



**Regional
Development**
Australia

N O R T H E R N T E R R I T O R Y

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Committee Secretary
Joint Committee of Public Accounts and Audit
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RE: Submission to the *'Inquiry into Commonwealth grants administration'*

- **feedback on the Building Better Regions Fund**
- **recommendations for the guidelines and assessment process for the Growing Regions Program and the regional Precincts and Partnerships Program**

Introduction

Regional Development Australia (RDA) is a national initiative which seeks to grow and strengthen the regions of Australia. One of 53 organisations that make up the RDA network, RDA Northern Territory (RDA NT) seeks to foster social and economic development outcomes across the Northern Territory. A key mechanism RDA NT uses to achieve this ambitious objective is promoting Australian Government programs, and in particular assisting various organisations to secure funding for their regional development projects.

In this context, the recently discontinued Building Better Regions Fund (BBRF) has been a critical funding program as there are very few other opportunities for resource poor organisations to fund infrastructure projects in regional and remote areas. The BBRF and its precursors (the National Stronger Regions Fund and the Regional Development Australia Fund) represent over a decade of essentially continuous regional development funding.

RDA NT believes that public funding, and in particular regional development funding, should be a key tool in addressing social and economic inequity. There is a clear association between geography and social and economic inequity in Australia, with more isolated Australians (particularly Aboriginal Australians living connected to land and culture) experiencing sometimes profound disadvantage.

Funding programs arise for the more remote parts of Australia precisely because they have limited services and attract less investment (for example, large regions of Australia have virtually no rate base to assist with the cost of public infrastructure). But these regions also lack political influence, and so funding designed to create opportunity in regional Australia is pulled towards the more populated parts of the county.

Regional Australia is often asked to justify its share of public investment. Although the many validations are intrinsic to Australia's identity to the degree that they should not need restating, amongst them are that:

- native title rights are recognised for so much of regional Australia;
- regional industries, such as agriculture, tourism and mining, contribute so greatly to Australia's GDP; and
- climate change has increased our awareness of the value of our intact landscapes.

RDA NT is a very strong advocate for regional funding programs, and we look forward to supporting the delivery of the recently announced Growing Regions Program. However, having played a unique role in the delivery of these funding programs we also have some views about their strengths and weaknesses. We hope our experience can assist the deliberations of the Joint Committee of Public Accounts and Audit (JCPAA).

While RDA NT has had direct involvement with the Safer Communities Program, the Regional Growth Fund, and Grants Hubs we have had the most direct and longest experience with BBRF (and its precursors). This means, while our comments will have wider relevance, we have focused our feedback on BBRF.

This inquiry is performed "with a view to strengthening the integrity and administration of grants". In direct response to this, RDA NT makes two recommendations relating to:

- giving the intended advantage to those project proponents who are the most legitimate recipients of regional development funding; and
- incorporating into governance processes an element of local decision making.

Public Investment Focused on Filling Needs Gaps

The Terms of Reference for the inquiry acknowledge the fact that Government funding should be equitable. We would go a step further and suggest that, in the case of some funding programs, Government funding should expressly address inequity.

The premise of a regional development funding program is the understanding that remoteness, small population size, a relatively low level of development, and small or un-diversified economies significantly limit investment in public services and infrastructure.

RDA NT supports greater emphasis, in regional development funding guidelines and assessment processes, on addressing the inequities faced across regional Australia. RDA NT is of the view that BBRF and related funding programs have not been as effective in promoting regional development outcomes as they might have been if the needs gap driving investment in regional development was more strongly reflected in selection criteria.

It is important to get a shared position on the use of the term “regional” as it relates to regional disadvantage. The Government has argued historically that all parts of Australia are “regions” and therefore have an equal claim to regional development funding.

Using the ABS's Remoteness Classification System, clearly Metro areas are not regional. Additionally, we would argue that the need for public funding in Inner Regional areas is very different to the need in Outer Regional areas, and vastly different to the need in Remote or Very Remote areas. RDA NT believes the current expenditure of regional program funding in urban and peri-urban locations does not align with public expectations.

Recommendation: RDA NT recommends that regional funding assessment criteria and assessment processes be carefully reviewed with a focus on ensuring that the successful projects are those of greatest value in filling regional needs gaps (for example those projects unlikely to progress without Government assistance).

The Governance of Funding Decision Making

Public funding decision-making should be transparently based on merit.

Unfortunately, BBRF became increasingly known for being a funding program marred by political influence. RDA NT has no visibility of the internal government decision-making process, but an analysis of funded projects has consistently (and increasingly) reflected electoral bias that is statistically unlikely to be coincidental. The Northern Territory is particularly sensitive to this issue, having only two national electoral divisions.

It appears likely that the Northern Territory's very small population also affects funding outcomes. The Northern Territory might justifiably receive a disproportionately large share of funding from a regional program based on geographic scale, remoteness, economic maturity/potential, and Aboriginal development. Unfortunately, there seems instead to be a strong correlation between investment and population.

It is valuable to consider the history of governance arrangements for BBRF and prior regional funding programs. More than 10 years ago the funding decision-making sat entirely with the Area Consultative Committees (the predecessors to RDAs). Now the funding decision-making sits entirely with a Ministerial Panel. RDA NT is of the opinion that there was an optimal point in this pendulum swing which is worth revisiting.

Regional Development Australia Fund Round 4 (October 2012) had a two-stage assessment process. The assessment of expressions of interest was the responsibility of the RDA Committees. The shortlisted expressions of interest then progressed to the next stage and the project proponents developed full applications for assessment by the relevant agency.

This two-stage assessment had multiple benefits:

- It allowed people with local knowledge to shortlist projects for their region. It is acknowledged that conflicts of interest need to be managed, however, local project prioritisation offers a vastly better assessment of needs, impacts and risks.
- It saved resource poor organisations from the significant cost of developing a full application unless they were shortlisted, in which event their application was being considered in a considerably less competitive context and their odds of success were very much higher.
- It greatly reduced the volume of applications that needed to be assessed by the relevant agency, allowing for more timely analysis of the full applications against the selection criteria and detailed assessment of project viability and risk.

Regional Development Australia Fund Round 5B (July 2013) saw the shift to a single stage of assessment conducted by the relevant agency with no input from the RDA Committees.

This one-step assessment had multiple disadvantages:

- Assessment was based entirely on content in the application, with no local “truth testing” of needs, impacts and risks.
- Assessment based entirely on content in the application results in the best applications being funded, rather than the best projects being funded. Project proponents with greater resources to develop polished funding applications outperform project proponents with highly meritorious projects but a lack of resources to present their case.
- Applicants had to bear the cost of developing projects to “shovel ready” status, effectively making funding less accessible to resource poor organisations. These organisations can garner support for the significant cost of developing a full application if they have been shortlisted and their odds of success are higher.
- Resource rich organisations could invest in supporting evidence with the confidence of knowing that they could fund their project independently in the event that their application was unsuccessful. Resource poor organisations had to gamble that their investment in the development of a funding application would pay off.
- Assessment of a huge volume of full applications by the relevant agency was inefficient, furthermore significant delays between applying and receipt of project funding resulted in issues such as changes to project costs.

Recommendation: RDA NT recommends the return to a two-stage assessment of regional funding applications, as described above. This maximises the value of local knowledge in the funding decision making process while minimising the risk of both conflict of interest at the local level and politicization of the process.

The two recommendations made in this submission are simple to implement and will address many of the issues that have triggered this inquiry. RDA NT hopes that these recommendations can assist in the development of guidelines and an assessment processes for the new Growing Regions Program and the regional Precincts and Partnerships Program.

RDA NT has a singular interest in ensuring that public funding for regional development drives the most efficient, fair, and sustainable regional development outcomes. We look forward to providing ongoing support in the delivery of Australian Government funding programs and welcome the opportunity to assist the JCPAA further if required. [REDACTED]

Yours sincerely



Kate Peake
CEO, RDA NT



An Australian Government Initiative