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Productivity Inquiry
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

Lodged via email at Future.Drought.Fund@pc.gov.au

SUBMISSION TO THE INQUIRY INTO THE EFFECTIVENESS OF PART 3 OF THE FUTURE DROUGHT FUND ACT 2019

Dear Productivity Commission,

I welcome the opportunity for the Future Drought Fund Consultative Committee (the Committee) to make this submission to the Productivity Commission's (the Commission's) Inquiry into the effectiveness of Part 3 of the *Future Drought Fund Act 2019*. This submission outlines our observations on the development and implementation of the current Drought Resilience Funding Plan (the Funding Plan) and FDF programs. It outlines early outcomes that could be built on, but also the challenges encountered. The Committee looks forward to reviewing the Commission's recommendations and stakeholder submissions. These will help inform the development of the next Funding Plan, which will guide the future direction of the FDF.

OVERVIEW OF THE FUTURE DROUGHT FUND

The Future Drought Fund (FDF) was established to provide secure and continuous funding for drought resilience initiatives. It will help Australian farms and communities prepare for the impacts of drought. Building drought resilience is an ambitious goal. It is inherently complex, encompassing environmental, social and economic factors and requiring national, state, regional, local and industry level action. The approach to meeting this long-term challenge is contained in the Funding Plan which guides FDF investment.

The FDF is governed by the *Future Drought Fund Act 2019* (the FDF Act). It sets out key systems and processes for the administration of the FDF, including:

- The release of \$100 million annually.
- A four-year Funding Plan cycle, guiding the development and implementation of drought resilience programs, grants and arrangements.
- A four yearly review process including Productivity Commission Inquiries and the development and consultation on new Funding Plans.
- Two independent advisory bodies – the Consultative Committee and the Regional Investment Corporation Board – who provide advice to the Drought Minister on the development of Funding Plans and proposed new programs, grants and arrangements.

FDF programs are structured around four key themes and contribute to the three strategic objectives of economic, environmental, and social resilience to drought. While programs have key areas of focus, they do not operate in isolation instead they work together to build drought resilience.

DEVELOPING THE DROUGHT RESILIENCE FUNDING PLAN 2020-2024

The Funding Plan was made on 10 February 2020 by the then Drought Minister. The Committee played an important role in its development, leveraging our knowledge and lived experiences in the agriculture sector and our ability to work hand-in-hand with stakeholders. We led an extensive consultation process in late 2019, involving over 690 people. We travelled to 23 locations across Australia and held 'town hall' style public meetings to ensure we represented the views of regional Australians on what would best assist in building drought resilience in their communities.

The Funding Plan's purpose is to ensure a coherent and consistent approach is adopted in making FDF arrangements or grants. It sets out the vision, funding principles and strategic priorities for the FDF. The concept of the 'triple bottom line' – economic, environmental, and social resilience – is highlighted through the plan to capture the diversity of farming businesses, communities and landscapes, and their challenges and opportunities in building drought resilience. The funding principles provide a guide for investments for example, ensuring consistency with the FDF's purpose including the requirement for public good, alignment and complementarity with other investments, stakeholder centric investments, and financial prudence.

Consultation identified priorities and guiding principles, informing foundational programs

Our consultation identified a number of priorities including farm business planning, research adoption and extension, youth and leadership training as well as community initiatives. It also identified the following considerations which are reflected in the Funding Plan and foundational programs.

Drought resilience is not 'one size fits all'

Through consultation it became clear that drought resilience means something different to each person, farm, community, and agricultural landscape. Reflecting this, the Funding Plan takes a broad and principles-based approach to support the diverse needs and aspirations of farmers and their communities. Local and regional context was seen as critically important, so we kept returning to the need for a 'triple bottom line' approach.

Investments should build resilience capacity and facilitate enduring practice change

Our consultation also highlighted that FDF investments should not lead to participant dependency on government support or other perverse outcomes. Instead, a sustainable, long-term approach was needed, whereby programs are designed to build resilience capacity and facilitate enduring practice change. It was clear long-term programs would be needed to deliver the enduring and transformational outcomes required. Most FDF programs have thus focused on capability building so farmers and communities can adopt proactive, sustainable and resilient approaches to business risks including future droughts.

Certainty is required by industry, along with pragmatic, actionable and measurable outcomes

We also heard the need for pragmatic, actionable and measurable outcomes. Stakeholders didn't want a Funding Plan that was "vague" or "abstract". Actioning this became a balancing act, with a legislative requirement for the plan to be high level, while also recognising the needs of our stakeholders. To address this, we considered it appropriate that the Funding Plan include examples of the types of actions that could be supported.

Drought resilience requires a collaborative effort – it can't be achieved by the FDF alone

Increasing drought resilience is ambitious. It is influenced by a range of interconnected factors, including water management, climate and disaster adaptation and mitigation, natural resource management, pest and weed management, international trade and investment decisions, and community and personal attitudes. A range of drought related initiatives have and continue to be undertaken by other Australian Government agencies, state and territory governments, regional authorities, and community organisations. This sentiment was echoed by stakeholders noting that duplication should be avoided wherever possible, and projects should instead enable national collaborations and leverage action across all levels of government for maximum outcomes.

PROGRESS IN DELIVERING DROUGHT RESILIENCE INITIATIVES UNDER THE FDF

The FDF is in its third year of operation. The first tranche of programs was announced on 1 July 2020, at the same time the first \$100 million became available. These foundational programs have been built on with new and expanded programs announced over time. Programs are in varying stages of delivery. Funding for the first 4-year Funding Plan has now been fully allocated to 16 announced programs (some with multiple grant and procurement processes and rounds) with uptake and on-ground outcomes starting to flow. Key outcomes and achievements are outlined in further detail in the 2020-21 and 2021-22 Annual Reports which can be found at agriculture.gov.au/agriculture-land/farm-food-drought/drought/future-drought-fund.

Drought resilience is a long-term journey, with early outcomes observed but still in its infancy

Building drought resilience will require a sustained and concerted effort. We are early on in this journey, and it is premature to expect demonstrable impact. However, we can show progress, how we expect our foundational programs to have impact, and how we will monitor, measure and report those impacts over time through established Monitoring, Evaluation and Learning processes. A mid-term evaluation by an external provider, is due for completion by January 2023. We are starting to see several on-ground outcomes suggesting we are heading in the right direction. These outcomes (see below) should be built on in the next phase of the FDF, guided by the next Funding Plan.

Farmers and regional communities are increasingly getting involved, with thousands engaging so far in the FDF

We're starting to see our programs and their activities hit the ground and creating change. It is promising to see the high levels of participation in FDF programs, which continues to grow. These promising participation rates and early outcomes are outlined in the 2021-22 Annual Report. While there have been significant challenges associated with short-term programs, it has potentially enabled our programs to get on the ground more quickly.

Investments are supporting foundational enabling structures and relationships for long-term change

Foundational programs and investments have focused on establishing a number of key enabling structures, relationships and processes that we can build from over time. These investments are bringing together stakeholders, to work in new ways to support drought resilience. We are seeing conversations happen and new consortiums form that would not have occurred previously. Continuing to build these partnerships and support an ongoing and positive dialogue about preparing for drought, will be essential to the FDF's long-term success.

The Drought Resilience Adoption and Innovation Hubs (the hubs) are one of these key structural and enabling investments which is helping drive connectedness in agricultural regions, between other FDF investments, as well as the innovation system itself. The 8 hubs were established in April 2021 and have since built partnerships with over 250 Hub Members and Network Partners across Australia. These relationships have been strengthened further by co-designing and implementing regionally tailored activities including 5 collaborative cross-hub projects. Since commencement, the hubs have also taken on additional work to support delivery of the National Agriculture Innovation Agenda and the Regional Soils Coordinator Program. These initiatives are not funded by the FDF but leverage the infrastructure and networks that have been created by the hubs.

It has also been positive to see the extensive engagement through the Regional Drought Resilience Planning program. The program is delivered in partnership with state and territory governments, to support regions to develop drought resilience plans to drive proactive management of drought risks. The resulting plans will be community led and owned through partnerships of local governments, regional organisations, community organisations, First Nations peoples and industry. To date, planning has commenced across 21 regions, with approximately 1500 consultation and engagement activities informing plan development. These relationships are expected to continue to build the resilience of agricultural regions and be leveraged to undertake specific drought resilience activities in the future.

Early learnings have informed new program development

The Committee has been focused on implementing learnings in new program design. Examples of this evolving approach are outlined below.

Learnings from the foundational Natural Resource Management (NRM) Drought Resilience program have been applied in the subsequent Drought Resilience Soils and Landscapes and Long-term Trials programs. These programs address two key challenges identified in the NRM program: inadequate time for projects to implement real and measurable change and, the desire to see larger impacts over a broader scale. The Soils and Landscapes program shifted the focus from local small scale NRM projects to those that could make landscape-scale changes. The Long-term Trials program represents a key shift towards a more strategic and longer-term focus on activities to support the adoption of better farming practices, with funding provided over 6 years. It will support trials which bring together research and commercial farms, to test drought resilient farming practices in real world farming conditions over multiple seasonal cycles. This will enable impacts to be demonstrated, providing farmers with the confidence and information they need to try the practices themselves.

Many of our newer programs, such as the Long-term Trials, Scholarships, Extension and Adoption of Drought Resilience Farm Practice grants and the Commercialisation Initiative pilot, are specifically intended to accelerate research, development, extension, adoption and commercialisation outcomes. It is well understood innovation takes time to come to fruition. It also takes time to build and sustain trusted relationships. These new programs will roll out while the hubs continue to cement their place in regional communities and the innovation sector.

The new Drought Resilience Scholarships program builds on the success of programs like Drought Resilience Leaders and the annual Science to Practice Forums. The program will support leaders and innovators, to drive a continued focus and dialogue on drought resilience and build a culture of knowledge sharing.

The Helping Regional Communities Prepare for Drought Initiative responds to lessons learned during the implementation of the Drought Resilience Leaders and Networks to Build Drought Resilience programs. The Initiative provides additional funding to refocus and extend the geographical reach of these foundational programs. It will apply a tailored approach to integrate support for community organisations with individuals in selected places that are exposed to drought.

CHALLENGES AND OPPORTUNITIES

In addition to the above-mentioned outcomes that should be built on, the Committee has observed a number of challenges and opportunities that should also inform the next Funding Plan and suite of FDF programming.

Short-term investments are the single biggest challenge impacting delivery of outcomes

One of the single biggest challenges in driving meaningful outcomes has been the short-term approach to programs. The Committee had originally advised the then Drought Minister that four-year programs should be implemented from the outset, but government chose to take an incremental approach. This represents a significant missed opportunity and has resulted in higher transaction costs and administrative burden with less effective outcomes. This challenge has arisen from what the Committee observes to be a risk adverse approach taken with program development, made through annual budget processes and accompanying announcements. There is opportunity to improve this approach.

The FDF is a unique opportunity to address a long-term challenge, with long term funding - let's not waste it

Through our engagement with stakeholders, the development of the Funding Plan and implementation of programs, the message and lessons are clear – drought resilience is a long-term endeavour. This is not a new message; it was recognised in the establishment of the FDF itself. The FDF has the unique ability to provide secure and ongoing funding to address this long-term challenge. It is the Committee's strong belief this opportunity must be optimised, otherwise we will ultimately undermine the intent and the FDF in the first place.

Short-term programs create higher transaction costs and administrative burden

Based on the experiences of our foundational programs we have seen high transaction costs and administrative burden because of a short-term approach to programming. With limited resourcing this has caused delays and has come at the detriment to the monitoring and evaluation of programs which we would have preferred. We understand, consulting stakeholders and designing programs, seeking government approvals and undertaking detailed program implementation (running grant programs etc.) requires considerable resources. Doing this process three times in two years to extend foundational programs – while implementing the foundations of the programs – has meant substantial departmental resources have been diverted. It appears to the Committee that this is a highly inefficient way to use government and committee time and of course, taxpayer funding. It has also delayed rollout of these important programs.

For example, the Farm Business Resilience and Regional Drought Resilience Planning programs were announced by the Commonwealth in July 2020 as a single foundational year. Detailed design, negotiation, and implementation planning followed with state and territory governments, the delivery partners for these programs. Commonwealth-state agreements were signed in March 2021 (by the Commonwealth) and between April and June 2021 (by states and territories). This was followed by negotiation of tailored delivery arrangements in each jurisdiction via Program Implementation Plans, delivery on ground to farmers and regions got underway. While a small number of jurisdictions were able to deliver approximately 12 months of activities on the ground, most didn't start delivery until between November 2021 and February 2022. This equated to around 18 months of establishment activities between announcement and delivery commencing, for what was intended to be one year of activities but in practice was much less. This was exacerbated when program design, negotiation, implementation planning and engagement of providers had to be repeated for the program extension, announced during the already short foundational year.

Short-term programs are not effective in driving the intended change

From the outset some of our foundational programs have been hindered in their ability to drive their intended outcomes – the development and adoption of better practices. We know that building drought resilience takes time. Changes in behaviours, attitudes and actions do not happen overnight. However, the NRM Drought Resilience program, for example, was tasked with an extremely difficult challenge – driving change with only 12 months of funding for activities. Drought resilience technologies and practices must be applicable to 'real world' farming conditions before farmers can trust and adopt those practices and technologies. This often takes multiple years under varied seasonal production cycles and climatic conditions. Short term investments do not reflect this context. It also became clear these short timeframes created significant challenges in attributing outcomes to increased drought resilience. For example, project outcomes could reflect current significant rainfall events. As a result, many projects under this program have been provided with significant extensions, to allow outcomes to come to fruition. However, planning for this from the outset would have been more efficient and effective, and better for the Australian public. Further these short-term investments have resulted in activities that tended to be smaller in scale. While this may assist in quicker incremental changes, we know that building drought resilience needs collective action across catchment or regional scales.

We also know it takes time to develop and sustain trusted relationships within regional communities and institutional systems, and for there to be trust, greater levels of certainty are needed. This is important in ensuring effective co-design and implementation of activities that are meaningful for farmers and their communities. We found this to be particularly true with regards to our efforts in implementing the hubs. The hubs have expressed concerns to the Committee regarding their ability to effectively co-design their collaborative cross-hub projects over a 12-month period. Hubs noted that if they had more planning time, they would have been able to develop and deliver better projects and end-user outcomes. In addition to this, the rapid response needed to apply for the collaborative hub projects led to staffing resources being diverted from core functions, delaying progress to some hub activities. This issue is further compounded by the expansion of the hubs' remit, to deliver broader outcomes including under the National Innovation Agenda and Regional Soil Coordinators. Although there are some synergies between these initiatives, this expansion of the hub's remit is putting pressure on the hubs' ability to focus on delivering FDF outcomes in the short time available to them. The short-term funding cycle has also impacted their ability to attract and retain appropriately skilled staff.

Whilst an adaptive approach to program development and implementation has its benefits, we have heard a clear message from our stakeholders that it has caused confusion with 'too many activities happening' without evidence of a clear coordinating strategy behind it. It also results in instability as stakeholders don't have visibility to what could be next. It means that early planning cannot take place, which compounded by short application timeframes, may have resulted in lower quality projects.

While the lesson has been learnt, further steps could be taken to embed an explicit longer-term focus

The Committee is pleased to see that a shift has already begun towards longer term investments, for example the Long-term Trials program. However, a more explicit focus is required, and this Inquiry and the subsequent development of a new Funding Plan presents an opportunity to embed this further. The Committee understands that the short term, annual programming has been driven by choice to align decision making and announcements in conjunction with annual Budget cycles. However, this isn't a legal requirement. It would seem there is an opportunity to decouple these processes to drive better program design and implementation.

The strategic planning and review cycle is not appropriately timed or sequenced

Similar to the Committee's observation on short-term programs, the 4-year planning and review cycle established by the FDF Act also fails to reflect the inherent long-term nature of building drought resilience, particularly if investment decisions are strictly tied to that 4-year planning cycle. As the FDF begins to move past its foundational years there is an opportunity to reconsider whether this should continue.

One of the reasons why this observation has been made is that not enough time has passed to demonstrate meaningful impacts to drought resilience. This means that this Inquiry must primarily rely on the 'promise and potential', rather than realised outcomes. To-date no programs have been closed out completely and only some of the evaluations of the FDF and foundational programs are just now underway.

Even if the review processes could be undertaken fulsomely, there is limited time to consider the recommendations of this Inquiry and other review processes prior to drafting a new Funding Plan under the legislative timeframes. This is because a new Funding Plan must be in place before the current one expires (in February 2024) and the requirement to consult for a minimum of 6 weeks. This will be further compounded if new programs under the plan continue to be agreed by government in conjunction with the budget, meaning that program development must be well advanced before the plan is made. The current legislative requirements mean the FDF cannot maximise the benefits of the review cycle. It is suggested the Funding Plan and programs should be longer-term and a more appropriate sequencing of reviews would be more valuable and efficient.

Complex problems require complex solutions developed through strategic partnerships

It was a deliberate move to create a range of FDF programs to build economic, social and environmental resilience at a mixture of levels (inc. national, regional and farm level). The foundational and later year programs target a variety of actions articulated in the Funding Plan. Addressing this complex problem has meant that a large number of activities are underway at the same time which unfortunately caused some stakeholder confusion. This was compounded by our inability to meet with our stakeholders face-to-face during the start-up phase of this endeavour due to COVID-19. The Committee acknowledges this is an area requiring further work and we are conscious of the need to keep addressing this issue as programs roll out. Building on our existing strategic partnerships to deliver initiatives (including with state and territory governments), as well as new partnerships is likely to be an important part of engaging locally, coordinating action (including non-FDF initiatives), and communicating well in the future.

Building drought resilience is complex, and we don't have all the answers

The FDF is the first significant and focused investment in drought resilience in Australia. It is a big challenge, and it might take time to get it right, by learning from our actions and listening to our stakeholders. The FDF is likely more complex than it had been envisioned, particularly with the volume of programs currently available. While necessary to meet the needs and opportunities for stakeholders in some instances, this complexity has presented a range of challenges which need to be considered. As an example, we know that the needs of our stakeholders will continue to evolve as new opportunities and challenges arise, particularly when drought conditions emerge. Another example of this complexity is also felt in relation to our monitoring, evaluation and learning efforts. There is no simple measure of resilience, and it is contested in both public policy and research. Monitoring, Evaluation and Learning is vital to the success of the FDF going forward, and will require a combination of different approaches, however it is tricky to get right. We're keen to learn and improve over time, and the Commission's Inquiry is a great opportunity to do so.