Submission to the House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government Inquiry into A New Regional and Local Community Infrastructure Program

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Objectives and outcomes

What should the overarching purpose and objectives of the new program be?

One approach to developing answering this question is to start with the Joint Media Statement of 13 May 2008, attached to the Issues paper. This suggests that the aims of the regional development program of the Australian Government are to 'help drive economic prosperity and growth in regional Australia', 'engage with communities to meet their needs', and 'promote sustainable economic growth in regional communities'. The focus of these statements is largely on economic growth, but other parts of the Joint Media Statement suggest that the Government's aim is more one of community development — 'the provision of much needed community facilities and services'. These two aims are not necessarily totally separate, as community facilities and services can contribute to economic growth, but the emphasis should first be on strengthening regional economies, as without viable economies regional communities are unable to sustain themselves socially or demographically. I would therefore argue that 'sustainable economic growth in regional communities' should be the overarching purpose of the new program. However, 'sustainable' is a slippery word that needs to be defined if the purpose of the program is to be clear. It could mean an economy that is sustainable because it is sufficiently diverse, resilient and adaptable to be able to cope with change and remain competitive, or an economy that is sustainable because it is able to maintain the environmental resources on which it depends at a sustainable level. I would argue for both views of 'sustainable', because either one on its own is likely to be unsustainable. This leads to the next question.

Should a new program be focused on providing funding for projects which promote the growth of regional communities (job creation) or the liveability of regional communities?

From what I have said above, my answer to this question is that focusing on promoting the economic growth of regional communities should be the main priority of the new program. However, there is a case for funding projects that strengthen communities, based on the recognition that strong communities contribute to local business growth and skills development. Such projects include those listed on the second page of the Joint Media Statement, but the main emphasis must be on projects

that strengthen the competitiveness of existing industries and assist new business development. This involves projects that focus on areas such as:

- workforce and skills development;
- business support; and
- transport and marketing.

A major role of a regional development program should also be to help regions to identify the most significant barriers to the economic growth of their region, and work to find ways to overcome these barriers.

What outcomes should be met?

The outcomes of regional development programs in Australia have frequently been measured by jobs created, new businesses established or investment attracted. However, in some parts of Australia simply maintaining existing employment and investment should be regarded as a regional development success, while in other parts of the country economic growth has not always improved the quality of life of the population, which is surely the ultimate aim of regional development. More is not necessarily better. Other outcomes that could be considered include:

- improved levels of skills;
- increased competitiveness of businesses and industries;
- higher incomes;
- increased ability to adapt to changing economic circumstances; and
- greater community self-reliance.

The Government could also include its social and environmental objectives in the outcomes, and therefore in the selection criteria for project funding, as is common in Europe.

I attach the Guidance Notes for a 2000-2006 regional program in Scotland as an example of how objectives and outcomes can be described in some detail.

Program structure

Once specific funding objectives have been set is there scope for developing a program model which has in place, or allows for the creation of sub-programs which can be used to target specific areas of need as they arise?
In what way could a future program be structured to ensure that it was flexible enough to take into account the local needs in specific regions while maintaining clear parameters regarding objectives and outcomes?

The essence of a regional approach to development is that each region has different problems and different needs, and consequently programs that suit one region may be inappropriate to another. Creating sub-programs that target specific areas of need involves a judgement by the centre of what these needs might be, which may be appropriate for some regions but inappropriate for others. An alternative is to provide scope for regions to identify what is most needed for economic development in their region, and to develop relevant projects. The OECD's Local Economic and

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Employment Development Programme recommends that national or state agencies should give local agencies an incentive to innovate and develop programs tailored to their own needs. Creating sub-programs, and having very restrictive objectives and outcomes, will only constrain the ability of regional bodies to develop strategies that suit their own region.

The only case for sub-programs is if the Government wants to have several objectives that are difficult to encompass within one program and one set of selection criteria. For example, one objective could be economic growth, and another the provision of community infrastructure that has no direct economic development outcome but improves community life. Government can then decide how to allocate funds between these two objectives. One danger with proliferating sub-programs is that they reduce the incentive to design projects that achieve several objectives simultaneously. For example, many Scottish and Swedish regional development programs do not have sub-programs for capacity building, social inclusion, equal opportunity or the environment, because all projects are expected to include these objectives in their design. Similarly, environmental and social projects could be expected to also have economic outcomes. The Guidance Notes attached illustrate this concept of mainstreaming the objectives that are seen as important aspects of Government policy. In the case of Australia it would seem appropriate, for example, to require all projects to address energy and water efficiency.

Regions

How should regional be defined?
Should priorities be given to different types of regions e.g. urban, rural, remote, water catchment areas, agriculture areas?

If the objective of the program is to promote regional economic development it could logically be applied to any region that needs assistance for such development, including regions within the capital cities. This is how 'regional' is defined in most developed countries other than Australia. If the aim is to assist those regions that most require help, then these regions should be identified on the basis of their need rather than their remoteness or type of economy, as not all remote regions are disadvantaged, and neither are all urban regions advantaged. A possible approach to regional targeting would be to adapt the methods developed by Baum, Stimson and others to classifying regions of advantage and disadvantage (see Baum, Haynes, van Gellecum and Han 2007, attached). Priority would then be given to those regions in greatest need as identified by variables chosen by the Government.

Coordination

In establishing the framework for a new regional development funding program, how does the government avoid duplication with other Federal, state or local funding projects; and how can a new program work in cooperation with other funding programs?
What are the most effective ways to minimise administrative costs and avoid duplication to taxpayers when developing a regional funding program?
How can a new program best coordinate regional objectives between federal, state and local agencies? How can the Australian government best engage with existing local

and regional organisations on the new Regional and Local Community Infrastructure Program?
How should future relations be pursued between new RDA Committees and state and local governments? What mechanisms could be utilised or put into place to enhance communication and cooperative between the RDA Committees and state and local government over project priorities?

These questions are closely related, and will be considered together. The issue of how to coordinate the various regional development bodies that have developed in the Australian federal system has never been seriously addressed by governments. At present there may be two or more of the following organisations in a region: an Area Consultative Committee representing the Australian government, a State-sponsored regional development organisation such as the Development Commissions in Western Australia, a regional development organisation supported by the private sector, a local government with a regional development branch, a Business Enterprise Centre, and a Chamber of Commerce. Each has somewhat similar functions, and often their own strategic plan for the region. None of them bring together the three levels of government in the whole-of-government approach that is needed to solve some of the problems of regional Australia.

This multiplicity of overlapping organisations has been criticised in the past. The 1999 Regional Australia Summit, for example, recommended that all levels of government 'accept joint responsibility to ensure that there is only one recognised regional forum for each regional community and that the body used is the best existing body serving its region'. The 2003 Keniry Report into the impediments to and opportunities for regional business growth stated that 'There are too many government "development" organisations with too little coordination and cooperation.' The Report called for 'the rationalisation and consolidation of the various bodies involved in regional planning and development.' So far nothing appears to have come of this recommendation.

A minimalist approach to the problem would be that where there are several agencies operating in the same region, there will be an agreement on leadership and long-term strategy, and on the complementary roles of each organisation.

A more radical approach would be to create strong semi-autonomous regional agencies which are able to coordinate and implement the programs of all three levels of government. In this approach the Commonwealth's ACCs/RDAs and the State's Regional Development Boards/Commissions/Organisations would be absorbed into new organisations which also had representation and financial support from local government, thus bringing together the three levels of government to provide the long-term planning, strategic direction and coordination needed for effective regional development. While some members of the boards of management could be appointed by and represent each level of government, the majority should be chosen by local business and community groups and local people in ways that are absolutely transparent, in order to ensure the legitimacy of these organisations as the lead agencies for the economic development of their regions. This type of agency represents a partnership of the key stakeholders in the development of the region.

This approach would produce, at no extra cost, larger and stronger regional development agencies supported by the three levels of government, reduce duplication, and internalise the coordination of objectives and programs. It is also likely that consolidating current agency funding into a smaller number of organisations with a wider range of functions would increase effectiveness.

Assessment and decision making

What will the role of RDAs be in assisting and assessing applications for the new Regional and Local Community Infrastructure Fund.
Who should be assessing applications initially – ACCs, Regional Officers, Federal Departmental Officers, other bodies, or a combination of these?
When should external viability assessments be sought?
In assessing applications, what should be the role of local Members and Senators?
How should State Regional Development bodies be involved? How can local government be involved?
What involvement should State regional bodies have in prioritising or assessing projects?
Under the previous RPP, the ACCs had a dual role:
• promoting and facilitating projects, including application development; and
• providing advice to the Australian Government on applications in their region.
Was there a conflict of interest with ACCs providing assistance for applications and being the assessor?
Who should be making final decisions on applications – Federal Departmental Officers, regional bodies, Ministers, or other bodies?

These questions concerning assessment and decision making are again related and will be addressed together. An adaptation of an assessment method I have observed in Scotland could be considered. In this example the regional development agency covering the East of Scotland sends applications to an advisory group which has experts in the various fields covered by the selection criteria (see the attached Guidance Notes referred to above, which were developed by this agency). The agency staff then take any issues raised by the advisory group back to the applicants, and discuss how to improve the application (an important aspect of this model is that it emphasises assisting applicants to develop better projects). Agency staff then score each project on the selection criteria, and take these scores back to the advisory group for further discussion. The final result is an agreed set of scores, and a ranked list of applications. From this list agency staff make recommendations for project funding to a committee of appointed representatives of the partner organisations involved in the program. The committee is chaired by a representative of the Scottish Executive.

Adapting this model to Australia might mean that assessment and scoring are done by advisory groups, committees and Government officers in each State and Territory, maybe with large jurisdictions like Queensland divided into two or three regions. Regionalising decision making in this way (rather than centralising it in Canberra) brings it closer to the places from which applications have come, allows the use of local knowledge to judge the value and viability of projects, and provides scope to respond to the diversity of needs and opportunities across a country as geographically large and diverse as Australia. The role of the ACCs/RDAs in this model would be to encourage applications that fit their strategic priorities, help applicants to improve

their proposals, and add their own comments on the merits of each application. Because they do not make the final decision on applications, I do not see any conflict of interest in these roles.

I do not think that Ministers should have any role in these decisions. In Australia Ministers in both the major political parties have been accused of misusing their role, which maximises the potential conflict between their public duty and their political interests because of the way that funding can be targeted at specific electorates. In the two overseas countries that I have studied (Scotland and Sweden) regional development project funding decisions are made by committees that are separate from Government. In Sweden I came across a funding program that had initially been controlled by a Minister, but was then transferred to an agency. The first phase of the program had been strongly criticised for misallocation of funding, while the second phase seemed to be widely respected. The Swedish view was that governments make policy and set down objectives and guidelines; agencies implement these policies and report back on and are accountable for their decisions. However, there is a case for politicians to be involved in the boards or committees that oversee ACCs and their equivalents, because they are democratically elected representatives of their region. In some regions in Sweden deliberate efforts are made to ensure that the board overseeing a regional development agency represents all the major political groups of that region, perhaps similar to the way that Standing Committees of the Australian Parliament are constituted.

The involvement of local government and State Regional Development bodies could be handled in two ways, both of which could be used in conjunction. One way is to have a local government and a State regional body representative on the State and Territory decision making committees that I have suggested above. Another is through the new type of regional development agency that I have advocated earlier, in which State and local government interests are both represented.

Thank you for the opportunity to put these views to the Standing Committee. I would be happy to provide the Committee with more information on any of these questions.

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