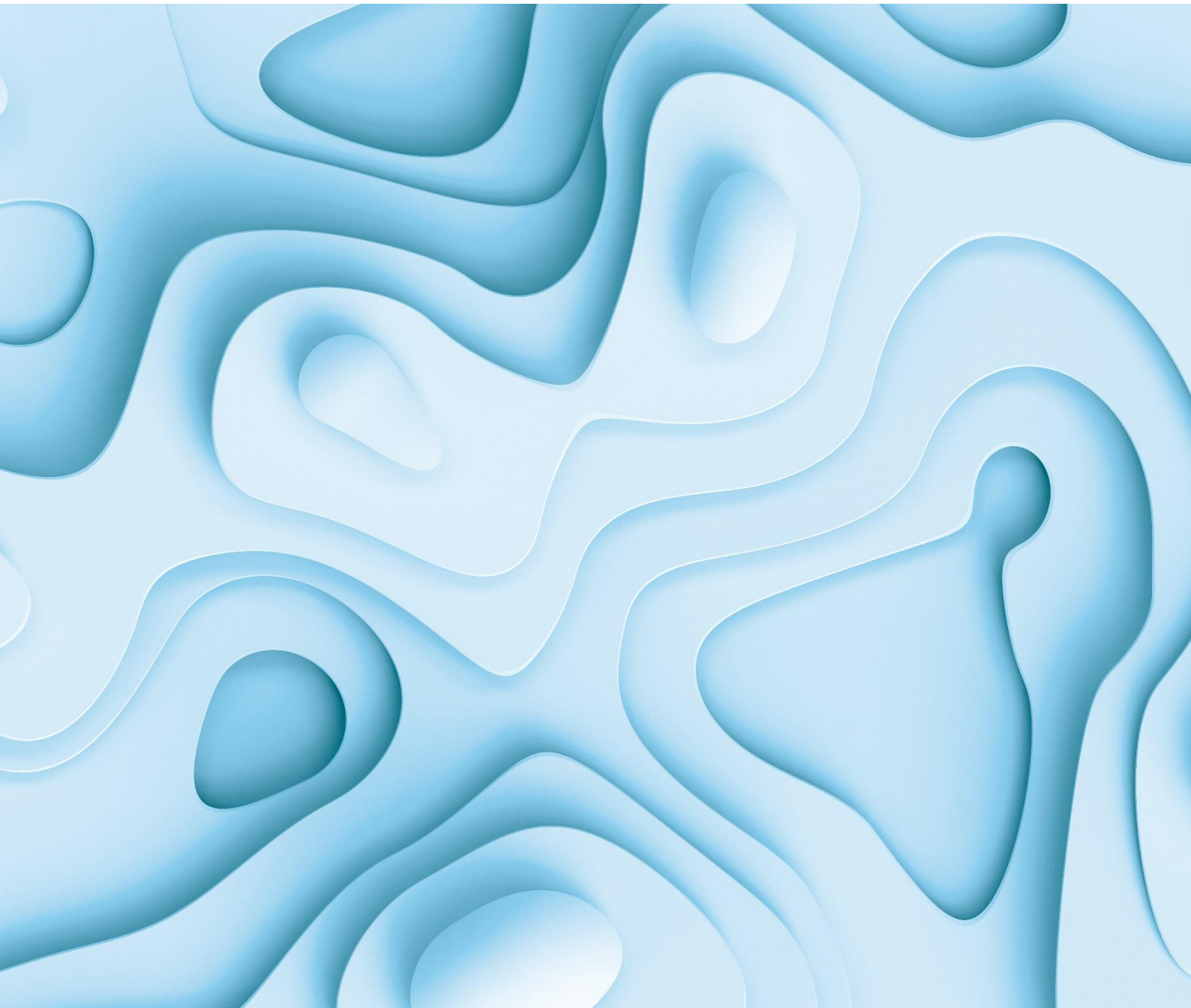




# **Review of Part 3 of the Future Drought Fund Act**

Inquiry report  
Overview



**The Productivity Commission acknowledges the Traditional Owners of Country throughout Australia and their continuing connection to land, waters and community. We pay our respects to their Cultures, Country and Elders past and present.**

## **The Productivity Commission**

The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

Further information on the Productivity Commission can be obtained from the Commission's website ([www.pc.gov.au](http://www.pc.gov.au)).

© Commonwealth of Australia 2023



With the exception of the Commonwealth Coat of Arms and content supplied by third parties, this copyright work is licensed under a Creative Commons Attribution 4.0 International licence. In essence, you are free to copy, communicate and adapt the work, as long as you attribute the work to the Productivity Commission (but not in any way that suggests the Commission endorses you or your use) and abide by the other licence terms. The licence can be viewed at: <https://creativecommons.org/licenses/by/4.0>.

The terms under which the Coat of Arms can be used are detailed at: [www.pmc.gov.au/government/commonwealth-coat-arms](http://www.pmc.gov.au/government/commonwealth-coat-arms).

Wherever a third party holds copyright in this material the copyright remains with that party. Their permission may be required to use the material, please contact them directly.

ISSN 1447-1337 (online)

ISSN 1447-1329 (print)

ISBN 978-1-74037-775-1 (online)

ISBN 978-1-74037-771-3 (print)

An appropriate reference for this publication is:

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

Publication enquiries:

Phone 03 9653 2244 | Email [publications@pc.gov.au](mailto:publications@pc.gov.au)

---

# Contents

<b>Overview</b>	<b>1</b>
A Fund to advance drought resilience	3
Governments' role in building resilience	7
Opportunities for improvement in the next Funding Plan	9
Improving key programs	18
The next four years	21
<b>Recommendations and findings</b>	<b>23</b>
<b>The full report is available at: <a href="http://www.pc.gov.au">www.pc.gov.au</a></b>	

## Acknowledgements

The Commission has drawn upon a range of information sources in preparing this inquiry. We thank inquiry participants for their submissions, brief comments and participation in meetings. We also thank the Department of Agriculture, Fisheries and Forestry who provided many detailed responses to questions on the Fund and its programs.

The Commissioners would also like to thank the staff who worked on the inquiry – Assistant Commissioner Adam Bogiatzis, who managed the process, and other team members including Angela Le, Ariun-Erdene Bayarjargal, Cameron Van-Lane, Catie Bradbear, David Pratley, Emily Gray, Erin Turner, Geoffrey Go, Matt Friedman, Owen Gabbitas, Pragya Giri, Toby Markham and Vanessa Boltman.

# Overview

## Key points

- \* Drought and climate change are expected to put Australia's agricultural industries and regional communities under mounting economic, environmental and social pressure. The Future Drought Fund (FDF) could be a catalyst for locally led transformational change to meet these pressures.
- \* Despite early challenges, the FDF is establishing a solid foundation for building drought resilience. The first years have revealed opportunities to improve the design and delivery of the Fund's programs, including through identifying gaps in existing resilience programs, more planning around how the FDF will prioritise programs and improved knowledge sharing.
- \* A stronger focus on activities that generate lasting public benefits is needed. The FDF should focus on activities that generate transformational change, build natural capital, and support a place-based approach to building social resilience.
- \* Drought is just one of the risks from climate change that farmers and agricultural communities face. While drought should remain the focus, the FDF should explicitly recognise climate change resilience to confirm that, where appropriate, programs address a broader range of climatic risks.
- \* Establishing an Aboriginal and Torres Strait Islander working group to partner with the Department of Agriculture, Fisheries and Forestry could improve the design and implementation of the Fund for the benefit of Aboriginal and Torres Strait Islander people.
- \* A number of FDF programs can be improved by:
  - consolidating the climate information tools into a single tool, tailored to the needs of end users
  - clarifying ownership, governance and funding for regional drought resilience plans
  - tightening eligibility and increasing support for natural resource management and transformational practices in the *Farm Business Resilience* program
  - supporting transformational change through the *Drought Resilience Innovation Grants* program by piloting a challenge-based approach to innovation
  - clarifying the role of the *Drought Resilience Adoption and Innovation Hubs* followed by a mid-term review of their performance
  - strengthening the links between regional planning and community grant funding to ensure a strategic, place-based approach to building social resilience.

## A Fund to advance drought resilience

Farmers and regional communities in Australia have always battled climate extremes, such as droughts, floods and bushfires.

Managing these climate risks is an inescapable part of life and farmers and regional communities have demonstrated their ability to adapt. However, climate change will intensify pressures through more frequent and intense drought and climate conditions, which are likely to challenge even the most prepared farmers and communities.

Over time, governments have shifted their approach to supporting farmers and communities in regions vulnerable to drought. Governments generally no longer see drought as a natural disaster or an exceptional event. Drought is recognised as a business risk, which farmers themselves are best placed to manage. Government programs now focus more on supporting farmers and communities to prepare for, manage and recover from drought.

Announced in 2018, the Future Drought Fund (FDF) embodies this shift to supporting greater self-reliance and preparedness. The FDF's aim is to 'enhance the public good by building drought resilience in the agricultural sector, the agricultural landscape and communities' (box 1). The FDF *Drought Resilience Funding Plan 2020 to 2024* defines drought resilience as:

... the ability to adapt, reorganise or transform in response to changing temperature, increasing variability and scarcity of rainfall and changed seasonality of rainfall, for improved economic, environmental and social wellbeing.

As this definition notes, a resilient agricultural system can adapt and transform in response to drought and climate change. Incremental changes allow farmers to manage climate conditions while maintaining existing methods of production (for example, reduced tillage and weed control). Transformational changes, on the other hand, involve system-wide changes, including beyond individual farms, to reduce vulnerability to climate and drought risks (figure 1). The Fund can support the building blocks that enable transformative shifts and empower farmers and communities to make necessary changes, if they choose to do so.

The Fund's definition of drought resilience refers to economic, environmental and social resilience. This 'triple bottom line' approach to resilience takes a holistic view of the challenges to building drought resilience (box 1).

Every year, the FDF allocates \$100 million to drought resilience activities. Since its commencement in 2020, the FDF has rolled out 19 programs (figure 2). As at September 2023, 15 programs were operating.

### Box 1 – Elements of the Drought Resilience Funding Plan 2020 to 2024

#### Vision

The Fund's vision is an innovative and profitable farming sector, a sustainable natural environment and adaptable rural, regional and remote communities – all with increased resilience to the impacts of drought and climate change.

#### Aim

The Fund aims to enhance the public good by building drought resilience in Australia's agricultural sector, the agricultural landscape, and communities.

### Box 1 – Elements of the Drought Resilience Funding Plan 2020 to 2024

#### Strategic priorities

The Fund has three inter-connected strategic priorities:

- economic resilience for an innovative and profitable agricultural sector
- environmental resilience for sustainable and improved functioning of farming landscapes
- social resilience for resourceful and adaptable communities.

#### Objectives

The Fund’s three objectives to achieve the strategic priorities will enhance the public good by building drought resilience through programs that will:

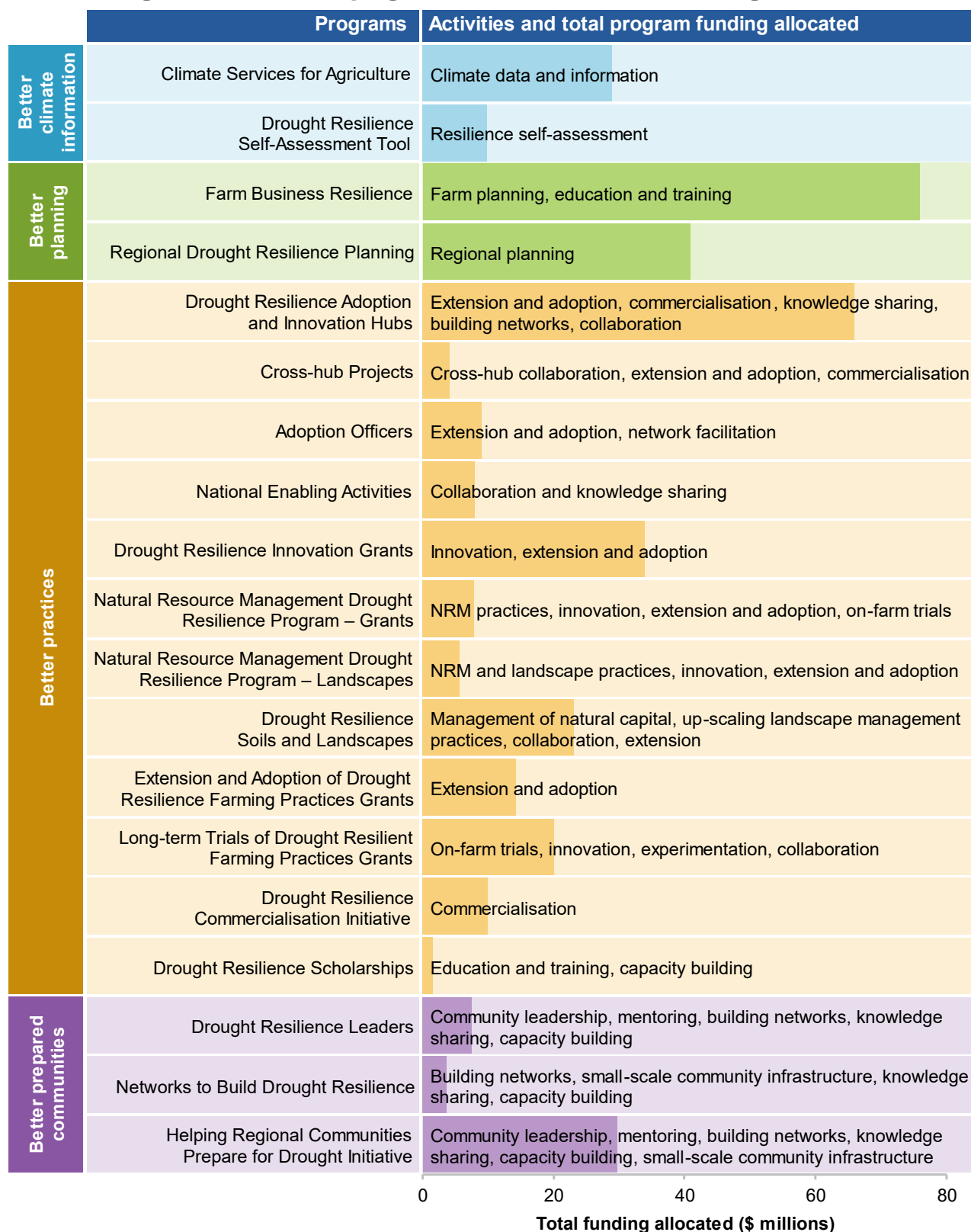
- grow the self-reliance and performance (productivity and profitability) of the agricultural sector
- improve the natural capital of agricultural landscapes for better environmental outcomes
- strengthen the wellbeing and social capital of rural, regional and remote communities.

**Figure 1 – Examples of the types of change required for drought resilience**

Type of change	Definition	Types of activities
Incremental change	The ability to preserve or restore a system (including its basic structures and functions) by preventing, preparing for or mitigating the impacts of an event or risk	<ul style="list-style-type: none"> <li>• diversifying income with off-farm employment</li> <li>• using farm management deposits to make tax deductible deposits during good periods and withdraw them during bad periods</li> <li>• changes to crop variety</li> </ul>
Transitional change	The ability to maintain the essential functions and structures of a system by modifying or changing some of its characteristics in response to future adverse events or risks	<ul style="list-style-type: none"> <li>• changing aspects of a production system (such as seed varieties or agronomic practices) to continue the production of certain commodities in a region</li> </ul>
Transformational change	The ability to undertake wholesale change of a system when adverse events or risks make the current system untenable	<ul style="list-style-type: none"> <li>• shifting up-stream and down-stream supply chain infrastructure to reflect changed production systems</li> <li>• adopting new production systems such as grazing or carbon farming.</li> <li>• revegetating pasture with native vegetation</li> <li>• establishing conservation corridors across farmland</li> </ul>



**Figure 2 – The FDF provides funding to a large range of programs and activities<sup>a</sup>**  
**Total funding allocated to FDF programs under the 2020–24 Funding Plan**



a. Funding allocated as at 30 June 2022.

The FDF's programs fall under four main themes: Better Climate Information; Better Planning; Better Practices; and Better Prepared Communities. The activities funded under these themes are diverse, including: online climate and drought data; natural resource management (NRM); research and adoption; innovation; community networks; leadership training; farm business planning; and regional drought planning (box 2).

A total of \$400 million was allocated to programs under the first Funding Plan. Programs under the Better Practices theme accounted for the greatest proportion of funding, totalling \$203 million, followed by programs under the Better Planning theme (\$117 million). The Better Climate Information and Better Prepared Communities themes were allocated about \$40 million each (figure 2).

## The Commission's task

The Productivity Commission has been tasked with assessing the effectiveness of aspects of the FDF such as the Funding Plan, programs, arrangements and grants established by the Fund (Part 3 of the *Future Drought Fund Act 2019* (Cth)). This inquiry is intended to inform the development of the next four-year Drought Resilience Funding Plan (consistent with section 32A of the Act).

At this stage the extent to which the Fund is building drought resilience is unknown. The Fund has only been operating for three years and programs are at varying stages of delivery, with some programs yet to be rolled out. While there is limited data available, the Commission has been able to draw upon Fund reporting, monitoring, evaluation and learning (MEL) plans and extensive consultations with stakeholders, many of whom spoke positively about the outcomes being achieved under the Fund.

Further, the Fund has operated through a period in which most regions have not been affected by drought. The success or otherwise of the Fund's programs in building resilience will not be evident until tested by drought conditions.

### Box 2 – Examples of activities funded by the FDF

#### Vocal Locals Program

A team at the University of South Australia received funding from the *Networks to Build Drought Resilience* program to run a 'Vocal Locals' social network campaign in Loxton (SA). Over two months, 10 local leaders were recruited and upskilled to drive engagement with workshops, online modules, and casual conversations about mental health and wellbeing.

#### Long-term Trials of Drought Resilient Farming Practices Grant

Charles Sturt University, as a consortium lead, received funding from the *Long-term Trials of Drought Resilient Farming Practices* grants program to investigate the interdependence and whole-system effects of cropping and livestock components and managing environmental and social impacts in response to seasonal variation across multiple trial sites in New South Wales.

#### Enhanced local weather forecasting

Stirlings to Coast Farmers (WA) received funding under the *Natural Resource Management Drought Resilience – Grants* program to install weather stations, soil moisture probes and digital rain gauges, and integrate the collected data into a dashboard.

## **Box 2 – Examples of activities funded by the FDF**

### **Drought Resilience Leaders Mentoring**

The Australian Rural Leadership Foundation (ARLF) delivered the *Drought Resilience Leaders* program where participants were connected with other farmers and professionals with experience in drought and climate resilience and adaptation for one-on-one mentoring sessions. The program is being continued through the *Helping Regional Communities Prepare for Drought Initiative*.

### **Almond tree irrigation research**

Deakin University (Vic) received funding from the *Drought Resilience Innovation Grants* program (proof-of-concept grants) to research the water requirements of almond trees in the Riverina. The research project used knowledge of water stress thresholds and scheduled irrigation based on soil moisture levels and weather forecasting to determine the minimum irrigation requirements.

### **Restoring natural functions in central Australian rangeland catchments**

A collaboration facilitated by the Northern Hub received funding from the *Drought Resilient Soils and Landscapes* program to demonstrate and scale landscape rehydration and regenerative grazing management practices in four demonstration sites across the Ti Tree and Lake Lewis catchment areas (NT). The practices aimed to increase vegetation cover and improve soil health to absorb and store water, with the results to be communicated across the Hub's network.

## **Governments' role in building resilience**

Drought is an inevitable risk for farmers and communities. As business owners, farmers (and others in the agricultural sector) have good reasons to plan for and prepare to mitigate the impact of drought on their businesses. Similarly, protracted drought can take a heavy toll on agricultural communities, and it is in their interest to prepare for these risks. Individual farmers, industries and communities will decide their best strategies for managing drought risk. In some cases, incremental changes, such as improving the efficiency of farm production, will be sufficient. In other cases, over time, more fundamental, transformational changes may be necessary.

While the primary responsibility for preparing and managing the impacts of drought rests with farmers and their communities, there are circumstances when government support is appropriate.

There can be barriers that prevent farmers and communities from taking necessary actions. For instance, farmers may lack the necessary resources or information to manage drought risks. In a similar vein, governments may promote innovation and adoption of better practices to overcome information gaps.

Another barrier is when private investment is likely to generate significant public benefits (for example, a healthier environment for the community) but that investment may not happen because of the costs or risks for the private investor. A government contribution to reduce costs or risks may be needed to realise the public benefits. In such cases, the level of support should take into account the expected returns to the community.

These barriers to managing drought risk are likely to be greater where businesses and communities need to make transformational changes (figure 1), such as diversifying away from established commodities into new products and services. Transformational change will typically involve greater costs, risks and uncertainties

than incremental change. At the same time, the benefits – private and public – of successful transformation will often be more significant. The need for transformational change will be more acute in regions facing severe changes in climate conditions and, as such, the need for government support may be even greater.

## **The FDF should ensure the community is better off overall**

A key justification for government policy is that, overall, the policy leads to the Australian community being better off – there is a net public benefit. The FDF is no different. Built into the Funding Plan, including in the second funding principle, is the notion that:

... funding must be able to be accessed and/or shared by many (public benefits), rather than be captured solely by individual businesses or industries solely for private commercial gain (private benefits). It also means the benefits achievable from the funding should outweigh the costs.

However, it is not clear the extent to which this test was applied when selecting activities to be supported. This may stem from the way the aim of the Fund – which is to ‘enhance the public good by building drought resilience in Australia’s agricultural sector, the agricultural landscape, and communities’ – is interpreted.

The aim suggests that any activity that contributes to economic, social and environmental resilience to drought is a public good and could merit government funding. However, this overlooks the fact that government resilience interventions also have costs, which can often fall to other sectors of the economy, and that many interventions offer benefits to a narrow group of individuals rather than to the broader public.

Relying on this interpretation to justify government support is particularly questionable in the case of the Fund’s first objective, which is to grow the ‘self-reliance and performance (productivity and profitability) of the agricultural sector’. Lifting the profitability of farm businesses to improve their resilience to drought is consistent with the aim of the Fund but the benefits of this publicly funded support are likely to be primarily private. While there may be a case for governments to support some programs that largely benefit private parties (for example, promoting the take-up of new technologies may result in more high performing agricultural businesses and a more productive economy), the hurdle for justifying support in such cases is high given the greater likelihood the government is funding activities that would have occurred anyway.

To remove any ambiguity, the Commission considers that the Australian Government should confirm that the FDF will only invest in drought resilience activities that are plausibly expected to lead to the Australian community being better off overall. The FDF’s aim should be amended to:

The aim of the Future Drought Fund is to build drought and climate change resilience in Australia’s agricultural sector, the agricultural landscape, and communities. The Fund will invest in activities with long-lasting benefits, that would not otherwise occur and that would lead to the Australian community being better off overall.

In practice, determining whether the community is better off overall is not simple. The costs and benefits of resilience activities are difficult to measure, in part because the concept of resilience is not easily defined. In some cases, the costs and expected benefits of an activity might be reasonably clear. For example, farm business planning should contribute to more profitable and productive farms – an outcome that can be readily measured. In other cases, such as building natural capital and community capacity, benefits may be dispersed and less easily measured. In all instances, there is also the challenge of finding a plausible causal link between the FDF investment and any improvement in resilience.

The Commission has heard from some participants that improving resilience today will reduce the need for assistance during future droughts. While better preparedness and drought resilience should reduce the need for in-drought support, any future savings cannot be guaranteed. The expectation of future savings is a

weaker justification for public support compared to instances when support removes barriers to investment and generates spillover benefits to the community that otherwise would not have occurred.

## Opportunities for improvement in the next Funding Plan

The first three years of the Fund's operation have highlighted strengths and weaknesses in the design and delivery of the Fund and its programs.

Extensive consultation processes underpinned the development of the first Funding Plan. Some FDF programs, such as the *Drought Resilience Adoption and Innovation Hubs* (Hubs) and the *Regional Drought Resilience Planning* (RDRP) program, have led to greater collaboration between industry, natural resource managers, researchers and community groups. Critical information about future climate risks has been developed and disseminated through new tools. A growing number of farmers are participating in business planning and local innovative projects. After some initial issues, effective partnerships have been developed with states and territories for the delivery of the Better Planning programs.

Overall, the first three years of the Fund have been successful in establishing a range of new programs and partnerships. However, in light of issues that have emerged as programs have been implemented, there is scope for improvement. The Commission has identified opportunities to strengthen the Fund for the benefit of the community and to support the resilience of farmers and communities over the long term.

### Advancing transformation, natural capital and local resilience

To produce greater public benefits and address market failures, the Commission believes the Fund should: focus on activities that advance transformational change; further emphasise activities that enhance natural capital; and continue to embrace a place-based approach to social resilience.

#### Supporting locally led transformation

As noted, some farmers, industries and communities will undertake transformational change to overcome drought and other climate risks.

As a perpetual fund, the FDF can provide the long-term funding often necessary to support transformation. It can also accept a greater risk appetite to support promising projects which may take time to yield results or are high risk/high reward.

The FDF can facilitate transformational change by establishing the building blocks to ensure farmers and communities have the capacity and pathways available to succeed. The building blocks to support transformational change include:

- information provision, such as climate change projections and research, to help farmers and communities understand the risks they face and the changes that may be required
- collaborative planning to help farmers and communities determine the changes required at a regional level and develop strategies to enact the necessary change
- extension services to advise farmers on the adoption of new technologies or practices.

To varying degrees, these types of activities are already supported by the Fund and more recent programs have adopted features, such as longer funding horizons, which could support greater transformational change (for example, the *Long-term Trials of Drought Resilient Farming Practices* program provides funding

to 2027-28 to trial innovative farming practices). Nevertheless, further improvements could be made, including:

- trialling a challenge-oriented approach to innovation grants
- improving the way regional drought resilience plans identify and support transformational challenges and opportunities
- ensuring the *Farm Business Resilience* (FBR) program provides the advice and tools necessary for farmers to plan and prepare for change.

### **Building natural capital**

Agricultural production systems rely on the natural capital of landscapes – the soil, air, water, plants, animals and other factors. Natural capital can also provide less tangible ecosystem services, such as climate regulation, and cultural heritage and recreation. Agricultural landscapes with healthy natural capital are more productive, sustainable and resilient to shocks, including drought.

As a result, activities that manage, preserve and enhance natural capital can benefit individual farmers and, in many cases, the broader community through greater economic and environmental resilience. Examples include land management practices that improve biodiversity and ecosystem health and preserve native vegetation.

The FDF already funds programs – or activities within programs – to improve management of natural capital. These initiatives include the Drought Resilient Soils and Landscapes Program, cross-hub projects, the Drought Resilience Innovation Grants program and the FBR program. While the evidence on these programs is inconclusive, participants have told the Commission that these programs are changing practices.

The value of enhancing natural capital is recognised in programs outside the FDF, such as the Australian Government's National Landcare Program and Agriculture Biodiversity Stewardship Package, as well as other state and territory programs. However, this also points to the importance of ensuring that the FDF is aligned with these programs, leveraging funding to yield better results (where possible) but otherwise avoiding wasteful duplication.

The Commission considers that the FDF could deliver more benefits – for farmers and the wider community – through a greater emphasis on activities that contribute to the resilience of natural capital and that would not otherwise have been undertaken. The Fund can achieve this in two key ways.

- Devoting a greater share of funding to programs that deliver natural capital benefits, such as the Drought Resilient Soils and Landscapes program, particularly where the benefits extend beyond the individual landowner, or funding NRM related activities identified through regional drought resilience plans.
- Amending existing programs, such as the FBR program and Hubs program, to strengthen the uptake of NRM activities.

This emphasis should be built into the proposed investment plan (below).

### **Supporting a place-based approach to social resilience**

One of the objectives of the Fund is to strengthen the wellbeing and social capital of rural, regional and remote communities. However, identifying local needs, measuring outcomes and delivering activities to benefit local communities poses program design challenges. The Fund's foundational community programs took a nationally led approach to building social resilience, however this approach can be challenging to effectively target at a local and/or regional level and design appropriately tailored solutions.

Social resilience projects targeted through the regional drought resilience plans provide a place-based approach that may be more appropriate. A place-based approach involves farm and non-farm segments of

the community taking an active role in assessing their own social needs, opportunities and possible strategies for reducing the social impacts of drought.

A collaborative and local approach to social resilience can help ensure activities reflect community needs. For instance, regions may differ in their needs regarding local leadership. Some may benefit from a national program that leverages cross-region connections, while others may prefer to engage local leadership training providers or target informal support for local leaders who already exist.

Giving local communities greater ownership and shared decision-making in building their social resilience is likely to be more beneficial relative to a nationally driven approach. The Department of Agriculture, Fisheries and Forestry has recognised this by ensuring that the second phase of community grants are developed through a co-design process that prioritises organisations with links to regional drought resilience plans. However, there may still be further opportunities for the Department to incorporate community programs into regional planning processes. The effectiveness of this approach should be reviewed at the end of the next funding plan period and alternative delivery methods considered if the program has not been able to target community needs.

## **Strengthening inputs to FDF design and delivery**

### **Identifying areas of greatest need**

The FDF overlaps with numerous Australian, state and territory government programs. This creates opportunities for the FDF to work with other programs but also risks duplication and cost-shifting. Realising the full potential of the FDF requires comprehensive, periodically updated assessments of the best opportunities for the Fund to build resilience.

The next Funding Plan is a natural point for the Department to map Australian, state and territory government policies and programs that support agriculture, land management, drought resilience and climate change resilience. This process would identify overlaps, help ensure Fund activities are well targeted, and identify opportunities for partnerships, collaboration and leveraging of other programs. The mapping exercise could also inform any changes in the scope of the Fund or clarification around the types of activities it would support, based on the extent to which there are other programs with similar aims.

Once complete, the findings of the mapping exercise could be used as a key input to the investment plan (below). While it is unlikely that this exercise could be undertaken before the finalisation of the next Funding Plan, it could inform decisions about prioritisation of activities, as well as lead to adjustments in priorities for individual programs, during the next Funding Plan.

### **A detailed investment plan would help**

The lack of a clear fund-wide investment plan has limited the prospects of the Fund achieving its objectives. During the first year of the Fund, there were missed opportunities for sequencing and coordinating programs, with multiple programs funded for one year rolled out simultaneously. The Funding Plan outlines general guidance for what could be done – the rules within which the Fund must operate – as well as identifying objectives and strategic priorities. However, the Plan does not explain what will actually be done, including how funds are to be allocated across the FDF's activities and programs to achieve these outcomes.

An investment plan would articulate how the FDF's objectives will be achieved. A detailed, public investment plan will help set expectations and allow stakeholders to understand the FDF's funding activities across programs, while improving transparency and accountability. The investment plan could explain:

- the strategy for achieving FDF objectives in the longer term (including building climate change resilience)
- what activities and programs will be prioritised over the next four years

- the theory of change underpinning the programs and investment priorities
- how the Fund will support transformational change
- the funding process, including how funding is to be delivered (for example, through a grant round or via a delivery partner)
- how funding is monitored and reported
- the sequence and scale of FDF activities
- the outcomes funded activities are expected to achieve
- how the funded activities are integrated
- how FDF activities will interact with other non-FDF policies and programs.

The investment plan should remain independent of the Funding Plan, as it does not need to be a legislative instrument. This will allow for flexibility in the timing of its development and for the investment plan to be adjusted as needed.

### **Improving the funding principles**

The Funding Plan outlines 17 principles that are intended to guide the arrangements and grants made under the Fund. The principles are broad, covering aspects such as diversity, community involvement, Fund processes, information sharing and expectations of outcomes.

It is not clear how the Department draws upon these principles when making funding decisions. Further, the principles lack clarity and in some cases are ambiguous. The wording in the Funding Plan implies the principles apply to individual programs and grants, yet some are more applicable to the Fund as a whole (for example, 'support a range of activities or projects at a mixture of levels, such as the farm, regional or national level').

The Commission is proposing changes to improve the use of the principles and minor amendments to some principles to clarify how they are applied and interpreted (figure 3).

First, changes could be made to the wording of the principles so they are more intuitive and it is clear which principles apply to the Fund as a whole and which apply to individual programs.

- The fund-wide principles guide decision-making about the mix of programs and approval processes. These principles signal that the FDF will fund a mix of programs that will provide the greatest benefit for the community.
- The remaining principles apply to each FDF program, both at the program planning stage and on an ongoing basis. These principles could be organised to indicate whether they are relevant to the strategic fit, community impact or delivery of a program.

Second, the Department should provide further detail in the Funding Plan on the purpose and use of the principles. This would include information on how the principles are applied when making funding decisions, the intended audience for the principles and the implications for funding applicants.



**Figure 3 – The Commission’s proposal for revised funding principles<sup>a</sup>**

<b>Fund-wide principles</b> These principles support decision-making around the mix of programs and the processes for approving them. <b>The Government should ...</b>		
(6, 7, 10) facilitate a mix of programs that, together, create the greatest public benefit, taking into account: <ul style="list-style-type: none"> <li>• a mixture of levels (farm/regional/national)</li> <li>• the type of change required (incremental, transitional and transformational)</li> <li>• the diversity of people, businesses and landscapes involved in agricultural production, including First Nations organisations and communities</li> </ul>		
(12, 15) take a transparent, structured, and contestable process to prioritising projects, based on qualitative and quantitative evidence	(9) streamline eligibility processes and minimise compliance costs on businesses, community organisations and individuals	
<b>Individual program principles</b> Programs funded by the Future Drought Fund must be consistent with these principles.		
<b>Strategic fit</b> The program ...	<b>Societal impact</b> The program ...	<b>Delivery</b> The program ...
(1) is consistent with the Vision, Aim, Strategic Priorities and Objectives outlined in the Future Drought Fund Plan	(2) delivers a net public benefit	(11) collaborates and partners with existing community networks, First Nations organisations and communities, natural resource management organisations, industry and farmer groups
(3) is not in-drought assistance	(4) avoids duplicating existing programs, or where there are overlaps, builds upon existing programs	
(16) does not have ongoing operational or maintenance dependencies unless it can demonstrate these will produce an ongoing net benefit	(14) has enduring long-term outcomes and reduces barriers to change or adaptation	(17) ensures that new knowledge is shared, accessible and freely made available in the public domain
(8) adopts a user-based lens and, where possible, a community led, co-design, and/or end-user approach		(new) undertakes monitoring and evaluation to ensure a continual process of learning and improvement
(13) requires private co-investment, as far as practicable, where projects are expected to deliver private benefits		

a. The numbers in brackets refer to the number of the principle in the FDF’s first Funding Plan.

## Tightening the theory of change to prioritise investments

The FDF's theory of change sets out a hypothesis of how the strategic priorities (economic, environmental and social resilience) contribute to realising the vision of the FDF. However, it could better describe how the priorities are mutually reinforcing, and how the FDF's activities are expected to achieve these priorities. Improving one form of resilience may have positive effects on one or both other forms. More awareness of the connections between the strategic priorities would help policy makers and program developers decide where the strongest (direct and indirect) results can be achieved. The FDF's theory of change should:

- define the intended outcomes of the FDF and its activities
- guide what the Fund could strategically invest in and in what sequence, in the short, medium and longer term
- describe how FDF programs work together to drive incremental, transitional and transformational change
- consider the changes required for supporting transformational change, and articulate those that would have the greatest impact
- describe how FDF programs mutually reinforce economic, environmental and social outcomes
- articulate the roles of key participants and their networks (for example, NRM groups, grower groups, Rural Research and Development Corporations and innovation institutions)
- outline the assumptions between activities and outcomes.

## More explicit recognition of climate change

While described as a drought resilience fund, in practice, the FDF also funds activities to build resilience to the changing climate. Indeed, the 2020 to 2024 Funding Plan refers to climate change as part of the FDF's vision. But this has created ambiguity about whether, and if so what, climate change resilience activities are within the scope of the FDF's programs.

The terms of reference asked the Commission to consider whether the Fund's vision and aim could more explicitly incorporate support for climate change resilience. Some participants considered that a greater emphasis on climate change would lead to uncertainty about Fund priorities and decrease support for existing FDF activities. Others suggested that drought requires a dedicated fund given it differs to other climate change risks such as flooding or increased storm activity. Moreover, some participants raised the risk of overlap with other climate change and natural disaster policies.

However, most participants supported more explicitly acknowledging that the Fund assists farmers and communities to build resilience to climate change, given:

- the FDF already recognises a broader range of climate pressures than just drought. Clarification of the scope of activities supported (and not supported) by the Fund would provide more certainty to stakeholders
- drought is not a term that resonates in some regions (for example, the local concern may be changing wet and dry seasons)
- drought is only one climate risk that farmers and rural communities must manage
- many of the Fund's activities are as relevant to building climate change resilience as building drought resilience. Collaborative planning, building natural, social and human capital, information provision and diffusion, and research, development and extension are key to building drought and climate change resilience and are all supported by the Fund.

On balance, the Commission considers that the next Funding Plan should more explicitly recognise *building drought and climate change resilience*. Further, any changes made by the Department to the MEL Framework and theory of change, along with the development of the investment plan, as recommended, should take this change into account.

However, the Commission does not expect, or recommend, that explicitly recognising climate change resilience as within scope should result in new climate change programs – drought should remain the focus of the FDF during the next Funding Plan. Rather, an explicit recognition of climate change is intended to clarify that, where appropriate, relevant programs can consider a broader range of climatic risks. For example, farmers participating in the FBR program could develop plans that consider all climatic risks not just drought. Similarly, communities that develop regional drought resilience plans could consider a broader perspective so that regional activities to build drought resilience also seek to build resilience for other climate extremes or natural disasters.

To provide further clarity, there may be merit in the Department developing an indicative list of climate change related activities that would be outside the Fund's scope. As with drought resilience, the Fund should not invest in climate change activities that are already being undertaken by other programs, and activities should remain focused on agriculture, agricultural landscapes and communities dependent on agriculture. For these reasons, the Commission considers there may be a case to exclude climate change mitigation, biosecurity, public water infrastructure and disaster preparation and response activities from the scope of the FDF.

## Sharing knowledge across the Fund

The FDF aims to generate a wealth of information and knowledge to assist farmers and communities in building drought resilience. Sharing this knowledge across the Fund can support the diffusion and application of drought resilience techniques and tools among primary producers and communities. It is a key reason for public investment in resilience activities.

However, the Fund does not have a strategy or plan for the generation, management and sharing of information and knowledge. FDF outputs are difficult to find and interpret, inhibiting the use of the information and knowledge generated from the Fund.

The Department should develop a knowledge strategy to promote learning and improve the accessibility, sharing and uptake of FDF information and knowledge. It would also provide greater transparency over the Fund's activities. The strategy could:

- identify measures to improve the generation, dissemination and uptake of information and knowledge across the Fund in an integrated way, tailored to the preferences of end users
- define the roles and responsibilities of different parties across the Fund in generating, disseminating and promoting uptake of FDF knowledge, including the Department, delivery partners, participants, Hubs and Hub Knowledge Brokers
- outline the best model for implementing a knowledge management system
- contain appropriate protections for Indigenous Cultural and Intellectual Property.

A variety of approaches are needed to facilitate learning and knowledge uptake. For example, participants have noted that many farmers tend to learn best from local networks and trusted sources. The strategy could therefore consider ways to leverage these opportunities and how best to identify and engage with target participants during the design and delivery of Fund programs.

In developing the strategy, the Department could examine the best model for implementing a knowledge management system. The system could take a number of forms and could range from sharing only key FDF information and knowledge on relevant websites to a more complex, integrated platform with relevant FDF and other drought and climate change resilience information. In determining the best model to implement, the Department should consider: the needs of, and likely benefits to, farmers, intermediaries and other users; what and where information is shared; opportunities to leverage existing platforms; the potential to expand the platform over time; and the costs of implementation.

## More effective monitoring, evaluation and learning

Monitoring, evaluating, learning and reporting on the performance of the FDF is essential to its success. MEL activities are needed to determine whether funding is contributing to drought resilience, support knowledge transfer, improve programs during implementation and inform the development of new programs.

While the Department and delivery partners have made progress implementing MEL activities (for example, developing program and project MEL plans, completing progress reports and commissioning a mid-term evaluation of the Funding Plan), the current MEL system is not adequate to track Fund progress.

Establishing a comprehensive MEL system was hampered by the quick roll out of programs and a lack of dedicated resources. MEL activities have been focused largely on individual programs rather than the overall Fund. Further, the success measures and indicators for several programs focus on inputs or outputs, rather than outcomes, and as a result, assessments have provided limited understanding of how these programs have contributed to drought resilience. For example, the Better Prepared Communities programs measure success through attendance numbers and size of networks, which does not meaningfully capture how the programs are contributing to a community's resilience to drought. The program theory has also been of limited use in guiding what performance outcomes should be monitored.

More work is needed to assess the effects of the Fund and the collective outcomes of its programs. To do this, the Department should develop and implement a framework to measure drought resilience, including indicators to measure economic, environmental and social resilience. The Department should work with stakeholders to identify fund-wide performance measures and develop a measurement approach, assign responsibilities and ensure collection, reporting and analysis of the data over time.

At the program level, assessments should facilitate greater understanding of activities' effects on drought resilience, which requires the development of appropriate performance indicators to measure progress. Undertaking longer-term monitoring and reporting for some priority programs would also provide a better understanding of the long-term resilience benefits, including after the conclusion of an activity or program. There is also scope to streamline reporting obligations for delivery partners and grant recipients to improve consistency and comparability, reduce duplication and avoid unnecessary reporting.

To improve the MEL system, additional resources and capability will be required. Given the central nature of MEL to the ongoing success of the Fund, the FDF should provide dedicated funding to the Department to build capability (including of delivery partners) and implement fit-for-purpose MEL activities. Funding could also be allocated for updating the theory of change and developing a framework to measure drought resilience.

## Improving outcomes for Aboriginal and Torres Strait Islander people

Aboriginal and Torres Strait Islander people have been caring for lands, waters and seas for tens of thousands of years as an integral part of culture and identity. Many Aboriginal and Torres Strait Islander people are directly or indirectly involved in agriculture. Large areas of land, particularly in northern Australia, are owned, managed and/or subject to other special rights for Aboriginal and Torres Strait Islander people. However, Aboriginal and Torres Strait Islander people remain underrepresented in the sector.

Many inquiry participants expressed interest in increasing the participation of Aboriginal and Torres Strait Islander people in the Fund's programs and governance, including through applying Indigenous knowledges to build resilience. However, Aboriginal and Torres Strait Islander people did not have opportunities to participate in shared decision-making about the objectives of the Fund, nor in its design, implementation or governance. The short-term nature of funding in the initial programs and narrow or strict grant requirements

have posed additional barriers. Broader structural barriers – such as the lack of clear protections for Indigenous Cultural and Intellectual Property, and mechanisms to ensure that Aboriginal and Torres Strait Islander people will benefit from sharing their Indigenous knowledges – have also impeded participation.

In line with governments' commitments under the *National Agreement on Closing the Gap 2020*, the next Funding Plan is an opportunity to foster strong, reciprocal and respectful partnerships with Aboriginal and Torres Strait Islander people in ways that enable shared decision-making in the design and delivery of FDF programs. There is potential for the FDF to create mutual benefits for Aboriginal and Torres Strait Islander people and the wider agricultural sector.

For the next Funding Plan, the Department should facilitate meaningful opportunities for Aboriginal and Torres Strait Islander people to define their goals for participation in the Fund, both at the national and local level. The primary step is to establish an appropriately resourced Aboriginal and Torres Strait Islander working group to partner with the Department to improve the design and implementation of FDF programs. These improvements would aim to better support engagement and strong partnerships at a local level. Areas that could be considered across the Fund and all programs include governance, MEL processes, and the protection of Indigenous Cultural and Intellectual Property.

## Boosting Fund governance

The governance arrangements for the FDF are largely effective, given the size of the Fund and the likely program risks. That said, some modest changes are warranted to streamline arrangements and improve outcomes.

Due to the time and costs involved in the process, the Regional Investment Corporation (RIC) Board's advisory role is unlikely to be adding value to the FDF. There is no evidence the RIC Board's advice has led to better outcomes, and concerns have been raised about the costs and delays to programs due to the requirement for seeking advice from the RIC Board. The RIC Board's legislated role should be removed. The recent Independent Review of the Regional Investment Corporation reached the same conclusion.

The legislated timing of key processes could affect planning for the next Funding Plan. The Department has only five months to develop and finalise a new Funding Plan after the delivery of the Commission's inquiry. The appointment of a new FDF Consultative Committee at the end of a Funding Plan may not provide sufficient continuity for the next Plan. The Government should adjust the timing of these processes so that:

- the appointment of members to the Consultative Committee is staggered
- the Commission submits its final report no later than eight months before the end of the Funding Period
- the inquiry terms of reference are provided to the Commission twelve months in advance of the reporting date.

Governance, transparency and oversight of individual programs is addressed below.

## Improving key programs

The Commission has examined each FDF program to identify opportunities for improvement. Findings and recommendations for key programs are outlined below.

### A single climate information tool

The FDF provides climate information for farmers so they can understand their climate risks through two programs: *Climate Services for Agriculture* (CSA) and the *Drought Resilience Self-Assessment Tool* (DR.SAT).

- CSA is a digital platform providing historical, seasonal and future climate information, which can enable users to anticipate future conditions and draw comparisons with recent circumstances so as to undertake long-term business planning.
- DR.SAT is a resilience self-assessment tool designed to offer farm-scale information for farmers. It is intended to complement existing climate information tools and relies on data from the CSA platform.

The programs are intended to fill a gap in the market for climate services in the agricultural sector. Climate services transform climate data into tailored products, such as projections, trends, economic analysis, and best practice.

However, the uptake of both climate tools has been modest. Further, there does not appear to be a compelling reason to have two separate, interdependent and overlapping tools. For example, both tools provide historical climate data and future climate projections at a farm scale and they both provide impact assessments and pathway options for certain commodities.

The Department should discontinue funding for the DR.SAT tool and integrate its useful elements into CSA where possible. In transitioning to a single tool, the Department, in collaboration with delivery partners, could engage with end users to assess what elements of DR.SAT could be brought into CSA. The CSA's MEL plan could also be updated, given the program's changed functions, and the Department should monitor take up of the new tool to determine if support should continue.

### Implementing regional drought resilience plans

The FDF funds the RDRP program in partnership with the states and territories. The program provides a place-based approach to drought resilience that aims to strengthen regional networks and collaboratively identify regional needs. Despite the coordination challenges this can pose – compounded by short delivery timeframes – early feedback on several draft foundational plans suggests they have been widely supported and many have successfully laid the foundation to build a collaborative regional approach to drought resilience. Some plans have a longer-term focus, which may mean their activities, if implemented, are more likely to contribute to transformational change.

Nonetheless, the pilot program experienced several issues, including challenges developing implementation pathways, a lack of clear ownership and difficulties accessing funding. While these issues are significant, they can be rectified for future iterations of the program. The Department should work with the states and territories to provide guidance on:

- implementation pathways for resilience activities identified through the planning process
- a preferred governance framework. The guidance could include expectations around accountability, implementation and MEL activities for lead organisations
- the sources of funding that are available from the Australian, state and territory governments, the types of activities that can receive funding through FDF grants and a timeline for this process.

## More focus on public benefits in farm business planning

The FBR program, delivered in partnership with state and territory governments, is the largest FDF program (around 20% of total funding). The program supports farmers to manage risk by providing subsidised training in strategic business skills, risk management (including drought risk), NRM, and personal and social resilience. The program also funds tailored business plans for individual farms. The program is delivered in partnership with state and territory governments and aligns with a shared responsibility under the National Drought Agreement to encourage robust risk management and develop capabilities that improve farmers' decision-making and resilience.

There is evidence that improving farm business planning can enhance resilience to risks such as drought. However, in assisting farmers to make their businesses more profitable, the FBR program is providing a largely private benefit and could be subsidising activities that many farmers would have undertaken anyway. The benefits for the broader community are probably limited, particularly given there is little or no private co-contribution to the costs of the program.

The Commission is recommending changes to the program to provide greater public benefits, through two mechanisms.

First, program eligibility should be tightened so that it targets farmers with less experience and awareness of drought resilient practices (noting other Fund programs can cater to more experienced farmers). This could be done through tightening eligibility and requirements on participation, including potentially through applicants undertaking a self-assessment ahead of their participation in the program. The FBR program would also be able to link these eligible farmers to other FDF programs that might be beneficial.

Second, course content should prioritise material where there is the greatest public benefit, such as NRM and innovative on-farm practices that can support transformational change. This could include expanding natural capital modules to cover high impact activities such as long-term contingency planning and training on how to participate in environmental markets. There may also be scope to enhance the benefits of the program through a more structured peer networking component – including after the completion of the course – to support implementation of learnings.

Jurisdictions should balance the level of co-contribution with the likely public and private benefits that can be achieved through the program, taking into account the characteristics of participants and the nature of course content.

These changes may mean lower participation rates and therefore a lower funding allocation. This should not be considered a negative outcome. Greater targeting of participants and course content would generate greater community benefits and make funding available for other areas of the Fund that are more likely to produce public benefits. The Department should therefore assess demand for the program after these changes have been made, with the possibility of reallocating funding to other FDF programs.

## Clarifying the role of Hubs

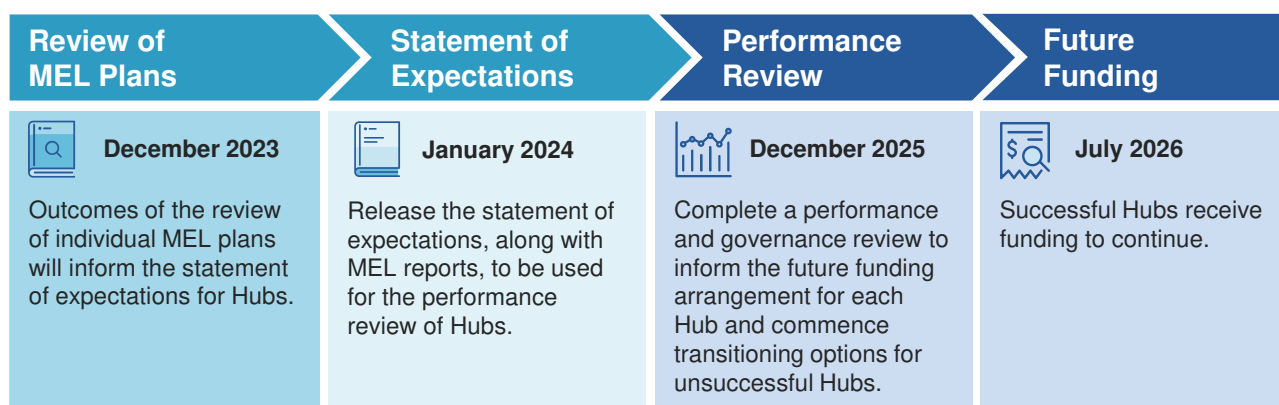
The eight Drought Resilience Adoption and Innovation Hubs create networks of regional stakeholders to develop, extend, adopt and commercialise drought resilient practices and technologies. Their activities have the potential to contribute to better resilience outcomes, including through promoting transformational change.

There has been some uncertainty about the role of Hubs and concerns they are duplicating or competing with (and missing opportunities to collaborate with) established services and networks. The Department partly addressed this issue in 2022 by confirming that the Hubs are to focus on extension and adoption of existing knowledge rather than generating new knowledge.

There is scope to further improve accountability and clarity about the role of the Hubs and their links to other FDF programs. In particular, the Department should develop and publish a statement of expectations for the Hubs program. The statement could: clarify the roles and responsibilities of the Hubs; confirm the focus of the Hubs on activities that support extension, adoption and scaling-up; and establish the outputs and outcomes they are expected to deliver. The statement could be informed by the review of individual MEL plans (figure 4), and link to the proposed investment plan and knowledge strategy (above). For example, there is a need to clarify the role of the Hub Knowledge Brokers in both the knowledge strategy and the Hub statement of expectations.

Funding for the Hubs should be extended for two years in the next funding plan period (starting from July 2024). However, beyond this, further funding for any individual Hub would be contingent on demonstrating adequate performance and governance in a review mid-way through the next funding plan period, and by the end of the 2025-26 financial year. Reporting in accordance with the MEL plans will be instrumental in informing this review.

**Figure 4 – Proposed plan for the Hubs program in the next Funding Plan**



## Piloting a challenge-based approach to innovation grants

The Drought Resilience Innovation Grants program supports the development and adoption of innovative technologies and practices to improve the drought resilience of farmers and communities. A variety of projects are being supported at different stages of development, including: early-stage proposals; feasibility testing for new products, processes and services; and large-scale innovation projects. The FDF is a modest source of funding for agricultural innovation, with most innovation services delivered by universities, industry-led Rural Research and Development Corporations, and Cooperative Research Centres. Participants to this inquiry have suggested that industry innovation tends to be focused on finding and applying incremental improvements to production efficiency.

The FDF – through the Drought Resilience Innovation Grants program – can complement these activities. As noted earlier, an advantage of the Fund is that it can invest in longer-term projects that are less likely to yield early results, and accept greater risks than industry to support transformational change. Supporting innovation activities could help generate the step-changes required to enable farmers to build resilience over the long term.

Grants-based innovation programs often support a raft of innovation proposals across a broad range of industries and regions. An alternative approach would be to identify a regional, industry or system-wide challenge which could be tackled over the medium to long term. The project could focus on opportunities to use innovation to enhance the sustainability of regions highly exposed to drought and climate risks, including by assisting with sustainable diversification in those regions.



The Drought Resilience Innovation Grants program should introduce a pilot of the ‘challenge-oriented approach’ to innovation. The pilot sub-program could be developed and delivered with industry, the relevant Hub, and state, territory and local governments, leveraging financial and in-kind support from these partners. There may be opportunities to integrate the work supported by the sub-program with other FDF programs, such as the RDRP and FBR programs.

## Effectively supporting social resilience

The programs under the Better Prepared Communities theme have supported local leaders, networks, mentors and community organisations to strengthen their social resilience to drought.

While there has been positive feedback from participants on these programs, it is inherently difficult to assess whether they will have an enduring impact on the resilience of communities. There is a risk the Better Prepared Communities programs are duplicating information provided through other FDF programs and could be better targeted to wider community needs, such as mental health services or events connecting the broader community.

One way of targeting regional and local priorities is through greater use of the RDRP process to identify social resilience needs. The RDRP program has had success bringing together diverse stakeholders within communities to plan for their region. Plans can provide an effective mechanism for the Australian Government to target the social resilience of communities and ensure funds go where they are needed most.

The Department has already pursued a stronger link between RDRP activities and community grant funding. However, the link could be further strengthened, particularly in developing a tighter relationship between the design and sequencing of regional drought resilience plans and community grant funding. The outcomes of this work should be reviewed over the next funding plan period to assess whether it is providing the type of social capital that will build social resilience to drought. The Commission understands efforts are also underway to invest in MEL activities for the program, which will be critical for its evaluation.

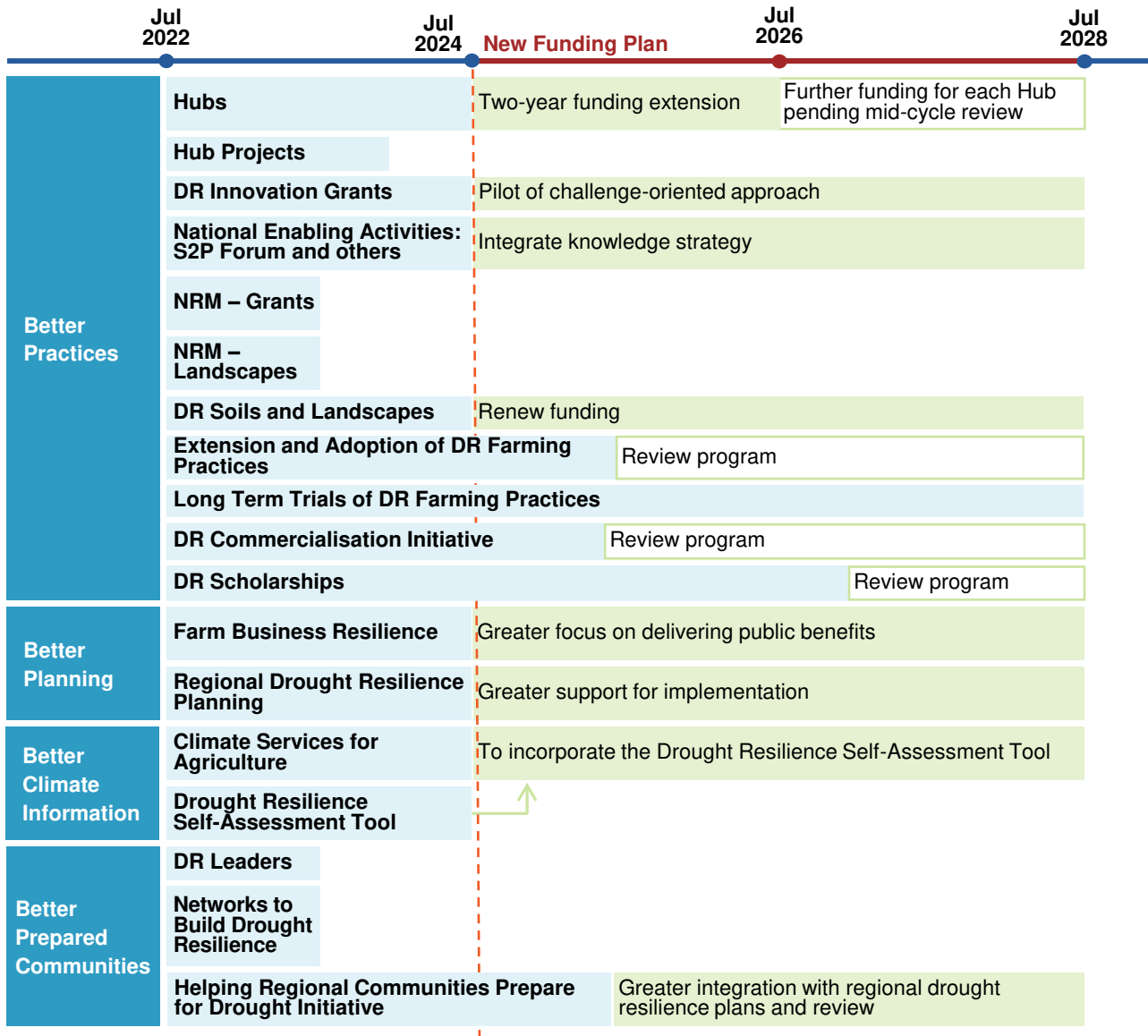
## The next four years

The Commission has outlined recommendations that, if implemented, should generate greater public benefits and build farmers’ and agricultural communities’ resilience to drought and climate change.

Figure 5 sketches out the programs the Commission considers should continue into the next funding plan period. The Commission’s recommendations should make the Fund easier to navigate, promote more coordination across programs and facilitate projects that are more likely to build long-term drought resilience through transformational change. Longer-term funding will also allow projects more time to demonstrate their effectiveness and help reduce barriers to participation, including for Aboriginal and Torres Strait Islander people.

The mapping exercise and investment plan, along with a strengthened approach to MEL, will be key inputs to funding allocation decisions going forward, including as programs come up for review and renewal throughout the next funding plan period. Over time, it might be expected that there will be a shift in the types of activities undertaken through the Fund. For example, there may be greater specialisation in a smaller range of activities in areas where the Fund is best able to generate enduring positive change. The result may be even fewer programs. Either way, these changes should be made with an eye to the longer-term aims and direction of the Fund.

**Figure 5 – Current FDF program funding commitments with the Commission’s recommendations for the new funding plan period**



# Recommendations and findings

## Future Drought Fund outcomes



### Finding 2.1

**The first three years of the Future Drought Fund have revealed both the Fund's potential and practical challenges**

The Future Drought Fund (FDF) is delivering a solid foundation to build economic, environmental and social resilience to drought.

- FDF programs are supporting a broad range of activities that are likely to enhance drought resilience.
- The FDF is fostering new collaborations across diverse organisations and industries.
- Programs were designed following significant community consultation and most have a strong element of local decision-making and delivery.

However, some problems have hampered the effectiveness of the Fund.

- The rapid development and roll out of initial programs meant there was a missed opportunity to launch the Fund as an integrated, sequenced suite of programs.
- The implementation of several short-term programs with limited collaboration and knowledge sharing undermined prospects of sustainable long-term change.
- The design of some programs has limited the potential for achieving community-wide benefits.

## Next steps for the Future Drought Fund



### Recommendation 3.1

**Opportunities for achieving greater public benefits**

The Australian Government should enhance the public benefits being delivered by the Future Drought Fund, including:

- making support for transformational actions a higher priority
- investing more in activities that build natural capital, drawing on support from relevant organisations
- continuing the shift to place-based planning and actions for supporting social resilience.



### Recommendation 3.2

#### Actions that could improve the effectiveness of the Fund

The Department of Agriculture, Fisheries and Forestry should:

- update the aim in the Drought Resilience Funding Plan to:

The aim of the Future Drought Fund is to build drought and climate change resilience in Australia's agricultural sector, the agricultural landscape, and communities. The Fund will invest in activities with long-lasting benefits, that would not otherwise occur and that will lead to the Australian community being better off overall.

- map Australian, state and territory government programs for agriculture, land management, drought resilience and climate change resilience, to ensure funding from the Future Drought Fund (FDF) is well targeted and not duplicating other programs
- refine the FDF's theory of change and develop an investment plan to guide decisions about the mix, funding and delivery of FDF programs
- clarify the purpose and use of the FDF's funding principles.



### Recommendation 3.3

#### Clarify scope to include climate change resilience

While drought resilience should remain the primary goal of the Future Drought Fund (FDF), the Department of Agriculture, Fisheries and Forestry should clarify the scope of the FDF to explicitly recognise building resilience to drought and climate change. To reduce the risk of funding climate change-related activities supported by other government programs, the FDF could include a non-exhaustive list of activities ineligible for FDF funding.



### Recommendation 3.4

#### Developing a knowledge strategy

The Department of Agriculture, Fisheries and Forestry should develop a knowledge strategy that:

- identifies measures to improve the generation, dissemination and uptake of knowledge across the Future Drought Fund, tailored to the preferences of end users
- defines the roles and responsibilities of the many parties across the Fund that create, share and/or use knowledge
- outlines the best model for implementing a knowledge management system.

## Governance



### Recommendation 4.1

#### The role of the Regional Investment Corporation Board should be removed

The Australian Government should amend the *Future Drought Fund Act 2019* (Cth) to remove the Regional Investment Corporation Board's legislated role in the Future Drought Fund.



### Recommendation 4.2

#### Better timing of key processes

The Future Drought Fund Consultative Committee and the Productivity Commission advise on the development of Drought Resilience Funding Plans. To ensure this advice is robust and timely:

- the terms of Future Drought Fund Consultative Committee members should be staggered to provide continuity at critical stages in the development and early implementation of new Funding Plans
- the *Future Drought Fund Act 2019* (Cth) should be amended to ensure the Productivity Commission reports no later than eight months before the end of the Funding Plan. The terms of reference should be provided to the Commission twelve months in advance of the reporting date.

## Monitoring, evaluation and learning



### Recommendation 5.1

#### Strengthening the monitoring, evaluation and learning system

The monitoring, evaluation and learning (MEL) system should be strengthened. Additional investment in MEL capabilities and implementation is required. The Australian Government should provide funding from the Future Drought Fund to the Department of Agriculture, Fisheries and Forestry (DAFF) to build capability, including of delivery partners, and implement fit-for-purpose MEL activities.

DAFF should work with stakeholders to develop fund-wide performance measures for economic, environmental and social resilience, and ensure collection, reporting and analysis of the data over time. DAFF could improve program MEL activities through:

- developing appropriate program performance indicators – including outcome measures that are linked to the theory of change – to measure progress of programs in supporting drought resilience
- trialling longer-term monitoring and reporting for priority programs to provide a better understanding of the long-term resilience benefits, including beyond the conclusion of an activity or program
- streamlining reporting obligations for delivery partners and grant recipients to improve consistency and comparability, reduce duplication and avoid unnecessary reporting.

## Improving outcomes for Aboriginal and Torres Strait Islander people



### Recommendation 6.1

#### An Aboriginal and Torres Strait Islander working group

The Department of Agriculture, Fisheries and Forestry should establish an Aboriginal and Torres Strait Islander working group to partner with the Department to improve the design and implementation of the Future Drought Fund for the benefit of Aboriginal and Torres Strait Islander people.

## Future Drought Fund programs



### Recommendation 7.1

#### Improving the Better Climate Information programs

The Australian Government should discontinue funding for the Drought Resilience Self-Assessment Tool and integrate those elements of greatest value to end users into the Climate Services for Agriculture tool. The Department of Agriculture, Fisheries and Forestry should monitor use of the new tool to determine if support should continue.



### Recommendation 7.2

#### Improving the public benefit of the Farm Business Resilience program

The Department of Agriculture, Fisheries and Forestry, in partnership with state and territory governments, should improve the design and delivery of the Farm Business Resilience program by:

- tightening eligibility criteria for participants to ensure services are filling genuine gaps in training for farmers
- requiring course content to prioritise natural resource management and transformational practices. Business management training that offers largely private benefits should not be the focus
- requiring co-contributions from program participants, adjusted according to eligibility criteria and course content
- ensuring monitoring and reporting provides sufficient detail to evaluate the program's effectiveness in building drought resilience
- considering the appropriate level of funding for the program, taking into account the likely public benefits and the alternative uses of funds.



### **Recommendation 7.3** **Improving the Regional Drought Resilience Planning program**

The Department of Agriculture, Fisheries and Forestry should work with the state and territory governments to provide guidance to program participants on:

- implementation pathways for resilience activities identified through the Regional Drought Resilience Planning process
- a preferred governance framework for regional drought resilience plans
- the sources of funding available from the Australian, state and territory governments, the types of activities that would be eligible for funding from the Future Drought Fund and a timeline for these processes.



### **Recommendation 7.4** **Improving the Drought Resilience Adoption and Innovation Hubs**

Funding for the Drought Resilience Adoption and Innovation Hubs should be extended for two years in the next funding plan period, with continued funding for each Hub depending on a satisfactory mid-term performance review.

The Department of Agriculture, Fisheries and Forestry should also:

- release a public statement of expectations for the Drought Resilience Adoption and Innovation Hubs program and individual Hubs
- align Hub knowledge brokers' activities with the proposed Future Drought Fund knowledge strategy (recommendation 3.4).



### **Recommendation 7.5** **Piloting a 'challenge-oriented' approach to the Drought Resilience Innovation Grants program**

The Department of Agriculture, Fisheries and Forestry should pilot a 'challenge-oriented' approach as part of the Drought Resilience Innovation Grants program. The pilot should facilitate tailored, innovative solutions to a small number of complex and multi-dimensional challenges – in a particular region, industry or at a broader systems level – arising from drought and climate change.



**Recommendation 7.6**  
**Better targeting of community programs**

The Department of Agriculture, Fisheries and Forestry should improve the Better Prepared Communities programs by:

- focusing support on community-wide activities and networks, leaving engagement with agricultural industry networks to other programs
- ensuring detailed reporting on the types of knowledge and practices being shared, to assist evaluation and build a stronger evidence base on what works
- reviewing at the end of the next Funding Plan whether the Helping Regional Communities Prepare for Drought initiative is best placed to target social resilience activities or if there should be greater emphasis on delivering social resilience through the Regional Drought Resilience Planning program.