

# 1 Assessment and recommendations

## Assessment 1: Indigenous well-being, statistical frameworks and data governance

The purpose of this study is to provide recommendations to the Australian Government about how to improve economic development outcomes for Indigenous peoples at a local and regional level. There is no simple way to summarise the colonial history and contemporary economic circumstances of Indigenous peoples in Australia. Prior to the arrival of British colonisers in 1788 there were over 500 clan groups in Australia with distinct languages, cultures, livelihoods and trading relationships. Indigenous peoples say they have been in Australia since the land was created. Contemporary western scientific evidence currently suggests that mainland Australia was first settled by Indigenous peoples approximately 65 000 years ago, with Torres Strait Islanders first living and hunting in the islands to the north soon after the islands formed around 7 000 years ago. In the past 50 years, policy changes by Australia governments and evolving jurisprudence have resulted in significant progress in recognising the rights of Indigenous peoples. Australian Governments have committed to working with Indigenous Australians to improve socio-economic outcomes, including to business and economic development. This study, and its recommendations, are within the framework of this overarching commitment.

The Indigenous economy is shaped by kinship relations, attachment to land, and strengthening culture - Indigenous Australians have developed competitive businesses in a range of areas, and there is significant potential for growth

Contemporary Indigenous economies are embedded in a specific cultural and historical context. Different First Nations have developed kinship relations that emphasise a spiritual connection to a distinct territory over millennia. These relations shape these economies. The first 180 years of white settlement, from 1788 until the late 1960s, was characterised by policies of dispossession and assimilation. In many cases, this resulted in the disruption and loss of traditional territories, dependency upon religious and state institutions, and barriers to economic participation. Indigenous people were denied the opportunity to earn a decent income, build wealth, and transfer it between generations. Since the 1970s, Indigenous peoples have had their rights recognised, which for some includes land and rights to development.

Indigenous Australians are developing competitive and innovative businesses in a range of areas. Indigenous Australians are taking control of knowledge and resources to develop businesses in areas such as mining and resources, construction, tourism, renewable energy, ecosystem services, and arts and creative industries. Traditional knowledge (a living system of knowledge and practices developed by Indigenous peoples over millennia that continues to develop and change) provides the means to improve natural resources management, develop innovations in food production and harvesting, and the utilisation

of biological resources for health and well-being. However, progress has been uneven and much more needs to be done to maximise the potential of the Indigenous economy.

### Australia's Indigenous population is younger compared to the broader population, with a higher proportion located in rural regions

Australia's Indigenous population is distinct because of its relative growth, youth, and concentration in rural areas. There are approximately 800,000 Indigenous Australians, which is 3.3% of Australia's total population. The population is growing strongly, including an 18 per cent increase in the most recent inter-census period (2011-16), which is due in part to increasing propensity to self-identify. The population is younger (the median age of 23 compared to the non-Indigenous median age of 38). Compared to the non-Indigenous population, Indigenous peoples are more likely to be located in predominantly rural regions (48% of the Indigenous population live in predominantly rural regions compared to 17% for the non-Indigenous population). As such, Indigenous Australians are relatively more important to rural economies in terms of labour supply and consumption, and can play a key role in unlocking the growth potential of regional economies. Over time, the population is becoming more urbanised and this is projected to continue.

### There are significant inequalities compared to the non-Indigenous population, and these gaps are larger in rural regions

There are significant inequalities in well-being between Indigenous and non-Indigenous populations at a national level. For example, the gap in upper secondary school attainment for 25-64 year-olds is 40 percentage points between the Indigenous and non-Indigenous population whilst the gap in life expectancy is 10 years. Other settler societies (Canada, New Zealand and United States) have these inequalities but the gaps tend to be larger in Australia. For example, the gap in the employment rate is -28 percentage points in Australia, which is double New Zealand (-14 percentage points) and the United States (-13 percentage points).

Moving beyond national averages and focussing on the sub-national level helps to better understand the nature of Indigenous well-being and inequalities. There is significant variation at the State and Territory level. For example, in terms of household weekly income the gap is only -7% in the Australian Capital Territory (ACT) whilst it is -17% in New South Wales (NSW). The rate of Indigenous unemployment in the ACT is 9% whereas in the Northern Territory it is 27%. In the case of the employment rate, it ranges from 65% in the ACT to 29% in the Northern Territory. The largest gaps in socio-economic outcomes between Indigenous and non-Indigenous populations are evident in the States and Territories that are resource based and have lower population densities (Queensland, the Northern Territory and Western Australia).

Inequalities between Indigenous and non-Indigenous populations are larger in predominantly rural regions. Indigenous peoples in predominantly rural regions have the most disadvantage position across multiple indicators. For example, the unemployment rate of Indigenous peoples in predominantly rural regions is 6 percentage points higher than in predominantly urban regions, and the difference in terms of upper secondary school education attainment for 25-64 years olds between urban and rural Indigenous peoples is -16 percentage points. Across multiple socio-economic indicators, gaps between Indigenous and non-Indigenous populations in rural regions are larger than in intermediate or urban regions. For example:

- The gap between the Indigenous and non-Indigenous employment rate is -20 percentage points in predominantly urban regions, and -35 percentage points in predominantly rural regions.

- The gap between the Indigenous and non-Indigenous unemployment rate is 8 percentage points in predominantly urban regions, and 15 percentage points in predominantly rural regions.
- The gap between Indigenous and non-Indigenous peoples in managerial occupations is -5 percentage points in predominantly urban regions, and -8 percentage points in predominantly rural regions.
- The gap between Indigenous and non-Indigenous households in terms of internet access is -5 percentage points in predominantly urban regions, and -11 percentage points in predominantly rural regions.

### Local differences in outcomes, particularly in rural regions, emphasise the importance of a place-based approach to policies and implementation

Indigenous Australians located in rural or low-density economies face a particular set of challenges and opportunities. Low-density economies are generally characterised by small and dispersed populations, higher transport and communication costs, and local markets that offer a limited set of goods and services with dependence on primary sectors and first stage processing. In addition, there is higher unit costs to deliver public infrastructure and services. Rural and remote economies are also more dependent on a smaller range of tradeable activities that are cyclical and resource dependent. Although these present opportunities for export to growing Asian economies there are risks linked to structural change, and the automation of lower skilled occupations. Indigenous Australians in rural and remote areas also balance formal economic participation with cultural obligations and traditional livelihoods. The characteristics of remote economies emphasises the importance of having policy settings for business and economic development that are tailored to these relatively unique circumstances.

There are also higher levels of diversity in socio-economic outcomes for Indigenous populations across urban and rural regions (relative to the non-Indigenous population), which emphasises the importance of a place-based approach to policies. The standard deviation (that measures the amount of variation in a sample) of employment and unemployment outcomes across different types of regions is higher for Indigenous than non-Indigenous populations. The amount of variation in outcomes is also higher for Indigenous Australians in predominantly rural regions. In predominantly rural regions, the top performers in terms of an economically active Indigenous population, have a higher employment rate, educational attainment rate, household broadband access, and are closer to cities. Rural regions which face the greatest challenges are those which are remote and have weak job markets, poor access to services, and lower rates of educational achievement. In urban regions, the top performers also have stronger local labour markets, higher education levels, and better access to services.

### There have been advances in the statistical framework – priorities for further improvements are empowering Indigenous groups to collect and use data, and the inclusion Indigenous values and perspectives

Since the 1970s, Australian governments have progressively improved statistics about Indigenous peoples but some gaps remain. A standard definition for an Indigenous Australian was adopted in 1978 based on self-identification, origin and community acceptance, and a standard question has been applied in survey instruments across all levels of government. Census and other statistical information are disaggregated for the Indigenous population at different geographical scales. Indigenous geographies (based on First Nation territories) are not part of the territorial classification, which reflects how government agencies

(rather than Indigenous Australians) have primarily driven the framing and organisation of statistics. There are inconsistencies and gaps related to data about Indigenous businesses. There is no common Indigenous business definition in the system of national statistics and this makes it difficult to make accurate statements about the size, composition and trends in this sector. Different government, not for profit and private sector organisations (with different rules) collect business statistics and this collection is primarily orientated to the public procurement market, which introduces a number of biases in terms of size, location and type of economic activity.

Better reporting on Indigenous well-being outcomes has complemented improvements in the statistical framework; however, improvements are required to strengthen Indigenous values and perspectives. The main mechanism for communicating Indigenous well-being outcomes is the “Closing the Gap” framework that articulates seven targets to reduce inequalities between Indigenous and non-Indigenous Australians, and was agreed to by all levels of government in 2008. Statistics are also reported on by the Productivity Commission and the Australian Bureau of Statistics (ABS) through the 6 yearly National Aboriginal and Torres Strait Islander Social Survey (NATSISS). The design and organisation of these statistics is driven by government agencies. Statistical products for local Indigenous communities are lacking, and these survey instruments do not collect sufficiently disaggregated or regular data about issues that matter for Indigenous peoples (e.g. culture and traditional knowledge). Research is heavily weighted to health and social issues, and in comparison, evidence about Indigenous business and economic development issues, is lacking. For example, the Australian Institute of Health and Welfare’s online “Closing the Gap Clearinghouse” of Indigenous related research has over 300 reports and papers with only one dealing specifically with entrepreneurship and four on labour market issues.

A number of mechanisms have been created to include Indigenous Australians in the governance of data but this is related to government agencies and not designed to empower local Indigenous institutions. Indigenous representatives are included in an advisory capacity in regards to the creation and dissemination of statistics by the Australian Bureau of Statistics (ABS). The ABS also employs Indigenous engagement officers, and adapts collection methods for remote areas. There is also a recognition about the need to better link existing datasets to improve coverage, and some efforts to implement reforms. However, there is no ongoing mechanisms to monitor the implementation of these reforms, which depend upon co-operation between Australia’s national federal government (the Commonwealth), States and Territories. For example, land management is generally a State responsibility and State agencies hold data about land use and natural resources. Support to empower local Indigenous institutions to collect data and use it to inform community decision-making is generally lacking. This includes Indigenous-specific data governance models, and the availability of funding and technical support to build data collection and analytical capabilities. There are some good examples to scale up and learn from including:

- The work by Geosciences Australia and the Commonwealth Scientific and Industrial Research Organisation (CSIRO) on mapping natural resources and culturally significant sites in partnership with Indigenous communities.
- Community data and planning model developed by the Yawuru people of Broome that has resulted in a community well-being survey that informs local planning and priority setting.

### **Recommendation 1: Developing statistical frameworks and data governance for Indigenous well-being National Indigenous statistical frameworks and tools can be improved by:**

- Introducing a consistent Indigenous business identifier that acknowledges the stage of maturity of the Australian Indigenous business sector, into the Australian business registry system, the tax office, and business surveys undertaken by the ABS.

- Increasing the frequency of the National Aboriginal and Torres Strait Islander Social Survey (NATSISS) from six to every four years to provide more timely data about Indigenous populations; or consider re-aligning the ABS survey model to streamline NATSISS and the 6 yearly NATSIHS (National Aboriginal and Torres Strait Islander Health Survey) sample and questionnaire content into a single survey enumerated on a more regular basis.
- Working with Indigenous organisations and community representatives to develop indicators and data by remoteness category related to subsistence, access and use of traditional lands and waters, and internet access and use (potentially by increasing the scope of NATSISS).
- Ensuring the monitoring of progress through “Closing the Gap” includes disaggregated analysis and reporting by remoteness category, and compares progress for Indigenous peoples across different types of regions.
- Working with Indigenous organisations and community representatives to develop some pilots on statistical reporting based on the traditional boundaries of language and social groups.

**Increasing access to local data** that can be used by Indigenous groups for community planning by:

- Developing an online platform for local Indigenous communities to disseminate data tools, build capacity, and share lessons and good practices.
- Prioritising support for higher education research into Indigenous data and community and economic development.
- Providing seed funding for Indigenous-led data projects and development of local indicators, data analytics and GIS capabilities (including continuing the partnership work of Geosciences Australia and the CSIRO, and promoting philanthropic and private sector co-investment in these efforts).
- Work with State and Territory Governments to increase availability of data about land use and natural resources.

**Strengthening Indigenous data governance** by:

- Supporting Indigenous-led institutions to develop data governance models, research ethics guidelines, and protocols for data use and sharing.
- Removing administrative barriers (through changing procurement rules, service agreements, data sharing protocols) to enable the sharing of data between service providers and Aboriginal organisations (e.g. to support collaborative initiatives such as Empowered Communities).
- Embedding data and analytical capacities into the National Indigenous Australians Agency (NIAA) regional network to provide support for rural remote communities to utilise data in planning and decision-making.
- Ensuring the monitoring reports on the Partnership Agreement on Closing the Gap includes a component on progress in improving Indigenous statistical frameworks, addressing data linkage issues, and supporting Indigenous data sovereignty.

## **Assessment 2: Creating an enabling environment for Indigenous entrepreneurs and small business**

Indigenous entrepreneurship and business development are critical to self-determination and unlocking the potential of regional economies

Indigenous entrepreneurship and business growth are fundamental to addressing the challenges facing Indigenous peoples across different regions. Entrepreneurship presents Indigenous peoples the

opportunity to use assets and resources in ways that align with their objectives for development and generate opportunities to build wealth and create jobs. Typical market failures such as asymmetric information and the inefficient allocation of credit are often more pronounced in the Indigenous small business sector. This can be due to the regulatory and administrative arrangements governing Indigenous lands, discrimination and poor credit histories. In addition to these traditional arguments about government intervention, a proactive approach to Indigenous business growth supports self-determination by reducing dependency relationships and increasing decision-making autonomy. Given the relative demographic and economic importance of Indigenous Australians to rural regions, addressing these challenges can also help unlock the growth potential of regional economies.

Geography is an important factor in shaping the economic development opportunities available to Indigenous communities. Development opportunities and challenges differ whether firms are located in a metropolitan region, rural areas close to cities, and in rural remote regions. Cities offer a greater diversity of opportunities due to the scale and density of economic activity – for example in the public procurement market. In contrast, rural areas have thin markets, lower levels of human capital, and productivity and growth depend upon specialising in tradeable activities. In rural areas security of tenure, land use regulation and administration, enabling infrastructure to access external markets, and presence of resource endowments and amenities are critical factors in shaping the possibilities for economic development.

Land tenure arrangements shape trajectories of Indigenous business and economic development. A key characteristic of the Indigenous economy are legal rights over the use of land, water and sub-surface resources. Over the past 50 years, the amount of land with Indigenous ownership and interests has increased significantly in Australia. In 2017, 48.5% of Australia's land mass had some form of Indigenous rights, and a further 28.1% was subject to claimant application for Native Title. Although the primary purpose of these property rights is to protect activities that are essentially outside the formal market economy (traditional use of land, and waters that existed prior to European settlement) they also have commercial value. Current arrangements for managing and regulating Indigenous lands create barriers to economic development. This includes complex and lengthy procedures to secure land and leasing of it, dependency on multiple local, state and Commonwealth agencies to secure approvals, weak links with local municipalities in terms of land use regulation, infrastructure and services, and lack of authority and capacity to map land and identify areas for development potential. Overall, local Indigenous institutions lack effective control of land. A 2014 report by the Council of Australian Governments (COAG) on reforming Indigenous land administration identified many of these challenges, and implementing its recommendations should be a matter of priority.

### Indigenous communities value development outcomes that strengthen cultural well-being and this is driven by local innovation

The analysis of Indigenous economic development includes six local communities that are diverse. During the fact-finding mission in July 2018 the OECD engaged with six communities across Western Australia, South Australia, the Northern Territory, New South Wales, and Victoria. These communities are located in urban regions, and rural regions with different characteristics (close to cities, remote, with different resource endowments and amenities). These Indigenous communities and different types of regions are:

- Anangu Pitjantjatjara Yankunytjatjara (APY) and Ngaanyatjarra Pitjantjatjara Yankunytjatjara (NPY) lands covering the Northern Territory, South Australia and Western Australia (remote with limited resources and amenities).
- Broome and the Dampier Peninsula (remote with abundant resources and amenities).
- East Arnhem Land in the Northern Territory (remote with abundant resources and amenities).

- Ntari/ Hermannsburg in the Northern Territory (remote with limited resources and amenities).
- Shepparton/ Goulburn Valley (close to city with limited resources and amenities).
- Western Sydney (metropolitan region).

These communities are linked by a common set of values that integrates economic development with the strengthening of connections to country and traditional culture. The most significant challenges in relation to economic development and participation is in rural remote areas with large Indigenous populations. These communities have a different development context shaped by traditional hunting, fishing and food gathering, cultural obligations, and sharing resources amongst kinship groups. These local communities also have developed opportunities linked to the primary sector and tourism. There are some good examples across these communities of leveraging land and water assets, and procurement opportunities, to facilitate economic diversification and job creation. Local Indigenous leaders and institutions have played a key role in activating these opportunities.

Developing local Indigenous economies is a complex task that requires strong local institutions and flexibility from governments. Effective local Indigenous-led development institutions are key, which includes strong local leadership, mechanisms that facilitate agreement about development priorities, building the case for change through data and indicators, coordinating investment, and operating community businesses. Local Indigenous institutions (Aboriginal Corporations, Land Councils, and Prescribed Body Corporates) are taking on these roles but do not generally have the skills and resources to do this in a sustainable way. There are also mismatches between local aspirations for development and policy settings related to Indigenous business and economic development. A vision for Indigenous economic development based on strengthening culture and connections to country is not visible in government policy frameworks and decision-making across different levels of government. Policy settings related to Indigenous economic development tend to focus on public procurement and industrial development opportunities. Engagement with local governments and Regional Development Australia (RDA) Committees are absent or weak. Within this context, there are examples of governments providing support to local community efforts in a flexible way that empowers Indigenous organisations.

Although advances have been made in the policy framework for economic development, further efforts are needed across different levels of government to recognise the unique strengths of Indigenous economies and the importance of community economic development

The overarching policy framework for Indigenous affairs during the last decade has been ‘Closing the Gap on Indigenous disadvantage’ which was launched in 2008. This framework is based on the logic of achieving greater equity in socio-economic outcomes between Indigenous and non-Indigenous Australians. In relation to economic participation, the key target set was to halve the gap in employment rates by 2018. A National Partnership Agreement was developed which focused on coordinating Commonwealth, State and Territory efforts in regards to public employment services, Indigenous employment in the public sector, and preferential procurement. This framework provides a long-term and bipartisan commitment to Indigenous policies including economic development. Indigenous Australians were not engaged in the development of this framework in 2008; however, a more inclusive consultation process did underpin a refresh of the framework in 2016. A new framework for ‘Closing the Gap’ (2018) continues the focus on employment participation, and has added a new dimension on land and sea rights.

Over the past decade, the Australian, State, and Territory Governments have made significant progress in policy frameworks to support Indigenous economic participation but challenges remain. Over the past decade, the focus has shifted from reforming employment services toward increasing demand for

Indigenous business through preferential procurement. The Australian Governments 2018 Indigenous Business Sector identified a number of measures to improve access for individual entrepreneurs and business owners to finance and business support services. This progress is mirrored at a State and Territory level. Despite this progress, there are still a number of weaknesses in the policy framework that need to be addressed:

- The exclusion and lack of emphasis on Indigenous values and perspectives about development (connection to country, strengthening language and culture, and balancing economic participation with traditional values and cultural obligations).
- Lack of clarity about roles and responsibilities between different levels of government in relation to Indigenous economic development (including the role of local government), and incentives/ support for the inclusion of Indigenous peoples in local and regional development planning and prioritisation, and investment coordination.
- Lack of integration between the Australian Government's policy framework for Indigenous business development with the program priorities of the Indigenous Advancement Strategy (AIS), the Indigenous Land and Sea Corporation (ILSC), and reform measures to land use regulation and administration.
- Lack of acknowledgement and support for local Indigenous institutions to take a leadership role in community economic development (e.g. community planning frameworks and tools, data, and technical assistance).

There is an opportunity to improve the policy framework and address these gaps as part of the implementation agreement of the Joint Council on Closing the Gap. Indigenous business and economic development are a shared responsibility between all levels of government in Australia. In 2019, a Joint Council on Closing the Gap (that includes all Australian governments and peak Indigenous organisations) was established within the framework of the Council of Australian Governments (COAG). The Joint Council has agreed on the following implementation principles to guide Australian Governments and peak organisations over the next decade: shared decision-making between governments and Aboriginal and Torres Strait Islander peoples, strengthening the role of the Indigenous community-controlled services sector, and ensuring systematic and structural transformation of government agencies to deliver on Closing the Gap. The Joint Council is now finalising a Closing the Gap framework that will include policy and implementation principles related to improving Indigenous economic participation.

In terms of program delivery and implementation, a small number of gaps in supply-side support need to be addressed, along with ways to reduce complexity for entrepreneurs, business owners and local institutions in navigating the support that is already available

The Australian Government's Indigenous Procurement Policy has generated impressive results, and there are opportunities to strengthen this initiative. In 2015, the Australian Government set a target of 3% of the total value of public procurement to Indigenous businesses by 2019-20. It also mandated set-asides in remote areas to incentivise Indigenous participation, and minimum Indigenous content requirements on public procurement contracts. This policy has lifted demand for goods and services from Indigenous owned businesses (in three years the value of contracts awarded to Indigenous businesses increased from AUD 6 million to over AUD 1 billion). In addition to these demand-side measures, support is provided in terms of concessional loans and performance bonds as inadequate capital and assets were identified as a binding constraint to participation in public works. In addition, the Australian Government supports registration and matching through Supply Nation, which is a non-profit entity. As this market matures, better support is needed on the supply side to support firms at key transition points. The efficiency of the market



can also be improved by addressing complexities generated by variations in preferential procurement rules and lack of coordination in public investment between levels of government.

In remote areas, there are a number of specific program and implementation challenges. Preferential procurement policies are less effective in low-density economies because of thin markets. In terms of value, only 18% of public procurement contracts to Indigenous businesses are in predominantly rural regions, which is much lower than the population share of 48%. Other types of policy interventions are needed. This includes reforms to Indigenous land tenure and the need to build the capacity of local institutions such as Prescribed Body Corporates (PBCs) to promote community economic development. The Australian Government's Community Development Program (CDP) is the service for job seekers in remote areas. A business incubator pilot has recently been introduced into the program. However, this will not succeed without a local entrepreneurial and business eco-system to support it and these different elements exist outside of the program (e.g. physical premises, mentors, and financial intermediation). This approach also needs to recognise the different forms of entrepreneurship (not for profit and linked with traditional knowledge and cultural obligations). Finally, primary sectors in remote areas (mining and resources, pastoral activities, and fisheries and aquaculture) are capital intensive, and Indigenous groups tend to lack the capital to participate as equity partners. This reduces incentives for economic development and the opportunities for Indigenous Australians to benefit from it.

Indigenous entrepreneurs, business owners and communities also face some complexities in accessing existing programs and services. The OECD fact-finding mission revealed the difficulties that Indigenous communities and entrepreneurs face in navigating the range of business support that is available, which is a problem acknowledged in a number of reviews commissioned by government agencies. Programs and services may be delivered by different intermediaries (Commonwealth and State agencies, local government, and not for profit entities) that may not have strong relationships with Indigenous communities, or consistent presence in some places (particularly remote areas). Importantly, many of these institutions are not Indigenous-led or owned, which means economic development capabilities are not necessarily developed within communities. The study reviews examples of Indigenous owned financial institutions in North America that present lessons for Australia in addressing these challenges.

## **Recommendation 2: Creating an enabling environment for Indigenous entrepreneurs and small business**

**Ensure that the Joint Council on Closing the Gap Framework and associated implementation arrangements** include the following policy design and implementation principles related to Indigenous business and community economic development:

- Inclusion of Indigenous values and perspectives about development, and the unique economic contribution and strengths of Indigenous Australians.
- Integration of the broad range of policy settings that support Indigenous business and economic development (business support, land use regulation and administration, infrastructure, employment and skills, and local institutions).
- Identification of different forms of Indigenous business (individual entrepreneurs, community-based enterprises, and social enterprises) and the challenges and opportunities they face.
- Alignment of policy outcomes across levels of government and sectors for Indigenous business and economic development, and articulation of differences in development challenges and opportunities for Indigenous peoples in urban, regional and remote regions.
- Clarification of roles and responsibilities across different levels of government in supporting business and community economic development (including local government).

- Need for mechanisms and tools that support a place-based approach to community economic development.
- Ensuring that evaluation frameworks enable the disaggregation of outcomes across different types of regions to facilitate evaluation, learning and feedback with local Indigenous communities.

Increase opportunities for **Indigenous-owned businesses in the public procurement market** by:

- Harmonising Indigenous procurement rules across jurisdictions (e.g. setting a common target and timeframe, thresholds for direct negotiation/ set asides, and requirements for suppliers related to sub-contracting and employment, and reporting).
- Providing more effective capacity building support for entrepreneurs and small businesses to participate in public procurement markets (e.g. pre-establishment and establishment phases to access finance, insurance and required certifications, cash flow management and business strategy).
- Providing information about the future scheduling of future public works between different levels of government at the regional level to provide greater certainty for Indigenous-owned businesses.

Improve opportunities for **Indigenous-led economic development on traditional lands and in remote areas** by:

- Prioritising implementation of recommendations identified in the 2014 investigation by COAG regarding how to reform Indigenous land administration and use to enable traditional owners to generate economic development opportunities (within the framework of the Joint Council).
- Strengthening the Remote Indigenous Business Incubation model, currently delivered in Community Development Program (CDP) regions, by ensuring this pilot has the elements in place to support entrepreneurial ecosystem in remote areas (appropriate physical space, business expertise, digital technologies, mentors and peer support, and access to financial intermediation).
- Increasing strategic planning, capacity building and economic development support for local Indigenous institutions (Prescribed Body Corporates, local Indigenous corporations and other such entities).
- Considering the establishment of a loan instrument that would enable equity participation by Indigenous groups in mining and resource projects.

Consider support for the establishment of **Indigenous-owned local financial institutions**, which would include:

- An initial capital injection from government.
- Ongoing funding to cover a proportion of operational costs.
- Re-orientating some of the loan and grant functions of Indigenous Business Australia (IBA) to these local institutions, and focusing IBA on capacity building, networking, and technical support.
- Developing partnerships with mainstream financial institution and philanthropic foundations to increase the potential pool of capital available to Indigenous financial institutions.

### **Assessment 3: Implementing a place-based approach to economic development that empowers Indigenous Australians**

Localised forms of decision-making that empower Indigenous peoples are associated with better outcomes and are consistent with international human rights instruments

A place-based approach to Indigenous economic development is important because it supports self-determination and enables the adaptation of policies to local circumstances. Localised forms of decision-making are consistent with principles embedded in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) that enshrines rights related to self-determination and freely pursuing economic, social and cultural development. Indigenous self-governance is also shown to be associated with better socio-economic outcomes for Indigenous peoples. Activating a development process at the local level requires addressing multiple factors (human capital, infrastructure, innovative capacity) in an integrated way, aligned with local circumstances and cultures. Effective local institutional arrangements are needed that enable Indigenous peoples to mobilise community assets, organise development at different geographic scales, and work effectively in partnership with different levels of government.

### A place-based approach requires a long-term commitment to strengthening Indigenous capacities to promote economic development at the local level

Local Indigenous institutions are the foundation of this place-based approach; however, capability gaps reduce their effectiveness. There is a multiplicity of local Indigenous institutions across Australia. These include Indigenous municipalities, Indigenous corporations and co-operatives, and Prescribed Body Corporates (PBCs). These institutions have been set up under different legislative frameworks at Commonwealth and State and Territory levels. They lack own-source revenues and tend to rely on government funding agreements and project-based funding that restricts their capacity to act and imposes administrative costs. Local institutions are important for community economic development because they can facilitate negotiation and dialogue among key actors and activate a development process. Often, local Indigenous institutions are unable to fulfil these functions because they have restricted mandates, are small, and do not the right mix of skills and capabilities. These capability gaps include leadership, community planning, technical skills (e.g. finance and legal), and business and commercial skills. Current support for institutional capacity building is not sufficient in coverage or prioritised to address critical gaps as is needed (e.g. the start-up phase of a Prescribed Body Corporate).

Strengthening the ecosystem that supports these local institutions will enable them to take a leadership role in economic and community development. Currently, capacity-building programs target individual institutions while economic development programs focus on individual firms. However, consideration also needs to be given to strengthening co-development institutions required for community economic development. These intermediaries include regional advisory services (that can provide technical assistance and policy advice), Indigenous research institutions (that can build a body of knowledge, produce data, and promote knowledge-exchange), and community brokers (who can coordinate and build linkages to access resources). Governments at all levels need to consider how they can use their policy levers (policy, grant funding, coordination and facilitation, and service design) to create incentives for strengthening this eco-system.

Benefit sharing provides another mechanism available for local Indigenous institutions to mobilise economic and community development opportunities. Under the Native Title Act (1993), traditional owner groups can develop agreements with project proponents wishing to undertake commercial development on Indigenous lands. These Indigenous Land Use Agreements (ILUAs) are often confidential to third parties and concern how private interest holders want benefits paid. There is a risk that these agreements predominantly focus on short-term monetary benefits for individuals and families and do not build long-term resilience. Government cannot direct how benefits are used but it can incentivise certain strategies and provide guidance and data to inform decision-making. Using these agreements to support a long-term community economic development process requires consensus from the community on development priorities, a framework for monetary benefits that increases incentives for commercial partnerships and

own source revenues, demand-side measures from companies (preferential procurement and employment), and complementary supply-side measures from government (e.g. infrastructure investment and employment and training).

### Government also sets the framework conditions for local Indigenous institutions – and changes are needed to facilitate economies of scale and shared decision-making

Local Indigenous institutions also require mechanisms that strengthen regional partnerships to build scale, access ideas and resources, and mobilise investment opportunities. Local Indigenous institutions (PBCs, corporations) often do not have the economies of scale or scope to address complex economic development issues. Mechanisms that might incentivise local institutions to build scale and connect with institutions that shape local and regional development policies are lacking, which results in inconsistent links with:

- Local governments that have responsibilities in areas such as community planning, local economic development, local infrastructure, and service provision (noting these operate under different States and Territory legislative frameworks).
- The Australian Governments Regional Development Australia (RDA) Committees that undertake regional strategic planning, identify and facilitate projects, disseminate information about government programs, and inform government of regional priorities.

Current legislative and funding frameworks at Commonwealth and State and Territory levels result in a complex landscape of small local Indigenous institutions with limited financial capacity. There is a need to identify ways to build scale and link local Indigenous institutions with public institutions responsible for economic development and public investment decision-making. This includes how to strengthen the brokering and facilitating role of the NIAA regional network, coordination with RDAs and local governments, and supporting regional alliances and agreements between First Nations.

The Regional Network of the National Indigenous Australians Agency (NIAA) has the potential to play a stronger role in implementing a place-based approach. The primary interface for the Australian Government with local Indigenous communities is the regional network of the NIAA. As at 31 January 2018, the Network comprised over 550 staff in around 82 locations across urban, rural and remote Australia. Historically, these staff have been engaged in the administration and delivery of Indigenous specific programs under various departments and agencies. The NIAA has a focus on shifting toward a more proactive approach focusing on working with local communities to identify opportunities and bottlenecks, and coordinating within government, private and philanthropic sectors to address them. However, the staff in the regional network do not have sufficient capability and tools – such as entrepreneurial skills, community planning frameworks, and budget flexibility - to implement this place-based approach. Policy makers should also avoid imposing a one-size-fits-all model for what this might look like on the ground. Given the diversity of conditions across Australia's First Nations, and in the absence of a formal or guaranteed process for agreement making with Indigenous peoples, a bespoke approach is needed.

Governments set the framework and incentives for a place-based approach by creating mechanisms that enable opportunities for meaningful participation, and coordinating and aligning policies and investments at the local level. There is no formal representative institution for Indigenous Australians to ensure they have a say in matters that affect them. As a result, the quality of engagement and consultation with Indigenous Australians is inconsistent across Commonwealth departments and agencies, and between levels of government. Over the last two decades, there have been many changes to organisational structures in Indigenous Affairs ranging from the abolition of the Australian and Torres Strait Islander

Commission (ATSIC) to a number of machinery of government changes. The institutional landscape at a local level is complex and small scale with ad-hoc and inconsistent support provided by governments. The Joint Council on Closing the Gap provides an opportunity to develop a more coherent and comprehensive national policy framework for Indigenous economic development, which can be used as a basis to better coordinate investment and shift to a longer-term funding approach. There is also a need to improve policy coherence at the local level and deliver support in a way that empowers Indigenous communities and organisations. There has been a range of experiments in implementing these approaches including place-based trials through COAG and local decision-making initiatives in New South Wales and the Northern Territory. Lessons from these initiatives suggest the following design features are important to successfully implementing a place-based approach to Indigenous economic and community development:

- Supporting a regional approach that allows local Indigenous groups to self-organise at a scale that enables management of economic development and service delivery issues.
- Long-term commitment of at least 10 years that is matched to community capabilities and aspirations with an objective of working toward self-determination (greater Indigenous control over local resources and decision-making).
- Clarity about government roles and responsibilities across different points of a continuum of working with Indigenous organisations from information sharing to empowerment.
- Investing in organisational capacity building (leadership, mentoring and peer-to-peer learning, financial management, and planning and data analytics).
- Co-design of engagement protocols and formal agreements that is tailored to different communities.
- Leadership from central agencies to ensure coordination and redesign of policy, programs, service models, and funding mechanisms.
- Place-based accountabilities and coordinating mechanisms – regional coordinating bodies that can provide an interface with regional Indigenous groups, and making senior officials and Secretaries responsible for place-based outcomes.

### **Recommendation 3: Implementing a place-based approach to economic development that empowers Indigenous Australians**

**Strengthen the capacities of local Indigenous institutions** to promote community economic development by:

- Consolidating existing funding support for institutional capacity building into a single program (alongside the other 5 themes of the Indigenous Advancement Strategy).
- Increase overall funding to better address capability gaps and re-focus support on strengthening institutional capacities that address these gaps (leadership, technical skills e.g. finance and legal, and business and commercial skills) at critical points in the lifecycle (e.g. pre-establishment of PBCs).
- Expand the range of institutional capacity building activities that can be supported to encompass support for community planning, business case development, and local area data.
- Strengthen the role of Indigenous-led third party organisations in delivering these programs including support to develop guidance, the sharing good practices and lessons, and coordinating local effort.
- Ensure support is available for institutional capacity building through the proposed Indigenous business hubs.

**Build scale in Indigenous community and economic development by:**

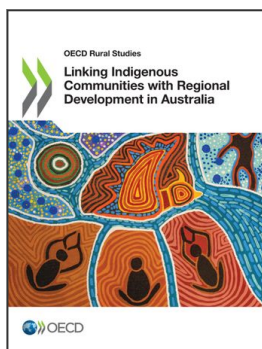
- Adjusting public procurement and service delivery models (e.g. greater flexibilities and specific funding for coordination) to support collective impact approaches.
- Working with industry and Indigenous groups to developing good practice guidance, tools, and leading practices on how to leverage Indigenous Land Use Agreements (ILUAs) to deliver sustainable community and economic development outcomes.
- Working with the local government sector on developing good practice guidance, tools, and leading practices on the role of local government in Indigenous community and economic development.
- Consider including a specific reference to Indigenous economic and community development in the Regional Development Australia (RDA) Charter, and stocktaking and sharing existing leading practices about how RDAs work with Indigenous communities on economic development issues.
- Including regional scale collaboration as a criterion within relevant program streams under the Indigenous Advancement Strategy.

Embed a **place-based approach** in the operational model of the National Indigenous Australians Agency (NIAA) regional network by:

- Re-scoping roles, training and mentoring to develop more entrepreneurial skills and capabilities in community development, stakeholder engagement, data analytics, networking, negotiation, and business support.
- Delivering guidance, tools and support material to support community planning for Indigenous groups.
- Providing resources and expertise for Indigenous organisations to develop and use data.
- Having an agreed joint budget mechanism at the local level linked to a set of locally agreed outcomes.
- Delegating funding authority to regional managers and empowering them to deliver on local area outcomes.

Improve the **inclusion of Indigenous peoples in Australian Government decision-making** and reform **multi-level governance and funding arrangements** by:

- Developing a common framework and good practices for consultation across Australian Government departments and agencies.
- The NIAA taking a whole of government leadership role in monitoring consultation, promoting best practices, and delivering training and guidance on consultation.
- Using the Closing the Gap as a framework for joint appropriations that provide long-term funding for multiple Commonwealth departments and agencies to deliver on shared outcomes.
- Establishing a model for shared local decision-making through the Joint Council on Closing the Gap that enables agreements on local area outcomes and pooling of budgets between levels of government to support Indigenous community and economic development.



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