



Premier of New South Wales

Reference: A1296396

2 OCT 2015

Dr Peter Boxall
Chairman
Independent Pricing and Regulatory Tribunal
PO Box K35
HAYMARKET POST SHOP NSW 1240

Dear Dr ~~Boxall~~ ^{Peter}

Pursuant to section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992*, I am referring the following matter to the Tribunal for investigation and report: NSW drought program evaluation framework. The terms of reference are enclosed.

The NSW Government announced a new strategy for drought assistance in February 2015, including the development of an evaluation framework to assess assistance measures.

The Tribunal is requested to submit a formal review report to the Minister for Primary Industries by January 2016.

If your officers wish to discuss this matter they should contact Alanna Linn, Acting Director, Resources and Land Use Branch, Economic Policy Group, Department of Premier and Cabinet on 9228 5520.

Yours sincerely


MIKE BAIRD MP
Premier

NSW Drought Program Evaluation Framework

Terms of Reference

I Michael Bruce Baird, Premier of New South Wales, pursuant to Section 9(1)(b) of the *Independent Pricing and Regulatory Tribunal Act 1992*, request the Independent Pricing and Regulatory Tribunal (IPART) to :

- Develop a cost effective methodology and evaluation framework that will allow for consistent assessments of the effectiveness of NSW's drought assistance measures, including making recommendations about what data needs to be collected to inform evaluation.

1. Context

Australia has a highly variable climate. Crops and livestock can be significantly affected by variable weather patterns, of which drought is a natural feature.

The NSW Government has historically supported farming businesses and rural communities suffering from drought with a range of drought assistance measures:

- From 2002-03 to 2011-12, the NSW Government spent over \$600 million on drought assistance. This included transport subsidies for food and water for stock, along with rebates for fees and provision of community support (including counselling services) for affected areas.
- In February 2013, the NSW Government launched a new Drought Policy and in May 2013 signed the Intergovernmental Agreement on National Drought Program Reform (the IGA).
- Between 19 November 2013 and 7 July 2014 (when the IGA commenced) temporary emergency assistance measures were introduced in response to the recurrence of severe drought. Assistance totalling in excess of \$60 million was provided, with an additional \$20 million allocated to a Farm Innovation Fund to provide loans to assist farmers to implement a range of preparedness strategies.
- Following the Australian Farm Institute's 'Review of the NSW Response to Drought Policy Reforms', the NSW Drought Strategy was announced in February 2015. This review of drought assistance measures forms part of that Strategy.

2. The Task

IPART should develop a framework for assessing NSW drought assistance measures in relation to their:

- complementarity with the Commonwealth's assistance measures, functions and principles under the IGA.
- ensuring that incentives to invest in drought preparedness measures are maintained;
- ability to effectively target relevant individuals or groups in need;
- efficiency, equity and effectiveness (as regards eligibility criteria and measures);
- minimisation of transaction costs; and
- transparent and consistent application.

In the process of developing an evaluation framework IPART will establish what data is required to be collected to ensure the evaluation can be undertaken in a cost effective manner.

This framework should be able to be used to both evaluate drought assistance measures on an individual basis, and to undertake a more holistic review of the total suite of drought assistance measures offered by the NSW Government.

While the current task is to develop an evaluation framework only, it is anticipated that IPART will be asked in early 2016 to apply the framework to a number of new drought measures, including a number of potential Multi-Peril Crop Insurance related measures. IPART will also be asked, within the next 5 years, to apply this framework to evaluate the efficiency and effectiveness of drought programs in NSW, in consultation with stakeholders.

3. Relevant reviews and documentation

In undertaking the review, IPART should note and refer to at least the following:

- the IGA (2013);
- the Australian Farm Institute's 'Review of the NSW Response to Drought Policy Reforms';
- the NSW Drought Strategy (2015);
- the Productivity Commission, *Government Drought Support* (2009);
- Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), *Options for insuring Australian agriculture* (2012);
- Drought Pilot Review Panel (Mick Keogh et al, Department of Agriculture, Fisheries and Forestry secretariat), *A review of the pilot of drought reform measures in Western Australia* (2011);
- Commonwealth of Australia, *It's About People: Changing Perspectives on Dryness* (2008);
- responses from other jurisdictions in relation to the IGA and broader drought policy; and
- relevant reviews by the NSW Audit Office.

4. Process and timing

To assist the evaluation, the NSW Department of Primary Industries will provide key data. The Evaluation Framework should be completed by January 2016.

The framework will be developed in consultation with the NSW Drought Inter-agency Working Group. IPART should also liaise with relevant Chairs of the Local Land Services regions, the NSW Farmers Association and the Regional Assistance Advisory Committee.