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Department of Agriculture,
Fisheries and Forestry

Submission to the Productivity Commission: Inquiry into Part 3 of the *Future Drought Fund Act 2019*

Future Drought Fund Strategy and Delivery Branch, Department of Agriculture, Fisheries and Forestry



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Acknowledgement of Country

We acknowledge the Traditional Custodians of Australia and their continuing connection to land and sea, waters, environment and community. We pay our respects to the Traditional Custodians of the lands we live and work on, their culture, and their Elders past and present.

Foreword

Our farmers have long faced the harsh cycle of extreme drought and extreme rainfall. They are well accustomed to the impacts of climate variability. We know farmers are responding to climate uncertainty, with sustainable practices already commonplace on farms (ABARES 2021). But climate change is and will continue to present new challenges. Droughts are predicted to increase in frequency, intensity, and duration in many regions (State of the Climate 2022). The impact of drought on farmers, rural communities and the economy is likely to become more severe, unless we continue to adapt. Preparedness is key to mitigating the impact of drought and enabling those affected to bounce back better.

The Department of Agriculture, Fisheries and Forestry (the department) is responsible for drought policy and the administration of the Future Drought Fund (FDF). Our approach emphasises long-term preparedness, sustainability, and risk management, with an appropriate safety net (Department of Agriculture 2019). To support this, the Australian Government established the FDF in 2019 to provide secure, continuous funding for drought resilience initiatives. Its focus is to help Australian farms and communities prepare for the impacts of drought.

Our approach to drought policy is not set and forget. Monitoring, evaluation, and learning is fundamental to the delivery of drought policy and the FDF. The department welcomes the Productivity Commission's Inquiry, and the opportunity to provide a submission. This Inquiry is an opportunity to learn from the first phase of the FDF, to help inform the next phase of investments and activities to help farmers and their communities prepare for drought. Specifically, it will help inform the development of a new Drought Resilience Funding Plan which must be in place by early February 2024 to guide new investments from 1 July 2024.

Further, the department recognises that drought does not exist in isolation from other issues and farmers manage drought as just one of a multitude of business risks. The government's broader climate change and sustainable agriculture policy agenda will have an influence on the national drought policy landscape.

We welcome the Inquiry's Terms of Reference which reflects key opportunities and challenges identified by stakeholders. The department acknowledges our diverse range of stakeholders and their ongoing engagement with the FDF. Their feedback has helped to inform our approach to program development and delivery. The opportunity to hear from stakeholders through the Inquiry process is welcomed. Stakeholder engagement will be important to ensure the findings of the Inquiry are grounded in the lived experiences of our delivery partners, farmers and their communities, further that the next phase of the FDF reflects their unique drought resilience needs.

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Summary

The FDF is early in its long-term drought resilience endeavour but has created strong foundations that can be built on. Established in 2019, with funding first made available on 1 July 2020, the FDF has since launched 16 programs and is delivering a diverse range of activities.

A broad offering of activities is important, reflecting the range of drought resilience drivers at different scales. Support covers areas of better climate information, planning, practices, and prepared communities. Programs target various levels of engagement (e.g. individuals, local, regional, state, and national) to enable decisions and actions that respond to specific contexts.

Bringing together farmers, communities, and drought resilience enablers has been valuable. Thousands of individuals and organisations have participated in FDF programs. Creating new ways of working together has built social capital – bringing together stakeholders, their experiences and knowledge and developing networks to facilitate enduring collaboration and information sharing.

The FDF creates space for farmers and communities to focus on and take drought resilience action. Over 300 projects have focused on better farming and land management practices and locally led drought resilience action. The continued focus on drought resilience, despite significant on-ground challenges including flooding, Covid-19 and biosecurity threats shows a resilient approach in action.

A dedicated investment for drought resilience in a changing climate is welcomed. Stakeholders regard drought as a discrete challenge requiring a dedicated response – the FDF along with other government investments delivers this. However, we know it's not possible to separate resilience to drought from resilience to other climatic and economic shocks, so the FDF also supports drought resilience activities with climate resilience co-benefits.

Investments have been shaped by stakeholder feedback and implementation learnings. Investments have been iterative, with a focus on addressing learnings in the development of new programs. Continuing to build on these learnings is important to further strengthen outcomes in the next funding period. Of note, stakeholders have expressed that we could drive better outcomes through enhanced partnerships and longer-term investments.

Short-term programs limit the opportunity to drive meaningful change. Initial programs were originally provided with 1 year of funding. Participants and delivery partners raised concerns about the ability to produce meaningful outcomes in this timeframe. Programs were incrementally extended to better enable change to take place on the ground.

Processes required by the FDF Act create additional time pressures. The FDF Act includes a range of unique and additional requirements in comparison to other government programs. This has resulted in additional administrative burden impacting the timeliness and efficiency of program delivery.

It is a challenging balancing act to provide both tailored interventions and also a nationally consistent approach. Building drought resilience requires a different suite of support for different stakeholders in different places. FDF investments have been intentionally designed to try and meet this need. However, stakeholders have noted confusion due to the complexity of the FDF. Finding the most effective ways to communicate and engage with FDF stakeholders remains a focus.

Introduction

The Drought Policy Landscape

The Australian Government's approach to drought policy has evolved over the last 50 years away from viewing drought as a natural disaster or exceptional circumstances. Drought is a reoccurring part of the Australian landscape, and our approach focuses on preparedness, sustainability, resilience and risk management for farming businesses and related communities. The Future Drought Fund (FDF) is a significant Australian Government investment in the shift to a greater focus on preparedness. It sits alongside a range of drought policy and investments that support drought preparedness, all of which are captured in the National Drought Agreement (NDA) and Drought Response, Resilience, and Preparedness Plan. These plans and agreements do not formally direct FDF investment, however the Department of Agriculture, Fisheries and Forestry (the department) works to ensure complementarity across these plans and agreements including the principles for programs, as set out in the NDA. There are also a range of other policies and programs which intersect with drought policy that can also support preparedness, such as climate change, agricultural sustainability, water, soils, biodiversity, and natural resource management.

About the Future Drought Fund

The Australian Government established the FDF in 2019 as a source of secure and continuous funding for drought resilience initiatives that contribute a public good for Australia's agriculture sector, landscapes, and communities. Through the FDF, \$100 million is made available each year for drought resilience initiatives. FDF is governed by the *Future Drought Fund Act 2019* (the FDF Act), which sets out a range of requirements that the department must comply with when administering the FDF. The development of a 4-year Drought Resilience Funding Plan (the Funding Plan) is one of these requirements. The purpose of the Funding Plan is to ensure a consistent and coherent approach to drought resilience investments. The FDF Act also sets out additional requirements before programs, grants and arrangements can be made. This involves the consideration of advice from two independent advisory bodies – the Consultative Committee and Regional Investment Corporation Board. Further, the FDF Act sets out a 4-year review cycle, beginning with this Inquiry, before a new Funding Plan is made in early 2024 (see **Appendix A**).

The Consultative Committee has undertaken extensive stakeholder consultation to inform the current Funding Plan and program design. FDF programs are structured around 4 key themes, but more broadly they contribute to the 3 strategic objectives of economic, environmental and social resilience to drought (see **Figure 1**). Investments deliberately make interventions through a holistic systems approach, reflecting the diversity of farming businesses, communities and landscapes, and their challenges and opportunities in building drought resilience. While the themes and programs have key areas of focus, they also work together to build drought resilience as a whole. The first phase of FDF investment – guided by the Funding Plan – has been focused on building the foundations of the FDF. These foundations reflect the diverse interventions needed to build drought resilience. Feedback and lessons learnt from initial program roll out has been incorporated into new program development with a total of 16 programs launched since July 2020 (see **Appendix B**).

Figure 1 captures the purpose and key achievements of the FDF, with further information available in Annual Reports published on the department's website at agriculture.gov.au/fdf.

Figure 1 About the Future Drought Fund and Key Achievements



*Data from 31 December 2022 on wards

Key learnings from the foundational phase of the FDF

The FDF is early in its journey to build drought resilience. An iterative approach to program development was taken to ensure opportunities and learnings were captured as soon as practicable, to inform on-ground activities. It is important the next phase of the FDF reflects these lessons, and the lived experiences of FDF participants. This review presents an opportunity to further consider and embed these learnings and opportunities into the FDF's systems, processes, and frameworks.

Longer-term investments would better realise efficiencies and improved impact for participants.

Short-term programs and an iterative approach to program development was initially taken – reflective of the newness of the FDF and a desire to remain adaptive to learnings. As a result, since July 2020 there has been four tranches of funding, three of which extended foundational programs (see **Appendix C**). While programs have been iteratively extended and built on to address learnings, the most substantive learning was that short-term funding did not allow meaningful outcomes to come to fruition. A shift towards longer-term investment has already begun through new program rollout – but a more explicit focus is required. Making better use of longer-term investments would:

- 1) Ensure programs are provided with the time needed for outcomes to come to fruition. This is important because practice change does not happen overnight. Adoption at scale requires robust testing and demonstration under real world farming conditions over multiple seasons.
- 2) Allow the integration of academically and scientifically robust monitoring, evaluation and learning processes from the start, to ensure appropriate metrics can capture progress towards outcomes and impacts and allow learnings to be identified and implemented.
- 3) Provide greater levels of certainty to delivery partners and therefore provide better continuity of service to clients, including through retention of knowledge and expertise in staff – setting the scene for enduring impact and greater transformational change.

Box 1: Short-term programs do not reflect real world farming conditions and limit opportunities for meaningful change.

The foundational NRM Drought Resilience program received 12 months of funding for activities throughout 2021-22. By 30 June 2022, more than half of the projects required extensions due to the impacts of COVID-19, and floods. A combination of these factors delayed the ability of grantees to complete face-to-face activities and, to measure, monitor and evaluate their projects. Further, it was difficult to align project activities with relevant seasonal windows, particularly if a seasonal planting window was missed due to adverse weather conditions. Short timeframes also created significant challenges to achieving drought resilience outcomes. For example, project outcomes may have been masked by the impacts of significantly higher than normal rainfall events and floods. It is essential that our grantees be given the time and space if they are to observe and report on drought resilience improvements. Drought resilience technologies and practices must be applicable to 'real world' farming conditions before farmers can trust and adopt those practices and technologies. Experimenting with transformative approaches to build natural capital to increase drought resilience often takes multiple years under varied seasonal production cycles and climatic conditions.

Longer-term investments would support enhanced strategic partnerships and collaboration.

A key success has been bringing together individuals and organisations to work in new ways, focused on drought resilience. But efforts could be built on and expanded, for greater impact across more stakeholders. We know that building trusted relationships takes time. Longer-term investments would provide the space for this to occur including opportunities for greater collaboration. Collaboration in program design and delivery through strategic partnerships would also result in greater efficiencies and improved impact for participants. Strategic partnerships recognise those who are well placed to drive change on the ground and allows the expertise and value of delivery partners and relevant organisations to be leveraged for greater impact, for example it would:

- 1) Provide farmers and community members with greater support to navigate their drought resilience journey and relevant support. This is possible due to the established and trusted relationships that exist between on-the-ground organisations and their stakeholders.
- 2) Ensure program design and implementation is appropriately tailored to meet the needs of end users and targets activities that are known to drive practice change and build resilience capacity. For example, place-based practice change which recognises the benefit of being able to see outcomes on-the-ground under similar climatic variables. Further, initiatives that consider the value and roles of different groups of people and issues most important to them (e.g. First Nations peoples, women, youth, professional advisers and, industry or issue-based groups).
- 3) Enable greater alignment across activities and maximise co-benefits across both the FDF, and non-FDF investments including in areas of sustainable agriculture, water management, climate resilience, and natural resource management.

Box 2: Short-term funding inhibits detailed planning with delivery partners and creates higher transaction costs.

The Farm Business Resilience and Regional Drought Resilience Planning programs were announced in July 2020 as a single foundational year. These initiatives were intentionally designed to enable tailored delivery that reflected jurisdictions' individual needs and circumstances – leveraging existing programs and limiting duplication. However, negotiations and detailed one-on-one implementation planning takes time to get right.

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 significantly shortened the time available for farmers and regions to engage meaningfully in these important initiatives. Tight timing 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.

The next funding plan can be informed by early learnings, but it's too early to understand outcomes or impact.

Funding for the first 4-year Funding Plan has been fully allocated with uptake and on-ground benefits starting to flow. While there has been solid progress in program delivery, it is still too early to quantify and attribute changes in drought resilience to FDF programs. Foundational programs are yet to complete final reporting and evaluation, further some programs are in the design and early implementation phase. Building drought resilience and seeing measurable changes in behaviour will take time, which is reflected in our Monitoring, Evaluation and Learning (MEL) Framework that targets outcomes over the medium and long-term. Notwithstanding this, early indications from FDF participants and delivery partners are largely positive and opportunities to incorporate early lessons into new program development and rollout have been harnessed.

Box 3: Investment to support partnerships and networks needs to be complemented by support for direct action on key priorities.

Building enduring and trusted relationships and networks takes time. Further, it takes time and certainty of funding to build up staff knowledge and expertise. This has been a key reflection regarding the delivery of the Drought Resilience and Adoption Hubs (the Hubs). The Hubs were launched in April 2021 and since this they have been focused on developing relationships and broker collaborative efforts within their communities to identify regional priorities for drought resilience research, development, extension, adoption, and commercialisation (RDEA&C).

However, stakeholder feedback highlighted that there was a parallel need to drive immediate action to accelerate RDEA&C outcomes, while the broader enabling relationships and networks were being built. Many of our newer programs announced in 2022, do just this. For example, the Long-term Trials of Drought Resilient Farming Practices, Drought Resilience Scholarships, the Commercialisation Initiative pilot, and grants to support extension and adoption of drought resilience farm practices.

A multidimensional and tailored approach is necessary but requires stronger communication and effective integration of investments.

Drought resilience is a complex, ambitious and long-term challenge. It means something different to each person, farm, community, and agricultural landscape. This became evident in the consultation undertaken by the independent Consultative Committee in late 2019 on a draft Funding Plan. As a result, the current Funding Plan and program offering is intentionally broad, focusing on supporting underlying resilience capabilities and driving change at different levels – the individual, community, regional, industry, state and national. FDF programs are also working to address the triple bottom line of resilience (i.e. social, economic and environmental outcomes).

As a result of this multidimensional approach to building drought resilience, the FDF launched many programs (16 in total), amounting to more than 300 FDF on-ground projects undertaken so far by a range of individuals and organisations. Stakeholders have noted the complexity of the FDF, and that in some cases this has caused confusion and undermined participation. While efforts have been made to promote opportunities and connect stakeholders and investments, stakeholder feedback highlights that more could be done to support a seamless journey into and through the FDF and other drought resilience investments.

Box 4: As programs mature, it's important that we broker connections between them.

The new Helping Regional Communities Prepare for Drought Initiative (the 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, align 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. It also builds on and aligns with the Regional Drought Resilience Planning program. For example, relevant organisations who participated in the Regional Drought Resilience Planning program have been invited to participate in the project co-design for each region under the Initiative. The Initiative also provides an opportunity to address relevant grassroots actions focused on social resilience that were identified through the regional drought resilience plan development process.

Aspects of the FDF Act create administrative challenges.

The FDF Act includes a range of requirements that are unique and in addition to rules that normally apply to government programs under the *Public Governance, Performance and Accountability Act 2013* and other legislation. Specifically, sections 36D, 36D, 28 and 25 of the FDF Act. These requirements effectively set out a string of checks and balances to assess consistency with the Funding Plan at multiple stages across program development and implementation, by several assessors. These complex governance arrangements affect delivery timeliness and create additional transactional costs. FDF recipients and delivery partners have raised concerns about the timeliness of funding decisions, as it impacts the ability to proactively plan and the time for activities to come to fruition.

The FDF Act also sets out a 4-year planning and review cycle with a sequence of legislative requirements (see **Appendix C**). The sequencing of these requirements has proven problematic, and this may impact the ability to meaningfully adopt findings from the Productivity Commission's Inquiry into forward planning processes. For example, immediately following the delivery of the Productivity Commission's final report, a new Consultative Committee will be appointed, public consultation on the new draft Funding Plan will occur, and then it will be finalised as a legislative instrument – due to the requirements of the FDF Act, this sequence of activities must be completed within a 5-month period. A range of stakeholders have also raised questions about the appropriateness of a 4-year cycle when the FDF is intended to build transformational change, which is likely to take decades.

A unique opportunity to drive a concerted effort to build drought resilience in a changing climate is valued.

Agriculture accounts for over half of Australia's land use and is a significant contributor to the national economy, with the gross value of agricultural production is estimated to have exceeded \$85 billion in 2021–22 (Cameron 2022). However, the sector is particularly vulnerable to impacts of climate change, including more frequent and severe droughts (Hughes 2021).

While drought is inextricably connected with climate change, stakeholders have noted that a dedicated approach to drought preparedness has value. The predictable nature and slow onset of drought provides a constructive entry point through which farmers and their communities can prepare for adversity. This creates opportunity for the FDF to support and drive change at scale.

With this in mind, the Funding Plan recognises the impact of climate change and that FDF investments can also achieve climate resilience outcomes where there are clear drought resilience and public good outcomes. Specifically, that building drought resilience also builds climate resilience and contributes to a more sustainable agriculture sector. The FDF is a clear example of practical action, to respond and adapt to the impacts of climate change on farmers, communities, and natural systems.

Box 5: Example FDF investments and projects supporting both climate and drought resilience outcomes.

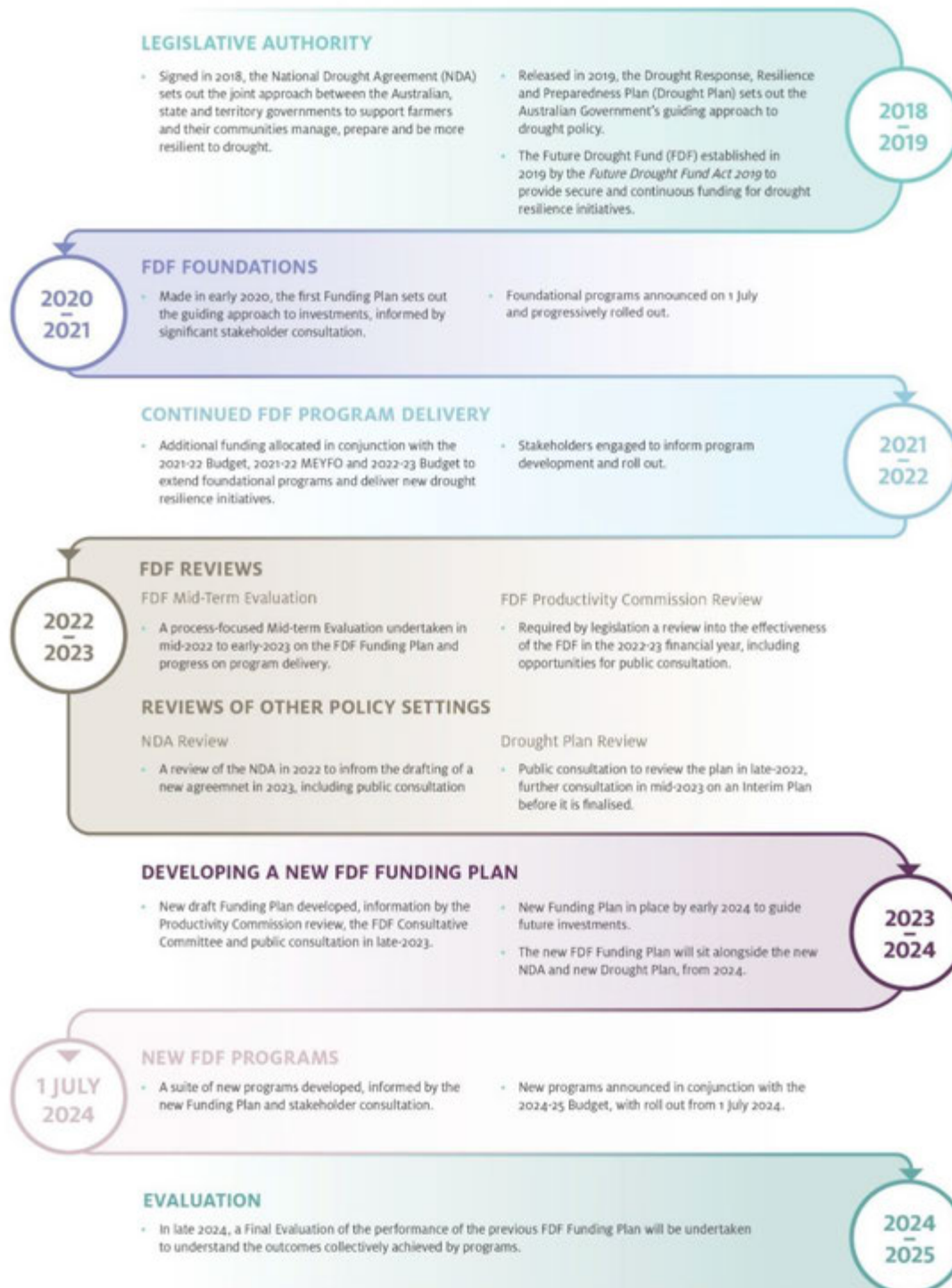
The Climate Services for Agriculture digital platform is designed to make climate information more accessible and useful for farmers, industry, and their communities. It aims to build resilience by enabling users to anticipate possible future climate conditions, draw comparisons with recent conditions and consider what it could mean for the commodities they produce and options to prepare for future drought.

A project by the Kiewa Catchment Landcare Groups Incorporated undertook a soil carbon farming project across 4 demonstration sites in Northeast Victoria, through extension events and trials of ways to improve soil carbon, groundcover and soil water infiltration and holding capacity. Case studies were shared online allowing farmers to learn about the new methods which also provide new revenue from carbon credits.

A project by the Trustee for Wetland Revival Trust is trialling the impact of landscape-scale drought resilient practices that restore and maintain natural capital on farms in the Lower Loddon River region. Activities will include improving soil carbon and moisture holding capacity and restoring native vegetation.

The Farm Business Resilience program helps build farmers' strategic business and risk management capacity in the face of all kinds of challenges, including drought and a changing climate. The program takes a proactive approach to building resilience across the whole farm business, focussing on business and risk management, natural resource management, and personal and social resilience. In some jurisdictions, the program is also delivering specific learning activities related to climate risk and adaptation, adverse event preparation, and diversification opportunities in a changing climate (e.g. utilising carbon markets). Because of its holistic and proactive approach, participants are better prepared to make informed and empowered decisions to manage climate-related and other risks, before times get tough.

Appendix A: Future Drought Fund Progress and Review

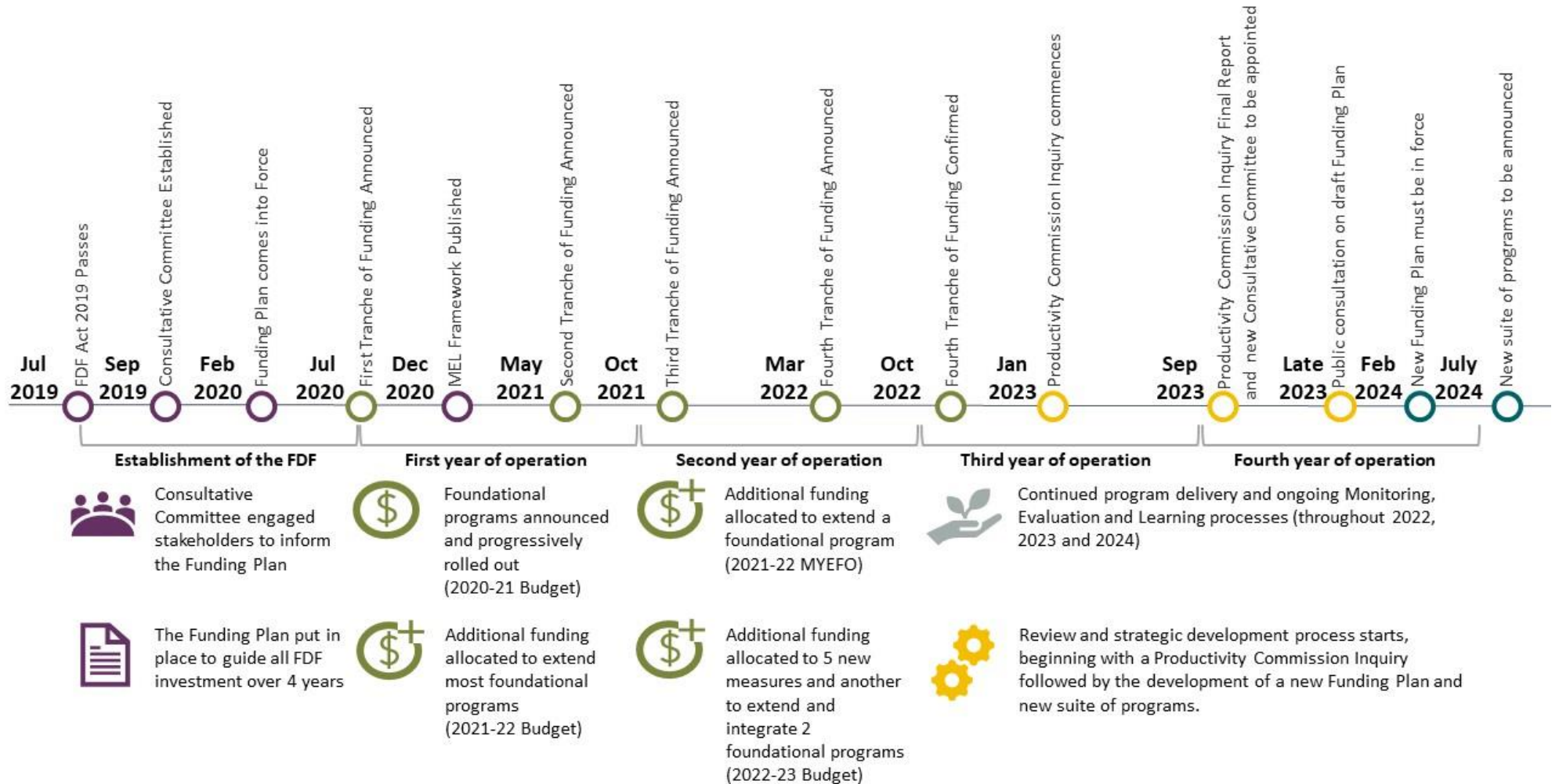


Appendix B: Future Drought Fund Strategic Themes and Programs



Source: Department of Agriculture, Fisheries and Forestry 2022

Appendix C: FDF Timeline



- **16 programs** in total, some of which include multiple grant and procurement processes
- **4 Budget processes**, **3** of which extended foundational programs beyond their first and subsequent years.

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