

## **Enhancing community benefits from regional development: it's not just what you do but how you do it**

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The presentation is based on the publication entitled *Regional Economic Multipliers in Australia's Tropical Savannas* which was one of the outputs from the Outback Livelihoods Project.

Some important questions which motivated the research were:

1. Which industries create the most regional economic benefit in terms of direct and downstream (multiplier) effects?
2. How can policy be changed so as to increase the size of regional benefits?
3. How does the total regional economic benefit of an industry compare with its environmental and/or social cost?

The answer to any of these questions is assisted by knowledge of regional multipliers – hence the CRC's interest in the multiplier case-study; although the study only focused on (1) and (2), leaving much scope for further research on (3).

Traditional methods of estimating multipliers (such as Input-Output analysis and Computable General Equilibrium Models) are costly to develop and are not generally suitable for small-region analysis. So the study used an established 'short-cut' to produce small area (post-code) multiplier estimates for 17 different industries across the tropical savanna.

Estimates were produced using expenditure data from a survey of 963 organisations. As expected, most respondent organisations were relatively small – the median number of employees was generally fewer than 10, and those employees often worked part-time and/or were members of the family that owned the organisation. The largest organisations were in mining and government. Despite the fact that Aboriginal and Torres Strait Islander (ATSI) people comprise more than 25% of the population in the savannas, they were underrepresented in the sample: fewer than 6% of respondent organisations were owned or operated by ATSI people and only 14% of employees were ATSI.

After accounting for imports, the household sector was found to receive the largest share of revenues when expressed as a percentage of total organisational revenues. The retail sector was the next largest recipient. Financial flows to other local businesses were generally quite small.

Organisations within the government and health sectors spent the highest proportion of their revenues locally. Consequently, the largest business-level multipliers were found to be associated with those organizations. This means that an expansion of the Health or Government sector could do more to promote regional development than an equal expansion of other sectors.

The survey also presented evidence that suggests much expenditure within the savanna is 'supply constrained'. Consequently, it may be possible to increase the size of local multipliers by encouraging the development of 'support' / 'supply' industries.

In other words, those interested in enhancing the community benefits from regional development should not just look at the demand side of the equation (i.e. at what is spent or 'delivered' to a region – such as health or education), but they should also look at the supply side, ensuring that the local community participates in the delivery and production of goods and services.

With the above in mind, policies that can assist local development include those that encourage existing organisations to 'buy local' and/or those which enhance community capacity to supply. Strategies for doing so are discussed in the presentation, and directions for future research are highlighted.