H4 Consulting Brief

Minimum Viable Policy

Publicly funded organisations often invest significant time and resources to carefully design policies that minimise opportunities for any unfair advantage or benefit. All that up-front effort sometimes outweighs the costs avoided, delaying good outcomes for targeted beneficiaries while trying to eradicate tiny unintended costs. Stewardship of aggregate public good is trumped by concerns about unfair advantage slipping through loopholes in the policy net.

Public funds confer benefits, such as by making people eligible for programs, payments, or subsidies. Some people who are not the targeted beneficiaries will seek to access these benefits by finding and exploiting loopholes, or by changing their behaviour so that they become legally eligible. Once a policy has been announced and communicated, it can also be difficult to change. Publicly funded organisations, therefore, try to design policies to minimise loopholes so that public funds only benefit intended recipients.

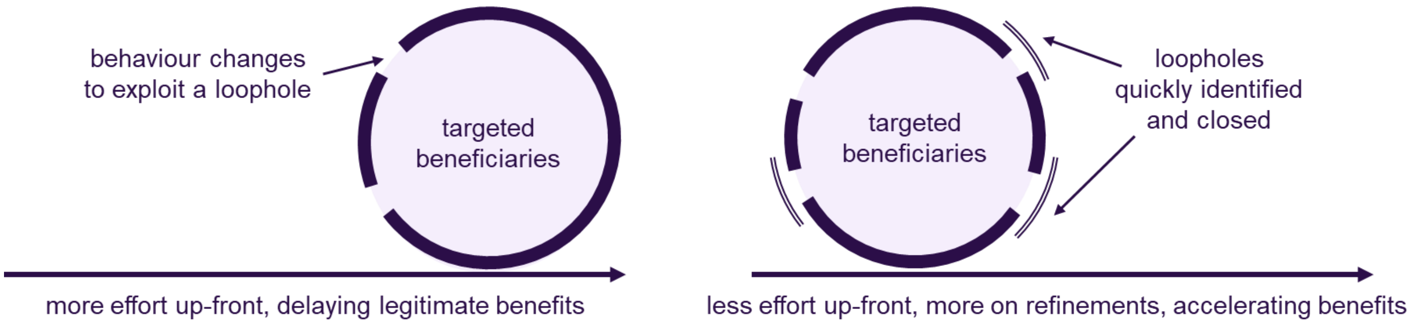
Public policies also impose costs on people, such as by levying fees or compliance obligations. Ambiguity in the rules about these costs may mean that some people unfairly avoid paying, while others who should not have to pay suffer from unintended disadvantage.

Designing out all potential loopholes in a policy takes a lot of time and effort from many people. This delays implementation, thereby delaying access to benefits for the targeted population. It is also virtually impossible to fully anticipate all responses to the incentives created by new policy. This makes designing perfect policy, with no loopholes, a slow and expensive goal that is unlikely to be achievable.

Preventing all loopholes, so that nobody gets a benefit unless they are truly entitled to claim it, reduces the costs of implementation. That reduction in costs, however, may be less than the extra costs incurred figuring out how to avoid them. It might be more efficient to let a few people find loopholes and then close them, or even for small loopholes to remain.

policy designed slowly to eliminate loopholes – some always remain

minimum viable policy designed quickly – some loopholes expected



Instead of trying to foresee and resolve every issue in advance, publicly funded organisations can introduce Minimum Viable Policy (MVP). Using MVP for trials or pilots makes benefits available to target populations sooner, while mobilising others to find loopholes, like beta software released for the public to test for bugs.

An MVP is designed to change, adapting as the extent and cost of behavioural responses are revealed. For example, people may take additional unnecessary bus trips to qualify for a rebate, or install unnecessary equipment to qualify for an environmental subsidy.

MVPs work well where potential loopholes are low cost, mostly to the publicly funded organisation, and where rules can be refined later. It is less appropriate if vulnerable people could be seriously disadvantaged.

The full effects of any new policy are difficult and time consuming to predict in advance. In the meantime, the policy's target beneficiaries are denied access. An MVP can help to maximise public value by reducing up-front costs and investing in closing loopholes only after they have been revealed. Being clear from the start that the policy will be refined over time can help to reduce potential resistance to later changes.

An MVP approach is not appropriate where there is a significant risk of unintended harm to vulnerable people. In many cases, however, the costs of benefit 'leakage' may be less than the costs of trying to find and close every loophole. In these cases, it may be better to let a few people slip through the net to reveal the gaps, then make changes that close those loopholes for the future.

To find out more about how you can use this approach in your organisation, contact us: info@h4consulting.com.au
Find additional resources at www.h4consulting.com.au/resources

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