



# Reforming the Structure of Regional Development Agencies in Australia

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## Introduction

The Keniry Report into the impediments to and opportunities for regional business growth (Keniry *et al* 2003), recently submitted to the Commonwealth Minister for Transport and Regional Services, has reopened discussion about the structure of the regional organisations involved in local and regional economic development. The report states that:

There are too many government 'development' organisations with too little coordination and cooperation. We were struck by the number of organisations operating at a regional level with the objective of supporting economic and business development. The Commonwealth, and each state and territory have established Area Consultative Committees, Business Enterprise Centres, Regional Development Councils and many agencies with similar missions. (Keniry *et al* 2003, p. 27)

They recommend that Heads of Governments establish a taskforce to:

formulate a process to establish for each region a body to have responsibility for:

- achieving long-term regional planning outcomes that lead to business development and growth
- delivering those government services that provide a solid foundation for business development and growth

[and]

develop a mechanism through which Commonwealth funding can be used to leverage

a greater level of strategic coordination among, and where appropriate, the rationalisation and consolidation of, the various bodies involved in regional planning and development. (Keniry *et al* 2003, p. 30)

These proposals are not necessarily new, as regional communities have been complaining for some time about the multiplicity of development organisations and the lack of coordination between them. 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' (Regional Australia Summit 1999). So far nothing appears to have come of this recommendation, and there is therefore a danger that nothing will come of the similar but fuller proposals of the Keniry Report.

This article aims to contribute to this discussion, and hopefully to push it along, by using the results of a recent study of regional development agencies to support, comment on and extend the recommendations outlined above. In 2001 we surveyed regional development agencies throughout Australia, as part of a comparative international study (Beer, Houghton and Maude 2003). In this survey we asked a number of questions about the factors that respondents thought influenced the effectiveness of their organisation. The answers enable us to assess the significance of the issues identified in the Keniry Report – the multiplicity of agencies, and the lack of coordination and cooperation between them –

and to comment on a range of other factors that organisations also believed had an impact on their effectiveness.

The survey produced responses from 505 organisations (a response rate of about 50 per cent), of which 302 belonged to local government, 100 were classified as agencies, and 72 as business enterprise or support centres (BECs). The common features of agencies are that they are not a branch of one of the three levels of government, are managed by boards or committees consisting of members of the region, and undertake a wide range of regional development activities. They include the Area Consultative Committees (ACCs) established by the Commonwealth government, the Development Commissions of Western Australia, the Regional Development Boards of South Australia and New South Wales, the various Regional Development Organisations of Queensland, Voluntary Regional Associations of Councils, and a variety of community-based regional development organisations. BECs are similar to the first group but have a narrower range of functions, serve smaller regions, and essentially focus on small business advice and support. They may be sponsored by a state government, a Chamber of Commerce or some other business association. There were also 31 organisations classified as 'other', a diverse group ranging from urban commercial district development bodies (typically called Main Street organisations in Australia) to Aboriginal and other community development organisations and a few utilities. This diversity makes it hard to generalise about

them, and they are excluded from the analysis in this article.

## Issues of Coordination and Cooperation

The survey contained four questions that directly relate to the issues of coordination and cooperation identified in the Keniry Report. Respondents were asked to indicate their agreement or disagreement with a series of statements, on a scale from 1 = not a problem to 7 = a major problem. The responses to four of the questions are summarised in Table 1, where agreement that there is a problem is defined as a response of 5, 6 or 7. The data show that at least a third of all respondents agreed that each statement represented a problem that made their work more difficult or less effective. The lack of coordination between regional economic development plans ranked highest, followed by the related issue of the lack of a recognised lead agency in strategic planning, and competition and/or conflict between agencies. Analysis by state shows some interesting differences, with NSW organisations appearing to be the most concerned about lack of coordination and cooperation (an average percentage agreement with the five statements of 40.3), followed by South Australia (36.5), Queensland (32.8), Western Australia (31.8), Tasmania (27.8) and Victoria (26.1). Further study of these interstate differences might identify some ways of improving coordination between development organisations, but is beyond the scope of this article.

Table 1: Percentage of Respondents Agreeing with Statements on Coordination and Cooperation Constraints (a)

Statement	Local govt.	Agency	BEC
There is competition and/or conflict between agencies belonging to different levels of government	35.9	37.5	32.3
There is competition and/or conflict between agencies belonging to the same level of government	36.5	26.1	26.2
No development organisation is recognised as the lead agency in strategic planning for this region/local area	37.9	37.4	37.5
There are several different and uncoordinated economic development plans for this region/local area	35.5	40.0	46.9

(a) agreement is a rating of 5, 6 or 7 on a 7 point scale from 1 = not a problem to 7 = a major problem

Source: Authors' survey

Another question in the survey was: 'What would make your organisation more effective?'. Around 11 per cent of answers were about issues of regional cooperation and coordination, and typical comments were:

A more coordinated (state/local) approach to economic development-local cooperation and reduction of local competition. (local government, South Australia)

A better governance framework across the region to avoid duplication. All agencies working from the one regional strategic plan and focussed on our core strategies. (agency, South Australia)

Much of the ineffectiveness is a result of the conflicting objectives of the many organisations involved in development. (local government, New South Wales)

Rationalisation of the number of entities trying to carry out a developmental role. (BEC, New South Wales)

Respondents also wanted:

A greater willingness on the part of Commonwealth agencies to embrace (rather than duplicate) state government delivery agencies and mechanisms. (agency, Western Australia)

Coordinated infrastructure planning for regions across all state agencies. (agency, South Australia)

These responses from Australian regional development agencies add weight to the Keniry Report recommendations to rationalise and coordinate the multiplicity of existing agencies. However, our survey findings point to other factors that are also important constraints on the effectiveness of these agencies, and suggest that more than rationalisation and coordination is needed to produce better regional development outcomes. These additional factors can be described as 'funding' and 'capacity' issues.

## Funding

The survey contained seven questions on some aspect of funding as a constraint to effectiveness. Roughly twice the percentage of respondents agreed that these constraints were a problem compared with any of the coordination and cooperation issues. One issue was the lack of funding to support the core management, research and planning functions of the organisation, which

makes it difficult for organisations to engage in effective strategic planning, or to analyse their local economy. Another was the lack of sufficient untied funding to use as leverage with other agencies. Untied funds are useful because they allow an organisation to attempt to influence the decisions of other agencies by offering partial funding for a project that the organisation wants implemented, or by undertaking studies that support the benefits of a proposed project. A further concern was the short duration of funding, which makes it difficult to develop the long-term projects that may produce the best results, and uses up staff time in repeatedly applying for the renewal of funding. A final issue was that the priorities of the funders had more influence on the organisation's activities than the needs of the region/local area. Organisations whose activities are determined by the program funding offered by state and Commonwealth government departments, and the often shifting priorities of these departments and their ministers, may be unable to undertake activities that meet the specific needs of their region or locality. This problem was also noted by Allison and Kwitko (1998) in their study of local authorities in South East Queensland.

A similar picture of funding problems emerged from the answers to the question: 'What would make your organisation more effective?', with sixty per cent of answers relating to funding issues. Typical comments included:

Sufficient funding to just get on and do the job rather than half doing and half seeking additional funding. (BEC, New South Wales)

Access to untied funding to use as leverage to seed fund projects and initiatives to meet the needs of the region. (agency, South Australia)

Funding programs that allow us to achieve our objectives, not what the state or federal government wants. (local government, South Australia)

More and consistent funding. When we do receive good staff they have no guarantee of jobs beyond three years (often only two months). Because of inconsistency of funding we probably operate at about 70% of our potential. (agency, New South Wales)

A common theme was a call for greater local autonomy in determining how funds are spent in a region:

More flexibility and decision making at the local and state level. (agency, South Australia)

More independence from the federal government in assessment of projects. (agency, Tasmania)

Local determination of priorities and solutions. (local government, Victoria)

These responses reflect the lack of empowerment of many regional development organisations in Australia, including those belonging to local government, and their dependence on funding programs closely controlled by state and national governments.

### Issues of Capacity

A third set of constraints relate to the roles and capacities of the organisations themselves. For example, nearly half the respondents agreed that the effectiveness of their organisation was reduced because it was not involved in negotiations or decisions about large enterprises or large projects in its region. Many regional development organisations are confined to working with small and medium enterprises, and large developments with greater political significance are managed by state government agencies and their ministers, or by the Premier if the project is really big. A third of organisations agreed that their effectiveness was reduced because they lacked the capacity to undertake strategic planning for their region (see also Allison and Kwitko 1998), or they were unable to access information on good regional development practice, or their staff lacked appropriate skills. About a third of agencies and BECs (but only 17 per cent of local government respondents) agreed that their effectiveness was reduced because they were not seen as a legitimate representative of the region.

Again the answers to the question about what would make your organisation more effective reinforced these results, with around a quarter of respondents nominating a response that fits this category. Some typical comments were:

We don't have a sound strategic approach – until we have a properly based strategy any additional resources will be as ineffective as in the past. (local government, Victoria)

We need to focus well on fewer more strategic issues. (local government, Queensland)

Staff with more ability, willing to spend longer in

the job – the average term of employment is 12 months. (agency, Queensland)

These issues of role and capacity relate partly to the funding problems of the organisations, which affect their ability to employ skilled staff, undertake strategic planning and deal with large firms, but they also relate to whether they are constituted and empowered to have a central or only a marginal role in the economic development of their region.

The most important impediments to effectiveness, according to the organisations, are therefore funding, followed by deficiencies in the roles, powers, and capacities of the organisations, and only thirdly by the lack of a framework for cooperative regional development planning and implementation. Simply reforming and rationalising the structure of regional development organisations along the lines proposed by the Keniry Report will consequently only have a limited impact on the effectiveness of these organisations.

### A Reform Agenda

The Keniry Report advocates a structure in which each region will have a single body responsible for long-term regional planning and the provision of support services for business development and growth. What might this structure look like?

- The ACCs and the Regional Development Boards/Commissions/Organisations will merge to form new organisations which will have 'delegated authority to achieve long-term planning outcomes' (Keniry *et al* 2003, p. 30). It makes no sense for the ACCs, the Commonwealth's community-based economic development agency, to be separate from the state-based regional development organisations. It is particularly important to bring together the workforce training and labour market roles of the ACCs with the economic development roles of the state-based organisations, as training is recognised as one of the more effective economic development strategies. A merger is even more imperative now that the ACCs have expanded their functions to become more broadly-based regional development organisations.
- This organisation will bring together the roles of the three levels of government to provide the long-term planning, strategic direction and coordination needed for effective regional development.

- Local governments will recognise this organisation as the lead agency for their region, and will be one of its financial supporters. Individual local governments are unlikely to be the lead agency themselves, as they probably cannot bring together the three levels of government, and in most parts of Australia are too small, but they will still have an important specialist role in regional development.
  - The structure will have 'stability and permanence, since few tangible results are achieved in less than five years and fundamental transformation requires at least ten years' (OECD 2001, p. 34). The Commonwealth in particular must demonstrate a commitment to stable structures and policies if it wants to mobilise the energy and involvement of regional communities, as its history has been one of instability in regional development policy as governments and ministers have changed.
  - It will have 'a degree of autonomy from political pressures so that it may develop a long-term strategy rather than be forced to respond to short-term priorities' (OECD 2001, p. 34). This might be achieved through the strong involvement of the private and community sectors in the management of the new organisations, with government playing a minor role, as well as by developing non-government sources of funding, although this can be difficult in many Australian regions.
  - The legitimacy of these organisations to function as the lead agencies for the economic development of their regions needs to be carefully considered. Legitimacy can come from authority delegated by the three levels of government, and from the ways in which the members of their boards of management are chosen. Board members need to avoid being perceived as political appointees of a minister. While some members will be appointed by and represent each level of government, the majority should be chosen by local stakeholders and local people in ways that are absolutely transparent.
  - Where there are several development organisations within a region, including local governments with economic development activities, there will be an agreement on leadership and long-term strategy, and on the roles of each organisation.
  - The new organisations might or might not take over the functions of the Business Enterprise Centres, which have a narrower role in regional business support, but if they don't there will be an agreement on their respective roles.
  - The Keniry Report recommends that a rationalised structure be 'based on self-identified regions where the three levels of government can work effectively in partnership. The regions must be large enough for sensible and long-term economic, social and environmental planning based on an appropriate regional footprint' (Keniry et al 2003, p 30). We agree that regions should be 'self-identified' if they are to gain the support of local people, but warn that state and especially Commonwealth governments have a history of wanting to make these regions larger than communities prefer, for reasons of administrative convenience and in the belief that larger regions are more efficient. We have discussed the issue of how to delimit regions elsewhere (Beer, Maude and Pritchard 2003). We would expect these 'self-identified regions' often to be closer to those of the existing state-based regional development organisations than to those of the ACCs, but there is considerable scope for enlarging the boundaries of some of the former organisations.
  - Any reform must also learn from the process of creating a national system of Regional Development Organisations (RDOs) undertaken by the Labor Government in the mid-1990s. The RDOs could be seen as an attempt to achieve the aims outlined above, but this Commonwealth-driven program ignored the legitimate role and interests of the states, imposed regional boundaries on resistant communities, produced organisations whose legitimacy to speak for their regions was contested, and was insufficiently sensitive to the differing needs and capacities of regional communities across Australia. The RDO period illustrated all too well the political and bureaucratic obstacles to achieving the goals of coordination and cooperation advocated in the Keniry Report.
- Our survey findings suggest a number of additional ways to improve the effectiveness of regional development organisations in Australia, many of them requiring little or no additional funding. These include:
- Providing longer term and more stable funding.
  - Reducing application and reporting

requirements, in order to free time for development activities.

- Increasing the autonomy of organisations to make decisions, which could lead to more appropriate decisions being made by people closer to the problems, and raise the profile of the organisations within their regions. An OECD Local Economic and Employment Development (LEED) Programme recommendation is that national or state agencies should give regional development organisations an incentive to innovate and develop programs tailored to their own needs (OECD 2001).
- Consolidating existing funding into fewer and larger organisations. An analysis of our survey results, reported elsewhere (Beer, Houghton and Maude 2003) suggests that the greater the range of development activities an organisation is involved in, the more effective it thinks it is. If this translates into a stronger development impact, then consolidating current funding in a smaller number of organisations with a wider range of functions could increase effectiveness at no cost.
- Assisting organisations to improve their regional development skills. The LEED Programme recommends that national or state agencies should provide technical support structures to assist local agencies to learn about good practices. Support for an organisation similar to the California Association for Local Economic Development, but operating at a national level, is one possible model.
- State governments ensuring that regional development organisations are involved in all significant projects within their region. This will enable them to maximise the benefits of major new projects to their regional economy, as well as enhance their profile within their communities.

With the growing attention being paid to regional development, and the equally growing realisation of the importance of locally-based regional development leadership and effort, the Keniry Report's recommendations are timely. However, we have argued in this article that reducing the problems of coordination and cooperation that they identify will only solve a small proportion of the constraints that limit the effectiveness of Australian regional development organisations. Attention must also be paid to the funding and capacity issues that regional development practitioners have identified in our survey. The reform process will also require a greater degree of inter-governmental cooperation, and willingness on the part of the Commonwealth, state and territory governments to surrender powers to the regions, than we have so far been used to in this country.

## References

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