

Victoria Drought Resilience Adoption  
and Innovation Hub  
The University of Melbourne, Dookie Campus  
940 Dookie-Nalinga Road, VIC 3647

14th July, 2023

**Subject:** Submission to the Productivity Commission's Interim Report; Inquiry into the Future Drought Fund

Dear Commissioners,

On behalf of the **Victoria Drought Resilience Adoption and Innovation Hub (Vic Drought & Innovation Hub)** I would like to take the opportunity to respond to the Interim Report produced by the Productivity Commission Inquiry into the effectiveness, efficiency and appropriateness of Part 3 of the *Future Drought Fund Act 2019*.

The interim report recognises that the Future Drought Fund (FDF) is an important step in moving Australia's drought policy from reactive in-drought support towards investments into long-term preparedness, sustainability and resilience. This policy shift is increasingly gaining importance in the face of accelerating climate change and associated challenges already impacting Australia. It is well aligned with similar global policy (e.g. the Integrated Drought Management Program by the World Meteorological Organisation and the Global Water Partnership; and the United Nations program on Disaster Risk Reduction, which points out key differences between drought and other natural disasters).

The interim report finds that the FDF programs address genuine risks of underinvestment in resilience, and the FDF can play an important role in protecting Australian agriculture and regional communities from increasingly adverse climate impacts.

The Productivity Commission reiterated the **principle of the triple bottom line of building economic, environmental and social resilience**, but questioned balance and suitability of some programs to achieve this. The Productivity Commission also pointed out the **importance of public good outcomes**, and the **need for transformational changes** to build long-term resilience.

There were a number of opportunities for improvement identified, which mostly relate to the rapid and not always coordinated rollout of often small and short-term programs that were not necessarily well integrated. Our response to selected recommendations in the Interim Report follow.

**Response to interim recommendations and findings specific to the Drought Resilience Adoption and Innovation Hubs**

*Interim finding 9: There is scope to improve the Drought Resilience Adoption and Innovation Hubs*

The Vic Drought & Innovation Hub acknowledges that the hubs are in their early stages. As such it is timely to assess where improvements can be made in the formative years of their operation. In the Vic Drought

& Innovation Hub's experience, the Hub is already having an impact including the co-designed establishment of regional priorities, on the ground delivery of co-designed activities to support on farm drought resilience, brokering of new partnerships, participating in cross-hub projects and a national hub network, and coordinating consortia for grant submissions.

There is scope to make improvements, in particular around integration with other Future Drought Fund programs, and in moving beyond incremental improvements to support the innovative and transformational changes needed to increase drought resilience in the face of accelerating climate change.

#### **Interim recommendation 5: Improving the Drought Resilience Adoption and Innovation Hubs**

The Vic Drought & Innovation Hub welcomes the recommendation that funding to the hubs should be continued in the next funding plan. The Vic Drought & Innovation Hub also welcomes the recommendation for clearer expectations, accompanying performance monitoring and a revised, more holistic monitoring, evaluation and learning (MEL) plan to better target the overall program expectations.

Hubs were established little more than two years ago. The Vic Drought & Innovation Hub's head agreement was signed on 16 June 2021. As the Productivity Commission recognised, this short timeframe does not allow adequate evaluation of impacts or outcomes of the hubs. During this short time the Vic Drought & Innovation Hub has built strong and unprecedented partnerships in Victoria, and the eight hubs nationally have formed a strong collaborative network.

The Vic Drought & Innovation Hub believes that this national network of hubs is crucial to address some of the issues with the FDF program rollout identified by the Productivity Commission, such as short-termism, a lack of integration and coordination among the many different programs, or lack of knowledge sharing infrastructure. The national hub network constitutes an infrastructure investment that enables the national coordination and regional roll-out of programs, brokering of regionally engaged partnerships, identifying through on-the-ground consultations regional priorities, co-designing regional rollout of projects and guiding impact and on-the-ground adoption of drought resilience initiatives.

One concern is that the hubs are "duplicating or competing with established services and networks". The hubs have formed a strong national network and strive to align with existing systems and new initiatives, leverage synergies, add value and fill important gaps in the current Australian agricultural Research, Development, Extension, Adoption and Commercialisation (RDEAC) system. Coordination of hub activities with other parts of the RDEAC system, such as Research and Development Corporations or Cooperative Research Centres, has already led to alignment, cooperation, new partnerships and value-adding, as evidenced in recent in grant rounds. The Vic Drought & Innovation Hub expects that such collaborations will unlock further synergies, broker new partnerships and avoid rather than cause duplication and competition (where it is unproductive).

## Responses to selected interim recommendations, interim findings and information requests

*Interim finding 2: Future Drought Fund design and delivery problems will continue to constrain progress unless addressed*

The Vic Drought & Innovation Hub agrees with the requirement for better coordination and more logical sequencing of programs, and especially supports the amalgamation of small programs into larger, logically integrated ones that can support transformational change. The Vic Drought & Innovation Hub believes that the national network of hubs can support this coordination. A nationally consistent knowledge sharing infrastructure and strategy is needed to avoid inefficiencies through situations where each region, state, hub or program develops their own internal knowledge sharing solution. Consideration should be given to opportunities to adapt and extend existing, government-funding supported platforms, such as Agrifutures' GrowAg.

**Interim recommendation 1: Building resilience to climate change should be more explicitly recognised as an objective**

We would like to re-iterate our round one submission here: "The Vision statement of the Future Drought Fund already explicitly includes "...increased resilience to... drought and climate change", and activities undertaken or brokered by the Vic Drought & Innovation Hub are already addressing climate resilience more broadly, because it is increasingly difficult to deal with drought resilience without taking into account the underlying and accelerating change in climate...A focus on drought in isolation runs the risk of developing practices that have unintended negative consequences under future conditions or result in increased greenhouse gas emissions further driving climate change."

In response to the associated information request 1, the Vic Drought & Innovation Hub suggests that while the current wording of the FDF's vision already includes climate resilience, there may be scope for funded programs to make it clearer that drought cannot be seen in isolation from broader climate change issues.

In response to information requests 2, 3 and 4, the Vic Drought and Innovation Hub would like to point out the overarching goals of economic, environmental and social resilience and reiterate that the triple bottom line approach is strongly supported. Focus should be laid on win-win-win or 'no regrets' approaches that build economic resilience for farm businesses and deliver significant co-benefits of environmental and social resilience and other public good values such as biodiversity or climate mitigation.

Farm businesses are likely to underinvest in such longer-term strategies, where benefits are shared among other businesses and the public. Yet in the farming landscapes of regional and rural areas, sustainable natural resource management and building of natural capital are intrinsically linked with the operations of farm businesses. It is therefore paramount to address economic resilience and sustainability of the agricultural sector in close conjunction with natural resource management and, more, broadly, environmental and social resilience.

## **Interim recommendation 2: Establishing a drought and climate change resilience knowledge management system**

The Vic Drought & Innovation Hub is supportive of this recommendation, as this is best done at a national level to avoid duplication of efforts or mutually incompatible systems. Consideration should be given to opportunities to extend or adapt existing systems that receive public funding support, such as AgriFutures' GrowAg.

## *Interim finding 4: Monitoring, evaluation and learning activities have not adequately tracked performance*

The Vic Drought and Innovation Hub notes that the program-based monitoring, evaluation and learning (MEL) activities for the hubs were developed in parallel with the hub establishment phase. The MEL team of the Department of Agriculture, Fisheries and Forestry (DAFF) was very open to co-design and took into account proposals by the Vic Drought & Innovation Hub through the dedicated MEL community of practice, continuously improving the system. However, the Vic Drought and Innovation Hub recognises that this applies to the hub-program specific MEL focused on outputs and some short-term outcomes.

## *Interim finding 10: The role of Drought Resilience Innovation Grants*

In relation to the information request associated with this interim finding, the Vic Drought and Innovation Hub would like to underline that agricultural innovation must have a core role in any activities seeking to achieve transitional and transformational changes. It is not appropriate to conflate feedback on the specific FDF Innovation Grants program with agricultural innovation more broadly.

It is important to continue to support public and common good innovations that strongly take into account environmental and social resilience and sustainability. Reducing "innovation" to commercial products in the narrow sense would indeed contravene Funding Principle 4 not to duplicate programs, because there are a plethora of start-up support programmes and entities already in that space, and many with public funding support (e.g. the Victorian Government's 'Agtech Angel Network', or more broadly LaunchVic).

However, there are gaps and market failures in the innovation pipeline especially towards drought resilient practices. These justify public funding, because the market will likely not invest in public good innovations and underinvest in common good ones<sup>1</sup>. In agriculture specifically, it is precisely such public or common good innovations that can drive increased sustainability and drought resilience, so there is a very strong case for the Future Drought Fund to continue to support innovation to achieve its vision.

The Vic Drought and Innovation Hub is supportive of an innovation grant program which is focused on specific challenges, supports collaborative efforts of the highest quality proponents, and builds robust evidence bases for transformational change opportunities. The national network of hubs would be well placed to support through their regional networks the identification of such overarching challenges.

There are many examples where challenge-led investments can create the necessary 'critical mass' of capabilities and delivery agents to achieve step-changes. The 'Grand Challenges Approach' has been pioneered by the mathematician D Hilbert and since been expanded to health, engineering and



environmental challenges by many organisations<sup>2)</sup>. One prominent example where challenge-led investment strategies are used and proven would be the Gates Foundation (see, for example, their program of “Grand Challenges Exploration Grants”).

If given the opportunity, the Vic Drought & Innovation Hub would be looking forward to further support the aims and vision of the Future Drought Fund. We conclude by underlining that the regional specificity of the networks of each of the eight hubs in combination with the national network formed by the hubs collectively is an unprecedented resource and infrastructure to ensure two-way information flow between national aims and regional needs.

I would be pleased to remain in contact with the Commission as it finalises its report. I can be contacted should the Commission require further information.

Thank you for your consideration and kind regards,

-----  
**Professor Michael Tausz**

Director, Victoria Drought Resilience Adoption and Innovation Hub

<sup>1)</sup>Alston and Pardey (2021) The Economics of Agricultural Innovation. Handbook of Agricultural Economics (Chapter 47), Volume 5, Elsevier.

<sup>2)</sup>Singer and Brook (2011) The Grand Challenges Approach. Grand Challenges Canada/Grand Défis Canada.