration of Independence, the Constitution and the Bill of Rights), so does the British Civil Service have its founding document: the Northcote-Trevelyan report. This focused on the 'Organisation of the Permanent Civil Service', and was published in 1854, after the failings of the UK's public administration became very visible in the logistical challenges of the Crimean War. Its main recommendation – that to secure the best people to run the Civil Service, entry to, and promotion within it, should be by open competition, done across the Civil Service as a whole, rather than in a 'fragmentary' way – is the foundation of the statutory principle that all Civil Service appointments should be made by 'fair and open competition'.

The UK Civil Service has other important governing principles, notably its statutory requirement to behave at all times with honesty, integrity, impartiality and objectivity. The principle of appointment and promotion through merit (established more than a hundred years before the word 'meritocracy' was invented) is distinctive, but it is not original. It was a feature of the Chinese state from at least 605 CE, but in adopting this piece of international best practice in the 1850s, the UK Civil Service built inclusivity into its DNA.

By recommending that "the right of competing should be open to all persons, of a given age", and stating that "it is only by throwing the examinations entirely open that we can attract the proper class of candidates", Northcote-Trevelyan presaged the now widespread understanding that an inclusive approach to recruitment and talent management is a prerequisite of any successful organisation.

The UK Civil Service is undergoing another period of change, as it adjusts to the challenges of the 21st century. It has many of the challenges and opportunities of other large organisations across the globe, including the pressure for efficiency and to do more with less, to be commercial and to embrace the digital revolution, and in how it works and how services are delivered to citizens.

These challenges have been the target of previous reforms, like the 2012 Civil Service Reform, which aimed to make the service smaller, more efficient, and less bureaucratic. The result, among other things, was that the government made savings of £18.6 billion in 2014 to 2015 against a 2009 to 2010 baseline.

"AN INCLUSIVE APPROACH TO RECRUITMENT AND TALENT MANAGEMENT IS A PREREQUISITE OF ANY SUCCESSFUL ORGANISATION."

But in its three current service-wide priorities, diversity sits alongside commercial skills and digital skills, and a belief that to be successful in the 21st Century, it needs to be an inclusive employer and representative of modern Britain.

The principles of diversity and inclusion, setting aside the moral case, when applied to any process of recruitment or promotion, are entirely optimising. A process that is designed to avoid unconscious bias in decisions will generate better outcomes. That is why the UK Civil Service is reviewing all its people processes to make sure they attract and progress the most talented people from all walks of life.

How will we do this?
By the end of 2016, recruitment to all roles in the Senior Civil Service will be advertised externally, as default, giving every talented individual the opportunity to compete. Increasing the spotlight on attracting the very best talent to the civil service echoes the first recommendation of the 1854 report and will

enable selection from a strong pool of appropriately skilled and diverse individuals.

To be the most inclusive employer in the UK we recognise that we need to look objectively and critically at how we define talent; this means ensuring we recognise and reward potential. As part of this, the Civil Service is implementing name-blind, and school-blind, recruitment, focusing on selection criteria and information which predict success and performance in a role. This now covers 70% of the Civil Service by default, and will soon be standard across the board. It also goes beyond simply bringing people into roles, by ensuring that the workplace values, and champions, difference and individuality.

The Civil Service is making progress – representation of people with disabilities and ethnic minorities is at a historic high – but more remains to be done. Increasingly, we are applying behavioural insights to process and policy design (for example, in minimising unconscious bias when shortlisting recruitment candidates), pioneered in the UK by David Halpern's Behavioural Insights

Team (the 'Nudge Unit'). In particular, we are using behavioural economics and 'nudge' techniques in the design of our learning and development, to make sure that we are focusing on genuine behavioural change – particularly in the area of leadership and management.

We can go further in supporting Northcote-Trevelyan's belief with the behavioural science that allows us to take the best talent decisions. Using technology within selection enables us to harness the views of a number of assessors both at the sifting and shortlisting stages, lets us focus only on the information that predicts success in role, and eliminates personal bias, all whilst shortening the time taken to hire, and improving the candidate experience.

It also involves looking at the shape of Civil Service careers. Northcote-Trevelyan recognised that bringing skills in from outside could be necessary. We believe that making the interface between the Civil Service and other sectors more permeable, so careers can productively span both, is very important. We have established

secondments and interchange programmes that enable movement in and out of the Civil Service, introduced new induction support for senior people joining the Civil Service, and are exploring ways for senior executives to learn together through our new Leadership Academy. Similarly, we are establishing clear professional career pathways that allow people to plan their careers in a structured way.

The UK Civil Service will continue to evolve, to fulfil its purpose. But as the organisation transforms itself to meet the needs of the 21st century, the insight of the 1854 report will remain fundamental. At the heart of the talent and people management in the UK Civil Service is the principle of fair and open competition. ●

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ESCAPING THE FRAGILITY TRAP: POLICY PROPOSALS FOR GOVERNMENTS IN FRAGILE STATES

RAFAT ALI AL-AKHALI

In 2006, 28 countries were listed as on 'Alert' (meaning they scored 90 or higher on the Fragile States Index). In 2015, 25 of these countries were still listed as on 'Alert', and an additional 13 countries had been added. Arguments can be made on the validity of the different indicators used by different indices, but the overall trend is clear: more countries are falling into the fragility trap, and very few are able to escape once they are in it.

This is despite the increased efforts, and focus on, Fragile and Conflict-Affected (FCA) states in the past decade. For example, in 2007 the OECD approved the 'Principles for Good International Engagement in Fragile States and Situations' (often referred to as the 'Fragile States Principles'), while in 2011, the World Bank launched its landmark publication, 'World Development Report on Conflict, Security and Development'. Also in 2011, the 'New Deal for Engagement in Fragile States' was signed in Busan, South Korea; it is a key agreement between FCA states, development partners, and civil society to improve the current development policy and practice in FCA states.[1]

The World Bank established the 'Fragility, Conflict and Violence' group in 2014 in order to improve collaboration and knowledge flow across the institution. In 2015, the UK's Department for International Development (DfID) announced its new aid strategy, where it committed to increasing its allocation to fragile states and regions from 30% to 50% of its total budget. Other development agencies, such as USAID, Deutsche Gesellschaft für Internationale Zusammenarbeit, and the Netherlands Ministry of Development Cooperation, all have specific strategies and focus on fragile states in their programmes. In recognition of the importance of addressing fragility and conflict, Goal 16 of the United Nation's Sustainable Development Goals (SDGs) is dedicated to the "promotion of peaceful and inclusive societies for sustainable development, the provision of access to justice for all, and building effective, accountable institutions at all levels."[2]

On the FCA states side, the g7+ Group was officially launched in April 2010 in response to a gap identified by conflict-affected states in the achievement of Millennium Development Goals and service delivery. The member countries of the g7+ recognised that conflict-affected states are best positioned to learn from one another about their experiences, and collectively advocate for
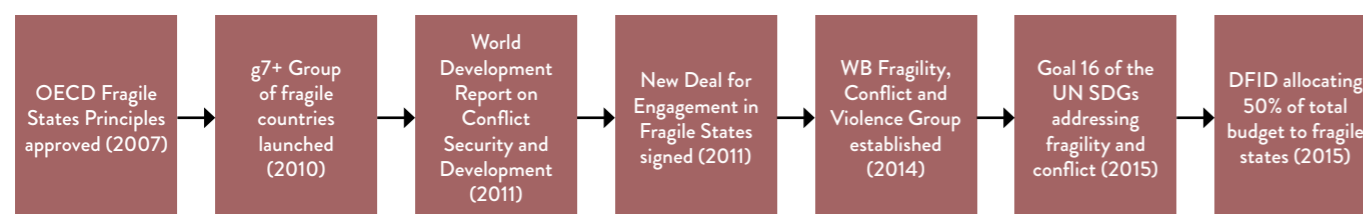
STRATEGIES AND INSIGHTS

"MORE COUNTRIES ARE FALLING INTO THE FRAGILITY TRAP, AND VERY FEW ARE ABLE TO ESCAPE ONCE THEY ARE IN IT."

contextually tailored development policies for their countries. The g7+ group currently has a membership of 20 FCA states.[3]

This increased focus and attention is justified. Half of the world's poor are expected to live in countries affected by fragility, conflict and violence by 2030. To achieve any success in the majority of the UN's SDGs, the challenges in FCA states will need to be addressed. In addition, fragility and conflict are key drivers for migration, violent extremism, humanitarian crises, and for the spread of disease.

Fragility and Governance

OECD Fragile States Principles approved (2007)	→	g7+ Group of fragile countries launched (2010)	→	World Development Report on Conflict Security and Development (2011)	→	New Deal for Engagement in Fragile States signed (2011)	→	WB Fragility, Conflict and Violence Group established (2014)	→	Goal 16 of the UN SDGs addressing fragility and conflict (2015)	→	DFID allocating 50% of total budget to fragile states (2015)

There is a clear link between governance and fragility. In fact the different definitions of fragile states used by the aid community all point to a failure of government to deliver its functions.[4] For example, DfID defines fragile states as "countries where the government cannot or will not deliver its basic functions to the majority of its people, including the poor".[5] The OECD States of Fragility 2015 report suggests 'institutions' as one of the clusters to assess fragility across states and economies. The Fragile States Index indicators include 'Provision of Public Services' and 'State Legitimacy'.

One of the defining hallmarks of FCA states is their weak civil service and ineffective public sector. Many international development assistance programmes in FCA states have focused on 'good governance' and 'public management reforms'. Although there isn't enough research done to understand the overall impact and success of public sector reform programmes in FCA states, some evidence shows that reform programmes implemented have not achieved their required impact.[6] For example, a look at the Government Effectiveness index results published by the World Bank provides a view of the overall trend. For the 28 countries on 'Alert' in the 2006 Fragile States Index, a comparison between their 'Government Effectiveness' rating in 2006 and those in 2014 shows negligible change on average over the decade.

The way forward

Governments in each FCA state, together with their international development partners, can focus on the following priorities to begin addressing the challenges of fragility:

National Dialogue. There is a need for a nation-wide dialogue between the government, private sector, civil society, development partners, and citizens at large around the drivers of fragility and conflict, and what can feasibly be done to address these challenges. Having a common understanding of the challenges, and the inevitable compromises required to address them, is critical to ensuring the country moves in a balanced and accountable way on its journey to development. Such a multi-stakeholder dialogue is currently taking place at an international level at the 'International Dialogue on Peacebuilding and Statebuilding', but a similar dialogue within each FCA state is also required.

Realistic expectations. Governments need to set reasonable expectations of what 'success' could look like in order to avoid overly ambitious plans and/or disappointments for not achieving targets. It is common among the development community to have an unrealistic vision of what FCA states should transform into, and that vision is usually informed by idealistic representation of developed economies around the world.

Governments also need to acknowledge the realistic timescales required to achieve meaningful change; some studies estimate that it takes anywhere from 17 to 41 years for a fragile state to achieve a threshold level of rule of law that is consistent with stability and 'good enough' governance.[7] Therefore, a careful balance needs to be achieved between short-term achievements that can generate trust and confidence in the government, and long-term reforms that would eventually guide the country out of fragility.

No one size fits all. Despite the evolving number of international frameworks, tools, and best practices, the simple reality of 'no one size fits all' prevails. Every country is unique in the nature of its challenges, players, history and politics. Therefore, effective approaches to address fragility in each country should experiment with innovative designs, and be able to adapt, in real time, to the realities on the ground. This iterative, exploratory and adaptive approach would represent a departure from the default donor-driven programmes, and would require strong leadership from country officials and co-ordination with development partners.

To conclude, the traditional donor-driven frameworks and tools to address fragility are falling short of achieving meaningful progress. The challenges facing fragile states require new approaches that capitalise on local leadership and local solutions customised to the realities in each FCA state. Engaging society in dialogue, setting realistic expectations, and adopting an iterative, exploratory and adaptive approach can help in placing FCA states on a sustainable path towards development. ●

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THE CRISIS AFTER THE CRISIS: SYRIA'S BRAIN DRAIN

STEFAN DERCON

The refugee crisis linked to the Syrian conflict is a massive tragedy, both for the people and the country involved. Almost a quarter of the pre-crisis population find themselves outside the country. There are now about 5 million Syrian (UNHCR registered) refugees, of which 1 million are in Europe and the rest across the neighbouring countries. The neighbouring countries clearly are most affected in terms of the ratio of their populations (table 1, data approximate and correct March 2016). It is tempting to conclude that Europe could have done more, and while the German response is generally lauded, the share of their population is still well below the numbers in Turkey, Lebanon and Jordan.

	Total Syrian UNHCR registered refugees	Ratio of registered Syrians to total non-Syrian population
Turkey	2.6m	1 in 30
Lebanon	1.1m	1 in 4
Jordan	0.65m	1 in 10
Europe	1m	1 in 750
(of which) Germany	0.35m	1 in 230

Table 1: Syrian refugees

However, behind these numbers are some troubling patterns. Data is very hard to compile due to the lack of systematic data collection. When looking at the refugees in the neighbouring countries, and in comparing these figures to the numbers of Syrian refugees in Europe, stark differences in demographics start to emerge. The refugees in Jordan and Lebanon are roughly representative of the population of pre-crisis Syria: they have similar educational levels, although they appear slightly younger and somewhat more female. This means that less than a third of the adults have either secondary or university education. The Syrian refugees in Europe however, are disproportionately better educated, significantly older, and with substantially more male adults (when considering those who reached Europe in 2015). In the period April to September 2015, data shows that 47% of Syrian adult refugees in Europe were university educated, and another 47% had completed secondary education (UNHCR, 2015). Arrivals data in January 2015 in Greece suggested about 30%

of adults were university educated, and another 50% secondary educated. While recent months have seen more children and more women arriving on the continent, as the reason for migration has changed from employment to family reunion, the make-up of the Syrian refugee population in Europe is still distinctly different from the make-up of pre-crisis Syria.

These patterns mean that the move into Europe has led to a massive brain drain from Syria and the wider region. Europe has probably pulled between a third and half of the university-educated Syrians from the country; or between a fifth to a quarter of all secondary plus tertiary educated population out of Syria. Based on the profile of refugees in neighbouring countries, another quarter of the pre-crisis secondary school and university graduates are outside Syria, mainly in Lebanon, Turkey and Jordan, making the total share of university graduates outside the country well above half, and maybe up to three quarters, of the total pre-conflict graduates.

This educational profile of refugees in Europe is unsurprising given the cost of reaching Greece. The mean cost per person to reach Greece is several thousand dollars, and this from a country with a pre-crisis GNI per capita below $2000; sums of $5000 or more are regularly reported, and sums of below $1000 are unheard of. Therefore only those who could afford it could travel to Europe, and those with a university education were obviously more likely to belong to better off families. Indeed, the move of refugees into Europe can hardly be called a managed refugee or migration policy. The signals that came from European countries, that refugees were welcome, encouraged this large-scale, but in a context that kept the actual cost high so that only those with sufficient means and/or connections could make it.

Europe's improvised public policy has resulted in one of the largest brain drains in recent history; Syria may well have lost a huge part of its human capital for good. There is a huge risk that especially the university graduates in Europe will be lost for Syria. Those reaching Europe intend to integrate, and disperse over Europe, meaning a future return is unlikely. Whatever the positive intentions of policymakers, and however great an opportunity this may be for the individuals involved (and indeed for European employers), this could be a tragedy for Syria.

"SYRIA MAY WELL HAVE LOST A HUGE PART OF ITS HUMAN CAPITAL FOR GOOD."

This brain drain represents a crucial challenge for emerging post-conflict Syria, and the international community needs to invest in addressing this. Restoring post-conflict Syria will require well-educated people to reconstruct government, to reinstate services and to lead the country. As the highly-educated refugees in Europe are unlikely to return, governments and international organisations would do well to focus on rebuilding this educated elite.

The most obvious location to address this challenge would be in neighbouring countries such as Lebanon, Jordan, Turkey, as well as within Syria. These education efforts must focus not only on primary education, but also on higher education, and must be done on a large scale. Resourcing local universities in order to educate refugees would be one option, including utilising external support. Though the temptation may be to educate Syrians in Europe, through incentives such as scholarships, this would not be able to be executed on the scale required, and at a far higher cost. Preliminary estimates suggest that even at the best universities in Lebanon, Jordan or Turkey, the cost of a university education is likely to be less than a fifth of what a UK scholarship would cost.

There is no doubt also a need to focus on those already in Europe. It would be wrong to judge that those who reached Europe should now not get any chances; they simply responded to the public policy incentives that came from the continent. European governments should ensure that links are rebuilt and strengthened between those now in Europe, and those inside Syria and in its neighbouring countries, so that those who are keen to contribute to the rebuilding of Syria in due course have the opportunity and connections to do so. European universities have a role to play, too. Rather than just trying to take on Syrian refugees, they should ensure that they build links with universities in Syria and the wider region that have a role to play in preparing for a post-conflict Syria.

Waiting until the end of the conflict will be too late: the challenge for governments in the region and Europe is to ensure that rebuilding of Syria's post-conflict human capital starts now. ●

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STRATEGIES FOR INNOVATION

USING BEHAVIOURAL INSIGHTS TO RETHINK POLICY

ELDAR SHAFIR

When you design policy or create programmes, or introduce laws, incentive schemes, informational campaigns, or any other intervention, whose outcome depends on how people behave, you would benefit from a good understanding of what people pay attention to, how they perceive things, and what motivates their behaviour. Research in the behavioural sciences can provide important insight, and one of the central lessons is that the findings are often not intuitive. As the economist John Maurice Clark pointed out almost a hundred years ago, if you don't understand the right psychology, you need to make up your own, and it can be 'bad psychology'. So what's good, and what's bad, psychology?

Several intuitive assumptions in the social sciences and in policy thinking, for example, that people are selfish and calculating, and that their preferences are well-ordered, clear, and focused on pecuniary rewards, turn out to be bad psychology. People can spend great amounts of time and energy thinking about minor decisions (such as what cell phone to buy) but then very little effort on critical decisions (about retirement savings, or mortgages, or medical treatment). They are sometimes myopic and at other times exhibit long-term planning (little savings, yet burial insurance). They compare themselves to others, have very limited attention spans, and care a lot about dignity and fitting in. Good psychology in policymaking requires trying to gauge how people think about a problem, what propels them to act the way they do, or what stops them from doing the right things. Once you have understood that, you can design policies built to facilitate constructive behaviours.

Consider a problem faced by emergency rooms in Ontario, where the homeless repeatedly visit for non-life-threatening ailments, some as often as 60 times a year. A common, and intuitive, interpretation among the medical staff was that the ER provided warm shelter, and that devoted care of the homeless would drive up demand.

Based on surveys and other clues, a research team decided to revisit the standard interpretation.[1] They hypothesised that the homeless were coming with medical needs which they felt were not being adequately addressed, and as a consequence they soon returned. The researchers ran a controlled trial in which a random half of the homeless showing at the ER received the standard treatment, whereas the others received 'compassionate' treatment,

consisting of increased (non-clinical) attention to their ailments, friendly conversations and other kinds of rapport-building, geared to giving patients a greater sense of satisfaction with the treatment they received. Remarkably, those who got the compassionate treatment were significantly less likely to return to that or any other hospital in the province.

Good psychology means paying attention to how people construe a context of interest – how they interpret the situation, what they attend to, and what it brings to their minds. Understanding this can help policymakers design better contexts, often at a low cost. Consider defaults: what happens when people fail to act. The power of defaults nicely illustrates the impact that policy makers can have through seemingly minor choices in context design. Research has found enormous differences in the rates of registered organ donors in countries where drivers have to opt in to being a registered donor as compared to where they need to opt out (even when transaction costs are negligible).[2] Defaults can have a big effect on how much people save for retirement, whether or not they're insured, as well as what, and how much, they choose to eat. Not only can these lead to good outcomes that may otherwise be hard to achieve, but

they are often what citizens prefer. (And if they don't like a default option, they are free to switch, typically with little effort).[3]

Other applications of good psychology may go way beyond 'nudging' people, for example as we try to determine the relative contribution of GDP versus inequality in ascertaining wellbeing. Good psychology in policymaking may occasionally require some insight and ingenuity, and possibly some 'pilot testing'. People's behaviour is driven by a combination of psychic and economic incentives. A modest financial reward offered to potential blood donors, for instance, can lower donation rates by undermining the gratification from what people had previously experienced as an act of civic virtue. Likewise, a fine imposed on parents who arrive tardy to pick up their children from day care can unintentionally increase tardiness by relieving the guilt that previously arose from what felt like free riding.[4]

When people fail to do the 'right thing' (save, exercise, read to their children, apply for financial aid to college), we need to understand what causes this. Does the person not know that it's good to exercise? Did they never intend to apply to college? Or did they know, intended to do the right thing, and then fail to act on

"PEOPLE'S BEHAVIOUR IS DRIVEN BY A COMBINATION OF PSYCHIC AND ECONOMIC INCENTIVES."

those intentions? It is certainly worth informing people of things they do not know. But when they have the right intention and fail to come through, lecturing people about what they already know is of little use; instead, policy makers need to design policies that facilitate the desired action. The location, and timing, of staircases, gyms, healthy foods, and offers for short-term, high-interest loans, can have a significant impact on health and wellbeing. How we design application forms, and the processes required to fill them out, has been shown to alter the number of students who matriculate at university, or the number of low-income families who avail themselves of welfare benefits.[5]

Because of the brain's limited cognitive capacity, there are only so many things people can do at any one time. When driving through a rainstorm, you need to focus heavily on the few meters in front of you, paying little attention to the periphery. As a result, you ignore things that are good to ignore, like billboards, but also things that are rather important, such as stop signs. In their everyday lives, citizens are similarly limited in their bandwidth. And low-income citizens facing constant juggling challenges even more so. When you are overwhelmed and depleted, you are prone to make shortsighted, and occasionally misguided decisions.[6] Policymakers who are insightful about human strengths and weaknesses will be able to attribute such failure to limited resources rather than a lack of understanding or motivation, and may design policies that help people succeed.

Think of it like designing the cockpit of a jet plane. Pilots, no matter how educated, have certain natural proclivities (pull to go up; push to go down), and visual biases, and can experience distraction and cognitive load. Engineers who do not understand

human psychology will create cockpits that might lead well-intentioned pilots, however talented, to fail. In contrast, designers who understand human perception and performance can help pilots soar, just as wise policymakers equipped with good psychology can help people soar! ●

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USING BEHAVIOURAL SCIENCE TO IMPROVE THE GOVERNMENT WORKFORCE
ELIZABETH LINOS

The past few years have seen an explosion of interest in behavioural science by policymakers at local, national and international levels. The first wave of interest asked: how can we use behavioural science to nudge our citizens to follow the rules? Can we get them to pay their taxes[1] or fill out required forms? The second wave considered the relationship between a people and their government. For example, can behavioural science improve public engagement with government services?[2] The third wave – one that could significantly alter how we think about public management – asks: what if we turned these tools inwards? If we begin thinking about government as merely a collection of people, can behavioural science improve the government workforce and, in doing so, improve service delivery? As Pitts and Wise argue in their call for more 'usable research,' "If public administration is an applied field of study … it should go beyond descriptive analyses of workforce trends to give public managers something concrete to act on."[3]

Managing human capital in the public sector requires an understanding of the critical stages in a workforce pipeline that begins with who is attracted to public sector jobs, considers who is supported to succeed in the recruitment process, asks how to motivate employees, and worries about who stays and who goes. Each point in the process is not an independent event. If we only attract a very specific type of person to government jobs, our understanding of what works in motivating employees in public sector contexts is artificially limited. Conversely, if we cannot motivate and engage existing civil servants, our ability to attract future talent to government jobs is severely limited. Indeed, there are multiple feedback loops in the pipeline that will affect the quality of both candidates and employees. The fundamental challenge faced by public managers is that they have fewer entry points into the cycle, compared to their private sector counterparts; pay scales and performance objectives are often determined through lengthy union negotiations, and promotion and career advances are often structured around years of service. It is under such constraints that behavioural science can be most impactful in improving recruitment, performance and retention.

"MERELY INCREASING CONTACT WITH BENEFICIARIES OF A SERVICE CAN IMPROVE THE PRODUCTIVITY AND MOTIVATION OF STAFF."
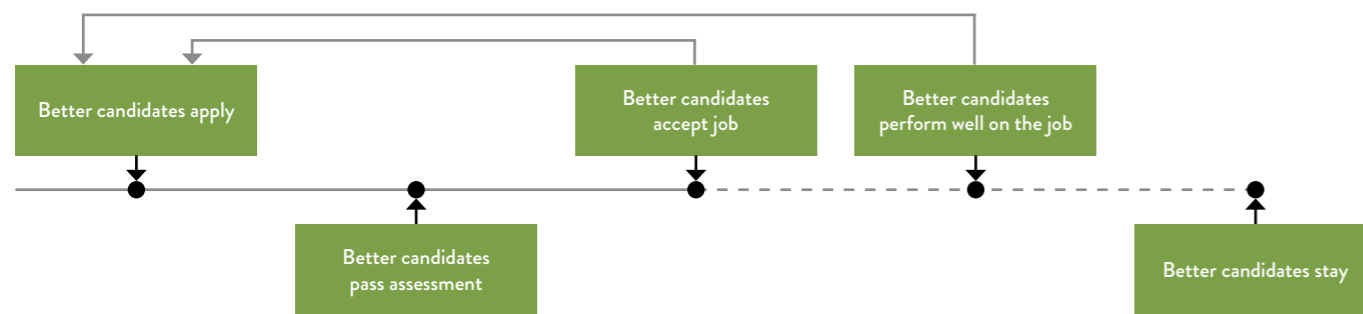

Figure 1. A pipeline approach to improving human capital in the public sector.

Although interest in a government job has often been described as part of the intrinsic motivation to serve the public,[4] public managers make a multitude of choices that affect who will apply to join their team. Research on health workers in Zambia, for example, shows that making career development opportunities more salient in job advertisements attracts significantly better candidates, without crowding out pro-social motivation.[5] That is, candidates are still committed to the public good, but are also technically stronger. Even seemingly small choices, like the choice of gendered words or displaying how many others have applied for a position, can affect whether women apply to positions.[6, 7]

Once an applicant pool is formed, public managers then shape the environment that either allows or hinders the best and the brightest from rising to the top of the pile. Decades of research show us how much bias seeps into the process of evaluating CVs, even a different-sounding name can significantly reduce call-backs for otherwise identical candidates.[8] Yet behavioural science is beginning to uncover numerous tools that support the success of all candidates. Bohnet and colleagues,[9] for example, show that jointly evaluating a group of CVs limits the negative impact of gender bias on evaluations. Emerging research suggests that using more welcoming language in the description of assessment tasks can reduce the negative impact of stereotype threat on black and minority ethnic candidates. If it is true that a more diverse workforce is better able to provide equitable services, as has been shown in health[10] or law enforcement,[11] these recruitment and selection choices affect both the quality of service provision as well as its fairer distribution.

Yet perhaps the largest challenge faced by public managers is how to motivate civil servants without the standard carrots and sticks associated with pay, promotion, or firing. Again, behavioural science may be particularly impactful in these contexts. Adam Grant et al[12] have shown that merely increasing contact with beneficiaries of a service can improve the productivity and motivation of staff. Similarly, giving front-line workers tailored feedback on how they are performing compared to their peers can significantly affect their behaviour, even on issues that are particularly sensitive and personalised, like prescription of medication.[13]

Ultimately, we have only scratched the surface of how behavioural science can be used to improve the internal capacity of governments. While it seems reasonable to begin by focusing on the quality of the workforce, the next question to ask is how civil servants interact to solve major social challenges. Perhaps then, these questions will bring us to wave four of behavioural science in government: how do we get civil servants to share information and data across department silos and party lines? How do we build networks of peers so that best practices have a chance of spreading? How do we motivate current public managers to change their own behaviour when the research points to clear solutions? These are all questions we haven't yet solved. The solutions lie in rigorous empirical testing and a commitment to tackling the micro-behaviours, or individual pain points, in a process that can make or break success. ●

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GOVERNMENT AS COLLECTIVE INTELLIGENCE

GEOFF MULGAN

Governments aspire to be the brain of their societies. They put heads on our money, and they like to survey, map and measure. But what would it take for governments to be truly intelligent (rather than ignorant or stupid, as too many are)? And how can today's continuing revolutions in digital technologies help them?

Many emerging tools can help governments edge closer to the ideal of collective intelligence. Here I describe a few, which can complement the many tools that governments already use to provide information and manage transactions.

Observation. The first set allows for more accurate observation. Governments can now benefit from many new forms of data, some generated by sensors (for example on air quality), some from citizens (like PetaJakarta for floods in Indonesia), some from 'scraping' the web to find out the scale and location of new firms and jobs, and some from sources like Dove satellites, which observe truck movements and lighting levels to estimate GDP levels and spot environmental issues. Yet more can be found on the boundaries of the state and market, where, for example, regulations can require open data in banking so as to enable new markets in software tools for financial planning, or pooling transport data to allow better coordination in cities.

Analysis. Next comes better ways of making sense of the data. Computing tools, including predictive algorithms and machine learning, can help governments spot patterns. Predictive algorithms have long been used to predict the risk of a patient coming to hospital, or whether a prisoner might reoffend, and New York uses them to predict which buildings are most at risk of fires. More sophisticated machine learning can then help governments better plan for changing needs, for example analysing blood tests to better identify patients at risk (which is beginning to happen in London).

Problem-solving. Then there are tools to help governments devise better policy options, and tap brains far beyond the boundaries of the civil service or politics. The US uses the Peer to Patent platform to allow volunteer experts to comment on patent applications. Challenge.gov opens up problems to potential solvers, and many governments are experimenting with 'crowd-sourcing'.

Engagement. Citizen engagement is another field of creative innovation. Nesta's D-CENT platform is being used in both Finland and Spain to help cities make decisions, with APIs to enable the

public to track and contribute at every stage. In Paris, 5% of the budget has been opened up for a participatory budgeting process. Social media is being used everywhere to support richer feedback, including examples like 'ecuadortransparente' or 'ipaidabribe.com' in India, to combat corruption. Governments are still learning how to handle these inputs. Some of these methods are by their nature much more labour intensive than traditional top-down communications. But they offer a way to rebuild trust and make government more of a partnership between state and citizens.

Citizenship. For some nations, new tools make it possible to redefine the very idea of citizenship. India's Aadhaar Universal ID Scheme, which reached a billion people in April 2016, has allowed a much more efficient delivery of services and banking. In time, it could allow new kinds of welfare, for example loans for training that would be repaid over a lifetime alongside taxes. Estonia, by contrast, has moved in a different direction, offering e-citizenship to anyone, or any business, in the world.

This unfolding revolution offers more transparency, speed and
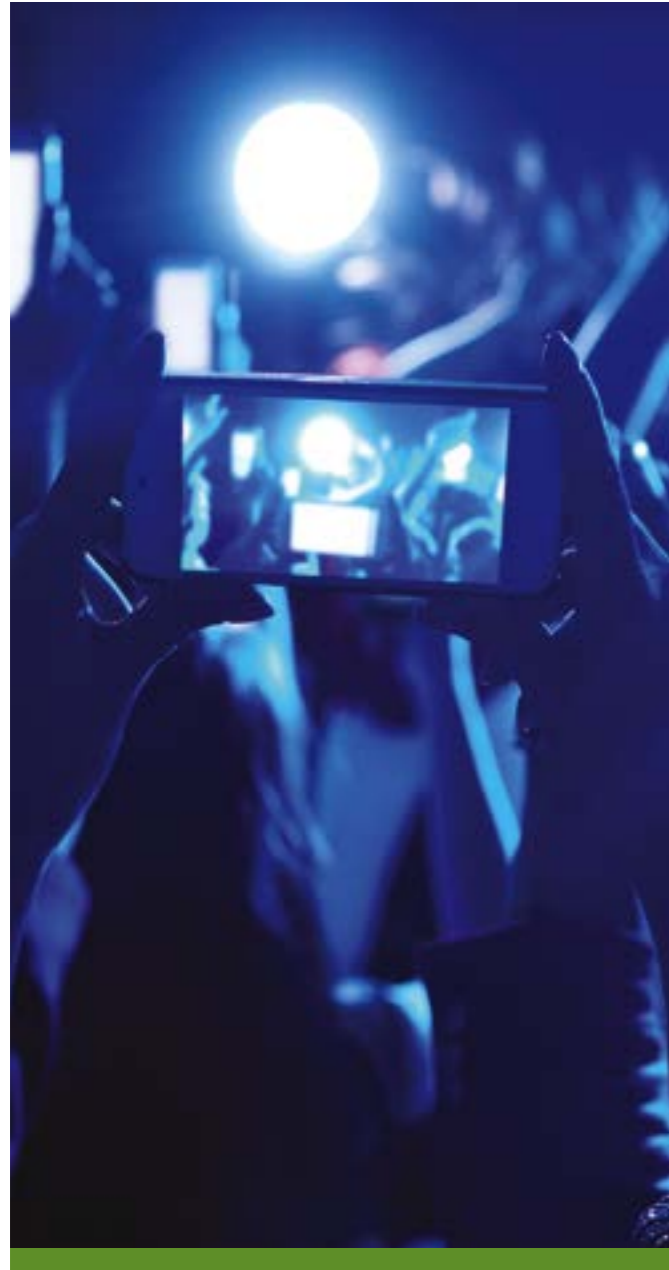
"WHAT WOULD IT TAKE FOR GOVERNMENTS TO BE TRULY INTELLIGENT (RATHER THAN IGNORANT OR STUPID, AS TOO MANY ARE)?"

EMPOWERING CITIZENS TO CO-CREATE POLICY

VICTOR BEKKERS

responsiveness. But it also brings challenges. One is how to keep sight of the human element. Much of the 20th century states growth involved roles in which empathy mattered, for example in the work of doctors, teachers and social workers. This tends to be a blind spot for technologists and enthusiasts for new tools. But as Robert MacNamara – the former head of Ford, the Pentagon and the World Bank – pointed out, many of the mistakes states make derive from a lack of empathy rather than analysis. Too often government projects using digital technology haven't been clear about the benefits they offer citizens, or sensitive enough to how they might be used in daily life. This weakness has derailed many projects involving personal data.

Another challenge is how to shape technologies themselves to better suit public needs. Huge sums are spent on research and development for the military and intelligence, and even more supporting innovation in universities or business. But there are surprisingly few serious programmes using the tools of research and development to shape technologies to better suit the needs of public services – from smart phones and machine learning to blockchains. As a result the technologies emerge more slowly than they could, and with a poorer fit to the everyday needs of government.

Some governments will use new technologies to support a centralised, all-knowing 'Big Brother' model of government, helped by CCTV cameras and traffic sensors, and techniques for pulling in vast quantities of personal data from social media. But recent history suggests that the biggest pay-offs are likely to come from finding new ways to collaborate with citizens in the creation of data, the development of options and the implementation of policy. These point to a much more appealing vision of government that is both more knowledge powered, and more people powered. ●

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Social innovation is a banner which has been embraced by many governments, and used to initiate a number of reforms in the public sector. The financial and budgetary crisis of 2008 has opened a policy window for social innovation, particularly in relation to two specific challenges. The first development relates to the question of how to deal with a number of societal challenges, such as the ageing population, climate change, energy transformation, vitality of urban and rural areas, and (youth) unemployment, in such a way to ensure that services which are being developed truly meet the needs of citizens. The second development relates to a retreat of government, especially in relation to its traditional role in the creation of a welfare state, thereby offering room to form new collaborations with the private sector and civil society. This is why in the UK the government has discussed 'big society', while in the Netherlands policymakers talk about the 'participation society'. The idea behind social innovation is that the chances this policy window is offering can only be exploited in an appropriate way if governments, and especially citizens and citizen groups, collaborate with each other in order to generate outcomes that really matter to society. That is why co-creation is seen as a necessary condition for social innovation.

Co-creation can be defined as a process of collaboration between relevant stakeholders in which they are prepared to share relevant resources (information, knowledge, experiences, money, contacts etc.) in order to develop new approaches to specific societal challenges; approaches that try to generate long-lasting outcomes that really matter. When discussing public service innovation, citizens and citizen groups can be seen as either a co-designer or a co-initiator of new public service arrangements.[1] In the Netherlands, as well as some other European countries, personal budgets are afforded to parents of children with mental and/or physical handicaps, so they are able to buy tailor-made care. In Thomas Houses, an initiative that provides support for people with intellectual disabilities to live independently, a limited number of children are provided with high-level care that could not be matched by traditional health institutions. The creation of this service arrangement, which combines tailor-made care with scale and efficiency, has noticeably challenged existing care practices. This, however, puts forward questions of what are the specific

drivers and barriers regarding the co-creation between governments and citizens in generating social innovation practices, and what are the main implications for the future of social innovation.

Drivers and barriers
Within the LIPSE research project, which focused on identifying these drivers and barriers, two key factors were identified.[2]

On the government side, characteristics of the dominant administrative culture have been put forward as relevant, which influences the willingness of public managers, policy makers and other professionals to embark on the social innovation journey. Our research showed, when comparing co-creation practices in welfare and urban regeneration, that the degree of willingness is linked to the risk averseness of the administrative culture. In some countries administrative culture is perceived as more inviting and the involvement of citizens is seen as a risk; this also influences the attitude of public officials to get involved in these type of innovation processes. Furthermore, state and governance traditions can make a difference, as these tradition-specific values and norms, and also specific role conceptions, are being embraced. This can stimulate, or frustrate, social innovation in the public sector. It can be argued that countries with a centralised state structure often do not have a tradition of citizen participation; the same is true for countries in which the public sector is dominated by a strong administrative law tradition. Therefore, tradition innovation is considered as extremely risky, especially in the light of possible negative political repercussions, which adds to an administrative culture of blame avoidance. Populations are primarily seen as (law obedient) subjects, not as active and involved citizens. In other countries, a longer-lasting tradition may prevail in which civil society, its associations and grass roots initiatives play an important role in the (re-)shaping and implementing of public services.

When looking at the citizen side, several drivers and barriers have been put forward, and three factors seem to matter most. First, the willingness of citizens to engage is one of the most important drivers for co-creation, however this willingness seems to be rather unbalanced, as it tends to include a specific group of more privileged, more prosperous and more educated citizens, while excluding other groups of more deprived citizens (in terms of education, cultural and demographic background and socio-economic status). The second factor is whether citizens feel a sense of ownership over the challenge put forward – if so, then the willingness to participate increases. For instance, place attachment seems to be an important driver for the willingness to participate; when developing neighborhood co-operations, citizens want to invest in alternative public services as they see that the closing of the local library, community centre or public swimming pool affects the quality of life in the places where they live. At the same time, we see that when dealing with these issues, citizens and citizen groups engage with other societal challenges they would have otherwise overlooked, such as food distribution to the elderly and developing community gardens. The third factor is whether citizens are able to make use of the social capital that they have. If citizens want to participate, they have to put a lot of effort into the co-creation process. This requires time and energy as well as access to knowledge, information and expertise which an individual tends not to possess, hence a division of labour is important. However, this

can only be organised if there is a group of willing citizens; in order to mobilise this group, it is important that people know, and engage with, each other.

When dealing with these issues, several measures can be taken.[3] On the government side, it is very important to develop a change strategy that embraces citizen and citizen group participation, while at the same time addressing the risks that are related to them, as well as addressing administrative barriers, such as budget cycles or performance measurement systems, when granting subsidies. Leadership, and leadership development, is also important. Studies show that linking forms of leadership (connecting actors, interests, resources and different frames, while also linking the political realm to the administrative and societal realm) is important. Boundary spanning activities (in terms of bridging and bonding) play an important role, too. In doing so, support and protection can be secured; this type of boundary-spanning leadership is also required at the citizen side, e.g. in terms of mobilising social capital.

Four scenarios regarding co-creation
The notion of co-creation in social innovation implies that social innovation is able to meet the needs of citizens in new ways by developing new 'public service' arrangements. But this still depends on the fruitful interaction between citizens and governments. Although government has retreated in many sectors and in relation to many societal problems, its involvement is still important. Given this premise, the next step is to understand what the possible futures of co-creation are.

Four scenarios can be put forward, which are linked to different combinations of high and low degrees in willingness to participate. Sometimes both citizens and governments are willing to collaborate, so they are prepared to 'dance'. Sometimes just one is prepared to participate, which can either result in being a 'lone ranger' or 'flogging a dead horse' (see below). Also, a situation can occur in which neither actors have the intention to participate.

		Degree of citizen participation: willingness	
		HIGH	LOW
Degree of Government participation: willingness	HIGH	I: Let's dance	II: Flogging a dead horse
	LOW	III: The lone ranger	IV: The waste land

Figure 1. Four scenarios about the future of social innovation in the public sector

Conclusion
The main drivers behind co-creation in social innovation practices are not to be taken for granted.

These four scenarios, which can tell us about the likelihood for government-citizen collaboration, may help policy makers to position themselves: where am I standing now, and where do I want to stand in, say, the next five years? For instance, what routes are possible in order to leave the 'waste land' scenario, while heading for the 'let's dance' scenario? This standing position can also be linked to a special group of involved stakeholders. The affinity with one scenario may also vary per group or stakeholder. In considering each scenario, different groups of involved stakeholders can formulate their present and future positions, which may help them to identify possible gaps and routes. If one can be placed in the 'lone ranger' scenario, an important challenge is to develop measures that help to change the attitude of government towards co-creation (shifting towards the 'let's dance' scenario), while looking at the arguments that are put forward to legitimise non-co-operation. For instance, in terms of how to tackle risk avoidance in the administrative culture, what kind

of human resources (competences, leadership) are necessary? The same can be said for the route to be followed when policymakers want to shift from the 'flogging a dead horse' scenario to the 'let's dance' scenario. For instance, how can we increase social capital in neighbourhoods in relation to feelings of joint ownership and place attachment? What does this imply for community development?

This variety, in terms of strategic positioning, can make clear which social innovations are embraced: the realm of policy language and rhetoric, the realm of policy programmes and decision making, and the more operational realm. This implies that in terms of analysing possible strategic gaps, a distinction can be made between the dominance of one scenario on perhaps the rhetorical level regarding social innovation in the public sector, while on the operational level another scenario is being strived for. ●

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'PAY FOR SUCCESS' IN THE UK AND THE US

JEFFREY LIEBMAN

A new way for governments to purchase social services, pay-for-success (PFS) contracts backed by social impact bonds (SIBs), is being developed on both sides of the Atlantic. This new approach is being applied to a wide range of policy areas, including prisoner re-entry, homelessness, prenatal care, workforce development, early education, and child welfare.

Pay-for-success contracting combines two tools – a performance contract and an operating loan. Under the former, the government contracts for social services for a specific target population. Instead of paying directly for the quantity of services delivered, the government pays based on the outcomes that are achieved by the services – for example, the number of ex-offenders prevented from returning to prison, the number of unemployed individuals who find stable employment, or the reduction in low-weight births.

Most social-service providers do not have the financial capacity to deliver services, wait several years for performance to be assessed, and only then receive repayment for the services that were delivered. And most are not positioned to absorb the risk associated with a large portion of reimbursement based on performance. For this reason, many PFS projects include an operating loan from private funders who provide upfront capital in exchange for the lion's share of the government payments that become available if the performance targets are met. If the targeted level of outcomes is achieved, the loan is repaid with interest from the government's performance payments. If the minimum outcomes are not achieved, the investors can lose all of their principal. This loan is a SIB.

Governments in both the UK and the US have been testing this approach in an attempt to make more rapid progress in addressing challenging social problems. The first PFS endeavour was the prisoner re-entry project in Peterborough (in the UK), and there are now more than 30 PFS projects in the UK. In the US there are 11, with five more expected to launch in late 2016.

The model offers three main benefits for governments. Firstly, it helps them reorient budgets toward prevention: governments spend large sums paying for the consequences of bad outcomes – putting people in prison, providing unemployment benefits, paying for medical care – but find it a struggle to afford the investments that can prevent these bad outcomes. PFS contracts, by offering taxpayers what is essentially a money-back guarantee if outcomes

are not met, are encouraging governments to make greater investments in preventive services. Secondly, PFS contracts are enabling governments to sustain multi-year, outcome-focused partnerships with service providers to re-engineer systems to produce better results. Data is being used in real time to ensure the right services are being delivered to the right clients, and that clients are progressing through the service-delivery model successfully. Because payments depend on outcomes, there is a much greater urgency to solve implementation problems than occurs with ordinary social service contracts. Lastly, the PFS approach can help government learn which programmes work. In particular, some PFS contracts are comparing the outcomes for people referred to services to those of a control group of people who are not being served; this rigorously determines the impact of the social spending. Rigorous evaluation in a PFS project helps solve what I like to call the 'immortality problem' in government budgeting – that once a programme gets in the budget, it tends to receive funding year on year, regardless of effectiveness. In

contrast, if a PFS project fails to achieve its target outcomes, it will fail quite visibly, and it is highly unlikely that those services will continue to receive funding in the future.

The New York State prisoner re-entry initiative provides a good example of how the PFS model can lead to a re-engineering of the systems that connect target populations to services. Under this contract, New York is obtaining training, transitional jobs, and job placement services from the Center for Employment Opportunities (CEO) for individuals being released from prison, with the goal of increasing employment and reducing re-incarceration. The state is using data in four innovative ways in this project. Firstly, the state is using a predictive model to identify the individuals being released from prison who have the highest probability of re-incarceration and is referring only those high-expected-cost individuals to CEO's relatively intensive services. Second, the state is making approximately 700 referrals per year to CEO and holding CEO accountable for the outcomes of all 700 individuals regardless of whether or not they receive CEO's services, thus creating a strong

incentive for the provider to track down and enrol as many of the individuals in training as possible. Third, an operations committee with representatives from both the state and the provider meet regularly to review data on the percentage of former prisoners who make it to job training within a week or two of release. This committee can then take immediate action whenever the numbers lag below targets. Fourth, because there are not enough slots in the programme to serve all of the high-risk individuals, the state is using a lottery to determine which eligible individuals receive referrals to CEO. The lottery allows the impact of CEO services to be rigorously evaluated by comparing the outcomes for those referred to CEO to the outcomes of those who were not referred to CEO. The success payments in this project are based on the results of this randomised controlled trial (RCT).

The PFS model has evolved somewhat differently in the two countries. In the UK, there have been a large number of relatively small contracts, with the typical project requiring investment of approximately £2 million, while in the US, there are fewer projects, but many of them receive more than $10 million. Additionally, UK PFS projects tend to measure outcomes for the individuals being served and make payments based on those outcomes, without explicit comparison of the outcomes to a counterfactual scenario. In contrast, seven of the eleven SIBs in the US are being evaluated with RCTs.

In the US, I often hear PFS practitioners lament that they wish our PFS market was evolving to be more like the UK's – with governments issuing 'rate cards' listing the prices the government is willing to pay per outcome achieved and a high volume of very similar transactions. In contrast, pricing in US PFS projects has been determined separately for each project, resulting in more-

complex negotiations and bespoke deals. In light of this lament, I was amused during my recent visit to Oxford to hear UK PFS experts say that they are hoping their PFS market evolves to be more like the US's, with larger projects and more rigorous impact evaluations.

In both countries, there is clear excitement around the possibility that the lessons being learned from PFS projects will spill over into how other government-funded social service programmes are managed – even those that don't pay based upon outcomes. In particular, PFS is teaching governments to actively manage their social-service contracts by meeting regularly with service providers to review data on programme operations, and jointly determine how to improve the results being achieved for vulnerable populations.

While at Oxford, I was asked what advice I would give to governments that are in the initial stages of considering the pay-for-success approach. Here is my answer: governments should view pay-for-success as a leadership tool that allows them to sustain intensive work with service providers to improve systems for serving vulnerable populations. All of the financing and contracting is simply the admissions ticket that provides entry to the main show, which is the re-engineering of systems. In choosing among the many possible policy areas to which pay-for-success can be applied, governments will have the greatest impact if they select an issue area where the potential benefits from outcomes-focused systems re-engineering are large. ●

Professor Jeffrey Liebman is the Malcolm Wiener Professor of Public Policy at the Harvard Kennedy School. During the first two years of the Obama Administration, he served at the White House Office of Management and Budget in a variety of roles.

HIDEHIKO YUZAKI

YASUSHI AOYAMA

*W*hat is the biggest challenge you'll face over the next five years? How can this challenge be addressed?

HY: The largest challenge for the Hiroshima prefecture is how to deal with the population decrease. In the coming decade, the drop is be going to be steeper than it has been, and the demographic structure is set to change dramatically. This means a decreased workforce, and an increased cost of sustaining society. In addition, the maintenance and renovation costs of infrastructure, which is half a century old, is set to increase.

What do you think is the most essential skill for a leader?

HY: The essential skill as a leader is to maximise the performance of your organisation. This includes retaining employees and improving their intrinsic motivation. In practice, I set a common goal across the organisation so as to maximise our performance as a whole.

In order to make the Japanese social system sustainable, it is vital to increase the ratio of female labour participation (the ratio is low, 22nd out of 30 OECD countries). What is the most serious obstacle for increasing the female labour participation rate?

HY: The key obstacle we have to overcome is the traditional social values and mindset that women should stay home and raise their children. We need to be careful in affecting this change, as any quick decisions could cause social controversy; causal mechanisms in relation to this issue are very complex. The necessary systematic approach, which would be easy to implement by both the government and organisations, would be to offer better child care, and promote a better work-life balance. Yet, this matter cannot be solved fundamentally without altering the social values mentioned above.

How do you think the policy-making process should be changed in your field?

HY: In Hiroshima, I set three principles as a common organisational goal.

- 'People first'; everything we need to do is for people in this prefecture.
- 'Hands-on approach'; we have to focus on areas where things are changing.
- 'Transformation from a budget-oriented to a performance-oriented mindset'; while governments across the world tend to focus on budget allocation, what really matters is the outcome rather than the allocation of resources.

This third principle is key. By measuring performance itself as a policy outcome, instead of allocation, organisational behaviour will change. I need to design and promote this mindset within the organisation as an incentive for salary increase, promotion and personnel evaluation.

At the end of May 2016, Barack Obama became the first US President to visit Hiroshima. As governor of Hiroshima, how do you address global nuclear security issues?

HY: We have two approaches. One is to have direct influence on policymakers, and the other is try to create the environment in which the world relies less on nuclear weapons. Regarding the first approach, we organise a conference called the Hiroshima Round Table, where experts and policymakers gather to discuss nuclear issues. Also we issue the Hiroshima Report which annually evaluates countries' performance regarding nuclear elimination. We hope the President's visit will directly impact policymakers' decisions in the future. The other is creating the right environment. There are so many things to be done, but, for example, we are working for human-resource development and capacity building in post-conflict countries such as Afghanistan and Iraq. ●

Hidehiko Yuzaki is the Governor of Hiroshima Prefecture. He founded ACCA Networks Co, Ltd. and was appointed the Executive Vice President and Representative Director. Prior to this, he served in the Ministry of Economy, Trade and Industry as the Deputy Director, Americas Division, Trade Policy Bureau.

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