

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

Submission on behalf of the Victorian Government
March 2023

Lead agency: Department of Energy, Environment and Climate Action

Submission endorsed: Minister for Agriculture, The Hon. Gayle Tierney MP

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Victorian Government submission to the Productivity Commission Inquiry into the Future Drought Fund

This submission is prepared by the Victorian Department of Energy, Environment and Climate Action (DEECA), on behalf of the Victorian Government, to inform the scope and delivery of future iterations of the Future Drought Fund (the Fund). The submission seeks to ensure the Fund continues to build resilience of farm businesses and communities to drought and other climate risks for the Victorian agriculture sector.

The Victorian Government welcomed the opportunity to partner on delivery of the Regional Drought Resilience Planning and Farm Business Resilience programs under the Fund and participate as an investor and partner of the Victorian Drought Hub. As an enduring investment, the Fund provides a valuable means to build drought and climate resilience, that is tailored to the needs of jurisdictions and their communities. The current review process provides an important opportunity to ensure the settings are right to maximise the outcomes from this important Fund.

This short submission provides strategic advice on three areas in response to the Productivity Commission's call for submissions:

1. Broadening the scope of the Fund to include climate resilience to better prepare farmers for a changing climate.
2. Ensuring that broadening the scope considers the role of traditional owners and caring for country practices in agricultural landscapes.
3. Priority feedback on Fund governance and administration.

DEECA is the lead agency in Victoria on drought preparedness for the agriculture sector and has engaged across the Victorian Government in the preparation of this submission.

1. BROADENING THE SCOPE OF THE FUTURE DROUGHT FUND TO INCLUDE CLIMATE RESILIENCE TO BETTER PREPARE FARMERS FOR A CHANGING CLIMATE

Drought is one of many climate risks that farm businesses and rural communities must prepare for. Early evidence from Future Drought Fund programs in Victoria demonstrates that agricultural businesses and stakeholders are demanding more sophisticated and holistic climate resilience policy and program settings.

The Victorian Government welcomes the substantial investment in drought resilience and the opportunity to work in partnership with the Commonwealth Government to support delivery of Future Drought Fund (the Fund) priorities. However, the current limited scope of the Fund to drought only is restrictive and minimises opportunities to align policy and program settings to address a broader range of climate risks impacting farmers, industry and communities. Expanding the scope of the Fund to include broader climate risks would create an opportunity for greater practice change as well as better meeting the expectation of industry and stakeholders as they prepare for the risks of climate change.

Victorian stakeholders have identified that recent natural disaster events, such as the 2019-2020 Black Summer bushfires and the 2021 and 2022 Victorian floods, have been an impetus for change. They have driven farm businesses to further build resilience and take lessons that are applicable across a range of climate risks, including drought. Resilience—that is the capacity to recover quickly and/or adapt to adversity—is not only attitudinal but develops from experience, which builds the skills and capacity to adapt. Broadening the scope of the Fund will provide opportunities to engage with community-led adaptation, recovery and resilience planning processes linked to climate risks. This has significant benefit for delivering on climate resilience and value to regional communities, while reducing burden on industry and stakeholders and duplication of engagement.

The National Drought Agreement 2018 states that ‘farming businesses and farming communities are adopting increasingly sophisticated and effective strategies to deal with drought and respond to climate change and variability’. This acknowledges that many strategies used to respond to drought are also applicable to other risks and hazards from climate change. Future iterations of the Fund could enhance the work being done to build regional resilience and address the increased likelihood to extreme weather events, including drought.

The Victorian Government is driving policy and program reforms to ensure agriculture is well-placed to manage climate risk and to continue to be productive and profitable under a changing climate. The Fund could significantly boost efforts to manage climate risks.

Victoria's Climate Science Report 2019 shows that Victoria experiences highly variable weather. Long-term observed records show that Victoria's climate is changing; it is becoming warmer and drier and there has been an increase in dangerous fire weather. Ongoing climate change presents a significant challenge to Victorian communities, governments, businesses, and the environment. More frequent and extreme weather events will cause disruption to supply chains, decrease the availability of finance and insurance, cause geographical shifts in land suitability, and outbreaks of pests and disease. Broadening the scope of the Fund to consider climate risks and resilience would provide a means to align action to address this related suite of impacts.

There is also an opportunity for better connection of climate-related actions led through agriculture portfolios and signal the role of the Fund, while recognising that the challenge of climate change to agriculture industries is a priority for all Australian jurisdictions. Agriculture Ministers across the country have agreed to bring together a unified vision and priorities for the sector in a national statement on climate and agriculture. This provides another opportunity, and signals the need, to recognise the role of drought in a coordinated, national approach to climate resilience within the agriculture sector.

In 2020 the Victorian Government released an *Agriculture Strategy*, outlining commitments to recover, grow, modernise, protect and promote the agriculture sector. It identified that change is part of agriculture, and the industry needs to be supported and ready to adapt, innovate and respond to this change.

To deliver on its commitments, the Victorian Government is working hard across three integrated pillars of action:

1. Preparing for and responding to drought and extreme events

The Victorian Government supports farmers and agricultural communities to manage through and recover from the worst impacts of climate change, including drought, dry seasonal conditions, and natural disasters. As a party to the National Drought Agreement, the Victorian Government acknowledges the need to support farming businesses and communities to prepare for and manage climate variability.

The Victorian Drought Preparedness and Response Framework guides the Victorian Government's decisions about how best to support farmers, businesses, and communities to manage through and recover from drought.

In addition, Agriculture Victoria works in partnership with industry to deliver services to farmers to address the current impacts of climate change, and to support those who may not be able to transition with decisions about their business, succession and exit plans.

2. Supporting adaptation to the changing climate

Adaptation is recognised as an important component of building climate resilience by decreasing climate change risks and harnessing new opportunities. [Victoria's Primary Production Adaptation Action Plan \(2022-2026\)](#) is one of seven Adaptation Actions Plans (AAP) for Victoria. It articulates the adaptation priorities for the next five years and supports agriculture industries to build on the work they are already doing to adapt to climate change. The Primary Production AAP focuses on building the climate resilience of value chains, delivering innovation through research, and building the capacity and skills of primary industries to continue to adapt and grow.

3. Mitigating the worst impacts of climate change

The [Victorian Government's Climate Change Strategy \(2021-2030\)](#) is a roadmap to net-zero emissions and a climate resilient Victoria by 2050. Under this strategy, the Victorian Government is committed to position Victorian agriculture as a leader in low emissions agriculture and enable industries to be productive and profitable under a changed climate. This includes investing almost \$20 million over four years in emissions reduction activities through the [Agriculture Sector Pledge](#).

The strong investment and commitment of the Victorian Government to support and enhance action on climate change could be significantly boosted by broadening the Fund to include climate resilience.

The Victorian agriculture sector is ambitious and proactively investing in their assets and knowledge to build resilience and drive down emissions. The scale of the challenge is immense, and in the long-term the Fund could play a crucial role in building sector level resilience while reducing agricultural emissions.

In 2022 the agriculture sector came together with the Victorian Government to form a shared vision for agriculture's role in a climate-resilient net-zero emissions economy. The [Victorian Agriculture and Climate Change Statement](#) demonstrates the ambition of the sector to work together to accelerate climate change solutions by adapting to risks, capturing new opportunities and reducing emissions.

There is significant alignment for the Fund to support agriculture industries to adapt and transition in response to increasing climate risks, demonstrated by the existing Fund priority to support incremental, transitional and transformation change to build resilience. If the Fund continues to focus on a single hazard of climate change such as drought, there is a risk of maladaptation to other climate risks. This could occur where investment in drought resilience inadvertently undermines the preparation for other hazards. The Fund could provide a critical investment to improve farm business adaptation, which will also lead to businesses being more able to tackle emissions reduction.

Strong investment in emissions reduction initiatives to mitigate against the worst effects of climate change and to protect Victoria's agriculture sector is also key for the Victorian Government and the agriculture sector. The Agriculture Sector Pledge delivers foundational actions so farmers can prepare for and achieve emissions reductions towards 2030. As part of the Pledge, an *On-Farm Action Plan Pilot* will work directly with 250 Victorian farmers to develop plans to reduce emissions and build resilience.

The appetite for on-farm products, practices and technologies that support adaptation and deliver emissions reductions is growing. The Fund could significantly bolster these efforts and advance this work to prepare for the

changing climate. It will be critical that any increase in scope provides a stable policy environment for delivery that considers the existing policies and programs in place across jurisdictions so as not to duplicate effort or cause confusion in a delivery.

This inquiry into the Fund and the associated development of a new Funding Plan provides a timely opportunity to broaden the scope of the Fund to climate resilience to build on the momentum of the agriculture sector in Victoria to adapt, transition and transform to the changing climate.

The achievement of drought resilient industries and communities is a long-term outcome of the Fund. Longer term planning, better aligned with targets for climate resilience of 2050 and beyond, would strengthen the Fund's logic and outcomes. Broadening the scope will enhance the logic of the Fund to:

- Empower communities to identify impacts
- Support communities to consider the incremental, transitional, and transformational opportunities to strengthen resilience
- Facilitate increased community understanding of resilience and the sharing of learnings
- Encourage improved natural resource management through regional planning.

The work done with regional communities to date to build understanding of drought risk and vulnerability has opened the door to a broader understanding of the interconnected risks and vulnerabilities to climate change.

The Victorian Government strongly recommends that future iterations of the Fund broaden the scope to include climate resilience to capitalise on work to-date to build regional resilience, to better support the agriculture sector to prepare for and adapt to a range of climate risks, and to best tackle the longer-term outcomes of the Fund.

Any changes to the scope of the Fund should be accompanied by improvements to Fund governance and program management to support strategic engagement with program partners and delivery certainty for stakeholders. This should include clarity and stability of program guidelines including decision making responsibilities, timely engagement with partners and stakeholders and funding certainty. Further discussion of these administration matters is at section 3.

2. ENSURE BROADENING THE SCOPE CONSIDERS THE ROLE OF TRADITIONAL OWNERS AND CARING FOR COUNTRY PRACTICES IN AGRICULTURAL LANDSCAPES

Victoria is on a path to Treaty, the embodiment of Aboriginal self-determination where Traditional Owners and Aboriginal Victorians will be making decisions about the matters that impact their lives.

To build on the foundations of Aboriginal Self-Determination, it is imperative that Traditional Owners and Aboriginal Victorians are influencing policy and decision-making in agriculture, as well as developing strong and enduring partnerships to enhance the role of caring for country in drought and climate resilience.

Traditional Owners and Aboriginal Victorians have managed Victoria's land and water for tens of thousands of years. They have deep knowledge and cultural practices in sustainable food and medicinal plant production and ecological land management. The wealth of knowledge of Traditional Owners and Aboriginal Australians in managing agricultural landscapes is currently missing from the Future Drought Fund framework.

In 2022 the Victorian Government released *Water is Life: Traditional Owner Access to Water Roadmap*, a framework to find the balance of Traditional Owner self-determination in water access and management, and the rights and entitlements of a range of stakeholders. It outlines how Caring for Country and water can deliver thriving cultural economies and benefits for Traditional Owners, existing entitlement holders, and all Victorians.

It is critical that consideration is given to how Traditional Owners and Aboriginal Australians wish to embed their knowledge, experience and voice across the framework and management of the Fund. For example, consideration should be given to:

- **Governance** – how Traditional Owners and Aboriginal Australians can determine, deliver, or manage investments under the Fund
- **Engagement** – how Traditional Owners and Aboriginal Australians wish to be engaged across programs

- **Knowledge building** – how Traditional Owners and Aboriginal Australians wish caring for country practices to be incorporated into upskilling and land management practices
- **Planning** – understanding and overcoming the barriers that prevent Traditional Owners and Aboriginal Australians, both individuals and corporations, from accessing Fund opportunities
- **Implementation** – ensuring the priorities for Traditional Owners and Aboriginal Australians are included and considered in grant programs and there are avenues to partner on delivery.

The Fund must engage with Traditional Owners to understand their rights and interests at the earliest stages of any new iterations of the Fund.

In Victoria, Traditional Owners have legal rights under state-based legislation (*Aboriginal Heritage Act 2006* and *Traditional Owner Settlement Act 2010*) as well as the Federal *Native Title Act 1993* in addition to cultural responsibilities that must be respected including “distinct cultural rights” protected under section 19(2) of the *Charter of Human Rights and Responsibilities Act 2006* (Vic) (The Charter).

In some regions there are no formally recognised Traditional Owners. The Fund must engage broadly and inclusively with Traditional Owners who assert rights, interests and cultural authority in an area. This may include Traditional Owner families, groups and sub-groups without formal recognition, as well as neighbouring Traditional Owner communities that have already achieved formal recognition. For areas where Traditional Owners are formally recognised, the Fund should work with the Corporation appointed by the Traditional Owner group for that area under the *Aboriginal Heritage Act 2006* the *Traditional Owner Settlement Act 2010* and the *Native Title Act 1993*.

The Australian Cultural Heritage Resilience and Information System hosts an [online map](#) with details of formally recognised Traditional Owner groups in Victoria. First Peoples – State Relations also [hosts further advice](#) on engaging Traditional Owners.

3. PRIORITY FEEDBACK ON FUND GOVERNANCE AND ADMINISTRATION

The Fund is a multi-faceted and Australia-wide initiative, creating scope for many challenges to effective administration. DEECA, as the lead agency for Fund activities in the Victorian Government, has identified several areas for program improvements to ensure the benefits of the Fund are felt by the communities most at risk of drought and climate change, and to support more strategic engagement across various stakeholders. Future iterations of the Fund must address improvements to Fund governance and administration to provide an effective and stable delivery environment for program partners are supported to meet the objectives of the Fund.

1. Better planning and collaboration to support strategic engagement with program partners

Governments, industry, and community groups undertake business and budget planning processes over diverse timescales. Unilateral announcements of new programs under the Fund, and changing parameters within existing programs, often meant that industry and grower groups have had short timeframes to prepare and submit applications, often with limited resources to cover the many calls to develop projects.

Fundamental to better planning and collaboration is the role of the Drought Hubs and Nodes in coordination and engagement across sectors. The Fund has rolled out grants from multiple Fund programs without the Drought Hubs and Nodes sufficiently established and without a clear focus on drought preparedness. Thus, a strategic and sensible approach to drought preparedness for the regions has not been realised and the Drought Hubs have not been able to guide Fund grant programs.

Ongoing challenges to program planning and collaboration has been compounded by delays to the provision of funding agreements or acceptance of project plans by the Commonwealth Government, leading to delivery delays and uncertainty for both the Farm Business Resilience (FBR) and Regional Drought Resilience Planning (RDRP) programs.

As one example, in the extension of the RDRP program (2022-24), States and Territories can implement a grants program to support regions with an approved Regional Drought Resilience Plan (RDR Plan) to invest in priority actions. The program framework, co-signed by Agricultural Ministers, sets the policy parameters for these grants and specifies that the Commonwealth Department of Agriculture, Fisheries and Forestry (DAFF) will provide further policy guidance for the grants. The Victorian Government agreed to partner on the program in June 2022, draft policy guidance for the grants was provided by DAFF in

November 2022, and DEECA shared draft grant principles and process documentation with DAFF in late December 2022. DAFF only provided feedback on these arrangements to DEECA on 9 March 2023, leading to substantial delays in launching the grants program and therefore getting actions implemented on ground to increase regional resilience. Advice must be provided more quickly to better meet stakeholder expectations and needs, and to deliver programs on time and on budget.

The Fund managers and decision makers should consider what the appropriate lead times are to engage potential program partners and provide sufficient insight into the pipeline of opportunities to support strategic engagement.

2. Better communication and integration with other Fund programs and projects

Program delivery partners play an important role in engaging with industry stakeholders and beneficiaries. In the Victorian experience however, it was often difficult to find information about other Fund programs and information sessions were announced with short-lead times. In many instances, this led to disjointed engagement with stakeholders and duplicated efforts on the ground, particularly at a regional level. Most notably, the RDRP program, the Drought Hubs and the Helping Communities Prepare for Drought program are all concurrently undertaking similar priority setting processes.

Better communication and integration of effort, facilitated by the Fund, is essential to ensure better engagement and cooperation across regions. If the Fund is broadened to include climate resilience, as recommended, but without much improved Fund communication, duplication of effort and frustration of stakeholders will only be exacerbated.

The Fund managers and decision makers should consider how to share information with program partners in a way that fosters collaboration and coordination across the planning, design, and implementation processes.

3. Better governance that reflects the place-based focus of the Fund

Much of the 'better planning' theme of the FDF is based on regional, industry or community ownership of drought resilience planning. Many regional industry and stakeholder groups have shared concerns that the value of these local/community-led projects have been undermined by extensive reviews and approvals and changing parameters.

As one example, RDR Plans must be independently assessed, prior to approval by the Commonwealth Minister. CSIRO have provided these independent assessments, however, substantial delays led to stagnated engagement with stakeholders, undermined community-led outcomes, and eroded confidence in the place-based focus of the RDR Plans and the Fund.

The Fund should consider how authority and decision-making powers can be delegated to the appropriate level—state, community, or industry—to determine output design that is fit for purpose and better reflects community and place.