



**REGIONAL
AUSTRALIA
INSTITUTE**

SUBMISSION

Future Drought Fund: Drought Resilience Investment Strategy 2024 to 2028 Submission

December 2023

Photo: Bathurst NSW

About the RAI

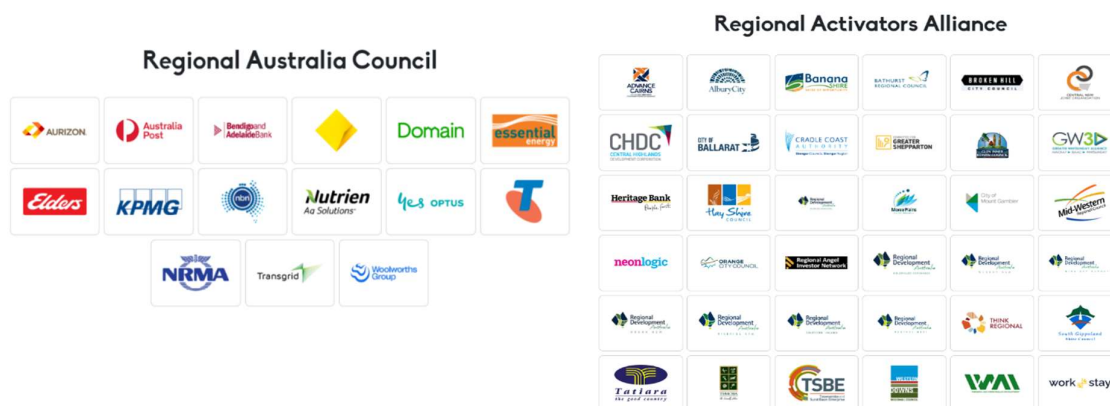
The Regional Australia Institute (RAI) is the only think tank dedicated to pursuing research, data, policy, and activation to build robust regional economies and a better quality of life for the benefit of regional Australia.

The RAI exists so that decision-makers at all levels of government, industry and community have the information they need to ensure the best outcomes for regional Australia.

The RAI's purpose is to empower regions to thrive.

Our Members

The RAI has an extensive network of businesses and organisations through its membership programs – The Regional Australia Council and the Regional Activators Alliance. The following organisation make up the membership organisations associated with RAI through both the Regional Australia Council and the Regional Activators Alliance.



The Regionalisation Ambition

In September 2022, the RAI launched the Regionalisation Ambition 2032 – A Framework to Rebalance the Nation, to help direct the actions of government, industry, and the community to achieve more ambitious and balanced growth across our nation's regions.

By setting the ambition to Rebalance the Nation and see more Australians calling regional Australia home, the RAI is seeking to lead a shift in mindset in how we plan for the nation's future.

The Framework outlines cross-cutting themes, and five pillars with key targets, actions and benefits that will each contribute to building stronger regional communities, and a stronger Australia. The five pillars are:



Department of Finance
Future Drought Fund
1 Canberra Ave,
Forrest ACT 2603 Australia

To the Director of the Future Drought Fund,

The Regional Australia Institute commends the Future Drought Fund (FDF) in responding to the Productivity Commission Inquiry Report, by creating an investment strategy with public consultation.

FDF projects and funding align with the RAI's *Regionalisation Ambition 2032: A Framework to Rebalance the Nation*¹. Resilience against natural disasters is a priority of the Ambition, with 90% of Australians having a moderate to high capacity of natural disasters being a key target. As of our *Year 1 Progress Report*² just over 50% of regional Australians were found to have this capacity. The RAI endorses the work of the FDF in furthering the progress of this measure and takes this opportunity to make recommendations on how it can be achieved.

In contributing to the questions posed in the consultation paper, the RAI has sought to highlight the intrinsic connection between drought and wider-regional communities and why the second phase of the FDF must address this. Please see the RAI responses to the questions below.

Of course, primary and secondary industries are the most impacted by droughts. Loss of income, decline in business yield, debt default and business closures are amongst the many outcomes of drought. Conjointly, these impacts further affect socioeconomic welfare to those not participating in primary and secondary industry in drought-stricken regional communities. Economic growth is stifled with reduced spending and business operation, loss of employment opportunities, and increased unemployment. The cumulation and continuation of economic decline and drought will cyclically diminish regional communities and lead to emigration. While diversification is an important strategy for many businesses and regions, RAI research found that specialisation can in fact be the best pathway in some circumstances, and has [set out](#) the conditions under which each pathway is optimal.

The outcomes of drought further worsen the pre-existing socioeconomic inequities of regional communities in comparison to their major capital counterparts. As outlined in the Ambition, across a range of indicators, regional Australia is falling short of metropolitan Australia. Drought through socioeconomic shock and instability has the potential to widen this gap. Therefore, an effective and accessible drought resilience funding model is of paramount importance to all regional Australians.

RAI investigated the impacts of droughts and other natural disasters on rural main streets and found distinct 'fingerprints' of each. The research also found that in a quantitative sense the broader changes in retail and services provision have had more of an impact on small town main streets than have natural disasters such as drought (see attachment)³.

'Shifting Our Gaze': An all-of-government approach to drought and regional and rural Australia

The RAI continues to advocate that regional development and growth be a consideration across all policy development and investment areas – not merely constrained to the purvey of the regional development portfolio. The same is true with drought. The tentacles of drought attach to so many

¹ Regional Australia Institute. (2022) *Regionalisation Ambition 2032 – A Framework to Rebalance the Nation*. Regional Australia Institute. Canberra.

² Regional Australia Institute. (2023) *Regionalisation Ambition 2032: 2023 Progress Report*. Regional Australia Institute. Canberra.

³ Akshay, V., Summers, D., Connor, J.D., Beer, A. (2020) *The impacts of natural disasters on main-street retail and services in regional Australia*. University of South Australia, published by the Regional Australia Institute. Canberra.

fundamental parts of regional living and planning, and responding to this must be dealt with across all portfolios

The logical home for the FDF is within the Department of Agriculture, Fisheries and Forestry, however we urge in developing Phase 2 of FDF, that those responsible consult widely and deeply with the many other portfolios on the frontline of the impacts of drought: including but not limited to: regional health, industry, education; skills and training and indeed regional development.

The Regional Drought Resilience Planning Program

The RAI commends the work of the FDF's Regional Drought Resilience Planning Program. The RAI's purpose 'empowering regions to thrive' is centred on a foundation of the community self-determination and the RDRPP's community-led approach speaks directly to this.

The RAI's [Regionalisation Ambition Framework](#) was co-designed by the RAI's local government members and charts 20 targets across pillars encompassing all the fundamental parts of regional living. The 'Framework' as a template for community planning has been adopted by numerous regional local governments. The RAI sees the Framework as highly complementary to the work of communities in developing their RDRPs and would welcome the opportunity to work with the FDF to further the Framework's adoption.

Furthermore, the RAI wishes to highlight the Institute's significant data and ongoing research on population inflows and outflows to the regions. Migration of Australians from capital cities to the regions remains on average 16% elevated compared to pre-pandemic levels with millennials the biggest movers.

Between 2016-2021 more than 600,000 metro Australians packed up their homes and embarked on a new life in the country – 120,000 more than during the previous Census period⁴. Overall regional Australia saw a net increase of 166,000 people, almost triple the net gain of the previous census period. We believe understanding the region's population growth patterns would be of significant value to communities when developing their RDRP and indeed of high value to other FDF programs and initiatives.

The RAI publishes up to date information on people flows which can be used in drought resilience planning. Our partnership with the Commonwealth Bank enables release of the quarterly [Regional Movers Index](#) which tracks people flows within Australia and highlights the places from which people are leaving or moving to. The data is current enough to be able to identify any changes to movement patterns as drought sets in.

The same is true in understanding the jobs and skill landscape of regional Australia. In October 2023, regional internet-advertised job vacancies tallied 92,500 – almost at record levels!⁵ The majority of these jobs are in the professional fields of health, aged care, early education, engineering and mechanics. The [RAI's 2023 Big Skills Challenge](#)⁶ report provides a region-by-region summary of the jobs and skills in most demand across regional Australia.

⁴ Houghton, K., Shi, C., and Zou, Z. (2023) *Big Movers 2023 – Regional Renaissance: A Rise in Migration to Regional Australia*, Regional Australia Institute. Canberra.

⁵ Shi, C. (2023) *Regional Jobs Update October 2023*. Regional Australia Institute. Canberra.

⁶ Houghton, K., Barwick, A., and Pregellio, S. (2023) *Regional Jobs 2022: The Big Skills Challenge*, Regional Australia Institute. Canberra.

2) Which current FDF programs should be retained?

Mental health programs and support is an undervalued element of drought resilience. The Productivity Commission report noted current programs that pertain to the regions⁷; however, the RAI recommends the programs to be extended amongst other FDF participating regions. Edwards et al. illustrated the correlation of drought induced farm productivity decrease and the increase in mental health problems amongst farmers. When farm productivity was eliminated or reduced to the lowest point ever, farmers were 8.5 times more likely to have a mental health problem, and usage of prescription medication was 7.6 times higher⁸. This study was derived from 2004 to 2007 data highlighting the effects of the millennium drought. With the widely accepted looming impacts of climate change on farmers⁹, and the destigmatisation of mental health, the effect of drought on farmer's mental health is likely more prevalent and measurable in the current context¹⁰. There is a growing need for further research on current data to accurately portray this issue.

Furthermore, there should be consideration given to wider-community mental health resilience. The disparity in the supply of mental health services is pronounced when comparing the availability of MBS-subsidised primary mental health services against remoteness. Major cities pertain to 112 psychiatrists per 1,000 compared to 34.8 in remote areas and 19.6 in very-remote areas¹¹. The accompanying demand for increased regional mental health services is evidenced in mental health related presentations to emergency departments being 105.6 per 10,000 presentations in major cities compared to 225.4 in remote and very-remote areas. As a key element of the RAI's ethos regarding access to health services as outlined in our *Regionalisation Ambition 2032*, the need to establish access to health and mental health services in regional communities is crucial to the welfare of our regions. The RAI see the opportunity the FDF have in addressing status-quo shortcomings and encourage mental health services to be implemented in regional drought resilience support.

13) Should transformational change, and partnerships that facilitate it, be prioritized by the FDF? What incentives or programs would best support transformational change?

Direct drought resilience measures to agricultural and horticultural industries can offset the potential socioeconomic outcomes on regional communities through mitigating drought induced economic shocks. These programs can be complemented by community wide resilience programs that further negate the effects of drought. However, it is crucial that transformational projects be included in the remit of FDF. The RAI recommends, in line with recommendation 3.1 of the Productivity Commission¹², that support for transformational change must be a core principle of the fund. The security of a \$100 million per year fund, allows for long-term projects to be achieved and is invaluable for regional growth and development. Therefore, the FDF should realise their potential to enact two-fold projects and programs of community drought resilience and transitional change.

As an example, economic diversification must be a key component of this funding approach. Supporting growth of industries that are not connected to the agricultural and horticultural sectors should be considered in funding for FDF. This provision is not intended to supplant the agricultural and horticultural

⁷ Productivity Commission 2023. *Review of Part 3 of the Future Drought Fund Act, Inquiry Report no. 102*. Canberra. p. 162

⁸ Edwards, B, Gray, M, & Hunter, B. (2018) *The social and economic impacts of drought*. Australian National University: Centre for Social Research & Methods. Canberra.

⁹ Fleming-Muñoz, D.A., Whitten, S. & Bonnett, G.D. (2023) The economics of drought: A review of impacts and costs. *Australian Journal of Agricultural and Resource Economics*, 67. pp. 501–523.

¹⁰ Ellis, N. & Albrecht, G. (2017) *Climate change threats to family farmers' sense of place and mental wellbeing: a case study from the Western Australian wheatbelt*. *Social Science & Medicine*, 175. pp. 161–168.

¹¹ National Rural Health Alliance. (2021) *Fact Sheet: Mental Health in Rural and Remote Australia*. NRHA. Canberra

¹² Productivity Commission 2023. *Review of Part 3 of the Future Drought Fund Act, Inquiry Report no. 102*. Canberra. p. 70

industries of regions, but to reaffirm the economic resilience of regional communities. Whilst this would create a lower threshold for eligibility, economic transformation is a key component in mitigating the socioeconomic effects of drought.

The current mix of [job vacancies](#) across regional Australia favours high skilled trades and professions, indicating that employers across the regions are already keen to fill a diverse range of jobs. So, the path to diversified regional labour markets is well established, and government's role is not to 'create' new industries but to provide strategic support in education, housing and liveability to facilitate sustainable transitions towards this new employer led occupation mix.

As such, the scope of FDF investment should range from direct drought preparedness to targeted economic diversification and transition. However, the RAI also notes the Productivity Commission's findings of FDF funding already being thinly stretched in the current model¹³ and the evidence of FDF programs overlapping with other pre-existing programs¹⁴. By introducing transformational programs to the FDF remit, the chances of funding being stretched and overlapping with other programs may increase. This illustrates the need for communication between organisations and regions to ensure that funds are used efficiently, appropriately, and potentially transformationally. The priority must remain with the support for on-farm and in community resilience programs, however, when appropriate and effective the FDF should invest in transformational projects. In doing so, FDF investment could address gaps within regional funding that both further economic and social growth whilst supporting drought resilience.

15) What enabling activities are essential to the success of the FDF and should be directly funded to support FDF programs?

With an increased eligibility scope for programs within the FDF, the remit of Monitoring, Evaluation and Learning Plan (MEL) scrutiny must also extend. The RAI commend PC recommendation 7.6, regarding the better targeting of community programs¹⁵. It is critical that community is targeted in FDF funding, however without adequate oversight there is the potential for funding not be applied as effectively as it could be. MEL programs should be externally monitored, as to not only serve the function of information gathering and dispersion, but to critique the programs and the initial funding decisions. Scrutiny in this form will aid the FDF in being self-sufficient and provide scrutiny to the deployable 'toolbox' of programs and projects that have and will be implemented in drought affected communities.

The RAI further recommends an internal review of initial community-wide engagement before program implementation. Engagement should span individuals, community stakeholders, and other community organisations to discern appetite for these community programs with the key considerations being critical immediate funding requirements and transformative initiatives. The outcomes of initial engagements should be further compared against the outcomes and feedback from the programs after final milestones are completed. Integrating this provision in the decision process will allow for better program evaluation and to further scrutinise the initial stakeholder engagement. These enabling activities will support the community-centric, placed-based decision-making that can be attributed to the guiding principles of the FDF.

These principles were highlighted in the RAI's [research](#) into how to make government support more effective in low population density 'thin markets' in regional places.

¹³ Productivity Commission 2023. *Review of Part 3 of the Future Drought Fund Act, Inquiry Report no. 102*. Canberra. p. 57

¹⁴ Productivity Commission 2023. *Review of Part 3 of the Future Drought Fund Act, Inquiry Report no. 102*. Canberra. pp. 46-48.

¹⁵ Productivity Commission 2023. *Review of Part 3 of the Future Drought Fund Act, Inquiry Report no. 102*. Canberra. pp. 165-166

Data and information sharing

The structures and outcomes of the FDF can be used as a case study for non-drought related funding models. Not only should information be shared between hubs and regions, but the process that the FDF can implement, if done so efficiently and successfully, will provide a standard for all future and current funding models. Data and information from the FDF must be made publicly available and if not shared with other government agencies, funds, and external contractors already, it should be. The RAI commend the use of place-based solutions and seek to see this notion adopted amongst other aspects of regional development and policy.

The RAI also recommends that further studies into regional resilience be conducted under this funding model. To improve the fund's viability and ensure that the outcomes of the FDF are an effective allocation of commonwealth resources, research must be conducting into the impact of drought, drought resilience projects, and potential areas of FDF funding. This should be conducted by an external entity and published publicly.

As Australia's only independent think tank dedicated to research to advance regional policy, the RAI is well placed to assist to deliver this research.

Conclusion

The RAI commends the review and consultation of the FDF. This fund will provide the backbone of drought resilience and preparedness if implemented correctly. Not only will there be an active response to community needs, but a forward-looking transformational mechanism in regional communities. Sustainability and resilience is one of the five *Regionalisation Ambition 2032*¹⁶ pillars that founds the RAI. Socioeconomic resilience against a debilitating natural disaster such as drought, is essential to regional resilience. As such, the RAI commends the continued funding of the resilience programs across our regions, and further commends the adoption of the recommendations of the RAI.

Kind regards,

Liz Ritchie
CEO Regional Australia Institute

¹⁶ Regional Australia Institute. (2022) *Regionalisation Ambition 2032 – A Framework to Rebalance the Nation*, Regional Australia Institute. Canberra.

Attachment

Table 1: Summary of natural disaster impacts on main-street retail and services in regional Australia

| Industry sector | Baseline pattern of growth | Impacts of natural disasters | | | |
|---|----------------------------|------------------------------|------------|----------|----------|
| | | Droughts | Bush fires | Floods | COVID-19 |
| Entire economy | Slow growing | | | | |
| Retail trade | | | | | |
| Motor vehicle and motor vehicle parts retailing | Slow growing | - | - | - | Negative |
| Fuel retailing | Slow growing | Negative | Positive | - | - |
| Food retailing | Slow growing | - | - | - | - |
| Furniture, floor coverings, houseware and textile goods retailing | Fast declining | - | - | - | - |
| Electrical and electronic goods retailing | Fast declining | - | - | - | - |
| Hardware, building and garden supplies retailing | Slow declining | Positive | - | - | - |
| Recreational goods retailing | Fast declining | Negative | - | - | - |
| Clothing, footwear and personal accessory retailing | Unclear | Positive | - | Positive | - |
| Department stores | Unclear | - | - | - | - |
| Pharmaceutical and other store-based retailing | Unclear | - | - | Positive | - |
| Accommodation and food services | | | | | |
| Accommodation | Fast declining | - | - | - | - |
| Food and beverage services | Fast growing | - | - | - | Negative |