ABOUT THE REGIONAL AUSTRALIA INSTITUTE

Independent and informed by both research and ongoing dialogue with the community, the Regional Australia Institute (RAI) develops policy and advocates for change to build a stronger economy and better quality of life in regional Australia – for the benefit of all Australians. The RAI was established with support from the Australian Government.

DISCLAIMER AND COPYRIGHT

This research report translates and analyses findings of research to enable an informed public discussion of regional issues in Australia. It is intended to assist people to think about their perspectives, assumptions and understanding of regional issues. No responsibility is accepted by RAI Limited, its Board or its funders for the accuracy of the advice provided or for the quality of advice or decisions made by others based on the information presented in this publication.

Unless otherwise specified, the contents of this report remain the property of the Regional Australia Institute. Reproduction for non-commercial purposes with attribution of authorship is permitted.

ACKNOWLEDGEMENTS

The Regional Australia Institute gratefully acknowledges the contribution to this work from officials from various Departments across many jurisdictions including: the Northern Territory Government Department of the Chief Minister; the Queensland Department of State Development, Manufacturing, Infrastructure and Planning; the Tasmanian Department of State Growth; the Commonwealth Department of Infrastructure, Regional Development and Cities; Regional Development Victoria and the Western Australian Department of Jobs, Tourism, Science, and Innovation.

We also thank staff of Southern Cross University and Charles Darwin University for early feedback.

REFERENCE

This paper can be referenced as:


CONTACTS AND FURTHER INFORMATION

Dr Kim Houghton
General Manager Policy and Research
P. 02 6260 3733
E. kim.houghton@regionalaustralia.org.au

Further information can be found at www.regionalaustralia.org.au
Summary

Competitive grant programs are still the status quo for most Australian regional development funding.

Competitive grant programs are being used to supply infrastructure to regions, and competitive tenders determine the providers of a great many services. They are seen to provide a transparent ‘merit-based’ approach, well-suited to rigorous audit processes in place across all jurisdictions. Competition is also in favour as it is thought to deliver allocative efficiency, where funds are directed to the areas of greatest need. For regions, the ability to play the competitive game determines the extent of investment in economic development infrastructure and services that they are able to marshal. It is a familiar game, with the rules well understood, and there are as many skilled players who’s regions are winners, as there are losers.

Australian regions were built on large government-funded infrastructure for roads, water, railways, and the vision of local prosperity for businesses and communities that would follow. Where would Coleambally or the Murrumbidgee Valley be without government funded dams and water channels?

Regional development was once the remit of only government; now it is about government working with regions. Working with regions means shifting to a more informed, participatory and trusted relationship with regions – opening up to collaborative relationships rather than purely competitive ones.

This means that regional development policy designed to deliver purely government efficiency and effectiveness is inadequate. A new approach is needed that includes both competitive and collaborative approaches to regional development policy.

This report directly addresses the biggest change to Australian regional policy in decades – the introduction of collaborative approaches and ideas of long-term regional deals. While competition is still seen as the status quo, to date there has been little legitimate consideration of alternate approaches.

By creating the case for why collaboration should be part of the regional development policymaker’s portfolio, the report answers questions from policymakers such as; what is collaboration, why is it needed, what it will add to the regional development process, and what is needed to make it work?

To help policymakers understand the ‘what’ and ‘why’ of collaboration we have drawn on international and national insights, cases and examples. In doing so, this report provides follow-up examples of where collaboration has been a success, clear risk and reward profiles for collaboration, understanding of capabilities and tools required for success. It also provides a framework for understanding when to use collaboration, and addressing the three core principles for enacting collaboration, namely; agreeing your outcome, understanding the capabilities at hand and addressing the ‘rules of engagement’.
There will always be a place for competitive grants in a regional development policymaker’s portfolio. This report presents the case for widening the portfolio to include collaboration. The two approaches differ in many ways.

Collaborative or deal-based policy approaches (e.g. Regional Partnerships, City Deals, and Regional Deals) are suited to situations where the priority is longer-term, place-based and local outcome driven results that align to central government policies. Alternatively, competitively based policy tools (e.g. infrastructure grants or bids from regions for funding to run programs) are generally more effective for short-term investments that reflect the scope set by central government priorities.

Of course, it is not a one OR the other approach; both can meet the OECD nine lessons for the development of effective regional policy. It is about fit; where does competition or collaboration fit best? And sometimes they fit well together, as shown with Victoria’s Regional Partnerships program.

Both competition and collaboration have their own risks and rewards. Competition has lower transaction costs and invests in low-risk projects, while collaboration has higher flexibility with shared responsibility resulting in lower long-term risks.

The five case studies from federal and state government regional development programs explore some of the challenges for successful collaborative policy implementation.

This report, with its practical insights and case studies, provides the evidence base for including collaborative policy in Australian regional development.

In effect, twenty years ago the global status quo of regional development was competitive grants. Now it is collaboration.

Australia needs to catch-up and start delivering a wider range of collaborative regional development approaches.

How well is your government positioned to deliver the long-term, localised solutions for growing regional communities that is only possible under a collaborative approach?
TABLE OF CONTENTS

Summary ........................................................................................................................................... 2
Collaborative regional development policy ....................................................................................... 5
  What is collaboration? ..................................................................................................................... 6
  Why is collaboration needed? ......................................................................................................... 9
Moving from ideas to action .............................................................................................................. 11
  What will collaboration add to regional development? ................................................................. 11
    Enhanced Capabilities .................................................................................................................. 11
    Internationally leading edge ....................................................................................................... 14
    More options for greater success ................................................................................................. 15
What is needed to make collaboration work? .................................................................................... 17
  Agree your outcomes .................................................................................................................... 17
  Understand your capabilities ........................................................................................................ 18
  Addressing the ‘Rules of Engagement’ .......................................................................................... 20
Conclusion ......................................................................................................................................... 24
  What is collaboration? ................................................................................................................... 24
  Why is collaboration needed? ....................................................................................................... 25
  What will collaboration add to regional development? ............................................................... 25
  What is needed to make collaboration work? ................................................................................ 26
End notes ........................................................................................................................................... 28
Twenty years ago, the global default approach for regional development was competitive grants.

This entailed governments being the sole creator and implementer of regional development, seeking to stimulate market forces through competitive bidding for infrastructure grants, to ‘build the nation’.

The competitive approach has ‘built’ Australian regions through the provision of infrastructure. Coleambally, the last gazetted town in NSW (1968), was built to service the adjoining irrigation area, with pipes, roads, schools, swimming pools, irrigation channels etc. provided by the government. For farmers to be part of this nation-building dream, they were balloted, and if successful a farmer had to give up all other land rights and prove that they were financially viable to develop their land. Any farmer not meeting these strictly competitive rules was deemed to be ineligible by central government, and a more viable farmer would take their place.

This neoliberal competitive approach still drives much of current day Australia’s regional development agenda. It is the foundation, for example, of the Productivity Commission’s 2017 Study Report into Transitioning Regional Economies. But in a sign that alternative approaches are being given greater consideration, a recent Parliamentary Inquiry highlights the value of place-based strategy and the need for decision making to be regionally driven.

An RAI review of catalytic economic funding in regions identified that competitive grant funding is a common approach to investing in regional development. Although efficiencies can be gained through the initial administration of competitive grants funding, this approach has delivered a seemingly random allocation of infrastructure (e.g. road upgrades, parks and pools, toilet blocks, libraries and school halls) across regional and rural areas reflecting council capabilities in grant writing and risk management. It has not resulted in a strategic approach to regional development that identifies critical transformational infrastructure capable of delivering long-term regional growth.

Now regional Australia is a patchwork of communities. Their development needs are as diverse as their locations. Some need more infrastructure, others greater connectivity to business, still more need fundamental education and health services, and many require stronger connectivity of their local issues to broader governmental agendas. Regions need bespoke, localised solutions to their development needs. In this way, regions can cost-effectively tackle the barriers for development and stimulate the opportunities they know are ripe for them.

The need to deliver a growing rural and regional Australia is now for localised or place-based approaches to regional development. These do not occur under competitive development programs alone – they need collaboration.

This report makes a case for collaboration as part of the regional development policymaker’s portfolio.
WHAT IS COLLABORATION?

If you want a regional development policy to deliver local impact, address local issues and be ingrained in local priorities for the future, then a central government would need a 'local' perspective. This approach can be gained through collaborating with locals, or through locals competing against each other for centralised funds that target local issues.

Collaborative deal making is where one or more public agencies craft a solution to a policy issue using consensus-driven dialogue with diverse parties who will be affected by the solution or who can help in implementation\textsuperscript{v}. This Deal based approach is a favourite of many coordinating departments\textsuperscript{v}, and it has been tested across a variety of areas such as Indigenous and Cities\textsuperscript{vi} policies. It is also recognised as the most successful approach to producing long term change in rural and regional communities\textsuperscript{vii}. A recent OECD report on regional economic growth noted the value of the all-encompassing long term strategies embedded in Deal based approaches:

Piecemeal funding has been a characteristic of several programmes. Ad hoc, project-oriented funding is flexible and can be adapted to different circumstances. Yet, this type of short-term funding can halt the development of more all-encompassing, long-term strategy, focused on policy areas\textsuperscript{viii}.

Competitive granting is the procurement of services through competitive bidding processes where choice of preferred provider is decided on via a range of ‘measureable’ attributes that structure the procurement process\textsuperscript{ix}. Competition is generally considered the default approach for most government departments including those working on regional development, see for example the federal grant register, Grant Connect (www.grants.gov.au), and the plethora of competitive programs open at any one time.

The choice of when to use collaboration or when to use competition is context specific. But to fully understand your choices, policymakers must know what each approach emphasises.

Collaborative regional development policies emphasise:

- Power for decision making is shared across multiple actors (government at different levels; federal, state, local, community groups, private businesses);
- Resources for implementing decisions are shared across involved actors;
- Long term investment approaches reflecting the involved actor’s priorities are agreed;
- Responsibility for outcomes are shared across involved actors; and
- Contracted outcomes and decisions on how, when and what are made collaboratively.

Competitive regional development policies emphasise:

- Power of decision making is delivered by the government body delivering the program (central government);
- Resources for implementing the decision are delegated from the central government;
- Timelines are reflective of the program (usually 1-3 years);
- Responsibility for outcomes is delegated from the central government to the delivery agent; and
• Contracted outcomes of how, when and what central government will pay for specific outputs are clearly articulated.

The last few decades have seen a significant increase in the level of public engagement in public policy. It has been demanded by the public and the government has seen a marked increase in success of its programs when appropriate participation is used to deliver them. A good example of the impact of collaborative approaches comes from a study of four Norwegian mining towns which highlights how restructuring strategies evolved over time from predominantly unsuccessful top-down approaches to more successful bottom-up approaches.

For many policymakers, collaborative policy is the next step in strong local participation in the policy cycle. Box A outlines the spectrum of low to high local participation. Low participation is when people are simply informed about the relevant problems and alternative solutions by government. High participation is where government empowers locals to take the final decision on the issue. Importantly, higher participation in public policy delivers an increased level of impact. Therefore, more participation equals stronger policy outcomes.

A challenge for regional development policy is that anything added to a place is set amongst an already operating set of policies and programs driven by separate portfolios. In this way, any new policy approach, whether it is competitive or collaborative, needs to be embedded in the current patchwork of policy approaches.

### Box A. Spectrum of Local Participation in Regional Development Policy

<table>
<thead>
<tr>
<th>Level of local influence</th>
<th>Minimal influence</th>
<th>Low influence</th>
<th>Moderate influence</th>
<th>High involvement and influence</th>
<th>Local control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government commitments to locals</td>
<td>Information giving</td>
<td>Information seeking</td>
<td>Information sharing and joint planning</td>
<td>Participatory decision making</td>
<td>Local leadership</td>
</tr>
<tr>
<td></td>
<td>We will keep you informed</td>
<td>We will keep you informed, listen to you, acknowledge your views and provide feedback</td>
<td>We will work with you, consider your views and provide feedback on how your input influenced the outcomes</td>
<td>We will look to you for advice and innovation in the formulation of solutions and incorporate your advice to maximum extent.</td>
<td>We will implement your decisions and support and complement your actions.</td>
</tr>
</tbody>
</table>

Source: adapted from the International Association for Public Participation [www.iap2.org](http://www.iap2.org)
Regional Australia is currently operating across the multitude of policy arenas – regional development, infrastructure, health, social services, policing, education, etc. Reflecting this complex environment in which regional development occurs creates space for policy to not only add new input (e.g. new funding) but also ‘join up’ existing approaches. Many jurisdictions are currently looking at using stronger participation in combination with collaboration and competition approaches – to achieve different outcomes.

In Australia, collaborative and competitive policies have been used sequentially and separately to achieve complementary outcomes. For example, Victoria has supported the creation of Regional Partnerships to build vertical links between local and central government to raise issues, identify priorities and ensure decision making is reflective of local concerns, while still leaving Cabinet with final decisions on funding. See Box B for further insights.

**BOX B. A PIPELINE APPROACH TO PARTNERSHIPS FROM VICTORIA**

**Aim:** Regional Partnerships are state supported forums that provide unfiltered advice direct to government about regional priorities across whole of government. They create a two-way pipeline of ideas, projects, concerns between local actors and state government.

**What are they?**

Partnerships occur at two levels. First the local partnerships, of which there are nine in place. Second are assemblies that occur throughout the state where State government ministers and secretaries engage directly with each region.

The members of each of the nine Partnerships across regional Victoria include:
- local business and community leaders;
- the CEOs of each local government area located within the region;
- a RDA Committee member; and
- a Deputy Secretary from the Victorian Government.

Importantly, these partnerships are supported throughout government with a Regional Director as the Executive Officer, Regional Partnership Coordinator (1FTE), Regional Planning and Coordination Manager (0.5 FTE) and a central policy team.

**What do they add?**

The partnerships bring in the views of the broader community – through diverse membership and Regional Assemblies and engagements. They create opportunities to understand the distinct attributes of regions and work with the community on enhanced service delivery, infrastructure planning, and policy and program implementation. They do reduce silos between levels of government, government agencies and departments and community to create a new way of working that focuses on better outcomes for the region. Critically, they share the accountability and responsibility of solving some of the more complex issues in the community through the pipeline approach of projects – everyone is engaged, informed from ideas to delivery, ensuring long-term success of any government investment.

Continues over page
Box B cont.

Success factors

- A strong authorising environment – Government and Victorian Secretaries Board.
- A new Cabinet Committee with membership of key Ministers.
- Good use of other internal structures – Rural and Regional Inter-departmental Committee and Deputy Secretaries group.
- Commitment from Government to the Partnerships. Demonstrated by a mandated attendance of Ministers at the Annual Regional Assemblies.
- Ministers don’t talk, they listen (apart from a short opening or closing address) at assemblies.
- The breadth of issues the Regional Partnerships are able to cover allow the region’s priorities to be considered holistically, not having to conform to the bureaucratic carve up of Departments, programs and portfolios.
- The RDV network of staff embedded in place with a strong understanding of the local stakeholder networks and interests.
- The enormous commitment of the Regional Partnership members (who volunteer their time).

WHY IS COLLABORATION NEEDED?

Everyone has seen the ‘white elephant’ in a town. The convention centre that doesn’t get any more conferences, an industry ‘interpretive centre’ designed to attract tourists, a bridge many times larger than needed, or a community and school hall with all the bells and whistles and no usage or operational budget. These are the result of a central government grant that does not really meet the needs of the local area. For many observers, these exemplify a growing concern over the value for money of current government spending through competitive approaches. They represent the outcomes of a magnanimous grant giver able to determine the perfect solution for a local challenge – an outcome which can be ripe with controversy. Competitive processes can lead to funding of projects with long-term benefits for communities – if the groundwork has been done to embed the project in community needs and medium-term aspirations. In these cases, the collaboration happens before the competition is even entered, though is still based on the hope that the value the community sees will also be seen by the grant-giver.

Times have changed – regional Australia now needs localised or place-based approaches to regional development. These do not occur under competitive development programs alone – they need commitments to collaboration from top to bottom.

Hinchinbrook Council in northern Queensland was in a spiral of ageing population, decreasing workforce and volatile traditional industrial base (sugar production and processing). While many structural adjustment packages and infrastructure grants were used to stimulate this council’s future – the momentum was downward. They needed a local solution and ‘The Hinchinbrook Way’ was born. This collaborative approach is about creating a market for the region’s lifestyle benefits, stimulating local business investment through growing healthcare and social assistance opportunities and niche branding produce from the region. This locally driven solution is owned by locals, with support and collaboration...
from regional and state government. It has created a shift in business sentiment and is stimulating long
term planning and local investment. This collaborative approach is working, as early feedback from
local government on the implementation of Hinchinbrook Way has shown an increased engagement
with small businesses and increased interest from external parties to relocate businesses and families to
the region.

Recent work by the OECD identifies the need to broaden traditional regional development policy to
include collaborative approaches. It stresses that governments now must understand the portfolio of
policy approaches they have available and depending on the context, they must find the right
approach, tools and participation that will deliver results.

European and UK evidence shows that collaborative interventions use tools like deals and contracts to
deliver place-based solutions. Used well, these have had clear outcomes including stronger local
leadership, flexible solutions, and more effective interventions. They embody the ‘place-based’ policy
approach which is driven by local needs and originate in a ‘bottom-up’ design and implementation
ethos reflecting context-specific concerns\textsuperscript{xiii}.

Competitively based policy tools (e.g. infrastructure grants, or programs offering competitive funding
for services) are generally more effective for short-term investments that reflect governmental priorities
and where intervention in specific local issues is not the target.\textsuperscript{xiv} The multi-university and library hub at
Bateman’s Bay highlights how programmatic infrastructure funding was used to meet a local gap in
provision. Due to the collaborative efforts of many stakeholders in the community piecing together
many grants, the library hub was developed and funded. The building now meets a broad range of
local gaps and needs e.g. library, art gallery, university campus etc. The collaboration was driven by
the community, the recipients, to ensure that the funding met their agreed needs. It was not driven by
the funding agencies, each of which had their own narrow set of merit criteria which had to be met. In
this case, the community was able to stitch together the cross-portfolio package they needed, but at
considerable cost in time and goodwill. A more collaborative approach from the outset, supported by
government, would have seen the burden of this stitching together shared more equally between the
community and the government.

Overall, regional development policy in Australia is at a cross roads – to legitimately extend the
growing call for participation in collaborative partnerships or to continue business as usual. Many
regional areas have not grown as anticipated or delivered expected returns over the last decades. In
numerous instances the barriers for growth are such that they would be better managed through
collaborative policy approaches than through piecemeal funding from competitive siloed programs.

So, there is a clear case for including collaborative policy in the regional development program
portfolio. The real question is how to move from the idea of including collaborative policy to the action
of making it happen.
A willingness to consider collaborative approaches will see Australia move into globally accepted present-day practices in regional development policy. Acknowledging that going against the status quo is difficult, this report will help policymakers understand what options they have, how they could enact a collaborative approach and share examples of where success has already been achieved.

WHAT WILL COLLABORATION ADD TO REGIONAL DEVELOPMENT?

The long history of regional development competitive grants and commissioning has focussed on transparent transactions, efficient allocation of scarce resources and procedural fairness and efficiency. These effectively prioritise the cost-effective investment from a range of proponents and regions to deliver outcomes which are desired by the central government and reflective of their needs with less concern for local contextual issues.

Regional development delivered through a collaborative, as opposed to competitive approach, is suited to first identifying what is needed locally to deliver long term development and then how to best deliver this. It is a longer-term, place based and outcome driven approach with multiple actors involved; governments (local, state and federal), private businesses, community and industry.

Collaboration drives locally specific place-based development that meets local needs (Box B above showed an example from Victoria). As another example, Townsville’s development trajectory was needing a specific and catalytic boost to weather short term structural unemployment concerns, and a collaborative approach was taken. The City Deal announced in 2016 was perfect timing and targeted to the city’s local needs. At the time, there was no known single government program that could best deal with the impending crisis facing the city.

ENHANCED CAPABILITIES

The big difference between successful implementation of collaborative and competitive policy is where the capabilities lie. In collaborative policy the capacity for success needs to lie in the team of multiple actors that are implementing. They are the collaboration ‘brain’s trust’ and require skills in analytical, technical, delivery and personnel for success (see Table 1).

Status quo of Australian regional development means that the capabilities to understand and analyse data (analytical capabilities) and design and deliver projects (technical and delivery capabilities) are principally housed in government or private consulting firms. In many remote areas, there are minimal analytical and technical capabilities on-ground.

In addition, collaborative policy requires the teamwork skills of trust and reciprocity to be shared, ensuring that all the actors have equal power and shared responsibility for making and implementing decisions. Collaborative policy highlights the need for horizontal linkages (i.e. connecting across locals through community, government, industry etc.) and vertical linkages (i.e. connecting up and down through government, interest groups and industries).
In competitive policy the capacities required for success can be spread across the central government implementing the policy and as such do not need to reside in a small team or be locationally grounded. The central government can choose which if any of the capabilities it would like to devolve during implementation – but initially the only skills needed by a local implementation team would be competitive grant writing and buy-in by local actors. This creates a high risk for local actors (including the resources and time to understand and prepare a grant as seen in the Batemans Bay library example cited earlier) and low risk for central government. Competition policy only highlights the need for horizontal linkages, and that they are already established and operating.

Investing in local capacity to deliver both competitive and collaborative policy is a primary approach of all state jurisdictions for regional development – the challenge faced by many states and territories is which level to invest in; is it central government, regional bodies, or local leaders? The answer would depend on which policy approach you want to implement; collaborative or competitive.

Table 1. Capabilities for regional development policy success and where they are generally held for collaborative and competitive approaches

<table>
<thead>
<tr>
<th>Capabilities</th>
<th>Collaborative</th>
<th>Competitive</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Analytical</strong> – Ability to identify ongoing local challenges and opportunities based on robust data.</td>
<td>Locals and centralised government</td>
<td>Centralised government</td>
</tr>
<tr>
<td><strong>Technical</strong> – Operate complex funding and outcome tracking systems previously held by central government.</td>
<td>Locals or private consultancy</td>
<td>Centralised into Government or private consultancy</td>
</tr>
<tr>
<td><strong>Delivery</strong> – Understand the composition and quality of multiple actors and whether this contains the mix of specialisations and skills that the policy requires.</td>
<td>Locals</td>
<td>Private consultancy or locals</td>
</tr>
<tr>
<td><strong>Personal</strong> – Ensure the negotiating and implementing teams are made of people with open minds and patience who are change oriented, flexible, persistent, diplomatic, trustworthy, respectful, goal oriented, decisive, friendly, and who have a sense of humour and the skills to deliver good communication, listening, and ability to work with people.</td>
<td>Locals and government</td>
<td>Centralised into Government or private consultancy</td>
</tr>
</tbody>
</table>

Tasmania has seen continuous need for regional development policy that reflects very critical issues of local structural adjustment in the north – resulting from the divestment of large manufacturing sites since 2010. Box C highlights the approach and capacities used in the Caterpillar Closure – which was a collaborative driven approach based on long term relationships and strong local understanding of the supply chain. This collaboration was deemed a success and was supplemented with grants that were competitive in nature but locally supported and targeted to specific entities to stimulate local job creation.
Aim: the collaborative Caterpillar Taskforce (CT) was a structural adjustment package for the closure of a manufacturing plant in Burnie.

Why a collaborative taskforce?
Tasmanian experience has been continuous and on-going from 2008 on the issue of industry structural adjustment processes (e.g. McCain, King Island Beef, etc.). Experience to date has identified the need for a decision making group of leaders (not representatives) to form quickly and start undertaking actions. The CT included state, federal, and local government, private business and union representation. Critically, it was chaired by the empathetic Deputy Premier and supported by a team of experienced and locally embedded staff.

Capacities required for success:
1. Be prepared
   - Good local knowledge. It was not a surprise when Caterpillar announced the plant closure; state government had been working behind the scenes with them for 3-4 years on how to keep operating in Burnie.
   - Know the facts. Work had been undertaken to know the whole supply chain for Caterpillar in the state (i.e. not just 500 jobs but 5,000 with logistics, suppliers etc.). The whole supply chain knowledge also identified who the critical players were.
   - Create the momentum. Prior to the announcement, the state had just released the Advanced Manufacturing Action Plan, which was explicitly designed by industry with their co-investment. This Plan enabled the industry to lead the strategic direction, creating business confidence and start investing and stimulating positive business sentiment.
   - Operate with transparency and trust in the CT and its staff. There were many sensitive issues raised throughout the working time by industry, government and community in a time of heightened anxiety. Trust in the people and the CT were essential for these issues to be managed successfully, including what was announced publicly and what was shared privately.
   - Include local leaders, not representatives. The CT was required to make decisions and implement them. Therefore, senior politicians were required to deliver on promises of resources and action, and private businesses commit to investment.
   - Listen empathetically and don’t overpromise.
   - Celebrate success. There needs to be a sense of action, not just talking. So announcements were made after each meeting (monthly) by the committee, not specific political parties or members. Each public media release was done at a local business in which the CT members were listening emphatically to local issues and concerns.
   - Collaborative decisions ensured CT ownership. Importantly, all decisions were made by the CT, not politicians or government.
INTERNATIONALLY LEADING EDGE

Internationally, regional development policy debates are evolving. The OECD released a report in April 2018 on ‘Rethinking Regional Development Policy-making’ from a global perspective. This provides a good foundation for considering the merits of different policy approaches and their tools, but lacks practical Australian insights. Similarly, the What Works Local Economic Growth at the London School of Economics has also provided a systematic review of a range of policy options for local economic growth.

The environment for regional policy development is also changing. Regional development has had a siloed approach to delivering outcomes in the past, e.g. increase jobs, or population growth, or stimulating industry etc. But the last few decades have seen a change in what regional development must deliver and who it is delivered by. Once the province of only the government, now regional development is more about government working with the regions to deliver agreed outcomes.

This means that traditional evaluations of regional development policy and tools which are focused purely on government efficiency and effectiveness (along with machinery of government implementation) will be inadequate to design regional development policy of the future.

Box C cont.

Outcomes that motivate

Success is not about the process, but outcomes. However, you don’t get the outcomes if you don’t have a successful process; one that is sharing power and responsibilities, and is truly collaborative. It was critical for the CT that ‘low hanging fruit’ were supported by all the leaders involved in the CT. For example, state government was able to bring forward already agreed public investment grants. In addition, private businesses were able to commit to funding earlier due to greater certainty in the local industry. This created further momentum for people to commit and be part of the solution of growing local jobs. This also identified that the whole CT was working to the same agenda, highlighting that personal and public profiles of all the players were enhanced with a successful CT, so everyone worked hard to make it a success. This was seen in the respect that locals showed to the CT decisions and the honest and actionable decisions that were made.

A key outcome that the CT found was critical from the beginning was that locals need to help themselves. Many outcomes floated moved responsibility to government or ‘others’, critical in the whole process. In the end, shared ownership of the challenge meant opportunities were clear and agreed and no ‘blame game positioning’ occurred.

Collaborative design criteria that were important

- CT needed different skills around the table; leaders who loved the media, staff that were organised, thoroughly informed, well networked and trusted, and well prepared.
- CT needed locally owned and delivered insights.
- Decision making and actionable outcomes.

Further information and final report here:
To inform the future design of development policy, the OECD has identified nine key lessons (summarised in Table 2). These lessons are inherently designed to deliver regional development policy in a time when government is one of the many players and when investing in local issues is now recognised as the core competency for successful development outcomes.

**Table 2. Nine lessons for future development policy**

<table>
<thead>
<tr>
<th>Lesson</th>
<th>Policy design criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>What works here might not work there</td>
<td>Flexibility in policy design to adapt to different contexts. Ensure programmes are flexible to local conditions, needs and emerging challenges.</td>
</tr>
<tr>
<td>Capacities first</td>
<td>Ensure capacities of all players are understood. Grow capacities of all players as part of every programme interaction.</td>
</tr>
<tr>
<td>Keep it simple</td>
<td>Ensure benefits reflect administrative burden. Coordinate simple data, rules and consistency.</td>
</tr>
<tr>
<td>It is the quality of the relationship that counts</td>
<td>Trust and reciprocity are priorities in every programme interaction. Avoid unilateral decisions without consultation.</td>
</tr>
<tr>
<td>Ownership matters</td>
<td>Use a citizen-centric ownership approach. Use ownership as necessary for inclusion and conditions as a supportive incentive.</td>
</tr>
<tr>
<td>Be aware of biases</td>
<td>Identify key biases (e.g. communication problems, engagement challenges, priority misalignment, funding gaps or misallocation) and design tools to directly address this.</td>
</tr>
<tr>
<td>Get the incentives right</td>
<td>Implement good feedback mechanisms and build partnerships and trust. Define clear relationships between inputs, outputs and outcomes.</td>
</tr>
<tr>
<td>Keep trying and testing</td>
<td>Develop a culture, and trial and test to develop a practical body of knowledge. Pilot, test and evaluate policies with flexibility to make changes.</td>
</tr>
<tr>
<td>Begin with the outcomes in mind</td>
<td>Design outcomes collectively along with monitoring and evaluation. Share results and learn from the process.</td>
</tr>
</tbody>
</table>

Both competitive and collaborative policy approaches can be enacted in consideration of the nine lessons. The lessons touch on the critical role that governmental approaches have to regional development and the variety of tools used in its implementation. Collaborative approaches are particularly effective in building on lessons like ‘What works here might not work there’, ‘Capacities first’, ‘Quality of relationship’, ‘Ownership’, ‘Trying and testing’ and ‘Beginning with outcomes in mind’.

**MORE OPTIONS FOR GREATER SUCCESS**

Regional development has traditionally focused on competitive based tools for implementation, such as grants. But by including collaborative approaches, policymakers now have a wider variety of choices, so they can ask ‘what tool is needed for my problem?’. Is it a contract, grant, financial instrument, deal, partnership, loan or is it a combination of some of them?

While each tool can be implemented in varying ways, for simplification we group these tools into those that are usually implemented in a more collaborative way e.g. contracts, deals and financial instruments and those deployed in a more competitive basis, e.g. grants. Table 3 summarises the risks and rewards for three types of tools; contracts, financial instruments and grants.
Specifically, governments truly interested in collaborative approaches should use deals and financial tools. These tools enable local or private business leaders to be a legitimate part of the decision making able to direct priorities and share implementation risks. This is much harder in a grants approach where the priorities are identified by central government, and rewards and risks are born by local actors.

Table 3. The risks and rewards of alternate policy tools

<table>
<thead>
<tr>
<th>Approach</th>
<th>Collaboration</th>
<th>Financial instruments</th>
<th>Competition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tool Purpose</strong></td>
<td>Deals/Contracts</td>
<td>Designed to overcome investment market failures experienced by businesses and public organisations&lt;sup&gt;<strong>ix</strong>&lt;/sup&gt;</td>
<td>One-off transactions to deliver specific development projects</td>
</tr>
<tr>
<td><strong>Rewards</strong></td>
<td>Tailored to spatial and local needs</td>
<td>Support is repaid enabling the option for a continuous reinvesting strategy</td>
<td>Transparency and procedural fairness between projects and regions</td>
</tr>
<tr>
<td></td>
<td>Credibility and legitimacy with the contracting parties</td>
<td>Stronger due diligence and repayment obligations drives project quality</td>
<td>Competition for funding can increase allocative efficiency</td>
</tr>
<tr>
<td></td>
<td>Implementation responsibility is shared</td>
<td>Cost-effective use of public funds</td>
<td>Lower transaction costs for governments</td>
</tr>
<tr>
<td></td>
<td>Flexible to deliver long term, multifaceted issues</td>
<td>Promotion of entrepreneurial culture</td>
<td>Can leverage co-funding</td>
</tr>
<tr>
<td></td>
<td>Involves multiple actors and shared responsibility</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Can leverage co-funding</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Risks</strong></td>
<td>Inertia in contracting systems</td>
<td>Projects need to generate positive future revenue streams – therefore not suitable for all opportunities</td>
<td>Transaction costs and uncertainty burden transferred to regions, limits investment options</td>
</tr>
<tr>
<td></td>
<td>Aligning objectives between actors</td>
<td>Inefficient use of government spending (crowds out private sector investment)</td>
<td>Only low risk projects supported</td>
</tr>
<tr>
<td></td>
<td>Risk of rent seeking or game playing by parties</td>
<td>Risk of political capture</td>
<td>Lack of flexibility to align with changing needs and objectives</td>
</tr>
<tr>
<td></td>
<td>Gaps in information, administration, capacity, accountability</td>
<td>Misalignment of private and government priorities</td>
<td>Lack of long term ownership or trust between parties</td>
</tr>
<tr>
<td></td>
<td>High transaction costs</td>
<td></td>
<td>Not targeted to most important local needs or spatial inequalities</td>
</tr>
<tr>
<td></td>
<td>Conflict over which groups are included in the deal making and which are not</td>
<td></td>
<td>Conditions hamper accountability</td>
</tr>
</tbody>
</table>
WHAT IS NEEDED TO MAKE COLLABORATION WORK?

Through discussions with policymakers in Australia and overseas, we have identified three key principles for making collaboration work.

a. Agree your outcomes
b. Understand your capabilities
c. Address the ‘rules of engagement’.

AGREE YOUR OUTCOMES

Regional development policy comes in many forms. A key challenge for any policy is to identify and understand what drives regional development in the local area and, therefore, what outcomes can be expected from different types of investment.

Figure 1 outlines the five common drivers for regional development; infrastructure, innovation, vision, collaboration and capital. Most regional development policy in Australia targets infrastructure, with most regional development policies being competitive infrastructure grants.

Figure 1. The five drivers to regional economic development

- **Availability of capital for growth**
  - Locally aware lenders understand business potential and value of knowledge
  - Affordable funds available for investment in R&D

- **Infrastructure**
  - Economic assets
  - Social hard structures/assets
  - Social soft assets; availability of business supports, civic & professional organisations

- **Vision for community & business**
  - Quality of leadership
  - Shared aspirations with collective goals & strategies
  - Not inhibited by fear of failure

- **Collaborative activity**
  - Cooperative investment & joint projects
  - Vertically & horizontally integrated ownership patterns across the industry sector
  - Welcoming of new ideas & start-ups
  - Social — processes; culture of trust & reciprocity — formal & informal

- **Innovative capacity**
  - Skilled, knowledgeable workforce
  - Learning culture with flexibility to adapt
  - Able to discard outdated practices
  - Close linkages with specialist R&D resources

THE CASE FOR COLLABORATION
However, drivers like innovation, vision and collaboration are better suited to a more collaborative approach to policy. Success for regional development policy is understanding what the local impediments for growth are, and tailoring programs to address these.

A clear example of this need to align policy approach to outcomes focus is shown in the recent shift in the Building our Regions program run by Queensland State government. Their work has shown that along with a slight shift in program focus, there is a need to align actors outcomes. See Box D for further insight.

**BOX D. BUILDING OUR REGIONS – GROWING BEYOND CRITICAL INFRASTRUCTURE**

**What is happening?**
Building our Regions (BOR) is the main competitive funding scheme from the Queensland state government to regional areas for economic development. Recent reviews of the program had found overlap between its funding priorities and other funding available through different portfolios, resulting in a change in focus of the program from Round 3 to 4. The new focus is on building long term economic development and jobs in local areas.

**Challenges**
Previous rounds of BOR resulted in a lower application rate by remote and small councils, principally Indigenous councils. To rectify this inequality the program provided intensive engagement with these specific councils to increase capacity, training, and support in identification of projects for grants and proposal development. This capacity building was successful in increasing competitive grant applications from marginalised councils. This is resulting in a higher chance of critical infrastructure being deployed to Indigenous areas.

**What this adds to our knowledge of competition and collaboration**
The changes to BOR responded to feedback from applicants and other regional stakeholders to amend aspects of the competitive process. The changes have impacted on the mix of applications, addressing the deficiencies identified. With the change in program focus, many councils are not up to speed on how to access grant funding, and future capacity development programs need to build on the existing intensive engagement and focus on upskilling local staff skills, not out-sourcing outputs (e.g. grant writing). Further information on program: [https://www.statedevelopment.qld.gov.au/regional-development/building-our-regions.html](https://www.statedevelopment.qld.gov.au/regional-development/building-our-regions.html)

**UNDERSTAND YOUR CAPABILITIES**
Previously we have focused on the need for local on the ground capabilities for delivery of collaborative policy (see Table 1). Skills in analytical, technical, delivery and personnel were identified as necessary for the success of any regional development policy. The challenge is that collaboration requires these to be available at the local level and across the multiple players, while competitive approaches require government to have these skills – which most do.
The shift of capabilities from central government to local areas is big. A challenge for many collaborative policy ideas is to understand what capabilities there are on the ground and to design and deliver programs that responds to this landscape.

Western Australia was faced with this challenge in its current implementation of the Jobs Act. This Act requires local content to be part of the procurement of large state funded infrastructure projects – focused on creating jobs locally. Box E explores this issue. At the beginning of implementation, it was realised that strong and close links between local and state planning was necessary for success, as well as the need to educate both the local areas and government on how the legislation works. This two-pronged capacity building approach ensured learning was built in central government of local issues, and local areas increased their knowledge of government requirements.

**BOX E. ENHANCED LOCAL PARTICIPATION IN STATE PROCUREMENT – DRIVING WA JOBS**

*What is happening?*
In December 2017, WA passed the Jobs Act to enact a ‘buy local’ agenda in all state government procurement contracts of size. To implement this Act, the Department of Jobs, Tourism, Science and Innovation (DJTSI) has carriage with an MOU of support from the Department of Primary Industries and Regional Development (DPIRD). However, the Act affects all procurements across the whole of government.

The local content team in DPIRD is charged with providing reporting, awareness and capacity building to government and community and businesses on regional content. Their approach is ‘localised’ for each of the nine regions, responding to the strategic work of business capabilities and strengths from the last decade of regional planning as undertaken by WA’s Regional Development Commissions. The installation of local content advisers (LCA) in each region ensures a bespoke and locally rich approach to regional engagement.

*Why?*
The aim is to increase the amount of local WA jobs created across the state with state governmental purchases.

*Is it competition or collaboration?*
The approach used is collaboration to build capacities, wrapped around a legislated article and implemented through a competitive procurement process.

*Activities*
To ensure that this a collaborative approach, DPIRD has designed two approaches to build capacity. First, informing and educating government on how the Act applies to regional areas. Second, to work with LCAs to provide localised capacity building and advocacy on the Act’s implementation. Both approaches have used an information providing approach to date (note the early implementation of this Act as implementation happened from 1 Oct, 2018). At the regional level, current mapping of the local environment is being undertaken to ensure future engagement is specifically targeted to local needs.

*Continues over page*
Difficulties highlighted by all actors involved in transformative regional development policies have been delivering collaboration in the government system which is designed for aggressive policies. While examples can be found of its success, this is still an area in which trial and error is important and policy design would benefit from further critical thought across all actors. Specifically, we see from the case studies that they have all used a somewhat different approach to addressing the traditional 'rules of engagement' required for a successful government policy.

**Hurdles and opportunities**

Early days have identified that this localised approach to procurement is at odds with the governmental institutional ethos as exemplified by the Treasury evaluation approach to assess free trade, value for money, cost-efficiency, minimise risk, and administrative pressure for effectiveness and timing to be as responsive as possible.

**Feedback loops**

Interestingly, throughout each step of implementation (e.g. strategy development, monitoring, etc.) a working group has been enacted which includes the nine LCAs. Importantly, the WA government has asked for a quarterly report to be produced annually, which will include input from Department of Finance and DPIRD as well as DJTSI.

**What this adds to our knowledge of competition and collaboration**

The success of this collaborative approach is driven by both top down pressure from Parliament and bottom up pressure of local business to get access to state government contracts, resulting in a mutually reinforcing interest in success.

At this early stage, awareness raising through information exchange and consulting is crucial, but for long term success we expect development at two levels. First, at the local level the LCAs are expected to develop more nuanced empowerment approaches with local business to build capacity, reinforcing their key role in future implementation. Second, at the governmental level, evaluation of the program should include traditional (e.g. cost-effectiveness, value for money) metrics as well as regionally identified metrics reflecting both state and local issues.

In addition, the direct involvement of locally based LCAs into strategy development and delivery is crucial and a good model for replicating to ensure that local issues are continually included in the collaborative program.

Further information on program: [https://industrylink.wa.gov.au/events](https://industrylink.wa.gov.au/events)

**ADDRESSING THE ‘RULES OF ENGAGEMENT’**

A challenge highlighted by all actors involved in collaborative regional development policies has been delivering collaboration in the government system which is designed for competitive policies. While examples can be found of its success, this is still an area in which trial and error is important and policy design would benefit from further critical thought across all actors. Specifically, we see from the case studies that they have all used a somewhat different approach to addressing the traditional ‘rules of engagement’ required for a successful government policy.

Here we raise the ‘rules of engagement’ as the treasury backed rules under which government programs operate, such as value for money, efficiency, effectiveness, risk etc.
Table 4 outlines six of the usual ‘rules of engagement’ and how competitive and collaborative policies address them in design. Critically, the issue of value for money is the most significant criterion for any program to be a success and reach the implementation stage. While this rule was straightforward to negotiate for both competitive and collaborative policies, for collaborative policies the governmental body must have a defensible and clear rationale for a long-term engagement strategy. This defensible rationale was often found in political or election mandates, rather than policy statements.

Table 4. General rules of engagement by government and how they are addressed by competitive and collaborative policies

<table>
<thead>
<tr>
<th></th>
<th>Competitive</th>
<th>Collaborative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value for money</td>
<td>Ranking of proponents against their costs to establish higher and lower ranks.</td>
<td>Focus on long-term outcomes and transformational role change for government.</td>
</tr>
<tr>
<td>Encouraging competition (non-discrimination and SMEs)</td>
<td>Through the competitive process – using established procedures.</td>
<td>Establishing an initial ‘EOI’ phase to identify willing and capable actors and regions.</td>
</tr>
<tr>
<td>Efficient, effective, economical procurement (ethical behaviour)</td>
<td>Documented process that has been previously assessed by ANAO as achieving all these criteria.</td>
<td>Design bespoke ‘principles’ for each collaboration (see Box D).</td>
</tr>
<tr>
<td>Accountability and transparency in procurement (tendering, reporting, obligations to contractors)</td>
<td>Documented policy delivery guidelines that are publicly available.</td>
<td></td>
</tr>
<tr>
<td>Procurement risk &amp; method</td>
<td>Managed by central government and documented in procedures, e.g. open, prequalified or limited proposals – with some capacity building support as necessary.</td>
<td>Risk managed by political players and publicly available procedures.</td>
</tr>
</tbody>
</table>

A clear case in which a competitive policy addressed transparently the ‘rules of engagement’ is through City Deals. This is a collaborative program initiated by the Commonwealth Government’s Department of Prime Minister and Cabinet from 2016 until now (2018). Their approach was to address most issues in a publicly available memorandum of understanding between the key actors (i.e. federal, state and local government). The only issue that was not directly addressed here was the issue of allocative equity, which was handled as a political risk and tied to electoral promises. See Box F for further details.
Aim
City Deals are a locally bespoke agreement that formalises the partnership across the three levels of government and defines priorities, actions, timeframes and accountabilities for achieving joint goals.

Why?
It has been clearly identified that cross portfolio and cross jurisdictional friction has resulted in regional areas seeing stagnant growth or missing opportunities. City Deals will improve collaboration, consultation and coordination between all levels of government. In doing so, the establishment of City Deals will require all levels of government to consider all appropriate levers to support improved outcomes in our cities.

What is required for a City Deal?
City Deals will be most successful and deliver the best outcomes for the local community when they bring together the principles and conditions. The principles for a successful city deal include: a shared vision for growth, reform and improvement; a negotiated and customised approach across the whole of government; transformative investment; institutional and governance reforms for sustained improvement; and innovative financing and value capture.

The conditions identified for a successful city deal include: willing and capable partners, opportunities to unlock economic potential and transform the city, and alignment with broader investment and policy priorities.

Managing the ‘rules of engagement’
A key challenge with City Deals was for each to have an agreed upon set of ‘rules of engagement’ to ensure that it could be implemented by all three levels of government. City Deals have achieved this by ensuring each deal needs specific Cabinet sign off at each level of government and the principles of how the City Deal will be enacted are within the agreement. For Townsville, as an example, the following principles for collaboration were agreed.

“The goal of City Deals is to provide an ambitious plan to generate economic growth, jobs and housing, reduce travel times and improve environmental outcomes to deliver measurable improvements to people’s quality of life and standard of living.

This will be achieved by streamlining governance to enable effective collaboration, coordination within and across governments and strong leadership with clear accountabilities. The Commonwealth and Queensland Governments will continue to develop a robust process of consultation and negotiation to investigate and establish City Deals, and commit to the following foundational principles in support of this process:

- Community engagement: Involve the community in determining regional priorities and how they can contribute to implementation, and maximise opportunities for local Indigenous communities in delivery of City Deals.
- Private sector engagement: including creating better policy and regulatory settings that provide greater certainty for investment.

Continues over page
THE CASE FOR COLLABORATION

In totality, collaboration adds to the regional development policymaker’s portfolio of options, but to be a success in Australia learnings are coming through on when to use it, how to make it work and what it can add to a regional development agenda.

Figure 2 summarises the necessary case for collaborative policy in designing legitimate and accountable regional development policy as outlined in this report. The summary figure is useful in that it explicitly shows that collaborative policy is one of the two approaches necessary for policymakers to achieve regional development. It also highlights that by including collaborative approaches, policymakers are now able to source a wider selection of tools and hence deliver enhanced outcomes for regional development.

**Box F cont.**

- Accountability and transparency: define measurable goals, priorities, actions and implementation timeframes and support access to open data to enable performance to be measured and all parties held to account, while also providing flexibility to allow for changing needs and emerging priorities.
- Relevance: prioritise local needs within the context of a nationally significant reform, and ensure governments are empowered to deliver at the local level.
- Efficiency: prioritise actions and reform that drive productivity and competition, including the ‘game-changers’, catalyst actions and smart technology solutions that will deliver a step-change in growth outcomes and that are additional to governments’ usual operations.
- Collaboration: Both Commonwealth and Queensland Governments will consult and communicate in good faith to ensure a streamlined and coordinated process to promote community and private sector confidence and participation in the City Deal process, and will take the legitimate concerns and interests of other governments into account in their decision-making to maximise benefits for local communities. Both parties will ensure that prior agreement is reached on the nature and content of any events, announcements, promotional material or publicity relating to City Deals developed under this MOU, and that the roles of the relevant Parties will be acknowledged and recognised appropriately.”


Collaborative policy is not a one size fits all, but rather, adds to the portfolio of options for policymakers in regional development.
This report has directly addressed the biggest challenge at the frontier of Australian regional policy – incorporating genuinely collaborative approaches. This report makes the case for why collaboration should be part of the regional development policymaker’s skillset, by addressing issues of what it is, why it is needed, what it will add to the regional development portfolio and what is needed to make it work.

To help policymakers understand the ‘what’ and ‘why’ of collaboration we have drawn on international and national insights, cases and examples. In doing so, this report provides follow-up examples of where collaboration has been a success, clear risk and reward profiles for collaboration, understanding of capabilities, and tools required for success. It has also provided a framework for understanding when to use collaboration and addressing the common challenges for enacting collaboration, namely; agree your outcomes, understanding the capabilities at hand and addressing the ‘rules of engagement’ criteria.

Overall, this report has enabled policymakers to answer four questions.

WHAT IS COLLABORATION?

Collaborative policy making is when one or more public agencies craft a solution to a policy issue using consensus-driven dialogue with diverse parties who will be affected by the solution or who can help to implement it. This approach is a favourite of many coordinating departments (e.g. Premier and Cabinet) and it has been tested across a variety of areas, e.g. Indigenous, Community Services and Cities.
It is a natural extension of efforts to increase public participation in policy making. Collaborative approaches deliver a policy that is based on participatory decision making and ensure that locals have a high involvement in and influence on the policy, and that government will seek advice and innovation in the formulation of the policy solutions.

**WHY IS COLLABORATION NEEDED?**

Current status quo of regional development policy in Australia by federal, state and territories is competitive grants. These grants, principally infrastructure, have delivered over the past decades a patchwork of regional areas that vary in capacity, skills, needs and opportunities.

A continuation of competitive grants will see the successful thrive and the marginalised fail. It could widen the growing inequality we see in the current regional Australian landscape.

There is also growing concern of government’s value for money in continuing to stimulate competition. There are more and more ‘white elephants’ to be seen across our rural landscape, with school halls outnumbering school children – as an example of a grant not suited to every small town.

The old model of a magnanimous central government knowing local issues and tailoring grants to address them sets up unreal expectations of the individual government agencies involved in an increasingly interconnected world. Currently, local areas expend considerable time finding grants, tailoring local challenges to fit central government criteria, preparing bids and then hoping for success!

A new approach is needed that puts local issues at the centre of regional development if government is serious about regional growth.

Collaborative regional development is now heralded worldwide as the approach to deliver on local challenges ensuring place-based growth. If Australia wants its regional development policymakers to achieve their full potential, their portfolio of approaches must include collaborative policy as well as competitive programs.

**WHAT WILL COLLABORATION ADD TO REGIONAL DEVELOPMENT?**

Collaboration is the only option for regional development that is owned by locals, driven to meet local needs and is tailored for long-term community success. There is no central government competitive funding process that will achieve these outcomes.

Clearly the need for a new toilet block may be local, but its catalytic effect on growing the region is small without collaborative networks. Collaboration will promote the region and stimulate more usage, it will create local ownership to ensure toilets are clean and always ready for use, and stimulate more business to invest for a growing market. Therefore, a competitive grant for the initial infrastructure is a good start, but the actual grant will have minimal effect on growing the region unless there are supporting social networks, promotion, marketing and ownership by the locals of its future.
Therefore, competition into the future must be wrapped up with collaboration to see the localised long term effects desired for regional development.

The current policy challenge is that over time, governments have set up internal procedures and restrictions to enhance and streamline competitive approaches, and that these are often at odds with the requirements and capabilities of collaboration. We have identified through cases like City Deals and the Caterpillar Taskforce in Tasmania that taking a collaborative approach actually delivers holistic long-term development on the ground. These outcomes are impossible under a solely competitive approach.

So, is collaboration a real option? Yes.

The real question is – how to make it work.

**WHAT IS NEEDED TO MAKE COLLABORATION WORK?**

Through discussions we have identified four principles for making collaboration work.

First, it works in places where you need to deliver bespoke local solutions that are driven by locals and agreed by all stakeholders. Some regional development is about ‘building a nation’ e.g. road upgrades or sports grounds. Other infrastructure is catalytic in its role to transform a region from its current growth path to one of greater opportunity. It is these catalytic opportunities for regional development that should be adopting a more collaborative approach as they will have longer success, will share the risk and will produce greater value for money from all investors due to the multiplier effect of co-investment. These are the outcomes that can be achieved from collaboration.

Therefore, the first need in implementing successful collaboration for regional development is to agree on outcomes and design the right approach.

The second need is understanding capabilities. Clearly the competitive status quo has created a distribution of technical, analytical, delivery and personal skills that are suited to centralised government control. Most skills are held in government and or private consulting firms. Few skills are held in regions, creating an unequal power and skills balance for regional development as shown through the case of Building our Regions in Queensland, which is working hard with intensive support to provide marginalised councils with capacity development.

The third need in implementing collaborative approaches is to support the capability development of regions to be equal partners in delivering regional development; enacting the saying ‘help them help themselves’. This means that initially collaboration may need to be supported by central government with some skills, but over the longer term these will be distributed throughout regions and local leaders, ensuring future local development will need less government for growth.

Finally, current central government processes favour the status quo of competitive grant making as the essence of governments ‘value for money’ proposition. This then creates hurdles for collaborative efforts to justify efficiency and effectiveness of policies. These ‘rules of engagement’ are clearly articulated in
treasury guidelines and in cabinet submission requirements in the policy process at all levels of government. The final important need in implementing collaborative approaches is building acceptance in central agencies that new rules of engagement are valid, and will bring greater longer term efficiencies and benefits.

Of course, knowing that collaborative policy is the only approach to delivering the outcomes desired goes a long way to providing value for money for government – if they want to achieve those outcomes. Therefore, there is no insurmountable hurdle to implementing collaboration, and examples like City Deals which detail the ‘value for money’ proposition in publicly available legally signed agreements, go some way to minimising the political risk of the approach. Other examples include implementation mandated election promises and using previous program reviews to design new collaborative outcomes.

In effect, twenty years ago the global status quo of regional development was competitive grants. Now it is collaboration.

Australia needs to catch-up and start delivering a wider range of collaborative regional development approaches.

How well is your government positioned to deliver the long term, localised solutions for growing regional communities that is only possible under a collaborative approach?
END NOTES

7. See, for example, Centre for Local Economic Strategies and Sheffield Political Economy Research Institute, The Real Deal: Pushing the Parameters of Devolution Deals, CLES 2016
10. OECD (2018), Productivity and Growth in a Globalized World, op cit
17. http://www.whatworksforgrowth.org/