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A Submission to the Inquiry into the Socio-Economic Impacts as outlined in the *Guide to the Draft Basin Plan*

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This contribution to the discussions following the publication of the Guide and the various community information meetings held by the MDBA is focused on what is perceived to be the major shortcoming in the document. A critical aspect of the successful introduction of reduced SDLs to secure a sustainable environment within the Basin and the subsequent adjustments required within the hardest hit communities are the so-called community mitigation, or as I prefer transformative strategies.

When faced with significant change in our lives there are three ways of dealing with it.

Approach 1 would involve people accepting the change and pooling what resources they have to adjust their lives to adapt and move forward in a new direction.

Approach 2 would involve resisting the change; in this case people would use their resources to try to reduce the level of change to allow them to maintain a "business as usual approach". This might be an effective short-term response but if the change is inevitable and outside the control of the individual the long-term benefit of this approach may be limited and in fact the impacts of the change could be worsened.

Approach 3 would be to escape the change and seek to recreate a 'business as usual' situation somewhere else. In this scenario the person realises that it is futile to resist the change but does not like living with the predicted consequences of the impending change. As a result those with the capacity, skills and resources to re-locate do so leaving behind them a weakened community and one that may not now be in a position to adopt Approach 1. As a consequence communities are unable to adapt and instead enter a cycle of decline in which they become unattractive to external capital and/or new migrants.

The science within the Guide to the Basin Plan makes it clear that if we are to have a healthy river system there must be significant change in the way we use water. The climate change predictions within the Guide also make it clear that the imperative for this change will become stronger over time.

The Authority identified that the change they have foreshadowed will have significant socio-economic implications. The Guide argues that taking water beyond 4000 GL/y will have unacceptable socio-economic impacts. Unfortunately, it provides no evidence for this assertion. Rather it makes a 'judgement' but again does not explain the factors used in arriving at this judgement. The socio economic work undertaken for the Guide focused on Basin-wide socio economic **impacts** of the various levels of reduction rather than looking at the socio economic **challenges** that will need to be addressed as the change is made. The socio-economic impact assessment analysis undertaken in the development of the Guide is at best predictive and calculated on the assumption of no mitigation strategies. It looks at the impacts on "business as usual" and so by definition finds that any socio-economic impacts will more than likely be negative.

There are multiple references within the Guide to how important to the implementation of the Basin Plan are community transitional strategies. For example, it states, *'… it is essential that effective transitional arrangements be put in place to help businesses and individual water entitlement holders adjust to change, and why action must continue to be taken to maintain strong and prosperous regional communities' [xiv].* However, there is no serious attempt to evaluate the available options. Two community transitional strategies are put forward in the Guide, although one [water buy-back] is not a *community* transitional strategy as such as it is designed to pay *individuals* for the sale of their water entitlements with no guarantee that the proceeds will remain within the community. The second strategy that of extending in some areas the implementation process by up to five years is just as likely to have the opposite effect of what is desired by creating a situation in which communities go in slow and gradual decline as people begin to exit in anticipation of the impact of the full Plan. Apart from these offerings the Authority largely passes responsibility for any transitional arrangements on to others. This is an unacceptable position when charged with putting forward a comprehensive Basin Plan as set out in the Water Act.

This failure to address transitional strategies is unfortunate as such strategies for mitigation and transformation are what is required to square the circle between ensuring environmental and community economic and social sustainability i.e. *'redressing the degraded ecological health of the Basin while optimising the social, economic and environmental outcomes …* [5] and providing *'… a clear transition path for entitlement holders and communities through the period from plan adaptation to implementation at local level …'* [7]. Such strategies also complement and complete the work done on social and economic impacts. As long as any well conceived transitional arrangements are absent from the Plan, those living and working in the Basin will not have any confidence in the long-term future of their communities and nor will they believe that the Plan, endorsed by Government, has taken full account of their needs and circumstances. Unless these two preconditions can be met Basin communities will continue to oppose the Basin Plan and prolonged resistance could mean the Plan never sees the light of day.

Any stand-alone impact assessment will at best only indicate what is likely to happen if nothing else intervenes to make a difference. As such they are likely to increase the level of anxiety in those most affected leading to detrimental actions that could otherwise have been avoided had transitional strategies been in place. The limitations of such impact assessments have been reflected in the development of alternative community engagement and capacity building models, such as the *sustainable livelihoods approach*, that have been adopted by the UN and numerous national governments, *community adaptive capacity* and *community resilience* models.

Rather than explore the potential application of these well-respected approaches the Authority has opted for a narrow economically driven model of adaptation. Thus it draws upon work undertaken by Frontier Economics [2010] to highlight five aspects of what they refer to as 'adjustment pressures'. These are: market, social, technological, government policy and environmental pressures. However, such factors are not felt simply as pressures to adjust as they can both shape and channel the direction of adjustment, as well as blocking off certain avenues. This is a particularly important consideration when we examine what individuals might take into consideration when making a decision.

The Guide, again drawing from the same source, is focused almost extensively on business-related factors, such as expected profitability, outlook, financial position, business objectives, risk aversion, understanding and uncertainty and strategic behaviour whilst also including 'perceptions, attitudes and ethics'. This ignores other potentially influential factors including commitment to community and place, investment in future generations, life style, position in the life cycle and opportunities to move into new areas of expanding economic activity. The Authority locates the influence of 'alternative economic opportunities' in a box designed to show how the severity of impacts will vary alongside the 'extent of aggregate/cumulative adjustments' made by individuals. In other words the adopted model has individuals acting as pure rational economic planners who make decisions in the context of a number of adjustment pressures. The cumulative effect of such individual decisions is what is assumed will drive industry-level structural change and that this is then offset in terms of its severity by a number of other factors, including the potential for alternative opportunities and a community's capacity to respond to change.

In reality life is more complex, messy and dynamic than is suggested. Individual decisions are not made solely on economic grounds nor are they always 'rational'. Decisions with regard to a specific industry are not made in isolation or without reference to wider economic and non-economic considerations both actual and potential. For example, much is made in explaining the behaviour of national and global markets of the role of 'market confidence' and there is no reason to suspect that this is less so at a local level. Yet confidence in current and future prospects is intangible and multi-dimensional, including emotional states of mind. At a local level it is difficult for any community to sustain a sense of confidence and optimism when faced with what feels like overwhelming negative external pressure on a core industry, a sector that defines its identity as well as sustaining its economy. Optimism in the future is especially difficult to sustain in a context when a community has only just emerged from what has been the worst drought in recorded history. In such circumstances communities need the re-assurance of government and may also need some external intervention to enable them to re-build community resilience and adaptive capacities.

Such circumstances highlight the importance of transformative strategies in anticipation of major social and economic impacts following policy reform. The Authority is not unaware of such complexities stating,

… the Authority recognised the range of complex and inter-related factors that will exert influence on the ultimate outcome …

'The short-term economic effects … depend on the particular circumstances of the Basin's businesses and individuals and their capacities to adapt … they will respond in different ways to the transitional support that is provided to enable Basin communities to adjust.' [94]

An evaluation of transitional strategies practiced elsewhere designed to mitigate the predicted social and economic impacts and could enable communities to make adjustment s to ensure future sustainable livelihoods with less water would have lead to a far greater range of options than what is offered in the Guide.

Once again the Authority appears to have ignored its own knowledge base, in this instance that of community resilience and adaptive capacity. Such considerations are well within the remit of the Authority charged as it is with securing environmental sustainability whilst optimising social and

economic outcomes. Instead the Authority passes this responsibility to others, namely State governments in partnership with federal government and in doing so appears to reduce the problem to the provision of social facilities. Thus,

The success with which communities transition will be shaped by the continued provision of community services … and the on-going activities of community clubs, sporting clubs and other community connections. Sustaining the social fabric of communities will be in part determined by the economic adjustments … and the strength of communities social capital will in turn also shape communities' ongoing economic success … the Authority has put significant weight on the policy settings of Basin governments as a critical determinant of the long-term future of Basin communities [159]

In contrast the introduction of a community adjustment strategy here called the *Thriving Communities model*, and previously highlighted in the Wentworth [2010] publication, *Sustainable Diversion Limits in the Murray Darling Basin*, could provide a framework to enable communities to make the transition not simply by coping with social and economic impacts but by identifying a sustainable future for the communities of the Basin.

Thriving Communities Model

In outlining this approach to adaptation it is first important to remember that it is not the first time that Basin communities in the context of nation building have been called upon to plan for the future. For example, in 1945 the ABC produced a pamphlet in response to its radio program series entitled, '*Communities Can Do It – Make a Plan*' calling on Basin and regional communities to work together to identify local needs and build communities for the future. Today, well before the publication of the Guide to the Draft Basin Plan, communities across the Basin have been actively discussing how to live with less water. Not only has this been a point of discussion but also across the Basin local initiatives have sprung up to act on some of these ideas, although such actions have been small scale, localised and dispersed. In other words Basin communities have not been waiting for policy announcements before acting.

Further it is important to recognise that Basin communities are diverse and complex so that there is not one but many stories to tell about what are the critical issues facing a particular community. Not only are there multiple perspectives and interests some will be in conflict or tension with those of others. While some interest groups are well organised and resourced, confident and articulate others will not be and many so far have remained silent, dispersed or excluded from the discussion. Even amongst the well-organised interest groups there is not a single voice or standpoint although minority perspectives may have found it hard to be heard.

Based upon recent research [Grafton et al, 2010] there is substantial evidence that the resilience and adaptive capacity of Basin communities has almost been exhausted by having to cope with ten years of extreme dry conditions. It also showed that there are currently in some parts of the Basin very low levels of trust in relation to government and to the Authority in particular and a strong sense in which the knowledge, skill experience, know-how and capacities of Basin communities have not been recognised or respected and that their views and perspectives have not been sought or heard. This failure to draw upon the wealth of knowledge in the Basin, to put it alongside expert scientific knowledge, is not simply a technical deficiency but will impede the implementation of any

transitional strategies that ultimately depend on trust and collaboration between communities and government. Again the research highlighted what might be described as a withdrawal for public affairs with fewer people volunteering and low levels of participation in public meetings. In other words the current levels of human, social and cultural capital within the Basin critical in any change process has been another element missing from the assessment of social and economic impacts.

Any adaptation model has first to accept water reform is a whole of community issue and must involve previously excluded groups such as young people, new migrants, women and indigenous peoples. Secondly, community adaptation cannot be left to the vagaries of multiple individual decisions but requires both extensive community engagement over a sustained period that acknowledges community specificity and provides for the maximisation of community control over the determination of its future.

Despite differences within communities there is evidence of a shared goal of securing a sustainable future with less water, a goal that brings together the concepts of growth and development. The objectives of any such adaptation strategy could be expected to include the following,

- Retention of local capital
- Attract in new capital investment
- Secure the future of sustainable farming
- Foster the development of new products and services for a diversified economy
- Extension of community ownership of local services and enterprises
- Encourage new in-migration
- Retain young people
- Build human, social and cultural capital
- Collaboration with other Basin communities
- Partnerships with local, state and federal governments
- Integration with local natural resource management

Government can be expected to play a critical role in the success of such an approach in at least five key aspects. Key to this would be the creation of a **Basin investment fund** for the future of Basin communities to be allocated initially to those catchments most affected by the new SDLs with the amount per catchment to reflect the percentage of water required for the environment or alternatively as a percentage of the water purchased. Next government needs to make available **expert technical advice** especially in relation to developing new business opportunities. The emerging regional development agencies could provide the vehicle for such advice; although better still communities could be given the opportunity to identify what they thought would be the most appropriate institutional structure for their community. The key point, however, would be to ensure that the advice was provided by those who had first-hand experience, rather than public servants, in

whatever was the field of knowledge. A program of industry secondments could underpin this. Thirdly, and again critical to the success of any adaptation strategy of this magnitude, would be the appointment of a **Basin Task Force** to work within and alongside those Basin communities most badly affected. As already indicated, faced with a reform of this magnitude and given the specificity of Basin communities and the diversity within, as well as between, them, highly skilled development practitioners are essential in bringing together and navigating this whole of community process. A reform in the national interest that seeks to redress previous government policies with significant implications for regional Australia justifies the mobilization of the most experienced and skilled workers able to work with such complexity and uncertainty. Next, the Federal government would be expected to **work in partnership** with Basin communities as well as state and local government and new time-limited structures may be required specifically for this purpose. Finally, government would be responsible for **mapping out the framework**, the principles, structures and governance arrangements essential for the management of such a way forward.

The establishment of an investment fund is not a request for new or additional funds but rather for a review and re-allocation of the $5.8b currently available for irrigation infrastructure improvements under the *Water for the Future* program alongside funds available for regional development and spending in other areas such as education and health care. While the Federal Government is already committed in principle to state governments to around $3.1b worth of projects few of these are at an advanced stage of development and none have as yet been given final approval. There are at least three reasons why we need to revisit these earlier decisions in the light of the Guide. First, many Basin farmers and growers say themselves that they are already highly efficient, having invested heavily using their own resources during the drought, and as such would not have access to these funds that somewhat perversely would benefit those so-called industry laggards. Second, we now know that infrastructure projects of this nature are inefficient in securing additional water and that buy-backs are a cheaper option. Indeed the Treasury in its 'red book' to the in-coming Government advised that such investment should be avoided except where it can be shown that the public benefit is greater than that secured through water buy-backs. Third, time has moved on since these decisions were taken and we are now more aware of the need to ensure, as far as possible, the long-term sustainability of Basin communities so we need a broader definition of what is understood by 'infrastructure investments'. In re-defining the purposes of support further improvements to irrigation infrastructure would not be excluded where that can be shown to generate a good return.

To what purposes might such an investment fund be used? Keeping in mind the objectives outlined above there are a wide range of possible areas for investment including the following: the design and testing of new products and services, including drawing up business plans and marketing strategies; the creation of rural laboratories for the development of innovative solutions; supporting individuals with scholarships for tertiary education or training, based in part perhaps on community service achievements; the development of arts, culture and heritage projects; the extension of community service sector including education, health care, social care and libraries; support for local community initiatives; investment in connectivity infrastructure, including road, rail and air services but also telecommunications.

Similarly a number of mechanisms are available in allocating the funds including small development grants, low-interest loans, co-investment with local capital in venture capital projects, and direct

investment in community owned local resources including property, industry and facilities. Regardless of the nature of the investment or the chosen mechanism all projects seeking support would be required to meet viability benchmarks against a triple bottom-line of economic, social and environmental sustainability.

Irrespective of the role played by government and the level of support offered, Basin communities must be at the heart of any adaptation strategy. Maximum community engagement along with community control, with all the uncertainties and messiness that is implied, in determining as far as possible its future direction is the key to any successful adaptation approach [Pepperdine, 2000]. The role of communities is to determine the local structures that will work best for them rather than be expected to accommodate structures that have been imposed upon them. Such structures would, however, be expected to ensure maximum participation and deliberation across the community, including previously excluded groups. Structures would not only need to be accessible but also transparent, especially in decision-making, accountable both to the community and to government, and genuinely community owned.

Communities would be expected to mobilise local leadership and facilitate the emergence of new leadership capacities, linking up across the Basin in to what might be described as a Basin wide ***Community Leaders Forum*** to ensure mutual learning and enhanced strategic decision-making.

Communities would be expected to bring together local knowledge, capacities, know-how and experience and to be placed that alongside expert scientific, environmental and social science impact knowledge. The combination of such knowledge and the identification of market opportunities provide the basis on which to generate ***Local Adjustment Action Plans*** that would shape the allocation of the Investment Fund.

As with any rigorous change model *Thriving Communities* would be underpinned by an on-going action-oriented research to ensure that the learning can be iterative and that past practice is shared with other Basin communities.

The *Thriving Communities* model outlined here works from within communities and drawing on other models adopts an integrated approach that works toward achieving sustainable livelihoods but begins with current and potential adaptive capacities and therefore with the history of those communities. Armed with the best scientific knowledge it aims to build a platform for shared knowledge that includes local knowledge as this will provide critical accounts of community history, will cast light on the fine detail of local context, reveal current relationships, concerns and possibilities and identify resources for change. All this is vital if any community change and adaptation process is to succeed. The approach seeks to identify shared interests but is alive to the unequal distribution of impacts and unfair outcomes and acknowledges community diversity, differentiation and conflict.

The model affirms and works from existing community assets to further build local capacities and to strengthen community resilience. In pursuing these objectives it seeks maximum participation in decision-making through **deliberative dialogues**. A helpful metaphor for such deliberative dialogues is that of the kitchen table. Not only does this indicate the number of people that can comfortably engage in the process it evokes that sense of an unfolding dialogue as people join the discussion for a period of time and then leave to do something else before returning. The time away from the table

is one of reflection on the discussion and one's own standpoint, a time away that allows one to return having learnt something through reflection and possibly altered one's standpoint. But the kitchen table also evokes that feeling of conviviality, care for those present and a desire to understand their perspective, it is the place where we prepare and share food together. Such cross-community kitchen table dialogues need then to be joined together in larger community forums.

Would such a model work in practice?

For there to be any hope of success some pre-conditions are necessary. Governments must first recognise and demonstrate respect for community knowledge, know-how, ideas, creativity and capacities. Governments need also to trust communities to deliver sound outcomes and must substantial resources to the task. In addition, all those involved need to be committed to find more effective ways of talking with each about complex issues and in uncertain times. There are, however, no magic bullets, no short-term fixes. What is required is long-term, sustained and incremental investment in rural futures. It needs to be built upon a vision for development that creates a framework of confidence in the future. It needs to deliver realistic and comprehensive plans for economic re-structuring that will undoubtedly require attitudinal change as well. Critically such a model needs to be institutionally embedded.

Examples from elsewhere can provide confidence in such an approach. For a comprehensive regional policy that of Quebec's National Rural Policy [www.mamr.gouv.qc.ca] offers a good starting point. For an example of more local practices in similar circumstances to the Basin, the Canadian Province of British Columbia [BC, 2004] has for over thirty years invested in regional trust organisations as a key vehicle is regional social and economic development. The Columbia Basin Trust established in 1994 received a Can$295m endowment from the Province plus an additional Can$2m a year over sixteen years, $45m of which is used as an investment fund for community benefit. The Community Futures Program [www.communityfutures.ca]with over 90 initiatives across British Columbia, Alberta, Saskatchewan and Manitoba provinces that have been running since the mid-1980s. Again in British Columbia there some 34 Community Futures programs that during the period 1995-2010 issued a total of 11,442 loans, worth $330.8m that leveraged in another $618.9m and created 44,680 jobs, an average of just under 3000 per year. Whist this does not tell us about the nature of such jobs or how many jobs were lost during that same period or what might have happened without the program in place but nevertheless it demonstrates that such local investments can be an important source of economic and social rejuvenation. Over 2m people live and work in the Murray-Darling Basin and it is home to many thriving communities that are critical to Australia's food production.

The Basin is also facing an environmental crisis that demands fundamental changes to the way we manage and use natural resources. In making the required transition the challenge is how to ensure thriving and sustainable communities into the future. An approach such as the one outlined here provides an opportunity to secure these outcomes.

It is unlikely that any single government department, whether at Commonwealth or State level, has the capacity to deliver such a model. It would also be inappropriate as what is required is a whole-of-government approach that works across disciplinary, departmental and jurisdictional boundaries. What we do know is that there are outstanding development professionals in Australia. There are also excellent academic researcher engaged and working communities focused on delivering really

useful knowledge. We also know there are outstanding community leaders in the Basin, leaders not restricted to farming and irrigation. Equally there are many excellent public servants employed across government. The challenge facing us is to identify and bring together the right group of people to deliver such a strategy of investment in regional futures. We need to restore confidence that we can fix this problem adopting a planned and comprehensive approach. This can only be done if we change the discourse from one of taking water from Basin communities to one of investing in the long-term sustainable futures of those communities most impacted by water reform.

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