

6th June 2008

The Secretary
 Standing Committee on Infrastructure, Transport, Regional Development and Local
 Government
 House of Representatives
 Parliament House
 Canberra ACT

Submission to the Inquiry into a new regional development funding program

The Illawarra Area Consultative Committee (IACC) welcomes the opportunity to make a submission to this Inquiry.

IACC is a community-based organisation that for twelve years has worked with a broad cross section of the Illawarra community. Throughout these years IACC's membership has included many representatives of local government, the not-for-profit sector, business and industry, the Aboriginal community, the education sector and the union movement.

During this time IACC has gained a great deal of experience in the promotion and facilitation of Commonwealth Government funding programs. Commonwealth regional grants programs can be of enormous value to regional communities (including peri-urban communities). In this regard IACC has seen great benefits to the economy of the Illawarra region and to the circumstances its communities, due to the funding of projects such as:

- *The Light Aeronautics Industry Cluster - Illawarra Regional Airport*
- *Shellharbour 'No Dole'*
- *i3net Industry Cluster*
- *Figtree High School - Applied Technology Pathways*
- *Albion Park 'Crossroads' – Business growth project*

Our first-hand observation of the operation of the Regional Partnerships program has also led to a number of conclusions that are relevant to the Inquiry terms of reference.



The IACC Board has previously expressed concerns about the operation of the Regional Partnerships program and believes that it is our responsibility to provide frank and fearless advice. We wish in doing so to help bring about improvements that will make such programs more effective for regional communities in the future.

In this submission IACC seeks to address the challenge of balancing the diverse needs of regional communities with the recommendations contained in the Australian National Audit Office (ANAO) *Performance Audit of the Regional Partnerships Program*.

The following points relate, in some measure, to all of the Inquiry's terms of reference.

Administration of the Regional Partnerships program
(Terms of Reference 3 and 4)

Lack of transparency and consistency of decision-making

At various levels, the decision-making process for the Regional Partnerships program has lacked transparency and consistency. Despite a revision of program guidelines, as a result of the 2005 Senate Inquiry into the Regional Partnerships and Sustainable Regions programs, the interpretation of the guidelines appears to have remained inconsistent throughout the life of the program.

It is our view that this resulted largely from one factor:

The operation of Regional Partnerships as a discretionary program.

This factor has provided great challenges for Departmental officers in seeking to interpret the program guidelines. Area Consultative Committees (ACCs) and grant applicants who sought to understand and apply the guidelines in relation to their funding applications often had the feeling that the 'goalposts' were being shifted. Even with the revised guidelines in place it was extraordinarily difficult for ACCs to provide accurate advice to applicants. It became necessary for our organisation (and I'm sure many others as well) to seek 'inside' information about the latest preferences of the relevant Minister or Parliamentary Secretary, in order to understand the current interpretation of the guidelines by the Department of Transport and Regional Services.

An atmosphere of great uncertainty spread among those people involved at various levels in the application and assessment process and undermined the efforts of all those involved in the administration of the Regional Partnerships program to maintain a high level of professionalism. This environment also led to constant doubts in the community about whether the program was being administered fairly. IACC received regular comments from community members about perceived political bias in the approval of grants.

Dysfunctional assessment process

The growing conflict between the operation of Regional Partnerships as a discretionary fund and the report of the 2005 Senate Inquiry and 2007 ANAO recommendations resulted in the assessment process that could, at times, be best described as highly dysfunctional. This situation was greatly exacerbated by the fact that every single grant application (whether the grant sought was \$3,000 or \$3 million), having already been assessed at least once by the Department, was then personally reviewed and approved, or declined, by the Minister or Parliamentary Secretary. This process involved hundreds of Regional Partnerships applications every year, and resulted in an enormous backlog of applications in the system.

As professional public servants sought to address the recommendations of the Senate Inquiry and the ANAO audit, they were simultaneously attempting to achieve the objectives of the Minister of the day. The conflict inherent in this situation led to extraordinary delays in assessment and decision-making. The officially stated target for processing Regional Partnerships applications was twelve weeks. Many funding applications took in excess of six months (sometimes even ten or twelve months) to obtain a decision, as the paperwork was referred backwards and forwards within the Department in an effort to address conflicting issues.

Lack of clear communication with stakeholders

It has often seemed to users of the Regional Partnerships program, that the Department became increasingly engaged in a process of damage control, trying its best to do the government's bidding while, at the same time, endeavouring to meet community expectations. Because of the internal conflict that became inherent in the system it was difficult to maintain clear, transparent communication with the ACC network and with Regional Partnerships applicants.

Between 2006 and 2008 communication from the Department about the assessment of applications became even more inconsistent and spasmodic. This resulted in confusion and frustration about the assessment process, and reinforced the widely held impression that the guidelines were being interpreted in the context of a political agenda.

Lack of understanding by the Department's national office about regional needs and practical program delivery issues

After 2005, as criticism mounted about the administration of Regional Partnerships program, the Minister for Transport and Regional Services sought to provide greater control of the assessment process to the national office of the Department. The assessment role of the Department's regional offices was removed in March 2006 and given to a new team in the national office. This was done in the mistaken belief that delays in assessment were due to inefficiencies at the regional office level. The

result was that, after a brief initial improvement, delays became as bad, if not worse than they had ever been. It is IACC's contention that this was because the real problem (decision-making by Ministerial discretion) had not been dealt with.

An unfortunate outcome of this disempowerment of regional offices was their greatly reduced influence on the Department's level of understanding about the needs of regional communities. The decision to change the role of the Department's regional offices also signalled a profound alteration in the style of communication about regional issues.

After the centralisation of the assessment role, IACC experienced a clear diminution of the Department's level of interest (at a national office level) in accepting advice and information about regional issues. This resulted in a reduction in the Department's capacity to address serious problems with the Regional Partnerships program and its level of effectiveness in the regions. It is likely that any chance to make the Regional Partnerships program more effective in the regions was lost at this point. The Department's communication about grant applications became characterised by:

- Misunderstandings about the complex place-based issues facing communities;
- Unrealistic expectations of the capacity of community organisations to prepare complex grant applications;
- Unrealistic expectations about the capacity of community organisations to raise funds for local projects;
- Unrealistic expectations about the duration of funding required for projects to become sustainable;
- A lack of understanding about the damaging impact on community organisations of delays in decision-making.

Recommendations on guidelines for a new regional development funding program (Terms of Reference 1 and 2)

Operation of the program as an eligibility-based or competitive grants program.

IACC has assisted many organisations to prepare successful funding applications under programs *other than* the Regional Partnerships program. Programs, such as *Building Entrepreneurship in Small Business* and the *Australian Tourism Development Program* have not experienced the problems that have plagued Regional Partnerships.

IACC believes that the major reason these programs have had a relatively straightforward and uncontroversial history is the fact that they are *not* discretionary programs. For reasons described above, it is almost by definition that a process of approval of individual grants by Ministerial discretion will lead to inconsistency and a lack of transparency. Public servants are put in a position where they are unable to

maintain transparency with stakeholders, because many of the reasons behind funding decisions are unable to be publicised.

For this reason, in order to comply with the recommendations of the 2007 ANAO audit, IACC recommends that any new regional development funding program be implemented as an eligibility-based or competitive grants program.

Creation of an independent panel with delegation to make grant approvals

It is the view of IACC that decision-making authority relating to grant applications should be delegated to an independent panel. Ideally this panel would operate under the auspices of the national Board of *Regional Development Australia*.

This would enable the Minister to closely monitor the performance of the program to ensure it meets the Government's policy objectives, whilst remaining at 'arms length' from individual funding decisions.

Strengthening the adherence to program guidelines

The strengths of eligibility-based and competitive grants programs are that guidelines can be adhered to with relative ease. There are fewer 'grey areas' created by the need to 'second guess' the delegate's professional or political preferences. This is particularly the case for eligibility-based programs. A higher level of judgement is required for competitive grants programs. However, there is ample evidence that guidelines for programs such as *Building Entrepreneurship in Small Business* are able to be written in a way which enables balanced decisions to be made.

Simplification of the application process

The application process should be straightforward enough for regional community organisations not to have to acquire the services of professional grant-writers.

A regular comment made by community organisations was that they simply could not afford to undertake the process of applying for a Regional Partnerships grant. The completion of a Regional Partnerships application was a challenging task, even for organisations that possessed a high level of administrative and research capability. Staff and/or volunteers had to expend many days, to research and prepare an application.

Small community organisations that did not possess such capabilities either had to rely very heavily on the Area Consultative Committee to prepare major sections of the application or, if they had the resources, hire consultants to undertake the preparation. The Department was often critical of applications that were not prepared in a professional manner. *This created a situation where organisations with*

the best grant-writing skills were most likely to acquire the grants, rather than the most deserving projects.

A simplified application process with a clearer, stronger set of guidelines would help to overcome this tendency.

Simplification of assessment processes

The adoption of an eligibility-based or competitive grants system would remove a major element of uncertainty for the public servants responsible for the assessment of applications. Professional assessors within the department would be able to make recommendations with much greater certainty, especially for applications that clearly adhere to program guidelines. With the removal of unpredictable political considerations, much less time could be taken to assess applications. This in turn would help to minimize administrative costs.

IACC considers that such simplification of the administrative procedures would also enable the Government to impose strict deadlines on the time taken to assess each application, thus remedying another cause of hardship for community-based applicants.

Interface with applicants

IACC believes that it is vital for the effective delivery of the proposed Regional and Local Community Infrastructure Program, that the Government is able to establish a genuine interface with communities. Without a system that enables the provision of assistance and advice to grant applicants, successful applicants will tend to be large, well resourced organisations with access to professional grant-writing capability.

A grant program that genuinely engages and assists regional communities (including disadvantaged urban communities) *at the application stage* will be more likely to benefit a broad range of organisations, including organisations that represent disadvantaged groups and the Indigenous community.

Genuine community engagement is often stated as an objective of grant programs but is difficult to achieve. It is less likely to occur for programs that are entirely administered at a national office level. *Successful grant recipients for programs administered entirely by the national office of the Department will most likely be those who are adept at understanding and dealing with bureaucracy, rather than necessarily those organisations representing communities with the most need.*

Summary and Conclusion

To avoid the problems associated with the Regional Partnerships program, IACC recommends that a new Regional and Local Community Infrastructure Program should be designed with the following attributes:

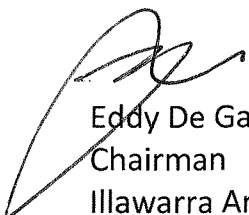
- Decision-making derived from eligibility-based or competitive criteria, rather than from discretionary prerogative;
- Decision-making authority delegated to an independent panel;
- Decision-making strictly based on new guidelines that can readily be understood and adhered to by applicants and assessors alike;
- An application process that can readily be understood and addressed by applicants, including organisations representing disadvantage groups in the community;
- Delivery strategies that attempt to promote genuine engagement with regional communities.

IACC considers that these measures will bring about improved administration of regional funding programs by encouraging:

- greater transparency,
- improved communication, and
- simplification of the assessment process.

Each of these improvements would be promoted by the removal of the complexities that are spread throughout the system when decisions about *individual* grant applications are determined by Ministerial discretion.

IACC also believes that the adoption of these recommendations would lead to a reduction in administration costs. It is our view that many unnecessary costs associated with the administration of the Regional Partnerships program were generated by the convoluted and dysfunctional assessment process described in this submission.


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Chairman
Illawarra Area Consultative Committee

