

## Enquiry into Regional Development Funding

### Introduction

Council believes it is important to conduct a review of any project or program in an endeavour to develop better future pathways and to provide an analysis or return on investment measure for the funds expended. It should be noted that Gloucester has been a recipient of Regional Partnerships Program (RPP) funding on a number of occasions and a number of private business projects were also funded through DRAP programs which was the RPP predecessor. Council has a very strong view that Government has a role to provide competitive grant funding programmes to provide matched seed capital for projects that can develop, enhance or lead to better utilisation of community infrastructure. That a program like that can also provide seed capital for significant growth related business ventures is also an important option.

Council has been a strong supporter of the Regional Partnerships Program and its ideals for that very reason. The Senate Enquiry found that there were also some highly publicised issues with the distribution of funds and the eligibility of some applicants, and although that has had a bearing on the potential for the program to gain wider acceptance, it should not deter government from providing funding as a catalyst to sustain and advance regional communities, however, it should provide knowledge that leads to the building of a more equitable funding distribution model.

### The Regional Partnerships Program

The key advantages of the program were that:

- It provided competitively based matched funding for community and business based projects
- It was available to all regions of Australia
- The projects were assessed (priority) within the region by people with knowledge and skills as well as an awareness of regional needs
- The program had the capacity to support potential clients in preparing their bids (applications)
- The program could support very large or quite small projects with a range of different needs
- The need to match funding meant there was project ownership and commitment from applicant organisations

The key disadvantages of the program were that:

- Processes for approval were very slow (generally in excess of six months) and sometimes up to eighteen months prior to implementation
- The chain of approval processes was complicated and difficult to understand
- The review found that the Minister had opportunity and did veto projects and changed priorities without recognition or knowledge of local circumstances
- The application of accountability was not always consistent

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- 2 -

- The processes of eligibility were not always consistent and so there were concerns of bias in the process
- Payments of funds to successful applicants did not always meet project cash flow needs and created significant organisational hardship
- It appeared that officers overseeing accountability measures had little understanding of projects, the applicants or the regions and their needs

### Are Regional Economic Development Programs Needed

The Keating Labour Government established a Regional Development Department primarily because they saw there were economic adjustment issues which were contributing significant impediments to community sustainability and growth. Subsequent Government then made changes including the abolishing of the department and programs, however soon recognised that there was a real and growing need to provide supportive or community development strategies to assist communities with structural adjustment during industry transition processes.

That key reason for the original implementation of the programs is the main reason we need to retain and develop more effective community support and development programs today. That community development is best driven from within (albeit with assistance from outside) is widely acknowledged as the most appropriate way to conduct same. That means that communities have ownership and provide direction in their own futures. In that way, the direction has relevance and community accountability as well as the support through community energy.

Those communities under challenge or threat, be it from drought or structural adjustment as well as natural disaster, are least able to provide resources when resources are most needed.

Hence Council believes: **Economic Development Funding Programs are required as an integral part of regional community development and sustainability.**

### Issues with the Programs Historically

The majority of issues dealt with by the review into the conduct of the DRAP and Regional Partnerships programs relate to the eligibility criteria and application of those in a number of situations. It is important to recognise that the review found that those eligibility application issues primarily related to political intervention rather than to processes of bureaucratic roles in implementation of the program. It is acknowledged that any successful economic development program will need a deal of flexibility to allow it to meet the widest of differing circumstances that occur in the many diverse regions around this country. However those flexibilities need to be ingrained in the program rather than applied by parliamentary discretion as there will always be concerns about bias given political differences should the application be at a parliamentary level.

There were great disparities in the projects that were approved and the distribution of funds tended to heavily favour regions which appeared to have specific political

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It is not hard to imagine how people working within the programs become frustrated that the boundaries applied to eligibility from a Ministerial level were blurred. They offer advice based on their understanding of the program as it is written, and yet the applicant can take another pathway and successfully meet different benchmarks unstated within the program guidelines. One applicant may be successful where another will fail.

**Hence: Any future Regional Economic Development Program needs to have flexibility built within the eligibility criteria which can be considered and applied by officers within that program and that any process of political assessment should be through a non party specific arrangement.**

#### Economic Development Australia and Project Assessment

The previous system of having Area Consultative Committees and support staff provide what appears to be an appropriate mechanism both to disseminate information into the region from the program and also to support the application process, define regional priorities and assess the validity and priority of projects within a region. Council understands that this process has been very successful in providing a strong and informed network in regard to the availability of information, access to project application skills and access to feedback on unsuccessful projects and their shortcomings. That these ACC Boards are apolitical is also obviously quite critical to fostering a balanced and responsible process of project assessment.

The key strengths of this implementation mechanism are:

- Locally based industry knowledge on needs and potential solutions
- Local access to answers regarding the program and its mode of operation
- Support to develop successful applications and understand the intricacies of the program
- Cross regional representation on the Consultative Committees providing balance of views and understanding of regional dynamics

**Council supports the retention of Regional Development Australia as an ACC type network which include cross regional representation to support the consideration and prioritisation of projects through the eligibility process.**

#### Types of Programs

Council believes that there are three streams of activity or project streams that should be considered within any federal regional development program. They are:

- Industry structural adjustment issues
- Infrastructure enhancement issues
- Key business development opportunities.

#### Structural Adjustment

Structural adjustment issues and the capacity for communities to develop new pathways and industries for employment and income generation are generally well beyond the capacity of the smaller regional communities and generally at those times

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of adjustment there is both significant social upheaval and significant losses of income. Sometimes those changes in dynamics are results of government action or support for government based philosophy regarding changes in industry. Examples like access to resources being withdrawn or the rationalisation of processing plants are primary examples. The State government offers smaller programs that assist with the development of new opportunities which primarily address the nuts and bolts of new direction. These are not significant seed capital funds but provide support to directions from community projects.

It is important that the Federal government can be in a position to provide matching seed capital funding to develop eth new opportunities which in turn are fostered by DSRD type funding from the State (In NSW).

#### Infrastructure Enhancement Projects

Key infrastructure items, that are well beyond the capacity of the community can provide significant and much needed amenity and they can in themselves provide significant spin off development capacity. These could be projects that build on existing regional strengths like agricultural activities, (processing plant investment) or create new transport corridors, (water storage and delivery projects, or rail tunnel) and the investment will primarily add value to an existing or potential competitive advantage.

#### Key Business Development Projects

The development of new business opportunities in regional towns can be the catalyst for significant community and economic development opportunities. By supporting business that creates or enhances competitive advantages in a region where there is not an existing or competing service, the program can support new opportunities or opportunities for business to be done differently and much more effectively. These investments in effect may just bring forward cash flow objectives that allow greater competitiveness or the creation of competitive advantages much more quickly that allow regional industry to prosper and spawn new and related business and service opportunities.

These investments will always be fraught with some risk as business investment always is, however the program has historically provided seed capital for a number of very successful commercial projects that have provide regional, employment, regional economic stability, and provided the catalyst for additional business and service growth. For example, the investment in a number of meat processing projects has provided examples of opportunities to fund which have led to committed companies creating niche projects that have been the catalyst for economic growth in the immediate region.

#### Natural Disaster Funding

Council believes that natural disaster funding should not be allocated from a specific pool of regional development funding, because clearly the funds set aside for regional development are based on an affordable commitment to strategic development processes that are in effect an investment.

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Natural disasters are unstructured and poorly timed incidents that have the capacity to absorb all of the proposed strategic action in any one or a number of years. Natural disaster readjustment funding should be one off allocations that are not related to strategic activities. In the same way as Council proposes economic development funds should be considered, individual commitments to natural disasters should be structured in a way to address the specific needs, and to apply them from economic development funding would also possibly imply unrealistic boundaries to assistance capacity.

### Process Management

Council has in this submission recognised areas of concern in the operation of the program historically. It has also indicated that it believes strongly in a network at a regional level to market, foster and support to applicants and assess applications: primarily because it believes that regional knowledge is best placed to support and assess regional needs. That those regional structures are made up of apolitical representatives with an industry or community service type background is also critical so that they are well placed to understand regional dynamics and needs. The appointment of strong leaders to facilitate the healthy debate within these frameworks is also critical.

Those regional networks then have the capacity to provide the information on projects, the rationale for recommendations priority of funding for each project direct to the departmental officers in Canberra. To establish an understandable framework that offers applicants an insight into the process, process accountability and priority outlines will assist with the address of division that has historically come through the lack of awareness or confusion over the inequity of the assessment process.

Currently there is a second project assessment phase that occurs between the regional and the final assessment stages and this appears to add significantly to delays in consideration of project viability, eligibility and priority. If assessment was a two stage process with more complex stages then the outcomes could, Council believes significantly reduce the delays in project assessment, consideration and approval. Those delays which mean most projects commence and develop significantly before funding is considered or approved could be minimised and changes that then need to occur with timing schedules and funding agreements would also not need to occur. Council recognises that those funding announcement delays are one of the key disappointments with the current programs.

### Conclusion

Council supports and encourages the continuation of these grant funding programs for all the reasons outlined in this submission, and suggests retention of some of the existing frameworks for implementation. The changes proposed are quite small, but seek to directly address those key issues (Timeliness and equity in access to the availability of funding) which were highlighted in the review and are believed to be the main stumbling blocks to the past programmes successful implementation.

