

Demarcation Zones for Public Policy Innovation FAQ

As at 16 February 2017

This FAQ endeavours to clarify conditions surrounding the policy proposal to establish three ‘demarcation zones’ in Gisborne and District, the Far North and Rotorua. The full proposal, which contains more detail and background information about the zones, can be found [here](#). See press coverage about the proposal [here](#). For more information about the *TacklingPoverty*NZ project, see [here](#). This FAQ aims to answer questions raised by a range of parties over the last four weeks. Your feedback continues to be welcome, as we go about stress-testing this proposal with MPs, officials and the wider public.

A: INTRODUCTION

1. What is a demarcation zone?

Demarcation zones are a policy instrument that involves creating public policy boundaries around geographical areas in order to tackle poverty and build economic wealth in communities by integrating service delivery and creating a place for policy innovation. The boundaries create zones where communities have more freedom to experiment with innovative and integrated social and economic policy.

The zones would be led by a Zone Board.¹ The Zone Boards should be made up of people who reside in the area and are part of the community. For cost and efficiency purposes, we believe these boards should be quite small (between three and five members). As discussed in the proposal, the Zone Boards should be led by the three mayors: Hon John Carter, Hon Steve Chadwick JP and Meng Foon as the demarcation zone boundaries are designed to follow the established district council boundaries. However, this level of detail would be determined between the Minister Responsible and each Zone Board as part of a written agreement.

The demarcation zone proposal is based on the conviction that the current system is failing its people, trapping individuals, families and communities into dependency. The demarcation zone proposal aims to develop new types of operating systems. This proposal relies on the Zone Board having the ability over time to bring about change, which is why we have suggested a ten-year window as an appropriate timeframe. The Zone Boards would focus on helping sustain individuals, families and communities in the short term (getting people out of poverty) and empower individuals, families and communities in the long term (enabling people to remain out of poverty). Learn more about the *Sustaining and Empowering Factors Framework* in *Working Paper 2017/01 – TacklingPoverty*NZ 2016 Tour: Methodology, results and observations, pages 16-19, found [here](#).

2. How close are the demarcation zones to being implemented?

The demarcation zone proposal is still in its early stages. The idea needs to be more thoroughly stress-tested by MPs, local communities and central government. Initial feedback from local communities is positive and there is significant interest in how the zones might operate in practice.

At this point, the necessary first stage of the process is a stock-take of current services. The stock-take needs to enable duplications and gaps to become apparent; therefore it will need to cover central and local government agencies and NGOs. Government should provide the information about agencies under their control, while the Zone Board could undertake a survey of the NGOs in the relevant area. The data gathered should include the following information:

- administrative details of central government service providers acting in the zone but based in Wellington, including the details of a contact person for this provider;
- administrative details (such as the name, number of staff, office address and geographical boundary under their responsibility) of service providers funded by central government and based in each zone, including the details of a contact person for this provider; and
- service details of each provider including
 - the purpose of the service provided,
 - the nature and type of services provided (both current and upcoming),
 - target recipients,

¹ ‘Zone Board’ is the working title of the local governance board for each zone.

- data being collected and measurements being used to evaluate performance,
- public financial support per annum, and
- the number of recipients of particular services in each zone.

Once this process is complete, the Zone Board can begin working with respective contacts to remove duplications or fill gaps. This next stage might include focused meetings to target (i) a specific location in the zone (i.e. a zone within a zone), (ii) a specific age group within a zone (e.g. the first 1000 days of children's lives) or (iii) a specific issue in the zone (e.g. drug addiction and rehabilitation).

3. Has this been tried before in New Zealand?

Although demarcation zones have not been used in New Zealand before, they are a step along a continuum of public policy experimentation in New Zealand. Precedents have already been set for decentralisation and the empowerment of communities with initiatives such as Whānau Ora² and Kainga Ora.³ Historically, New Zealand has often undertaken a range of policy experiments across the country; examples include Auckland's super city, the Environment Canterbury councillors' model, and the mix of territorial and unitary authorities.

As noted in the proposal, demarcation zones have been called other names and have been used in China and India. The term 'demarcation zone' came from Institute CEO, Wendy McGuinness's trip to India in November 2016. Wendy met with the Dr Reuben Abraham, CEO of the IDFC Institute in Mumbai, who was looking into the precedents for localised reform in China and India. Dr Abraham's insights resonated with much of what we heard on tour. See [here](#) for Reuben Abraham's October 2016 article.

4. What are the benefits and risks for New Zealand?

Benefits for New Zealand occur on three levels.

- Firstly, there are benefits for those living within the zone that result from the testing of innovative and improved services that align with the specific needs of the community. The zones provide a more timely and responsive system for dealing with immediate issues.
- Secondly, there are benefits for other regional communities that are able to learn from the zones and borrow/adapt proven, effective solutions to implement without the normal costs and risks associated with policy innovation.
- Thirdly, there are benefits for all New Zealanders. The demarcation zone approach enables central government to refocus their energies on large centres in which their efforts will affect greater numbers of people. Central government can also learn from and borrow/adapt innovations from the zones. Regional communities provide better areas for testing solutions because they are small and flexible and have stable and interconnected populations. Arguably, it is easier to scale up small, successful initiatives that have a proven track record than to scale down solutions from cities and urban areas to smaller regional communities.

Risks are contained by geographical area in that only three zones would take part in these experiments. If one or more of the zones fail to deliver better outcomes for those that live in these communities, the experiment can easily be stopped. In contrast, the risk of the status quo continuing to deliver poor outcomes for these communities is high in terms of probability and high in terms of magnitude. These communities have very little to lose and a lot to gain. Hence the risk is that we maintain the status quo.

5. Why have these three zones been selected?

The three particular zones (Gisborne and District, the Far North and Rotorua) have been recommended for the following reasons:

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- 2 Whānau Ora is a cross-governmental work programme that serves to improve the lives of whānau through delivering social services to those affected by poverty. It involves the establishment of a commissioning agency to work with local partners, providers and navigators to deliver a coordinated service based around the needs and aspirations of a person's whānau. In its most simple form, the programme brings government agencies together to work with whānau as a whole to help them identify their needs and formulate goals to achieve self-determination and break out of poverty cycles. See www.tpk.govt.nz/en/whakamahia/whanau-ora.
 - 3 Kainga Ora is a new Place-Based Initiative that aims to bring government agencies, NGOs, iwi, and community leaders together to support programmes that will have a positive impact on young Northlanders. See www.beehive.govt.nz/release/initiative-help-northland%E2%80%99s-most-risk-kids.

- There is an acceptance that the status quo is not working in each of these zones and demand for change is a moral imperative. Each of the three mayors for these districts are experienced and have indicated they are prepared to manage such a process, given the opportunity. They would work and learn together, sharing ideas and results.
- The areas selected need to be large enough to see significant economic and social results but small enough that any failures will not be too damaging and can be rectified. International experience in China and India indicates that this is a key consideration.
- Having three zones allows New Zealand to learn lessons from running three distinct but complementary experiments. Each zone tests innovative ideas that tackle different issues (i.e. experiment variables).
- Attempting to establish more than three zones would be too demanding on central government agencies and would defeat the purpose of having ‘special’ zones in which to limit initial experimentation. The zones will require central agencies to work with three districts in a new way; in effect, they will migrate from one operating system (OS) to another. Changing their OS will require agencies to learn different processes and tools. Restricting this to only three zones would make the process more manageable.

6. How does the demarcation zone proposal fit with the social investment approach?

The demarcation zone proposal is a policy instrument and the social investment is a strategy; while the strategy shows the direction of travel, the demarcation zone illustrates how New Zealand might implement the strategy.

In 17 September 2015 the Rt Hon Bill English described social investment as ‘a more rigorous and evidence-based feedback loop linking service delivery to a better understanding of people’s needs and indicators of the effectiveness of social services’.⁴ The demarcation zone proposal is a social investment instrument in that it shifts the narrative from social spending to social investment. The proposal is designed to connect and strengthen the relationship between social and economic policy for all New Zealanders living within a geographical zone by focusing on their specific needs. The goal is not just to get communities out of poverty in the short term but also to ensure they stay out of poverty over the long term. The concept of a demarcation zone is that performance can be measured, so that innovative solutions can be assessed and, if successful, these initiatives can be borrowed and adapted by other districts within New Zealand.

One of the key findings from the 2016 tour was that each community is unique and that the challenges they face are connected and therefore highly complex. Experience tells us that if a problem is too complex, the solution lies in breaking up the problem into smaller, more manageable units and then testing and monitoring the results. The three zones aim to create what in reality would be three different experiments running simultaneously so that innovations can be measured over time while keeping the geographical area constant. This way we can use the zones to develop effective public policy to meet a better understanding of people’s needs. The district boundaries are retained in the proposal to minimise change and enable important stakeholders relationships that already exist to continue (e.g. iwi relationships, neighbouring districts, unions, industry organisations, etc.). Linking service delivery to a better understanding of people’s needs is the goal of the demarcation zone proposal.

B: GOVERNANCE AND ACCOUNTABILITY

7. What are the relationships of accountability and reporting?

There would need to be a written agreement between each Zone Board and a specific minister responsible for overseeing the relationship between the Zone Boards and central government. This agreement should include quarterly reporting to demonstrate the approach taken, the successes and failures, and indicate which reforms might be worth replicating. An ongoing reporting relationship with the Prime Minister will also be desirable, possibly in the form of a six-monthly meeting. The governance hierarchy would be the Prime Minister and Cabinet, and then the Zone Board.

8. What will the role of government departments be?

The Zone Boards will need to maintain a relationship with government departments throughout the process (e.g. MBIE, MSD, DIA, MPI, Statistics NZ, etc.). This will enable the Boards to make use of

4 See www.beehive.govt.nz/speech/speech-treasury-guest-lecture-series-social-investment.

central government's data, knowledge and experience on matters of public policy while still retaining the freedom to adapt and directly address the specific needs of communities within the zone. Central government may also share innovative ideas that would be appropriate for implementation within one or more of the zones. This would ultimately be at the discretion of the Zone Board.

9. What will it cost to implement and operate over time?

Each demarcation zone will require initial set-up costs as well as ongoing operational costs. However, as one of the primary objectives is to review and possibly redistribute funds already directed into each region, we expect the zones will lead to a cost recovery exercise. This is why one of the first tasks will be to commission a snapshot or stock-take of the current support from central government in each of the proposed zones. Attaining this information will reveal duplications and gaps that the Zone Board can then work with central agencies to remove or reshape. In the long term, oversupply of service delivery will be reallocated to areas of undersupplied service delivery and cost savings should be made.

10. Will all public sector funding be devolved to the zones?

There are a number of possible ways to implement, operate and measure the success of demarcation zones. One of these approaches might involve all public sector funding that was originally directed into the areas being devolved to the control of the Zone Board. Alternatively, another approach might be to retain current financial assistance models for individuals, while reassessing and tweaking existing programmes and/or creating new ones. For any possible implementation, the security and safety of individuals will be the primary concern and those within the zone should not be disadvantaged in comparison with those outside the zone. It is important to acknowledge that not all benefits are necessarily financial and it would be hoped that individuals might achieve better outcomes through new options that are tailored to their specific needs.

11. What is the difference between Whānau Ora and demarcation zones?

Like the demarcation zone policy, Whānau Ora aims to not only alleviate certain elements of poverty but also maintain a high level of wellbeing and self-determination for whānau in the long term. Whānau Ora policy is structured so as to maintain relative rigidity for centralised systems whilst ensuring that services can be flexible in accordance to the needs of each whānau. Such policy innovation aims to work within existing social and economic systems. The Whānau Ora programme retains centralised administration and control.

Demarcation zones differ from this in that they aim to decentralise administration to Zone Boards while maintaining a level of ministerial control through an agreement with Cabinet. The purpose is similar but the approach is more inclusive (covering all residents in the community), broader (including social and economic initiatives) and more innovative (allowing for new initiatives outside of the existing social and economic systems). This means that Whānau Ora could easily fit in with the demarcation zone proposal, with the commissioning agency in the district reporting directly to the relative Zone Board.

12. What will happen to pre-existing programmes operating in these zones?

This will depend on the method of implementation. One approach might involve existing central government programmes continuing to operate in the zones, for the most part, as normal. The only short-term change in their operation would be the establishment of an open dialogue between these services and the respective Zone Board. Over time, under the direction and control of the Zone Board, these programmes might change their focus, becoming more innovative and/or more aligned with the priorities of the community. The method of implementation would ultimately depend on the agreement between the Minister Responsible and the Zone Board.

C: BACKGROUND

13. Where did the idea come from?

Tackling poverty is a topic the McGuinness Institute has been working on since 2015 when it held a three-day workshop in collaboration with New Zealand Treasury. The workshop brought together 36 participants aged 18 to 25 with a diverse range of backgrounds from all over New Zealand. The 2016 one-day workshop tour was a response to one of the participants' findings in particular: 'assuming that one solution will work for everyone indicates a failure to address cultural disparities and injustices, and an ignorance of the diversity of our population'. More about their work can be found in the workshop booklet published [here](#). Additionally, videos of their presentations can be found [here](#).

The Institute designs its work programme at the beginning of every year and in 2016 we decided to build on the 2015 workshop by investigating two research questions:

- How would communities go about tackling poverty?
- What differences exist between communities not just in terms of severity of poverty but also in terms of the diversity of the issues that need to be addressed?

It was important to us that the 2016 tour took a blank-canvas approach to acknowledge regional differences and to chronicle dialogue rather than prescribe outcomes. This approach revealed that there is general agreement that entrenched (and often hidden) poverty exists, that this is not the way we want New Zealand to be, and that there is a real sense of urgency – the status quo must change. Despite this shared understanding of the complexity and size of the problem, there is little shared agreement as to the nature of the solution. The fact that each community is different makes it extremely difficult for central government to develop standardised solutions. In reality, they have been charged with solving a problem beyond what they were designed and resourced to achieve.

14. What were the main findings of the 2016 tour?

Poverty is often thought of in terms of basic needs (sustaining factors) not being met, but what we found on tour was that there is another level of needs (empowering factors) to be addressed to stop people sliding back into poverty. This finding is modelled in the *Sustaining and Empowering Factors Framework* outlined in *Working Paper 2017/01 – TacklingPovertyNZ 2016 Tour: Methodology, results and observations* found [here](#). Addressing sustaining factors alone ensures that individuals have the right skills and provisions for basic needs to be a participatory member of their community, but it does not keep people out of poverty. That requires a much more unique approach – one person, one family and one community at a time.

Another key finding of the tour was that the problems surrounding poverty are immensely complex. Part of this complexity results from the diversity both within and across regional communities. This diversity is why it is so important that the demarcation zones be centred on the people living in these communities, whether that is individually or together as long as they are working towards the same goal.

We found a general lack of coordination across services as well as a failure to acknowledge the connection between social and economic influences and outcomes. This is illustrated by the *Lines within New Zealand* infographic, which can be found [here](#). Variations in governance boundaries present a real obstacle to integrated policy development. The ideal solution would be to align all of these boundaries across New Zealand, but demarcation zones are a way of fast-tracking this process for three districts. The zones will encompass all services so that available information and data can be accessed with ease, reducing wastage of time and resources. This enables the local governing body to maximise available information and adapt policy in real time.

15. Who funded the 2016 tour?

The tour was a collaborative effort by the McGuinness Institute and the district councils. The workshops were free for participants. The Institute was not paid to run the workshops by either central government or the local councils. Councils predominantly provided vital non-financial support. We could not have undertaken the tour without the help of each council – their help made all the difference in terms of having standing in the community and letting the community know about the workshop. Each council's input was different, but in all cases they provided a venue. Some supplied lunch/coffee/tea and/or basic accommodation for the young people that helped us on tour, or the speakers. Often the McGuinness Institute team made the teas/coffees and cleaned up. All the speakers volunteered their time at no cost. For example, the only cost to the Far North District Council was the provision of a venue for the *TacklingPovertyNZ* workshops in both Kaikohe (Memorial Hall) and Kaitaia (Te Ahu Centre), and lunch for those in attendance.

We were fortunate to have the then Chief Economist of the New Zealand Treasury, Girol Karacaoglu, join us at each of the six workshops. His costs were covered by the New Zealand Treasury.

D: ABOUT THE MCGUINNESS INSTITUTE

16. What is the McGuinness Institute?

The McGuinness Institute is a non-partisan think tank working towards a sustainable future for New Zealand. The Institute applies hindsight, insight and foresight to explore major challenges and opportunities facing New Zealand over the long term.

17. How do I contact the Institute?

Please note that this proposal is still in the early stages of development. We welcome feedback and suggestions. See contact details below:

Wendy McGuinness
Chief Executive
McGuinness Institute
Level 2, 5 Cable Street, Wellington 6011
PO Box 24-222 Wellington 6142
Phone: +64 4 499 8888
Email: wmcg@mcguinnessinstitute.org
Website: www.mcguinnessinstitute.org