

Submission to the Productivity Commission Inquiry – Natural Disaster Funding Arrangements

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Executive Summary

This public inquiry presents a unique opportunity to consider how disaster expenditure can be maximized for efficiency and effectiveness.

Whilst every effort must be made to reduce the risk of natural disasters occurring and minimize the impacts of any disasters that do occur, there are opportunities to consider how funds can best be used across the spectrum of the disaster cycle.

Despite the damage and trauma a natural disaster can cause, a disaster also brings opportunities that some communities may have never seen and may never see again, especially in rural and regional areas where rate bases are low, economic conditions are challenging and the natural environment is harsh and unpredictable – after a disaster is a unique time for visioning and thinking big picture – but this can't happen in the first two years – resources need to be available longer term to support communities to re-think identity and place or to reorient their identity with the disaster experience part of their new character.

Disaster funding should be spread across minimizing risk, minimizing the felt effect of disasters when they do strike on homes, infrastructure businesses/economies, providing ways for people to properly process their experiences and go forward with acceptance of the experience and new knowledge and skills to share and use if needed again – transferable to other life experiences and challenges, and preparedness for future disaster seasons.

Any change to the current structure needs to ensure that there is adequate capacity within the state and local levels of government to manage the mitigation, preparedness and recovery process. The additional burden placed on the local governments especially are of concern, in light of most natural disasters occurring in regional and rural areas where rate bases are typically lower and there are existing challenges to economic and social prosperity.

FRRR believes that disaster funding should be a partnership model, drawing on strengths, skills and relevance at different times, from private and public sector organisations. Further, whilst the focus of this inquiry is on government expenditure, it needs to be recognized that other sectors, such as private and philanthropic, contribute substantial resources to disaster relief and recovery. In light of this, if reforms include a shift in ratios of funding, assessing the whole disaster funding and management landscape needs to be undertaken to ensure that there are not unintended consequences such as cost shifting onto the non-profit sector.

As disasters and their costs and effects are unpredictable, there should be greater allocation of resources pre-disaster on resilience and preparedness and, an allocation of funds within recovery budgets for building resilience at the local community level.

Finally, any reform of the funding model needs to appreciate the long-term nature of disaster recovery. This is a major limitation to the current model. The recovery process can become more difficult for communities as time goes on. The needs become more complex over the first three years and often communities, local governments and agencies lack resources to effectively support the longer term needs of both the communities and the organisations coordinating the recovery.

Background: The Foundation for Rural and Regional Renewal and natural disaster recovery

FRRR's mission is to champion the economic and social strength of Australia's regional, rural and remote communities through partnerships with the private sector, philanthropy and governments. Our objective is to promote, for the public benefit, rural and regional renewal, regeneration and development in social, economic, environmental and cultural areas. FRRR values being a credible, independent, equitable, leading, advocating, leveraging, transforming, innovative, rigorous and reputable organisation. We are a knowledgeable organisation with strong and diverse networks creating positive impact through our work; building on past success. We support greater and deeper inclusion through our grassroots community-led approach. This empowers people with different needs to seek support through a diverse range of avenues in their communities.

FRRR's strategy is focused on enabling communities to build their social capital and economic resilience; by engaging and providing resources for projects that create the change communities aspire to achieve. More about FRRR general operations can be found at www.frrr.org.au.

FRRR has been assisting communities in recovery from natural disaster events since Cyclone Larry in 2006. Over \$10.2 million has been distributed to support medium to long term natural disaster recovery, mostly to small communities of less than 10,000 people, and contributed to by a range of businesses, State government and philanthropic individuals and entities.

The ways in which FRRR has engaged in recovery efforts have evolved and matured over time but FRRR has always taken a flexible, dynamic and community-led approach. FRRR led the way in the philanthropic sector's response to the 2009 Victorian bushfires, establishing a formal collaboration of business's, trusts and foundations to fund community and locally led recovery projects. This approach was again implemented in 2011, to support the communities impacted by the 2010/2011 floods, cyclones and storms across the east coast of Australia.

In 2011, FRRR articulated and formalised the many experiences and lessons gained from working in this space, developing a Natural Disaster Response Framework, which is now embedded into FRRR's organisational strategy and operations, with dedicated resources to evolve and maintain the capacity to implement the Framework when required, and to build stronger resilience and preparedness aspects to non-disaster related funding programs. See figure 6 in attachment A for the FRRR Natural Disaster Response Framework.

An independent review of the collaborative response to the 2009 Victorian bushfires initiated by FRRR (Morris, 2012 – attachment B) found a number of strengths in the collaborative and flexible approach. Key findings from the evaluation are highlighted below.

- The 'Repair Restore Renew' Program partners had policy and strategic incentives to collaborate
- The 'Repair Restore Renew' Program attracted other foundations to join the collaboration
- The 'Repair Restore Renew' Program helped its collaborating partners to achieve their goals in response to the bush fires
- The FRRR relationship with Victorian Bushfire Reconstruction and Recovery Authority (VBRRA) enhanced the 'Repair Restore Renew' and Donation Accounts* services (http://www.frrr.org.au/cb_pages/donation_accounts.php)
- The FRRR relationship with VBRRA enabled the Victorian Government to achieve its goal with community bushfire recovery

- Much of the FRRRR response to the fires was unique and could not have been achieved by government or corporations
- There was potential for more members of a collaborative fund
- The 'Repair Restore Renew' Program helped the bushfire communities achieve their recovery project aims
- The 'Repair Restore Renew' Program gave bushfire communities ease of access to funds
- The 'Repair Restore Renew' Program and Donation Accounts responded to expressed community recovery needs
- The Regional Donation Accounts grew and played an important role in community access to funds
- The Regional Donation Accounts gave a wide range of donors an opportunity to achieve their aim to support local fire communities
- The Regional Donation Accounts gave stronger structural capacity to FRRR to support community recovery and development

FRRR activities in natural disaster recovery recognize the following points:

- It is critical to recognise that recovery is a marathon rather than a sprint. The emergency response and first recovery phase can take up to 12 months; full recovery can take up to 10 years. Accordingly, we advocate thinking about spend over the long term. Because recovery from a disaster is a sustained effort over a long period of time, it is important to be mindful of issues that will emerge later in the journey.
- The importance of philanthropic, government and private sector collaboration for recovery. There is a need to support and collaborate at the time of a disaster, and for the duration of the disaster recovery. Collaboration means we can better manage duplication; we use each other's strengths and skills more effectively.
- Disasters can create a once in a life time opportunity to create something new, however time is required for considering and planning the 'new'. 'Like for like' restoration is not always appropriate for resilience and preparedness.
- Critical to any communities' recovery is an element of economic development and adjustment. Communities cannot survive on air and water alone and reinvigorating the economic fabric is crucial to a town's survival. Recent research by the Regional Australia Institute has highlighted that economic recovery, particularly in smaller regional locations, is often not supported or assisted - philanthropy or government.

Response to the Commission Inquiry Issues Paper

We believe that the philanthropic sector and in particular FRRR's leadership and expertise in funding natural disaster recovery can provide valuable models and approaches that can inform and be adapted to a government context. We are pleased to provide responses to five of the questions posed by the Productivity Commission Issues Paper (May 2014). These are focus areas in which FRRR has experience and evidence of best practice. Within our responses, we provide case study examples of successful and sustainable models of recovery funding as well as examples drawn from FRRR's engagement in natural disaster recovery.

Is the balance of Australian Government funding on mitigation and resilience activities relative to recovery activities appropriate?

Given the unpredictable nature of natural disasters and their effects, the costs of recovery are difficult to accurately budget for. However, it could easily be argued that with greater levels of spending on pre-disaster activity such as mitigation works and local community resilience initiatives, the eventual cost of recovery would be decreased.

We know for example that communities with higher levels of social capital pre-disaster will respond and recover better than those with lower levels of social capital. We also know that communities that are engaged and understand the emergency management system, and the communities' role in this, are better equipped at the time of a disaster.

In 2011 FRRR observed those communities with a history of community leadership development, and the resulting bonding, bridging and networking capital, more readily self-organise and more quickly commence a community recovery process.

FRRR has supported a number of initiatives including Community Emergency Plans, Community Leadership Programs, practical training programs such as chainsaw handling, mental health first aid and governance for non-profit organisations – which create capacity and skills ready to deploy post a disaster. These investments have enabled communities in disaster risk areas to take control of their preparedness for disaster and have assisted them to build a strong level of social capital able to support recovery.

FRRR's experience with funding resilience and preparedness activities is that when embedded into recovery funding as a 'disaster preparedness' category, it has a higher uptake. Organisations, communities and individuals have the lived experience in their recent memory and the benefits and opportunities to improve preparedness and mitigate risks is acknowledged and more easily prioritized. This means that in the absence of funds being allocated to pre-disaster work, there is at least an ability to support communities impacted by a disaster to be better prepared next time.

FRRR experience is that during the post disaster period can extend for many months and years, and that the needs of individuals and community will change over this time, with mental health, youth engagement and housing issues taking years to emerge. Experiences in the Victorian Black Saturday fires and in US communities of New Orleans and Boulder County, it can take months and years to determine what a 'new' community – both physical and social – will look like. In this longer time scale, is the investment required to create and strengthen the 'new' community considered recovery or is it considered preparedness.

Are current natural disaster funding arrangements consistent with effective and sustainable allocation of resources to natural disaster mitigation, resilience & recovery?

FRRR would argue that the current funding arrangement is not sustainable, principally because of the frequency and unpredictability of disasters. If we look to other sustainable funding models, they usually comprise a number of streams and a reduced reliance on one source. They are dynamic and flexible enough to withstand change and turbulence. They often contain a good balance of risk-taking with cautious investment and have a long-term view. In this sense, the current disaster funding model is not consistent with effective practices.

There needs to be consideration of the level of risk relative to outcome governments are willing to work with. We would argue that there should be a higher allocation to pre-disaster investment, which whilst higher risk as the eventuation of a disaster occurrence is unknown, the long-term outcome in terms of recovery expenditure would be lower and the recovery timeframe shorter.

This is also where the concept of Private-Public Partnerships can be of use. Whilst this Inquiry is focused on government funding arrangements, it must be recognized that there are a number of other players in the disaster risk mitigation, preparedness, relief and recovery space, which contribute substantial amounts. Resource allocations can be contracted to external non-government organisations which have greater appetite and ability to fund higher risk activities and patience for longer-term returns. This approach is currently building momentum in the social impact investment context in Australia.

Having a budget provision for future disaster recovery can create stability and enable better planning and coordination before a disaster strikes and more efficient resourcing and deployment of those resources at the local level during and post a disaster.

Public appeals following a natural disaster have raised historic amounts of money for recovery efforts. However the increased frequency and ongoing severity of disasters is leading to a fatigued donor community.

It is increasingly difficult for communities to keep the spotlight on their needs in a fast-paced media environment and there is evidence that correlates the length of time a disaster stays in the media with the amount of funds raised for the disaster (US Centre for Disaster Philanthropy: 90% of funds raised are in the first 90 days after the disaster event). Public appeals cannot be relied on as a source of revenue to support disaster recovery but can supplement a budget allocation.

There are an increasing number of corporates pre-allocating funds to potential natural disaster events and their subsequent relief and recovery. This demonstrates foresight and a strategic consideration of disaster expenditure in a more sustainable way.

FRRR is exploring the potential for the establishment of an endowed philanthropic entity for long-term disaster response and recovery within Australia, in order to build preparedness and capacity within a sector that may be called upon to support a arrange of elements of natural disaster preparedness, relief, recovery and resilience. The key characteristics would be:

- Ability to raise, accept and reserve funds for general disaster recovery rather than a specific named disaster;
- Eligibility to accept donations from multiple philanthropic, government and corporate donors, including other foundations; and
- Capacity to reserve funds until needs arise and direct funds for multiple purposes within disaster affected or at-risk communities in Australia.

Do state and territory governments shift the costs of their own core asset and liability management activities to the Australian government and other state and territory governments through the arrangements?

Whilst FRRR is not in a position to comment on cost-shifting between governments, we are able to comment on the demand received for support of what could be deemed core government assets.

Across all FRRR grant programs, there is a high and constant demand from state and local government entities including Country Fire Authorities, State Emergency Services, Recreation Reserves and Community Halls.

Requests are typically for upgrades to equipment and assets such as new trailers, quick-fill pumps, generators, irrigation systems, and painting and fit out of kitchens and spaces used as evacuation points. FRRR requires applicants to demonstrate that the government entity responsible for the asset management is not able to fund the work and provide reason as to why. Frequently the response is that there are inadequate funds available for such works as that these are deemed outside of the core maintenance.

Between 2009 and 2014, FRRR received just under 300 funding requests to the value of over \$1,7million from government entities relating to emergency services and asset management.

Lack of investment in rural and regional emergency services and evacuation place asset places communities at risk and substantially reduces the ability of communities to effectively mitigate against and prepare for disasters. The general trend in reduced investments into rural, regional and remote assets is exacerbating the investment impacts in the natural disaster context.

Are there natural disaster funding or governance models used elsewhere that may be suitable for Australia?

With the increasing number and frequency of disaster events occurring across the globe, a great deal of work has been undertaken to improve the practices employed in community recovery efforts, both in Australia and in other nations impacted heavily by natural disasters in recent years (including the United States of America, New Zealand and Haiti). Below are some case study summaries which we believe are worthy of consideration.

Private Sector Collaboration: FEMA

The Federal Emergency Management Agency (FEMA) has worked steadily to increase the level of private sector collaboration at all levels. The agency has broken new ground in areas that will have profound and long-term benefits to the nation, such as the Private Sector Representative position, online training, and downloadable exercises. **Link:** <http://www.fema.gov/private-sector>

State of Colorado: Recovery Support Strategy, 2013 Floods

A collaborative inter-governmental funding model for recovery underpinned by the National Disaster Recovery Framework (NDRF). The NDRF provides guidelines for how the Federal Disaster Recovery Coordinator (FDRC), Recovery Support Function (RSF) agencies, and partner entities can work together to support recovery efforts in coordination with nongovernmental and private sector organisations. As a result the FDRC and RSF agencies are able to reach across several sectors and promote coordination among stakeholders from the whole community. Each RSF has a coordinating Federal agency, primary and supporting agencies, as delineated in NDRF.

Link to strategy information: <http://www.fema.gov/national-disaster-recovery-framework> and <http://www.fema.gov/news-release/2014/03/07/colorado-flooding-six-months-later>

San Francisco Preparedness

The San Francisco Foundation has a Disaster Preparedness Project to strengthen both the Bay Area communities that would be disproportionately affected by disaster and the organizations that serve them. Because nonprofits play a critical role in disasters, they strengthen the capacity of key nonprofit service providers to meet the needs of Bay Area communities in the aftermath of a catastrophic disaster. They have agreements with 46 food, shelter, health, and mental health service providers, through which it will expedite grants to meet urgent community needs in low-income communities and communities of color immediately following a disaster.

Intermediaries also play a critical role in preparing and supporting intermediary nonprofits for disasters, and connecting them with government disaster partners. In recognition of their critical roles and small and under-resourced organizational structures, The San Francisco Foundation supports intermediaries with funding, aimed at embedding and maintaining disaster preparedness and response capacity within their organisations.

Link <http://www.sff.org/programs/special-programs-and-funds/disaster-preparedness/>

The San Francisco Department of Emergency Management (SFDEM) manages and prepares for everyday and not-so-everyday emergencies. Dispatchers answer 9-1-1 calls. Planners help residents prepare for disaster and manage the response and recovery. DEM is organized into two divisions: Emergency Communications and Emergency Services.

The Department has a number of initiatives aimed at increasing preparedness and resilience in the context of the frequency of earthquakes in the city. One such initiative is a grassroots community program funded by the Government, to increase community preparedness for disasters.

Link to Neighbour-helping-Neighbour Program: <http://www.sf-fire.org/index.aspx?page=859>

Further Case Studies

In 2012, FRRR undertook an examination into FRRR's role in natural disaster recovery and exploration of best practices in funding disaster recovery, resulting in a knowledge and issues paper. The paper includes case studies of best practice and analysis of FRRR's lessons and experiences to date.

Attachment: FRRR Natural Disaster Recovery Knowledge & Issues Paper, October 2013.

Conclusion

When considering changes to the government disaster funding arrangement, awareness of the broader funding and resourcing landscape should be taken in account, in order to mitigate any unintended consequences of cost shifting and additional funding requirements.

Local government is often at the coal face of disaster recovery with community, regional economies and longer term ramifications on population and services. FRRR has seen substantial demands on local government capacity and capabilities. Any potential changes to the funding arrangements between state, territory and commonwealth governments should consider the third tier of government.

Appetite and relevance of disaster mitigation and preparedness is highest in the 1-3 years post disaster. The most effective and efficient approach to strengthening these is in the recovery phase, providing additional knowledge, skills and resources to leverage off the community readiness for such investment in preparedness and mitigation for the future.

The disaster response and recovery cycle is a marathon, and any funding arrangements must be aware of the changing needs and expectations during this cycle, and leverage investments to maximize impact.

Embedding knowledge, systems and resources into organizational structures and government policies, in order to retain capacity to think, plan and act with disaster preparedness, mitigation, response and recovery in mind for 365 days per year, is critical for a prepared society.

Governments alone are unable to deal with the complexity of disasters. A stronger investment and flexibility in funding arrangements to engage in partnerships is required.

Should you require further information please do not hesitate to contact us.

Alexandra Gartmann
CEO

Attachments:

- A. FRRR Natural Disaster Recovery Knowledge & Issues Paper, October 2013.
- B. Helen Morris (2012) Lessons in Disaster Recovery: Learning from FRRR's response to the 2009 Victorian Bushfires

Further reading:

1. Guest blog post: Natural Disaster Recover: the role of the philanthropic sector- <http://blog.philanthropy.org.au/2013/01/29/guest-post-natural-disaster-recovery-the-role-of-the-philanthropic-sector/>
2. Guest blog post: Seven habits of highly – effective natural disaster recovery granting- <http://blog.philanthropy.org.au/2013/01/31/guest-post-seven-habits-of-highly-effective-natural-disaster-recovery-granting/>