ownership in the end result is evidence that the proposed set of strategic directions is the product of a joint effort.

The important role of the RDM in maintaining continuity of interest at the sub-regional level was demonstrated clearly in the case of the CQ RED Study. The RDMs created the collaborative environment to ensure the blending of bottom-up and top-down input in a manner with which all participants were comfortable.*

Sources and Further Information


Central Queensland Public Sector Regional Chief Executive Officer Survey Report (1993), Background Report No. 5, Central Queensland Regional Economic Development Strategy Inception Study, University of Central Queensland, February.


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FUNDING OF REGIONAL ECONOMIC DEVELOPMENT ORGANISATIONS

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Introduction

Regional development organisations (RDOs) primarily aim to increase the pace and diversity of economic growth in their localities or, where adverse structural change requires economic adjustment, to avoid or reduce the rate of economic decline. Economic growth and rising population benefit regional communities in many ways: lower unemployment, more services, better quality living environments, and lower out-migration, to name but four (Mason and Smith, 1992). Thus RDO programs tend to emphasise economic policies and strategies more than social and environmental considerations. That is also true, even when the programs pursue strategic defence or political ends.

In common with other developed countries, Australia has two main models of funding for RDOs: the "top-down" approach, where central (State or Federal) government provides the funds and the objectives; and the "bottom-up" approach, where a regional or district community provides the bulk of the funds and determines the objectives.

In Australia, the life of regional development organisations tends to be short, that is, less than 10 years. A common reason for the closure or major re-orientation of such organisations is lack of money, either because government funders have changed their program or have withdrawn for other reasons, or because private funders discontinue their support. Short life cycles mean a lack of career paths for staff and of expertise at the management committee level. Equally, it could be argued that governments also lose the pool of practical experience and knowledge gained at the regional level.

In view of these deleterious effects, funding arrangements are important, especially where funding is insecure and funders' demands are contradictory or unclear. The trend internationally during the last decade has been
to rely upon the targeted regional population to provide the most significant inputs to the development process (Drabek, 1987). In this way, development objectives are articulated mainly by local people and are likely to gain the support of a large proportion of the community.

Recent Australian History

From the demise of the Department of Urban and Regional Development in 1975 until the recent Federal election, regional economic development has not been a national priority. However, in March 1993, a new Office of Regional Development was established, though it has yet to indicate where its priorities lie. At least two groups are due to report in early 1994 in order to focus Federal programs for regional development.

During this two decade interregnum, many local councils or business groups in non-metropolitan Australia have established RDOs to develop their own regions, often identifying tourism as the major industry worth promoting. State government assistance was sometimes also made available in response to a local initiative.

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In a manner more akin to non-profit organisations such as charities and self-help groups, RDOs generally rely on persuading their stakeholder base that they should contribute financially for an indefinite period, either out of altruism, because they cannot do the regional development activity alone, or because there will be demonstrable or general returns to them or their businesses (Monks, 1991). It is common for the funders of an RDO to affect significantly its management structure, objectives and activities.

Some longer-term effects, which have been documented in organisations receiving overseas aid (Lissner, 1977), include:

- conflict between funders and organisations’ managements (over, for example, mission and priorities), and/or
- conflict between funders and the interests of the agencies’ beneficiaries
- imbalances in organisations’ programs, due to the impact of large government grants, or restrictions imposed on their expenditure
- forced changes to organisational style so that the RDO’s style is more acceptable to funders
- the softening of agencies’ advocacy role in order to avoid embarrassing particular funders
- deteriorating relationships with traditional (private and local) funders, because government funds are easier to secure or they run counter to local preferences.

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The author is currently studying the role of funders in the operation of selected Australian RDOs. The project examines how far the above processes operate and their effect on the achievement of organisational goals. Consequently we ought to consider the problem of performance assessment.

Performance Assessment

This task is extremely difficult, both for the non-profit sector in general and development organisations in particular. Indeed, RDOs rarely measure accurately the impact of their activities or the extent to which they achieve their goals. This situation stems from at least three critical factors:

1. Effective measurement of policy performance requires an estimation of likely regional economic conditions in the absence of the local development strategy. This goal is severely compromised by four matters: the extraordinary complexity of economic development processes; the fact that local processes or policies are largely dominated by extra-regional events; a general lack of the
relevant statistical data; and a shortage funds to carry out the necessary investigations. It is therefore difficult to disentangle policy cause and development effect.

Moreover, the period over which policy performance is assessed will influence its perceived degree of success. The effects of a strategy will not usually show up immediately. Stage in the business cycle will also influence apparent outcomes. It is rather easier to implement a strategy in a period of up-swing. Conversely, it would be unfair to criticise a program that becomes trapped by looming recession. Yet the dynamics of reporting periods, funding cycles, elections, or the closure of a major employer may detrimentally affect an agency's performance assessment.

Even if RDOs were serious about performance evaluation, it would be difficult to accomplish for personnel reasons. Most RDOs have a small staff and suffer a high turnover. Many operate with three or fewer salaried people. Moreover, Australian RDOs also tend to have Boards or management committees with mixed and rather unstable membership. Members are often nominated by one or more funding organisations. Rather than bringing specific regional economic development expertise, they tend, therefore, to bring their constituency's interests and a generally supportive but "amateur" approach to economic development. The resulting periodic shifts in goals and strategies mitigate against effective evaluation.

It is therefore difficult to disentangle policy cause and development effect.

Finally, achievements should perhaps be assessed not against stated goals but rather in terms of what it is possible to achieve realistically at the time. During a downturn in a region's key industries, the RDO may only be able to assist affected people to accept their current fate philosophically, help the affected industries replan their future, build up other existing enterprises and/or establish new ones. By contrast, boom conditions may enable the RDO to assist with employee recruitment and training, source capital, develop long-term plans and undertake for itself some discretionary activities that are impossible in constrained times.

Revenue

Few RDOs generate more than half their income from sources other than grants from government or commercial funders. To do so might compromise the RDO's raison d'être and independence. An exception is the Albury Wodonga Development Corporation, which has been self-funding for over a decade, but which received more than $20m in funding (principally from the Commonwealth Government) and a land bank in the mid to late 1970s following its establishment.

Unlike commercial organisations, RDOs generally do not have a range of products or services that they can develop, sell and update. Indeed in the case of many RDOs, it is a written or unwritten condition of funding that they do not develop such a range, particularly where it is in competition with local businesses.

Some RDOs obtain a measure of independence by seeking to maximise their receipt of unrestricted funds. These can be raised by community and/or commercial funding raising and by trading in whatever goods and services they can provide. The major sources of funds however remain those provided by all three levels of government. These funds almost always come with restrictions on their use.

If a tenable link can be made between funding, operations and performance, then the results for new and existing RDOs may indicate operating characteristics to either seek or to avoid.

For example, in 1991/1992 and 1992/1993 the Armidale Development Corporation (ADC, 1992) in northern NSW tripled its annual turnover by accepting two Government programs (one a Commonwealth/State program, and the other a State program) which had tight restrictions on the purposes of expenditure. Nevertheless the ADC obtained a valuable support to its core activities, because the programs' administration was undertaken generally within ADC. This made a significant contribution towards ADC's overhead costs. The effect was to free up other "unrestricted" money for other purposes.
Conclusion

In contrast to agencies that receive international development aid, Australian RDOs suffer little political interference from funders. However, given the fact that most Australian RDOs have one year or less in advance commitments from funders, the threat of withdrawal or non-renewal in the case of "non-performance" is real. This affects staff more than committee members, as there is little job security, nor a career path.

Whilst there is an acknowledged wealth of factors affecting RDO activities, success and longevity, the key issue is the supply of operating funds. Work is currently being undertaken on a series of case studies of Australian RDOs to see what effects different funding relationships have had on them, and to see in what circumstances RDOs have made a major change of direction, either suddenly or in a gradual way, due to the influence of one or more funders.

If a tenable link can be made between funding, operations and performance, then the results for new and existing RDOs may indicate operating characteristics to either seek or to avoid. At best RDOs should be able to use the interpretation to improve their future chances for success. Government should be able to work more effectively in the regional development area by examining the effects of government versus other sources of funding.

References


SOCIO-ECONOMIC TRENDS

Information supplied by Derek Kemp, Queensland Department of Business and Regional Development.

- Decline in Traditional Family
  - There is a major trend to single parent families
  - The elderly are becoming divorced from their families

[The consequence of both these trends is a continued reduction in household size, with major implications for planning and development issues – Eds.]

- Increased hours, Low Paid Growth
  - 32 per cent of middle income male jobs disappeared (1970-90)
  - 70 per cent of jobs created were in the bottom 20 per cent of weekly earnings in the period 1976 to 1990
  - Over 17 per cent of people work more than 49 hours per week (up 55,200 in past year according to Access Economics)
  - An increase in work outside the normal hours of 9 am to 5 pm

[All regional development practitioners should follow trends in the nature of work – Eds.]

- Coming of the Third Consumer Revolution
  - emphasis on value for money (instead of prestige)
  - search for variety and convenience (shopping is becoming a chore rather than a recreation)
  - the quest for anxiety free consumption
  - the development of numerous small firms serving niche (specialist) markets. In retailing this means customers paying a premium for hassle free convenience

[This trend is likely to have adverse consequences for smaller rural communities – Eds.]