

# 1

## Introduction

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There is a long history of Australian governments and the not-for-profit (NFP) sector working together to address social problems. The relationship between government and the NFP sector is important: for government, owing to its increasing reliance on NFP providers of publicly funded social services; for NFP organisations reliant on government for funding and subject to government regulation; and for those communities, families and individuals whose well-being depends on government and NFP organisations working towards shared public purposes.

For the most part, the relationship between governments—federal, state/territory and local—and the NFP sector is both productive and mutually beneficial. It is, however, also a complex relationship—a complexity exacerbated by the various roles governments undertake as regulator, commissioner and purchaser of services delivered by NFP sector organisations.

First, the NFP sector is highly heterogeneous: it is segmented by industry and policy domains, as well as by size, mission, values, legal structure and operating norms (Lyons 2001; Salamon 1995). Second, it is economically significant and accounts for a growing share of gross domestic product (GDP) (estimated at 3.8 per cent in 2012–13) and a growing share of the Australian workforce (Knight and Gilchrist 2014; McGregor-Lowndes 2014). Third, Australia’s NFP sector is

subject to continuous change in terms of its regulatory and operating environment—particularly so in recent years as government investment in the sector has become more strategic and narrowly instrumental. Fourth, to the extent that governments and NFP organisations work together to achieve agreed public purposes, the relationships this engenders are complex because the sometimes ‘wicked’ problems they seek to resolve are themselves highly complex.

This relationship is also complicated by changing community expectations of the type, quantity and quality of services provided or enabled by government as well as the need to coordinate responses to multiple and complex needs across portfolio, clinical and sectoral boundaries. Nowhere is this more evident than in the contemporary policy drive towards person-centred care and individualised funding models. These expectations affect the NFP sector in a number of important ways. For instance, in an environment of resource scarcity and in which the configuration of service interventions is very much shaped by agency and programmatic ‘silos’, NFP organisations can be constrained in their ability to provide services that are at once highly responsive to the needs of users and provided to a high standard. The challenge is also felt by government agencies confronted by the need to develop new skills, new ways of thinking and new ways of governing the relationship—challenges that are often very difficult for government agencies to accommodate within their existing accountability frameworks.

The history of this relationship plays a role in the current challenges. The sector has traditionally been seen as mendicant to the various government agencies that have provided funding for service delivery and which have—again, traditionally—set the parameters of service delivery and expenditure as well as of quality and assurance. This history has ensured that both the government agencies themselves and the NFPs they fund have a shared experience and have developed capacity framed by past operating methods.

Broad paradigmatic shifts in governance and policy in the past half-century have shaped the shifting frontier of government/NFP sector relations in Australia and abroad (Lewis 1999; Lyons 2001). Whereas at the beginning of the twentieth century charities founded on a mix of faith and social purposes were dominant in the provision of education, health care and social support, by the beginning of the twenty-first

century, large parts of the NFP sector had been effectively co-opted as instruments—indeed agents—of government policy. The introduction in the mid 1990s of market-style mechanisms (for example, the establishment of quasi-markets to support the procurement of services via competitive tendering processes) and, more recently, the shift towards policies promoting individualised funding and person-centred care have been built on claims that such mechanisms will result in more efficient and appropriate service delivery. Equally important as a driver of the externalisation of service delivery are the fiscal pressures on government arising from increasing expectations (and genuine needs) in the face of stagnating public revenue.

This book is not intended to be a broad critique of market-focused approaches to government investment in the NFP sector; nevertheless, it is essential that we acknowledge the importance of this debate as a backdrop to the ideas presented here. In many respects, the relationship between governments and the NFP sector is a ‘work in progress’; rapid recalibrations of policy in response to emerging fiscal and social contingencies have meant that the policy landscape is constantly shifting. New policy settings and policy frameworks enjoy a limited shelf life. Thus, many of the authors contributing to this volume focus on emerging policy conundrums such as the entrance of commercial organisations into areas of service traditionally served by NFP organisations; the development of often quite complex alternatives to traditional funding models; and the changing nature of government administration itself, which, as a matter of course, impacts on the NFP sector.

The capacity of governments and the NFP sector to work together to address complex social policy problems is the core concern of this volume. Indeed, a presumption of cross-sector cooperation has become embedded in the national policy discourse and in formal policy rhetoric. A second and related concern is the extent to which this discourse is in fact shaping policy and whether that policy is achieving the intended outcomes. This element, which we refer to as ‘rhetoric versus reality’, permeates the following chapters and frames the overall purpose of this book: to examine how we move from rhetorical hypothesising to a reality that sees the promise of the discourse realised.

Of course, it is not an unusual situation to have political rhetoric at variance with policy reality (Salamon 1995). Governments and the NFP sector are well-versed in policy ‘catch phrases’—such as joined-up government, collaboration, mission-centricity, market solutions, choice, government/NFP partnership and outcomes versus outputs—just as they are often painfully aware of the gaps between the rhetoric and the facts on the ground.

For the contributors to this volume, the extent to which the rhetoric has been implemented and has borne the expected fruit is a key question. Indeed, this question provided the catalyst for a workshop entitled ‘Cross-Sector Working for Complex Problems: Beyond the rhetoric’, co-convened by the Australia and New Zealand School of Government (ANZSOG) and the Curtin University Not-for-profit Initiative, and held at The Australian National University in Canberra in August 2015. The workshop included 90 participants drawn from academia, government and the NFP sector, and 15 speakers with recognised expertise in boundary-spanning collaboration and public administration. This book brings together the presentations and ideas shared at the workshop.

## Developments in the not-for-profit policy space

It has long been recognised that the regulatory environment in which NFPs operate—nationally and subnationally—needs to be modernised (Lyons 2003). Although the Rudd and Gillard Labor governments implemented important structural reforms (Butcher 2012), key reforms such as the creation of a national charity regulator and a statutory definition of charity did not enjoy the support of the Abbott Coalition Government elected in 2013 (Murray 2014). At the national level, Australia once again lapsed into a kind of policy stand-off—between a government bent on reversing hard-won policy reform and the majority of charities and NFPs seeking to preserve the momentum for reform.

Initially, the election of a Coalition Government also effectively stalled efforts at regulatory harmonisation in the NFP policy space and impaired the national regulator’s influence (Gilchrist 2015a, 2015b). However, very recently the change in leadership has seen a rethinking

within the government that has resulted in the confirmation of the Australian Charities and Not-for-profits Commission (ACNC) as the national charities regulator and this has breathed new life as well as new optimism into the national conversation.

Government commissioners and their NFP ‘partners’ will, however, continue to be obliged to navigate a complex and sometimes dysfunctional regulatory and policy terrain. The history and complexity of social outcomes sought ensure that the default practices of governments remain, effectively, ‘regulation by contract’ and regulation by administrative edict, notwithstanding the rhetoric of partnership, mission focus and choice.

## The legacies of contractualism: An ongoing challenge

Over the past 15 years all Australian jurisdictions have outsourced significant shares of human services delivery to NFP organisations—usually via competitive contracting and tendering or, more recently, via experimental instruments such as social benefit bonds (Butcher and Dalton 2014; KPMG 2014; Gilchrist and Wilkins 2016). Along the way, each jurisdiction has wrestled with the tensions inherent in managing a diverse portfolio of NFP service providers with diverse values, organisational cultures, operating environments and capabilities (Butcher 2015).

In addition, the operational policies and contracting practices of commissioning agencies have imposed significant financial and operational burdens on NFP providers and on the agencies themselves (OAG WA 2000; PAEC 2002; QAO 2007; Productivity Commission 2010; VAGO 2010; Knight and Gilchrist 2015). In some cases, it has been observed that the practices of commissioning agencies have contributed to the adoption by NFP providers of behaviours and practices that are maladaptive and/or inimical to the stated policy aims of government (Minkoff and Powell 2006; Gazely and Brudney 2007; Van Slyke 2007; Heinrich et al. 2010; Verbruggen et al. 2011; Verschuere and De Corte 2014).

If, as Peter Shergold observed in his recent report to the Victorian state government, public servants need to become facilitators of ‘cross-sectoral collaboration in the design, delivery and evaluation of outcomes-based services’, they will need to be better equipped to take on this role (Shergold 2013). Accordingly, Shergold recommended that:

[Victorian] Departments, individually or in partnership, should work with international and national organisations, such as the Institute of Public Administration Australia (Victoria) or the Australian and New Zealand School of Government (ANZSOG), to develop training programs that will enhance the ability of senior public servants to facilitate cross-sectoral collaboration and system stewardship of government services. (Shergold 2013: 32)

Similarly, the staff of NFP organisations with responsibility for managing and maintaining relationships with government funding agencies and commissioners need to better understand the statutory, political and institutional constraints under which public servants are obliged to act, and become more effective and impactful advocates for systemic change.

## Organisation of this volume

Each of the authors contributing to this volume addresses the connections between policy rhetoric and observed policy impacts—both intended and unintended. Intended impacts include desired changes in the circumstances of target populations or desired changes in institutions or organisations. Unintended impacts might include the implementation of administrative measures that impair the capacity of NFP organisations to deliver services effectively and sustainably. Each of the authors points to the importance of framing policy on the basis of *evidence* (as opposed to ideology) as well as the importance of post-implementation assessment and evaluation.

Readers should bear in mind that this discussion does not attempt to range over the entire interface between government and the NFP sector. Rather, the authors focus on the delivery of human services (for example, community-based social services, youth and family services, disability services, mental health services, child protection services and so on) and, while it is not explicitly introduced, the

NFP sector described here largely constitutes the charities subsector. The editors and authors well understand that the NFP sector intersects with government policy across a wide range of policy domains, including sport and recreation, the environment, justice, consumer affairs and the arts. It is also recognised that each of these policy domains has its own history of institutional relationships, organisational cultures and foundation myths. It is, however, in the human services domain that governments have vigorously pursued policy innovations aimed at enlisting NFP organisations as quasi-agents of mandated service delivery—owing largely to the size of government expenditures in this area (Butcher and Dalton 2014; Davidson 2011).

Like the workshop itself, this book is framed according to four organising themes to emphasise the areas of focus and to bracket the contributions of the authors. Naturally, to address the complex issues identified above, the format, focus and prioritisation of topics discussed in this volume involve a level of arbitrariness and subjectivity. Of course, in a volume of this nature one cannot hope to canvas every important issue. However, it is our hope that the organisation of the book reflects a logical flow of ideas and observations from the theoretical to the practical.

## Contextualising the imperative of cross-sector working

The text of Peter Shergold’s opening address to the workshop provides the prologue for this book. Shergold’s address offers a poignant, impassioned and, at times, very frank examination of the issues from the perspective of someone with considerable practical and policy experience. Shergold titled his address ‘Three Sectors, One Public Purpose’, a framing that neatly encapsulates a positive vision for a form of future governance that enables the public, NFP and business sectors to work collaboratively in the pursuit of agreed social aims. Shergold reflects—sometimes self-critically—on his experience as a public sector administrator, and he challenges conventional thinking about the ‘norms’ relating to the relationship between the three sectors. Shergold argues in favour of an authorising environment that is adaptive: one that embraces experimentation and accepts the inevitability—and benefits—of risk-taking. He argues that ‘the considerable frontline experience that business and not-for-profit

organisations possess needs to be incorporated into the design of government programs' and concludes by emphasising the importance of a 'clear and persuasive narrative of purpose' around the theme of 'adaptive government'.

## Part 1: Cross-sector working—The rhetoric and the reality

Joined-up government, crosscutting solutions, networked governance, collaboration and cross-sector working—language such as this has been employed since the end of the previous century to accentuate the importance of engaging societal actors across organisational, institutional, domain and sectoral boundaries to address complex policy problems. But how far beyond the rhetoric have we moved and what is working and what is not? In this part, authors explore the key drivers of, and policy/political conundrums affecting, progress towards effective multisector collaboration.

Meredith Edwards provides an overview for Part 1. This part sets the scene by examining the philosophy associated with the changing relationship between government and the NFP sector and the reality evinced by experience. In Chapter 3, Helen Dickinson examines the impact of new public management (NPM) on the thinking of policymakers and on the government/NFP sector relationship. Dickinson interrogates claims in the academic literature of 'purported shifts' away from transactional governance (NPM) to relational governance ('new public governance', NPG), in which 'multiple different actors contribute to the delivery of public services and the policymaking system'.

As a counterpoint to Dickinson's theoretical and historical analysis, David Gilchrist presents in Chapter 4 his empirical research focusing on a major policy initiative in Western Australia. Gilchrist examines the evidence arising from the third annual evaluation of the 'funded sector' in that state and describes the challenges being faced by the NFP sector as a result of the implementation of new funding policies.

In Chapter 5, Tessa Boyd-Caine points out that NFP organisations engaged in the community services sector often seek to address problems of democratic deficit by enabling democratic participation by those experiencing social exclusion. Boyd-Caine explores the

contributions to democratic process made by NFP organisations, arguing ‘that a strong and independent civil society balances out the power and control that can otherwise be centralised in democratic governance and decision-making’. She draws on comparative examples from the United States, based on work undertaken during a Fulbright Professional Scholarship in Nonprofit Leadership in 2014, and considers alternative ways in which the Australian NFP sector could engage with democratic processes.

## Part 2: Three sectors—Three change agendas

In the contemporary environment, cross-sector working requires the formation of what former director-general of the World Trade Organization Pascal Lamy calls ‘creative coalitions’ between government, civil society organisations and businesses. These three broad ‘industry’ sectors are not only distinct from one another (in terms of the normative parameters of their operations, rules, incentives and behaviours); each also represents enormous internal diversity. In this part, the authors reflect on the adaptive changes required to bridge the gaps in understanding and disconnects in expectations and practice that impede effective cross-sector working and collaboration and to consider where the boundaries might be.

Part 2, introduced by Penny Knight, drills down into the critical policy areas of funding, regulation and collaboration—areas frequently cloaked in formal policy rhetoric. In these policy spaces the aspirational terms such as ‘value’, ‘impact’, ‘accountability’, ‘partnership’ and ‘collaboration’ tend to dominate. These terms are often invoked—by leaders in government, the NFP sector and business—to signal the desired direction of change, as opposed to accurately describing the existing state of affairs. Beyond the rhetoric, however, one sometimes finds that structural and systemic barriers and gaps act to impede the realisation of these aspirational aims.

In Chapter 6, Leora Black takes stock of important initiatives in government, and in the business sector itself, to create pathways for the investment of private capital in social purposes. She identifies a number of policy and structural obstacles to private social investment and suggests a number of opportunities available to government to promote such investment. According to Black, government can: mandate investment through better regulation; facilitate investment,

for example, by establishing financial intermediary organisations; partner better with institutional investors; and endorse private investment by establishing mechanisms for the accreditation and recognition of firms that invest in social impact.

In Chapter 7, Krystian Seibert offers a retrospective analysis of the Rudd and Gillard Labor governments' NFP reform agenda. Seibert emphasises the complexity of the reform task facing the government and the achievements made—almost against the odds. Seibert draws on his own experience as a policy actor involved in the establishment of the ACNC to cast light on the practical and political difficulties that needed to be overcome to bring the national regulator into being. He reflects on the fortunes of the ACNC following the change of government in 2013 and speculates about those aspects of the government's engagement with stakeholders in the NFP sector that might have been handled differently. Seibert concludes by arguing that the creation of the ACNC offers a number of valuable practical lessons for policymakers.

In Chapter 8, Robyn Keast rounds out the discussion by closely examining the various markers of successful (and unsuccessful) collaboration between government agencies and NFP organisations. Keast points out that while 'authentic' collaboration is unfamiliar territory to many, far from being a 'black box', there is ample knowledge on which we might draw to deliver successful collaborations. The prime ingredients, according to Keast, include: interpersonal relationships based on trust, reciprocity and reputation; a recognition of interdependency and mutuality; acceptance of the need to share power and knowledge; and joint ownership and governance systems that allow the parties to create and claim shared value. That said, Keast observes that collaboration is full of ambiguities, nuances and unexpected turns; effective and constructive collaboration requires a 'fit-for-purpose' approach adapted to the policy and programmatic context, the range of actors involved and the nature of the problem being addressed. Collaboration also requires active sponsors and champions—as well as reflective practice—to make it work well.

## Part 3: Great expectations—Outcomes and social impact

A focus on outcomes has for some time been the Holy Grail of policy implementation. Growing demands on governments coupled with static or declining revenues have led public sector commissioners to sharpen their focus on demonstrating the impact of social investment. So, too, the value proposition for social investment needs to be well argued if governments are to convince the business sector to co-invest in social programs. In this part, authors address the importance of, and difficulties inherent in, delivering sustainable outcomes based on evidence and supported by appropriate reporting.

Part 3, introduced by Nina Terrey, leads us deep into the territory of outcomes and social impact. In Chapter 9, Emma Tomkinson considers the implications of the reporting burden placed by governments on NFP providers of outsourced services. In particular, she observes that our perception of what it means to spend money ‘well’ has changed over recent years and points to a change in emphasis from ‘what was money spent on’ and ‘how much activity occurred’ to ‘what outcomes resulted’. Drawing on international experience, Tomkinson examines the value of reporting *for* NFPs and their government funders and looks at ways in which this value can be increased. She concludes that if funders are to truly focus on outcomes, the design of their reporting requirements, and the publication and use of reported information, must be altered to further the outcomes they pursue.

In Chapter 10, Dale Tweedie highlights three potential ‘disconnects’ that can compromise NFP organisations’ capacity to be accountable in practice for the quality or impact of their services, and explores potential responses to overcome these disconnects. Drawing on in-depth interviews with staff, directors and regulators in the NFP sector in Australia, Tweedie identifies three potential disconnects: 1) between reporting to funders and service quality; 2) between directors and NFP members; and 3) between reducing red tape and maintaining minimum service standards. Tweedie’s findings suggest that reporting to funders can become ‘detached’ from service quality when measured outputs are weakly linked to service outcomes. He also argues the need for greater member oversight or evaluation of boards, and suggests

that regulatory reforms undertaken in an increasingly cost-sensitive funding environment might inadvertently threaten standards that are critical to maintaining service quality.

In Chapter 11, Rodney Scott and Ross Boyd offer a detailed account of the design, implementation and performance of the ‘results approach’ operating across the New Zealand state sector. In New Zealand, government has taken the bold step of nominating 10 ‘results’ that would improve the lives of New Zealanders. The results approach relies on the collective accountability of multiple departments for achieving targets and social impacts selected, according to Scott and Boyd, ‘because they were important and long-standing problems that had proven resistant to previous attempts at change, and because making meaningful progress would require collaboration between multiple organisations’. The authors conclude that the results approach has helped to ‘make progress in 10 previously intractable problems, where numerous previous attempts have failed’. Although their focus is on the New Zealand state sector, they suggest that by ‘understanding the benefits and potential pitfalls in public sector targets, other sectors can help design successful impact measures for use in cross-sectoral collaboration’. Scott and Boyd also go on to suggest that ‘even the most pure mission-driven organisation should ... be thinking about the management accountability functions of targets’.

## Part 4: New tools for policymakers and practitioners

Cross-sector working is predicated on a mix of institutions and actors engaging across institutional, domain and sectoral boundaries to address complex problems. Even so, it is essential to be clear-eyed about the nature of the incentives that motivate policy actors from the public, NFP and business sectors, recognising points of convergence and accounting for points of divergence. Furthermore, it is necessary to accept the need to develop and trial a mix of approaches—some of them experimental in nature. This requires an appetite for risk and a willingness to risk failure. In this part, authors canvass the necessary policy preconditions for exploring alternative approaches to addressing social need.

Part 4 is introduced by Ursula Stephens. In Chapter 12, Ann Nevile argues that, despite commitments to reduce the administrative burden placed on disability employment service providers, the current

contracting regime acts to constrain providers' capacity to deliver flexible, individualised services. Nevile presents evidence for the assertion that introducing a person-centred approach will lead to better employment outcomes, before going on to consider the policy prerequisites for the introduction of a voucher system to support the delivery of flexible, individualised services and the realisation of improved employment outcomes.

In Chapter 13, Cassandra Wilkinson explores the potential of alliance contracting as an instrument through which service delivery can be better shaped to the aspirations and preferences of end users. Highlighting the significant opportunity costs associated with unsuccessful service delivery, Wilkinson proposes a model intended to operationalise evidence-based approaches to service delivery within a shared risk framework. Wilkinson argues that existing systems for social procurement are too opaque to drive the transition from volume-based contracting to value-based contracting and commissioning. The establishment of choice-based markets and/or social-purpose capital markets, Wilkinson argues, requires active collaboration between policymakers, providers and their clients.

In Chapter 14, Melina Morrison and Cliff Mills mount a case for Australian mutual and cooperative organisations to play a more substantial role as pillars of public service delivery. The authors argue that there is a window of opportunity for Australian mutual and cooperative organisations to take on the mantle of 'providers of choice', especially as market-based solutions and state-based command-and-control approaches seem to be increasingly problematic. Although Morrison and Mills concede that mutuality 'lost traction' midway through the past century (having been the pre-eminent force in social provision from the late nineteenth century), interest in mutuality has revived in step with growing interest in a values-based economy. The authors take the long view of mutualism as a movement based on the principle of 'collective self-help', and step us through its mid-century decline and its relatively recent revival in a somewhat corrupted form in the United Kingdom. Nevertheless, Morrison and Mills are able to point to positive examples of mutuals and cooperatives from the United Kingdom, especially in the areas of social housing and community health, offering hope that a new, modernised form of mutuality can emerge.

In Chapter 15, Catherine Needham interrogates the rationale for, and the claims made in support of, individualised or person-centred funding. Her analysis is supported by evidence from the United Kingdom, where personal budgets for care have been a feature of the policy mix since the 1980s and are given legal force through the 1996 *Community Care (Direct Payments) Act*. Needham tells us that in the United Kingdom personal budgets are held by more than 50 per cent of older people and people with a disability although the take-up of direct payments is much lower. While Needham says that personal budgets ‘have been a hugely positive intervention for some people using social care services’, she goes on to suggest that the ‘claim that controlling money is a valuable educative process is harder to sustain’ and the ‘argument that budgets themselves will fix systemic problems in care provision is also unconvincing’. A ‘highly commodified sector’, she asserts, ‘has delivered a poor quality of care to those with and without their own purchasing power’. Consequently, Needham cautions that as Australia’s National Disability Insurance Scheme gathers momentum, ‘it is vital that good-quality information and advocacy are in place so that people with budgets can build relationships and communities and not just pick care items off a shopping list’.

## Cross-sector working: Meeting the challenge of change

Paul Ronalds’ closing address to the workshop provides the postscript for this collection by revisiting the challenge of change in the context of his personal experience in the senior ranks of the Commonwealth bureaucracy and as a senior executive in the NFP sector. Ronalds observes that a tendency for risk-averse behaviour and an obsessive focus on compliance impede the ability of public servants to exercise initiative and innovation. Ronalds also speaks about the various sources of ‘systems failure’ and pays particular attention to the perverse incentive structures operating in the public, NFP and business sectors that lead to suboptimal social outcomes. Although he emphasises the importance of evidence to increase transparency about costs and results, and to thereby elicit more thoughtful responses on the part of governments, he also offers the following words of caution:

Too often we have sought to use rational policy arguments, evidence and moral suasion to argue for improved ways of working. When these

fail, we double our efforts, futilely believing that by simply arguing harder, conducting further pilots or gathering more evidence things will change.

They won't.

It's not that these things aren't important. It's just that they won't be sufficient. We need to change the system's incentives. This is the challenge of change to making progress with complex problems.

Ronalds also acknowledges the realpolitik of change by pointing to the need to better celebrate successful policy and service delivery innovations, which will, in his words, 'give politicians more cover to implement reforms'.

## Conclusion

In Chapter 17, John R. Butcher and David J. Gilchrist reflect on the foregoing papers in an attempt to hone in on and amplify a set of crossover issues relevant to the core question about how to work better across sectoral boundaries. The authors observe that each of the contributors has—either overtly or by implication—drawn attention to the critical nature of gaps and disconnects as determinants of success (or rather failure). Rather than simply summarise and restate the observations made and conclusions drawn by the contributors, Butcher and Gilchrist attempt to identify potential avenues for further research. Although Australia has a large NFP sector—larger per capita than the NFP sector in comparable countries—its non-profit research community is comparatively small, institutionally siloed and geographically dispersed.

There is broad agreement among the contributors to this volume about the value of working better across institutional, sectoral and domain boundaries in the pursuit of public purposes. Similarly, the ambition, breadth and diversity of policy thinking and scholarship evidenced in the work herein presented argue powerfully for greater research collaboration across institutional and sectoral boundaries. There *is* a surfeit of rhetoric in the NFP policy space. Fortunately, there are scholars and thinkers of high calibre capable of meeting the urgent need for enhanced analysis and discussion based on evidence.

The potential of the collective impact of that policy thinking could be even greater if better coordinated and supported. It is our hope that this book constitutes an important start in that direction.

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