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## Creating an enabling environment for Indigenous entrepreneurs and small business

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The objective of this chapter is to provide recommendations to improve the enabling environment for Indigenous economies at a regional and local level. The chapter begins by defining Indigenous entrepreneurship and discusses why geography is important in shaping the possibilities and opportunities for community economic development. It introduces the communities that the OECD engaged with on its fact-finding mission illustrating how Indigenous economic development is understood and prioritised by different local and regional actors. Following, the chapter assesses the main government policies that support Indigenous entrepreneurship and economic development and ends by examining some of the key policy levers that communities can use to improve access to finance, build business skills and capabilities, and access public procurement markets.

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## Assessment and Recommendations

### Assessment

- 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.
- Geography is an important factor in shaping the economic development opportunities available to Indigenous communities. Rural areas have thin markets, lower levels of human capital, and productivity and growth depend upon specialising in tradeable activities. Cities offer a greater diversity of opportunities due to the scale and density of economic activity – for example in the public procurement market.
- Over the past 50 years, the amount of land with Indigenous ownership and interests has increased significantly in Australia. Current arrangements for managing and regulating Indigenous lands create barriers to economic development.
- The chapter includes a focus on six case study communities across a diversity of locations that share a common set of values that integrates economic development with the strengthening of connections to country and traditional culture. However, this vision for development is not strongly reflected in policy frameworks and decision-making between levels of government.
- Over the past decade, the focus of policies to support Indigenous economic participation has shifted from reforming employment services toward increasing demand for Indigenous business through preferential procurement. Further enhancements are needed in this policy framework to better incorporate Indigenous values and perspectives, integrate support for business with other measures such as reforms to land use regulation, and to provide better support for community economic development.
- The Joint Council on Closing the Gap provides a platform to drive this reform across a number of key areas including supply-side support in the public procurement market, supporting economic participation in remote areas, and improving financial intermediation and business support services.

### Recommendations

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 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.

## Introduction

The objective of this chapter is to identify recommendations to improve the enabling environment for Indigenous economies at a regional and local level. It begins by setting a conceptual framework for the chapter that defines Indigenous entrepreneurship and discusses why geography is important in shaping the possibilities and opportunities for community economic development. The communities that the OECD engaged with on its fact-finding mission in July 2018 are then introduced, which includes a discussion about how Indigenous economic development is understood and prioritised by different local and regional actors. An assessment of how the current Commonwealth policy framework for Indigenous economic development incorporates this place-based approach, is then undertaken. The final sections of the chapter assess different policy instruments that are available for local communities to improve access to finance, build business skills and capabilities, and access public procurement markets.

## Indigenous entrepreneurship and place

### *Indigenous entrepreneurship*

Entrepreneurship describes an attempt to start a new enterprise or expand an existing business by a single person or group of individuals (OECD, 2009<sup>[1]</sup>; OECD, 2017<sup>[2]</sup>). These businesses generally exist to create financial wealth. However, entrepreneurial strategies and forms of organisation can also generate other forms of value with objectives such as job creation, tackling inequalities and environmental issues that deliver benefits for the common good of a community (Peredo and Chrisman, 2006<sup>[3]</sup>; Noya and Clarence, 2013<sup>[4]</sup>; OECD, 2017<sup>[2]</sup>). These different forms of entrepreneurship are important to Indigenous peoples for three reasons:

1. Supports self-determination because it can reduce dependency relationships and increase decision-making autonomy (Cornell, 2006<sup>[5]</sup>). Processes of colonisation and policies of assimilation have resulted in a lack of entrepreneurial activity and higher rates of individual dependency (in the form of welfare), and collective forms of dependency (in the form of government programs and subsidies) for Indigenous peoples in some countries (Cornell, 2006<sup>[5]</sup>).
2. Indigenous entrepreneurs and business leaders also provide important role models for other Indigenous people (Ombudsman of NSW, 2016<sup>[6]</sup>).
3. Retains economic activity on traditional lands and promotes rural development. Indigenous businesses also reduce income leakage from local communities and travel costs for residents, and if they can penetrate external markets also generate multiplier effects (Cornell, 2006<sup>[5]</sup>).

This provides a strong justification for supporting Indigenous entrepreneurship, in addition to the traditional arguments regarding public policy support for entrepreneurs and small businesses due to market failures such as asymmetric information and the inefficient allocation of credit.

Indigenous entrepreneurship also tends to be shaped by a set of distinct norms and values. A primary aspiration for Indigenous peoples is how business activities can respect and support the strengthening of Indigenous language and culture, and contribute to a community's development (Reavley, Lvina and Abaira, 2006<sup>[7]</sup>). This can include balancing and incorporating values and obligations related to the stewardship of the environment, ceremonies and traditional hunting and food gathering, and local kinship relations and decision-making processes, to business activities (Curry, Donker and Michel, 2016<sup>[8]</sup>). From this second perspective Indigenous entrepreneurship can be defined as a new venture in a specific territory that is linked to a collective form of self-determination and community-based economic development (Peredo and Anderson, 2006<sup>[9]</sup>). This includes sustaining Indigenous language and culture, improving socio-economic conditions on traditional lands, and forms of enterprise that are closely related to community representative and political structures (Taylor, 2008<sup>[10]</sup>).

## **Legal and administrative framework related to Indigenous lands and waters**

A key characteristic of the Indigenous economy is 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. As set out in Chapter 1, land rights legislation has existed in Australia since the 1960s for States and Territories, and since the 1990s under the Commonwealth *Native Title Act (1993)*. Statutory land rights at the State and Territory level essentially comes in two forms. The first is where the State has the power to creation of reserves, freehold title and leases and it is held in trust for the benefit of Indigenous peoples (e.g. Western Australia). However, Indigenous peoples do not have the power to lease or dispose of the land. The second is where traditional owners are granted inalienable freehold title to land with authority to make decisions about the use of land. Native Title determinations are made under the jurisdiction of the Federal Court and recognise a set of rights and interests over land or waters where Aboriginal and Torres Strait Islander groups have practiced and continue to practice, traditional laws and customs. This can include access and use of traditional country, participating in decisions about how others use traditional lands and waters, and making decisions about the future use of lands and waters (Department of the Prime Minister and Cabinet, 2018<sup>[11]</sup>). Two categories of rights are conferred: the right to exclude others from using land and waters (exclusive Native Title rights), and rights to share traditional lands and waters with other non-Indigenous groups (non-exclusive Native Title rights). As at 31 December 2017, Native Title Determinations covered a total area of about 2,605,983 sq. km or 36.5% of the land mass of Australia. A further 28.1% of Australian land was also presently subject to a claimant application for Native Title. Statutory land rights cover approximately 12% of Australia's land mass, including 50% of the Northern Territory (Department of the Prime Minister and Cabinet, 2018<sup>[11]</sup>; Jordan, Markham and Altman, 2019<sup>[12]</sup>). In total, close to 50% of Australia's land mass currently has some form of Indigenous property rights and may increase in future.

These Indigenous property rights have important economic development implications (OECD, 2019<sup>[13]</sup>). It is important to acknowledge that Native Title is a bundle of rights related to traditional use and as with the statutory regimes are not transferable. Although the primary purpose of these property rights is to protect activities that is essentially outside the formal market economy (Indigenous traditional use of land, and waters that existed prior to European settlement) they also have commercial value. Indigenous peoples may claim compensated for loss of traditional use of land, and may articulate objectives to lead and participate in the commercial development of land, sub-surface resources and waters (McCabe, 2016<sup>[14]</sup>). Legislative frameworks also give the right and mechanisms for Indigenous peoples to contest or negotiate with project proponents. As such, there is also an important economic dimension to Indigenous property rights in Australia, and this dimension is important to Indigenous self-determination. However, these Indigenous property rights have only had a limited flow on impact for mainstream economic development. In general, those living on Indigenous-held land are among the most economically disadvantaged among the Indigenous population when mainstream indicators such as employment and income are considered. This is partly explained by the location and quality of land that was not alienated from the Crown by the 1960s, which was generally far from population centres and labour markets and with low agricultural productivity (Altman, 1994<sup>[15]</sup>). Aspirations for development may also be different with higher levels of participation in non-market economic activity. For example, the National Aboriginal and Torres Strait Islander Social Survey (NATISS) of 2014/15 reported that 85% of Indigenous adults in Very Remote areas participated in customary food harvesting activities in the previous 12 months (Jordan, Markham and Altman, 2019<sup>[12]</sup>).

The lack of flow-on benefits is also a function of the regulatory, governance and administrative arrangements related to Indigenous land rights, which shape incentives and transaction costs related to economic and community development. Engagement with stakeholders on the study mission identified a range of governance and administrative challenges to realising these opportunities, which made it difficult to use land to achieve economic and community development objectives. This included 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. Effective control means having a vision for future land development, clarifying rules about land use and conflict resolution, instruments such as leasing and certificates of possession to confer ownership, and having the capacity to make decisions about land use (OECD, 2019<sup>[13]</sup>). Lack of effective control lowers incentives to engage in development processes and increases transaction costs when action is taken. Many of these issues have already been canvassed by governments and different stakeholders (Council of Australian Governments, 2015<sup>[16]</sup>; National Native Title Council, 2019<sup>[17]</sup>; KPMG, 2016<sup>[18]</sup>). Box 3.1 provides a summary of the key findings and recommendations of a 2014 investigation by COAG that focussed on how to reform Indigenous land administration and use to enable traditional owners to generate economic development. Addressing some of these challenges will take time because they relate to inter-governmental relations and building the capability of local Indigenous institutions. However, they are critical to creating an enabling environment for economic development on traditional lands.

### Box 3.1. COAG Investigation in Indigenous Land Administration and Use

The 2014 COAG report – Investigation into Indigenous Land Administration and Use – identified a range of issues and recommendations to improve the enabling environment for economic development on traditional lands. Importantly, this work was informed by an Expert Indigenous Working Group that emphasised the importance of working with Indigenous peoples as partners in development, and consistent with the principle of free, prior and informed consent. The Expert Working Group identified a set of guiding principles for governments, which the report recommends adhering to:

- Indigenous land owners and native title holders should be involved in the development of reforms that affect their ability to use their rights in land and waters.
- Indigenous land owners and native title holders should have the choice to strike a balance between economic and cultural uses of their rights in land and waters.
- Indigenous land owners and native title holders should have the opportunity to be partners in development on their land and waters.
- Reducing red tape and simplifying administrative processes can reduce the time and cost associated with doing business on Indigenous land, and land and waters subject to native title.
- Maximising economic development on Indigenous land, and land and waters subject to native title is critical to the Closing the Gap agenda and strengthens the Australian economy.

The report sets out five key recommendations:

- Recommendation 1 relates to improving the efficiency and effectiveness of the claims process under the Native Title Act and statutory land rights regimes. This includes issues such as mandatory notifications, flexibility in how claims groups reach consensus, and limiting the scope of involvement for parties to where interests are directly affected.
- Recommendation 2 relates to enabling Indigenous landowners and native holders to raise capital. This includes removing legal barriers to leases on all Indigenous land, removing barriers to creating bankable interests on exclusive possession native title, and facilitating connections with the banking sector.
- Recommendation 3 relates to improving processes for doing business on Indigenous lands. This includes developing template agreements, improving the provision of information related to land use agreements, delegating decision-making, and addressing issues between State

natural resource management activities and future act requirements under the Commonwealth Native Title Act.

- Recommendation 4 relates to improving land administration. This includes integrating Indigenous land and native title interests into titling systems, working with local governments to ensuring land use regulations do not unreasonable restrict development, and reducing overlapping legislative responsibilities.
- Recommendation 5 relates to building and capability of Indigenous land holding and representative bodies. This includes access to expert advice and capacity building services, and establishing partnerships and regular dialogue with the Commonwealth and State and Territory governments.

Source: Council of Australian Governments (2015<sup>[16]</sup>), *Investigation into Indigenous Land Administration and Use Report to the Council of Australian Governments Senior Officers Working Group*, [https://www.pmc.gov.au/sites/default/files/files/COAG\\_Investigation\\_into\\_Indigenous\\_Land\\_Administration\\_and\\_Use.pdf](https://www.pmc.gov.au/sites/default/files/files/COAG_Investigation_into_Indigenous_Land_Administration_and_Use.pdf) (accessed on 28 August 2019).

### ***Business structures and economic institutions***

Indigenous peoples use different enterprise structures depending on individual and community objectives and legal frameworks that govern Indigenous territories. These structures can include for-profit corporations, partnerships and joint ventures, mutual and co-operatives, and unincorporated enterprises. Individuals and groups have established corporations in areas such as construction, accommodation and food services, and tourism. Unincorporated enterprises can also be set up, for example, as sole traders in the construction or tourism sectors. Partnerships and joint ventures can also be used to access capital and expertise from outside of the community, for example in the case of eco-tourism businesses or mining and resource operations. Not-for-profit corporations have also been used by Indigenous peoples to meet social needs such as overseeing housing assets, and the delivery social services. These not-for-profit structures enable Indigenous peoples to take control of local assets, reduce income leakage from the community, and provide a mechanism to recycle profits back into the community's physical, socio-cultural and human capital.

The institutions governing Indigenous economies are also different because of the legal recognition of their rights to lands and waters. Land rights legislation was enacted in the 1970s and 1980s at a State and Territory level, and the Commonwealth enacted the Native Title Act in 1993. The collective ownership of land rights creates a different institutional environment for economic development. For example, a characteristic of the Indigenous economy is the use of trusts to govern land and water assets on behalf of a community. When Native Title is established, traditional owners are required to nominate or establish a Prescribed Body Corporate (PBC) to manage their rights and interests. These rights and interests can then be monetised through Indigenous Land Use Agreements (ILUA) (voluntary agreement between a native title group and another party). For example, a State Government or a private company wishing to develop and use the land (e.g. revenues associated with the extraction of natural resources, leases, and fees related to rights of access). The community may then establish a corporate structure that includes the PBC, local Aboriginal corporations, trusts and companies to manage these assets and generate revenues from them. This may include the establishment of enterprises, investments in community skills and infrastructure, and disbursement of dividends to individuals.

There are a number of important governance issues associated with these community economic institutions. A primary issue is by whom and how objectives are set for the trust. Governments and corporations can place conditions on how Indigenous trusts are structured and funds disbursed from them. This can privilege certain economic development objectives (e.g. linking Indigenous peoples to the mining and resources sector) over cultural or customary economic activities. Different community governance

models can also be utilised. On the one hand, a community board or council can make decisions, or alternatively communities can vote on resolutions. In a reality a mix of these choices about objectives, investment strategies, and governance may be used and they will vary within and across jurisdictions due to negotiating parties and community preferences. Important considerations for evaluating these approaches is the degree to which Indigenous peoples are involved in setting these framework conditions and development objectives, the cost and complexity imposed upon communities of establishing and operating these structures, and how effective they are at delivering better (self-determined) outcomes for Indigenous peoples.

### ***Indigenous economies in a regional context***

Indigenous economies are also embedded in a particular geographic context. The economic development opportunities of any community are shaped by its population size, proximity to other places, resource endowments, and the strength of local institutions. The population of a local community establishes the size of the local labour force, its skill composition, and the size of the market available to local businesses. Proximity to large markets generates benefits by lowering transportation costs, and enabling governments to realise economies of scale in the provision of public services. Remote places can also prosper due to proximity to natural resources, which can be minerals, hydrocarbons, water and fertile soil, fish stocks, or a high value tourist amenity. In the absence of high value resources and amenities or access to large markets small and remote communities have limited opportunities for economic development, but even in these cases some local firms can exist to service the local population. Regardless of location, the capacity for local communities to take advantage of these factors depends on the quality of local institutions. That is, how well development strategies are defined and implemented by local actors.

The size of the local labour market (LLM) is a key determining factor. An Indigenous community located in a metropolitan area will be presented with a wider range of economic development opportunities than one located in a small isolated township. There are additional issues to consider for Indigenous peoples living on traditional lands (that may be defined as reserves, trust lands, native title lands etc.). These peoples have certain rights, obligations and constraints placed on them through legislation and treaties that govern how land can and cannot be used that shapes economic development opportunities. For example, land is most likely owned collectively (and indivisible) making it more difficult to raise finance or Indigenous peoples may have use rights over land but do not have ownership rights. Together with differences in culture and values these institutional arrangements this can result in Indigenous communities operating as social and economic islands within a wider region whether it is a large city, small town or remote area. However, it is difficult for such small groups of people to support a diversified range of economic activities and opportunities for employment. This means looking at ways in which they can leverage locational assets to create economic development opportunities for community members.

Leveraging locational assets can happen in one of two ways. For more remote Indigenous communities the presence of a high-quality resource, such as a mine, can provide more local employment opportunity and payments to the local community than would be the case if only national transfer payments were available. The resource endowment may also be related to fishing and hunting rights, landscapes and natural amenities, and water and soil resources that enable food production. Alternatively, Indigenous communities that are located closer to metropolitan areas can become wealthy by integrating with the surrounding region. Typically, this will involve cooperation with nearby non-indigenous communities to develop their niche offer within a regional economy. Indigenous peoples within a large metropolitan region can take advantage of the wider array of business and employment opportunities. For example, in connection with large-scale public infrastructure projects.



### *Opportunities in the tradeable sector for Indigenous communities in rural areas*

The tradeable sector includes goods and services that are mainly produced for sale to other than local buyers (OECD, 2016<sup>[19]</sup>). Given their small home market, rural regions are more dependent on the tradeable sector for productivity growth. In order for the people in a rural community to remain employed, local firms must be competitive in either local or export markets. That is, they must be able to match the prices and quality of competing firms. The growth of the tradeable sector enables rural economies to grow beyond their home market, attract new investment and absorb technologies, and generate a multiplier effect as income flows into the region. Although rural areas provide traditional resources such as forestry, mining, oil and gas, electricity production, fishing and agriculture, they are increasingly providing vital new functions that use their resource base in novel ways. These include rural manufacturing, various types of rural tourism, the preservation of wildlife and cultural heritage sites, the production of renewable energy, and the recognition of the key role that the rural environment plays in ecosystem services, such as carbon capture or filtering contaminants from air and water. These are all areas where Indigenous communities can take advantage of context-specific immobile assets that can represent areas of absolute advantage. Whether this is a natural park, the presence of natural resources and/or cultural heritage, these assets if well managed can produce a unique good or service to external markets and consumers. These opportunities for Indigenous communities are outlined in Table 3.1.

**Table 3.1. Opportunities in the tradeable sector for Indigenous groups in rural areas**

Sector	Enabling factors	Examples
Food and agriculture	Tenure security over land, capital for large scale pastoral activities, marketing support for niche bush foods, linkages with retail and tourism, digital connectivity, managerial and customer service skills	Kungkas Can Cook - Aboriginal owned catering, tourism and restaurant business in Alice Springs, Australia
Mining and extractive industries	Tenure security over land, capital for investment/equity participation, benefit-sharing mechanisms (procurement and employment), digital connectivity, managerial and technical skills	Gulkula, Indigenous owned Bauxite mine in East Arnhem Land, Northern Territory
Land management and environmental services	Tenure security over land, direct payments and market mechanisms for ecosystem services, digital connectivity	Indigenous Protected Areas (IPA) programme
Nature based and cultural tourism	Tenure security of land, capital (accommodation and equipment), digital connectivity, customer service and managerial skills	Ayres Rock Resort at Yulara, Northern Territory
Culture and traditional knowledge	Arts and culture facilities, linkages with galleries, performing arts centres etc., digital connectivity, managerial skills	Yirrkala Arts Centre, Northern Territory
Renewable energy	Tenure security over land, capital for investment/equity participation, benefit-sharing mechanisms, connecting infrastructure (transmission, transport, digital), technical skills	MW Northam Solar Farm, Western Australia

### Box 3.2. Economic development strategies in remote regions

Remote regions lack economies of agglomeration and as a result miss the productivity benefits that are generated by scale and density of economic activity. For remote regions, the tradeable sector is critical to generating increases in productivity (OECD, 2016<sup>[41]</sup>). Three main options can be pursued by remote rural regions to influence these drivers of productivity growth:

- Specialise in natural resource exploitation and stewardship, which includes mining, forestry, food production, renewable energy, tourism, and ecosystem services.
- Be integrated in Global Value Chains (GVCs). Forward and backward linkages (re-bundling) are critical to maximize value-added of natural resource industries and foreign direct investment (FDI) through the creation of a network of local suppliers.
- Develop territorially differentiated products and services through mobilisation of local assets, and leveraging consumer preferences for local or tradeable products.

In order to foster economic development, Indigenous communities in remote rural areas must take advantage of context-specific assets that are immobile and that are areas of absolute advantage.

#### *Typology to understand development opportunities for Indigenous communities in rural areas*

As discussed in Chapter 1 a relatively higher proportion of the Indigenous population in Australia lives in rural regions. The gaps in socio-economic outcomes between Indigenous and non-Indigenous populations are larger in these areas, than in urban and intermediate regions. Both population size and locational assets condition the range of potential economic opportunities available to Indigenous communities in urban and rural places (just as they condition non-indigenous communities in a similar manner). This suggests that the extent to which Indigenous communities are successful or unsuccessful relative to non-indigenous communities should be judged by comparing communities in similar circumstances. As such, communities located in metropolitan regions should be compared to similar geographic communities in terms of size and location. Likewise, Indigenous communities in rural areas should also be compared to similar geographic communities. Because many are small and located in remote areas, their members' level of income, employment and access to services will inevitably be lower than is the case for the average citizen who is located in an urban area. Part of this difference is the inevitable penalty of a rural location, but part may be a specific economic development penalty due to being Indigenous. The only way to identify the relative role of the two elements is to compare geographic communities of similar size and location. In terms of Indigenous communities in rural areas the two key locational factors that shape economic development opportunities (proximity to cities and access to natural resources and amenities) can be represented in a matrix (Figure 3.1).

**Figure 3.1. Typology for Indigenous economic development in rural areas**

Proximity to cities	Remote	1	2
	Close	3	4
		Abundant	Absent
		Natural resources and amenities	

The matrix presented in Figure 3.1 outlines four basic developmental trajectories for Indigenous communities in rural areas. They are:

1. *Remote Indigenous communities with abundant natural resources and amenities* – these places are further than a 60-minute drive from a population centre of 50 000 people or more, and have opportunities for commercial development related to minerals, hydrocarbons, renewable energy, fishing and aquaculture, food production, and nature based tourism. A key issue for these communities will be how to invest own-source revenues in ways that support economic value adding and diversification, and building/attracting the necessary skills to support business growth.
2. *Remote Indigenous communities where natural resources and amenities are limited or absent* – these places lack natural resources available for commercial use, and consequently economic development is largely limited to the internal market and some tourist opportunities (e.g. handicrafts). In these places, government transfers, subsistence hunting and fishing, and local bartering and sharing will play a greater role in supporting community well-being. A key issue for these communities will be ensuring access to public services that offer a sufficient quality of life to retain younger people, and maintain community sustainability, culture and language.
3. *Indigenous communities close to cities with abundant natural resources and amenities* – these places are within a 60-minute drive of a population centre of 50 000 people or more with sufficient land and resources available to develop commercial opportunities related to renewable energy, food production, and tourism. A key issue for these communities will be integrating with the wider urban/regional economy and developing governance arrangements to maximise the benefit of their resource base.
4. *Indigenous communities close to cities where natural resources and amenities are limited or absent* – these places are close to cities but do not have sufficient land size or the natural resources that enable commercial scale resource-development opportunities. However, even where land parcels are small, this may still present opportunities for retail and industrial land development, and collaboration with local municipalities on planning and infrastructure is important to activating these opportunities.

This typology can help inform decision-making and dialogue about the development potential of different Indigenous communities in rural areas. Crucially the typology does not consider three important factors – variations in Indigenous rights over land and resources, the quality of the community institutions, and the development objectives of the community. It is clear that two similar size places with equivalent geographic conditions can have very different economic outcomes. Indigenous communities may have rights over sub-surface resources or fishing grounds (e.g. in the Northern Territory), and in others rights may be limited to

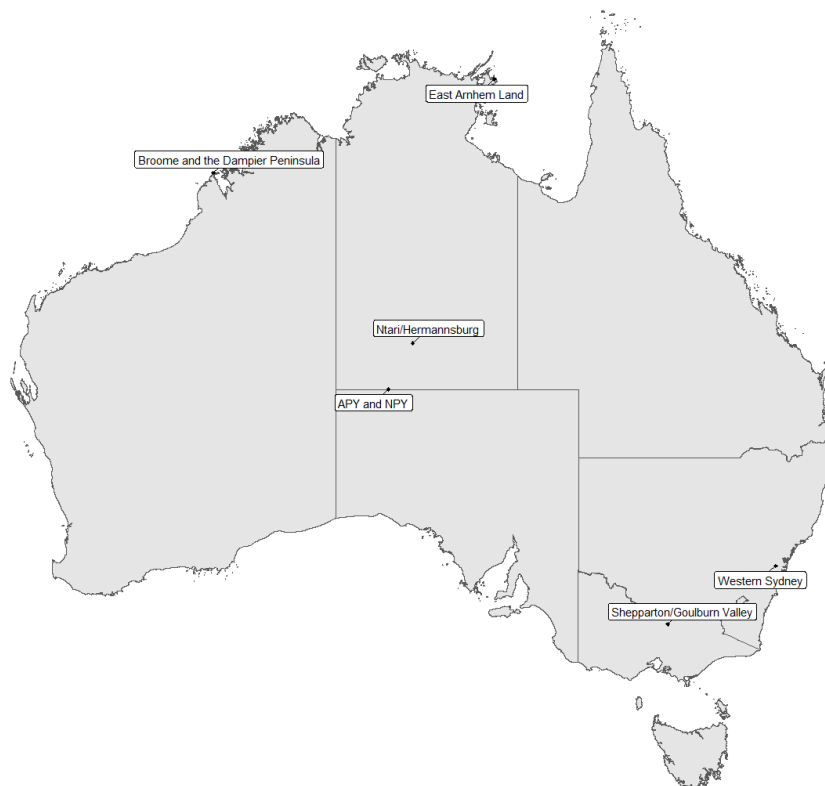
the use of land (e.g. non-exclusive Native Title determinations). This shapes the limits and possibilities for Indigenous economic development. Differences in the quality of local institutions – the ability to identify and implement a development strategy, and or, differences in objectives – also influences development outcomes. Typically, local economic development analysis assumes that all communities have similar objectives and focus on differences in the quality of institutions. However, when considering Indigenous communities, it is important to recognize that the objectives of the community may differ significantly from those assumed to hold in non-Indigenous society. In turn, this affects how standard measures (household income, employment rates, and educational attainment) are utilised for comparative purposes.

## Case study communities

During the fact-finding mission to Australia in July 2018 the OECD team had the opportunity to engage with Indigenous peoples across six different regions. These engagements revealed the differences in development priorities, challenges and opportunities of Indigenous peoples, and the diversity of socio-economic and market conditions they face. This section will discuss these issues and identify the importance of a place-based approach to Indigenous economic development. The six regions cover a number of different categories within the typology outlined above:

- 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).

**Figure 3.2. Case Study communities**



### ***Socio-economic profile***

The demographic profile reveals differences in the relative importance of Indigenous populations. There are a number of key differences in the rural remote regions. The first is that Indigenous peoples make up a much larger proportion of the regional population, and this population is much more likely to speak one or more Indigenous languages (Table 3.2). This is an indication about some of the socio-cultural differences that are a characteristic of these regions, and the need for local and regional governance, policies and programs to incorporate and reflect these differences. The younger population profile of the Indigenous population also matters more in rural areas that tend to face the challenge of population ageing. The Indigenous populations in these regions are an important source of labour supply and therefore the future competitiveness and well-being of these regions.

The economic structure of these regions varies according to their population size and density, location and resource endowments. This shapes the opportunities for Indigenous entrepreneurship and labour force participation. Blacktown is located in the western suburbs of Sydney with a labour force specialised in manufacturing and distributive services due to its advantageous location within a functional urban area of 4.9 million people. On the other hand, remote areas have fewer and less diverse opportunities for economic participation. In a remote region such as Alice Springs with limited mining and resource developments the main opportunities relate to social services (health, education, safety and public administration), and personal services (particularly tourism-related). Regions such as East Arnhem and the Kimberley do present opportunities for relatively well-paid jobs and business opportunities in primary sectors (mining, energy, forestry, fisheries and agriculture).

**Table 3.2. Indigenous demographic indicators, select regions**

	Indigenous peoples (%)	Speak Indigenous language (%)	Median age Indigenous	Median age non-Indigenous
Alice Springs	36.2	20	26	36
Blacktown	2.1	0	23	35
East Arnhem	68.1	59.5	24	34
Kimberley	41.6	10.6	25	36
Shepparton	3.4	0.1	22	40
Australia	2.8	0.3	23	38

Note: Language calculated based on the number of residents who speak English and another language nominating an Indigenous language, divided by the total number of usual residents.

Source: Australian Bureau of Statistics (2019<sub>[20]</sub>), *Community Profiles*, <https://www.abs.gov.au/websitedbs/censushome.nsf/home/communityprofiles?opendocument&navpos=230> (accessed on 10 May 2019).

**Table 3.3. Industry of employment, select regions, in percentage**

	Alice Springs	Blacktown	East Arnhem	Kimberley	Shepparton	Australia
Construction	10	13	9	13	14	14
Distributive services	16	28	12	16	19	20
Manufacturing	2	10	3	2	14	9
Personal Services	17	10	13	17	10	11
Producer Services	10	15	4	7	8	16
Primary sector	6	2	26	13	15	8
Social services	35	15	27	26	14	17

Note: This table is based on place of usual residence.

Source: Australian Bureau of Statistics (2019<sub>[20]</sub>), *Community Profiles*, <https://www.abs.gov.au/websitedbs/censushome.nsf/home/communityprofiles?opendocument&navpos=230> (accessed on 10 May 2019).

Within this small number of regions, the data suggests that Indigenous peoples are not taking full advantage of these economic opportunities (as shown in Chapter 1). Differences in economic participation between Indigenous and non-Indigenous peoples are significant in rural remote areas. Levels of personal income are much lower with significantly larger gaps with non-Indigenous peoples in rural remote areas (e.g. -83.3 percentage points in East Arnhem and -69.6 percentage points in the Kimberley) (Table 3.4). The same pattern is evident for labour market indicators. For example, unemployment rates in the rural remote regions are much higher than the national level and the gaps are larger (e.g. 36.4 percentage points in Alice Springs for Indigenous peoples with a percentage point gap of 34) (Table 3.5). Similarly, levels of employment in rural remote areas are also much lower (Table 3.6).

The analysis in Chapter 1 and in this section demonstrates the diversity of conditions for Indigenous peoples and economic development at the regional and local level. There are also important considerations, which are specific to Indigenous economies. This includes: special legal rights that regulate access and use to land and water resources, distinct values and development objectives, formal and informal institutions that govern community decision-making, and the role of subsistence hunting and fishing in remote areas. These differences highlight the importance of a context specific understanding of Indigenous economies, and empowering Indigenous peoples to set their own development strategy because have the best knowledge of what they want and are best positioned to know how to go about achieving it. The following section examines the priorities each Indigenous community has set for its vision and priorities development, and how other actors (local municipalities, State and Territory Governments, and Regional Development Australia Committee) organise and respond to that.

**Table 3.4 Personal weekly income, Indigenous and non-Indigenous, select regions, 2016**

	Indigenous (AUD)	Non-Indigenous (AUD)	Percentage point gap
East Arnhem	235	1404	-83.3
Alice Springs	281	1080	-74.0
Kimberley	331	1088	-69.6
<b>Australia</b>	<b>441</b>	<b>668</b>	<b>-34.0</b>
Shepparton	450	593	-27.1
Blacktown	478	656	-24.1

Source: Australian Bureau of Statistics (2019<sub>[20]</sub>), *Community Profiles*, <https://www.abs.gov.au/websitedbs/censushome.nsf/home/communityprofiles?opendocument&navpos=230> (accessed on 10 May 2019).

**Table 3.5. Indigenous and non-Indigenous unemployment, select regions, 2016**

	Indigenous (%)	Non-Indigenous (%)	Percentage point gap
Alice Springs	36.4	2.2	34
<b>Australia</b>	<b>18.2</b>	<b>6.6</b>	<b>12</b>
Blacktown	15.6	7.1	9
East Arnhem	28.9	2	27
Kimberley	26.7	2.9	24
Shepparton	17.9	6.2	12

Source: Australian Bureau of Statistics (2019<sub>[20]</sub>), *Community Profiles*, <https://www.abs.gov.au/websitedbs/censushome.nsf/home/communityprofiles?opendocument&navpos=230> (accessed on 10 May 2019).

**Table 3.6. Employment to population percentage, select regions, 2016**

	Indigenous (%)	Non-Indigenous (%)	Percentage point gap
Alice Springs	24.9	80.6	-56
<b>Australia</b>	<b>42.5</b>	<b>59.9</b>	<b>-17</b>
Blacktown	44.1	60	-16
East Arnhem	20.4	85.1	-65
Kimberley	27.3	80.1	-53
Shepparton	40.5	57.4	-17

Source: Australian Bureau of Statistics (2019<sub>[20]</sub>), *Community Profiles*, <https://www.abs.gov.au/websitedbs/censushome.nsf/home/communityprofiles?opendocument&navpos=230> (accessed on 10 May 2019).

### **Northern Territory: Ntari/ Hermannsburg, APY/NPY Lands and East Arnhem Land**

#### *Ntari/ Hermannsburg*

Ntari started as a Lutheran mission in 1877 and in 1982, it was handed back to the traditional owners (Western Arnhem people). The township has a population of 625 and also has 37 homeland communities (regional outstations) which are made up of close kinship groups and have small and fluctuating populations. The area is remote but lacking significant resources and amenities. As a result, opportunities for economic development are limited and there are high levels of dependency upon government benefits and payments, which is typical similar communities in other parts of Australia (Sanders and Morphy,

2004<sup>[21]</sup>). For example, according to the 2016 Census, in the West MacDonnell region, 34% of the 3,842 Aboriginal persons are unemployed, in comparison with 1% of non-Indigenous, out of 634 people. Tourism in Central Australia gravitates around Alice Springs, dominated by whites with high levels of literacy and personnel management skills, whereas small businesses in rural desert areas are particularly lacking (Sanders and Morphy, 2004<sup>[21]</sup>). Ntaria has a tradition of arts and crafts, notably watercolour painting and pottery. The Hermannsburg potters have developed a distinctive ceramic art practice that has gained international recognition (Nicholls, 2013<sup>[22]</sup>).

There is no local institution in Ntaria that takes a lead role in coordinating community economic development. The main Indigenous-led institution is the Tjuwanpa Outstation Resource Centre (est. 1984) that provides services to the area, notably maintenance of access roads, power centres, water catchment, houses and other shelters. It also develops programmes of arts and crafts, alcohol rehabilitation, park rangers and *Safe Communities for Children*. In 2012, it received ten-year funding from the Australian Government to deliver local services. The Ntaria Aboriginal Land Trust holds the land title for the benefit of all traditional landowners, and has powers to acquire, hold and dispose of property. However, decision-making authority still resides with the Central Land Council after informed consent is obtained from traditional owners. Through the 1980s and 1990s, the *Community Development Employment Projects* (CDEP) played an important role by supporting local employment, skills development and essential municipal services, via block funding and subsidies. It was abolished in 2007 with the advent of the Northern Territory Emergency Response (NTER), and now services are provided by Centrelink. At the time of the NTER, Ntari was defined as a Remote Service Delivery site (RSD) and a Local Reference Group (LRP) was set up to guide the development of the Local Implementation Plan (LIP) to deliver better community development and service delivery outcomes. Social issues of recent concern in the community include domestic violence, substance abuse, child education and work opportunities.

### *APY/NPY Lands*

APY/NPY lands are an example of a remote Indigenous community where natural resources and amenities are limited or absent. These communities are very remote in a desert environment and this geographical context affects opportunities for economic development e.g. limited water and opportunities for pastoral activities, difficulties in providing services, and higher costs for construction and infrastructure. This places significant limitations on the nature and scope of economic activities that are possible. The Indigenous Peoples of the APY/NPY lands have a very strong cultural identity bounded by their own language, care for country, and traditional obligations. These traditional obligations mean that standard business and work practices may not necessarily match local needs and requirements. There is a desire for meaningful work and financial independence but in ways that balances with traditional life (OECD Fact Finding Mission, July 2018). Economic activities have primarily been developed in arts and culture, and social enterprise to meet local needs. The local Anangu people of the APY lands have set up the Regional Anangu Services Aboriginal Corporation which delivers State and Commonwealth services on APY lands under a local ownership model (RASAC, 2019<sup>[23]</sup>). The Corporation uses a casual employment model so people can balance work with traditional obligations, and combine work with on-the-job training.

There is no single Indigenous-led institution representing the interests of the different communities, setting priorities, or coordinating investments. Investment in the capabilities of people working in existing institutions (financial literacy, managerial skills) is ad-hoc and changes over time. There have been some recent efforts to build this institutional capacity so local people have a voice and can have an influence of planning and resource allocation decisions through Empowered Communities. This initiative is still maturing and in regards to economic development, efforts are focussed on institution building, data, and pathways into training and employment (Empowered Communities, 2017<sup>[24]</sup>). The NPY Women's Council has been set up to provide a collective voice and agency for women in the area and has focused on social enterprise development linked to arts and cultural activities (NPY Women's Council, 2019<sup>[25]</sup>). At a higher level, Aboriginal people in the southern area of the Northern Territory are represented by the Central Land



Council, which has identified priorities related to community development, caring for country, benefit sharing with the mining industry, partnerships with the pastoral industry, and Aboriginal cultural tourism (Central Land Council, 2019<sup>[26]</sup>).

### *East Arnhem Land*

East Arnhem Land is an example of a remote Indigenous area that is endowed with resources and amenities. It is located in the north-eastern corner of the Northern Territory and had a population of 16,000, 12,000 of whom are traditional owners. Yolngu have lived in the region for more than 50,000 years and are the oldest continuous civilisation on earth. There are 13 Yolngu nations which each have their own territory, leadership and kinship relations with small homeland settlements scattered across the region. All of Arnhem Land was proclaimed as an Aboriginal reserve in 1931, and missionaries arrived at this time. Bauxite deposits were identified on the Gove Peninsula in North-East Arnhem Land after World War 2 with leases granted in 1969 with operations commencing in 1970 (Rio Tinto, 2019<sup>[27]</sup>). This resulted in the growth of the township of Gove and the arrival of more white settlers. After the passage of the Aboriginal Land Rights (Northern Territory) Act in 1976 the whole of North-east Arnhem Land, including the Gove Peninsula, has been held under inalienable freehold title by the Northern Land Council on behalf of the traditional land owners. The Yolngu people continue have a strong attachment to country and engage in traditional livelihoods (hunting, fishing, food gathering, arts and culture). The key economic unit in this economy is the kinship group that provides the basis for the division of labour and distribution of resources. On the fact-finding mission local leaders articulated the need to find ways to balance this traditional economy with the white settler economy (OECD fact finding mission – July 2018). Data shows that there are broadly two economies currently operating in East Arnhem Land: the Balanda (white) formal economy based on mining, public and tourism related services; and, the Yolgnu economy based on traditional livelihoods, government transfers, and small-scale enterprise.

Each of the 13 Yolngu groups have their own institutional structures that set priorities and implement development strategies. There are three basic strategies employed:

1. connecting with the Balanda economy and in particular the Rio Tinto operations;
2. smaller scale enterprises tapping into external markets (e.g. timber, pastoral, and tourism-related); and,
3. enterprises that address local needs (e.g. retail).

Local Aboriginal Corporations have been established to hold assets and develop businesses and programs for local communities. For example, the Gumatj Corporation near Gove has developed a portfolio of small enterprises (food production, timber mill, retail shop) and a mining operation that supplies Bauxite to Rio Tinto. These local institutions play a very important role in the organisation and distribution of resources within the Yolgnu economy. The 13 Clan nations have also come together to form the Dilak Authority (comprising Yolngu elders – one man, one woman and one young leader each of the clan nations). This traditional system of governance seeks Indigenous policy reform by government, requesting responsibility to determine their own future. Their development vision for north-east Arnhem Land is based on education to end the welfare cycle, job creation opportunities customised for each community, and appropriate utilisation of land for economic development. The Authority also argues for long-term bipartisan commitment to a policy approach that achieve these goals in partnership with traditional owners. The Dilak Authority has now been recognised by the Northern Land Council as the region's preferred governance model.

In recent years, the Northern Land Council (NLC) has begun to look at ways to proactively support local traditional owners to drive their own development outcomes. In 2016, the NLC initiated a Community Planning and Development Program (CP&D) to further support Aboriginal people to drive their own development and secure benefits from their land, waters and seas. Like the Central Land Council (CLC), which has been running a successful Community Development Program since 2005, the NLC provides

support to Aboriginal groups to translate their land and native title rights into social, cultural, environmental and economic development outcomes. This includes supporting Aboriginal groups to use royalty and rent monies from land use agreements for broad and lasting community benefit. The program works with Aboriginal land-owning groups to help them use their money from land use agreements, such as royalties or lease money, to plan and do projects that create ‘lasting community benefit’. Each group of Traditional Owners decides whether they want to use the CP&D process with their income, what projects they want to do, and how they should be run.

### *Government policy frameworks*

Two of these local communities are located in the Northern Territory (East Arnhem Land, and Ntaria/Hermannsburg), and APY/NPY lands cut across Western Australia, South Australia and the Northern Territory. Across the three jurisdictions, there is a shared focus on procurement as a lever to promote Indigenous economic participation, and Western Australia and the Northern Territory have a particular focus on land and resource based economic opportunities. The policy framework for Indigenous economic development in the Northern Territory is based on the recognition that Indigenous peoples make up a large share of the population (30%) and own a significant amount of land (50%) (Northern Territory Government, 2017<sup>[28]</sup>). As landowners and custodians’ economic opportunities are identified in creative industries and tourism, community-based land management, and the pastoral industry. Procurement is identified as a key lever to facilitate economic participation and support Indigenous entrepreneurship. The Western Australian Government focuses on Aboriginal people as land owners and enterprises in the primary sector (pastoral industry, agri-food and fisheries and aquaculture), and creating opportunities through local procurement linked to these sectors and housing (Department of Communities and Housing, 2019<sup>[29]</sup>; Department of Primary Industries and Regional Development, 2019<sup>[30]</sup>). The South Australian Government’s Aboriginal economic development strategy is focused on creating opportunities through public procurement, and engagement with employers to promote employment in 10 strategic industries (South Australian Department of Premier and Cabinet, 2019<sup>[31]</sup>; Department of State Development, 2018<sup>[32]</sup>). These sectors include some that are present in remote areas (community services, energy, water and resources, and the South Australian public sector).

Priorities for investment are also mediated through Commonwealth Regional Development Australia (RDA) Committees, and in the case of Western Australia, Regional Development Commissions (Department of Primary Industries and Regional Development, 2019<sup>[33]</sup>). These institutions set regional development priorities, provide information and advice to local stakeholders, and coordinate policy and investment. The Northern Territory Regional Development Committee (RDA) does not articulate the opportunities related to land and water ownership and has a focus on arts and creative industries. Improving transport and communications infrastructure is identified as a priority for Indigenous development (Regional Development Australia - Northern Territory, 2018<sup>[34]</sup>). The RDA Far North in South Australia provides business advisory and economic development project services, which includes a specific focus on Indigenous enterprise. Recent work with the RDA has identified the pastoral industry, mining and the visitor economy as key development opportunities (SC Lennon and Associates, 2019<sup>[35]</sup>). APY/NPY lands also fall within the Goldfields–Esperance Regional Development Commission. It has a general focus on promoting industry strengths and investment in infrastructure, and a specific Aboriginal Leadership Program that provides leadership mentoring, network formation and opportunities for knowledge-sharing and learning (GEDC, 2019<sup>[36]</sup>).

Local Governments also have an important role to play in rural and Indigenous economic development, as they are a significant local employer with responsibility for local infrastructure and services. MacDonnell Shire Council includes two of the remote communities (Ntaria/Hermannsburg and the APY/NPY lands) engaged with in this study. Both are examples of remote communities with limited resources and amenities. The Council has a strong focus on Indigenous employment in the Council and supporting Aboriginal enterprise development particularly in the area of tourism (MacDonnell Regional Council, 2018<sup>[37]</sup>).

APY/NPY Lands are also covered by the Shire of Ngaanyatjarraku. This is a very remote community of 1,427 people with employment opportunities linked to Council services and land management (Shire of Ngaanyatjarraku, 2018<sup>[38]</sup>). The Council has identified a priority to provide employment and training pathways for people in these areas, and to help prepare the region for future mining and resource extraction projects (currently under exploration). The East Arnhem Shire Council has a focus on increasing Aboriginal employment, and supporting business development (East Arnhem Regional Council, 2018<sup>[39]</sup>). Government and industry stakeholders in East Arnhem Land are currently preparing a strategy to support economic transition due to the future closure of Rio Tinto Ltd. operations in the region. Developing East Arnhem Land (DEAL) has been set up as a not-for-profit entity to support this transition and provides advocacy advice and support for Indigenous entrepreneurs in areas such as tourism, housing development, mining, fishing and aquaculture (Developing East Arnhem, 2019<sup>[40]</sup>).

### *Discussion*

The data shows there are significant differences between the Indigenous and a non-Indigenous economies in remote regions. The Indigenous economy has characteristics of a hybrid economy that mixes subsistence with wage labour and other forms of income including government transfers (Altman, 2004<sup>[41]</sup>). Subsistence is not only about meeting basic nutritional needs, but also relates to bartering and trading within and between kinship groups, and has an important cultural and relational component as well (Southcott and Natcher, 2018<sup>[42]</sup>). Indigenous peoples in these regions seek to balance traditional culture and obligations with formal economic participation. This has taken the form of small-scale entrepreneurship linked to traditional knowledge and culture (arts, music, environmental services, and tourism), and flexible work arrangements in these sectors and in the provision of local services. Some partnerships and benefit-sharing mechanisms have been established but this is dependent upon resource endowments that enable mining and pastoral activities. Local Indigenous communities can use these resources to facilitate economic diversification and deliver community programs.

Strengthening Indigenous economies requires coherence and alignment in setting economic development priorities at a community level and across different levels of government. Across these regions, local Indigenous institutions that could set priorities for future community and economic development are generally weak and fragmented. Where local Indigenous institutions do exist, there is limited power to influence decision-making. Decision-making authority rests with government agencies. There are some good examples of where communities have sought to address this issue and build capacity (e.g. NPY Women's Council and Empowered Communities). Building this economy also requires the recognition of Indigenous aspirations for development in policy frameworks across different levels of government. The idea of building an economy that strengthens Indigenous language and culture and enables balancing with traditional culture and obligations, is not visible. Policies are focussed on preferential procurement and industry development opportunities which are not necessarily suited, in particular, to more remote areas. There are some good practices going on across RDAs and Regional Development Commissions (e.g. the Aboriginal Leadership Program Goldfields–Esperance) but a consistent view about the potential of the Indigenous economy, and particular challenges and opportunities in remote areas, is lacking. Local municipalities can play an important role in terms of local planning and direct employment but this is not acknowledged in State, Territory and Commonwealth policy frameworks.

### ***Local and regional development priorities: Western Sydney, New South Wales***

#### *Local and regional Indigenous institutions*

In NSW, the main local Indigenous institutions are Aboriginal Land Councils that operate under the 1983 Aboriginal Land Rights Act. Unused crown land can be claimed by a Land Council and once it is approved it is held in communal title. Land assets can then be used to develop different activities such as affordable housing and accommodation services for Indigenous people. Land councils also have a role in the

preservation of Aboriginal cultural heritage. The Tharawal Local Aboriginal Land Council in south-west Sydney undertakes these core land management activities along with support for local employment and training, and Aboriginal enterprises (Tharawal Local Aboriginal Land Council, 2019<sup>[43]</sup>). These cover three main areas: culture (tourism and education awareness), community (advocacy and advice), and country (money-making part, competitive tender for landscaping, bush management, nursery) (OECD fact finding mission – July 2018). The community perceives significant opportunities from the Western Sydney City Deal that sets a framework for delivering a new airport for Sydney, rail and road links, and housing and commercial developments over the next 10 – 20 years. However, implementation challenges were noted in terms of complexities generated by different procurement rules between the Commonwealth and State Governments, lack of business capability and gaps in terms of support for start-ups, and local government not prioritising Indigenous economic development (OECD fact finding mission – July 2018).

### *Government policy frameworks*

Western Sydney is located within the metropolitan area of Greater Sydney, which has an overall population of approximately 5 million people. The New South Wales (NSW) Government identifies the need to overcome historical disadvantage and close the gap in employment participation between Indigenous and non-Indigenous peoples (Aboriginal Affairs NSW, 2018<sup>[44]</sup>; Aboriginal Affairs NSW, 2019<sup>[45]</sup>). Unlike the Northern Territory and Western Australia, Indigenous peoples are relatively concentrated and close to cities, which is identified as an advantage. Again, the Governments purchasing and hiring power (public procurement and public service employment) are identified as levers to increase Indigenous economic participation. Similar to South Australia, NSW also has a specific initiative (Industry Based Agreements) to engage private sector employers in hiring Aboriginal people (Aboriginal Affairs NSW, 2019<sup>[45]</sup>).

At the regional and local level, there are a number of different entities involved in local economic development. The RDA for Sydney undertakes research, advocacy, events and project coordination (RDA Sydney, 2019<sup>[46]</sup>). However, the RDA does not identify any specific priorities or activities related to Indigenous economic and community development. The Local Government of Blacktown is one municipality within Western Sydney. Its Indigenous well-being strategy focuses on social services and community development issues (housing, early childhood and school education, cultural awareness, health, safety and social interaction) (Blacktown City Council, 2016<sup>[47]</sup>). The neighbouring City of Penrith's economic development strategy does not include any mention of Indigenous issues (City of Penrith, 2017<sup>[48]</sup>). In March 2018, the Australian Government, the New South Wales Government and eight local municipalities signed a "City Deal" for Western Sydney. This agreement sets out a framework for infrastructure investment in the region. The aim is to leverage investment in the new Western Sydney Airport, and associated to infrastructure, to improve urban development and well-being outcomes. This includes linking these investments with opportunities to increase Indigenous economic participation. The Western Sydney City Deal includes an Indigenous Business Hub to deliver support services and space for entrepreneurs, enterprise support services, and social procurement (Department of Infrastructure, Regional Development and Cities, 2019<sup>[49]</sup>).

### *Discussion*

The case of Western Sydney is illustrative of challenges related to alignment and coherence between different levels of government in relation to Indigenous community and economic development. In the case of NSW, the Land Councils play a role in terms of articulating local priorities for community and economic development. Similar to rural and remote areas, the Indigenous community of Western Sydney prioritises economic activities linked to culture, community and country. These small-scale entrepreneurial opportunities are not strongly reflected in the State policy framework that focuses on public procurement and partnerships with industry to lift Indigenous employment outcomes. These areas also present opportunities for the local Indigenous community. However, there is a risk these opportunities will not be realised if business and skill capability gaps are not addressed. The Australian Government has sought to

address this by implementing an Indigenous Hub to build capabilities and support matching. The RDA and Local Government are not prioritising Indigenous economic development. The Indigenous economy is absent from the priorities and projects of the RDA for Sydney. The RDA could play a role, for example, in terms of mapping the Indigenous economy across different parts of metropolitan Sydney, and articulating priorities of Land Councils at this scale. Local governments could also be using their convening power to engage Land Councils and other local Indigenous institutions on economic development issues, but again this is lacking.

### ***Local and regional development priorities: Goulburn Valley and Shepparton, Victoria***

#### *Local and regional Indigenous institutions*

The Yorta Yorta people, like many Indigenous peoples, have experienced a difficult history of dispossession and relocation onto missions. This put the community in a defensive and crisis response mode and when they established their own institutions, they focused on the survival of Aboriginal families, addressing inter-generational trauma, and social welfare issues (OECD Fact Finding Mission – July 2018). This historical exclusion has resulted in Indigenous people being absent from the main centres of power in the region (local and state government, industry, and community associations). In recent decades, there have been efforts to re-build community institutions and focus them on creating opportunities for local Indigenous people. This has been a slow process of trying to overcome divisions within the community between families. The Yorta Yorta National Aboriginal Corporation was established to represent the interests of the 16 Yorta Yorta family groups, and act as a representative body to make agreements with governments or other authorities (Yorta Yorta Nation Aboriginal Corporation, 2019<sup>[50]</sup>). It owns an enterprise, Woka Walla, which provides environmental services (land and water management, and cultural heritage), and has Yenbena, a registered training organisation. The Kaiela Institute is another local Aboriginal owned organisation that provides employment and training initiatives and supports the local Empowered Communities' project (Kaiela Institute, 2019<sup>[51]</sup>). This includes the provision of work placements for local Aboriginal people in the 20-40 age group. The Empowered Communities initiative in the Goulburn Valley has identified priorities related to local institution building to give people a voice, improving data and increasing employment participation (Empowered Communities, 2017<sup>[24]</sup>).

The vision for the community's development is based on cultural well-being, the restoration of language, and practicing spiritual beliefs. This cultural framework becomes the basis of having a conversation about strengths and building economic aspirations. There is a history in the community of social welfare dependency, which has framed the discussion about government services and support. The community is seeking to move beyond this toward a strengths-based approach. A good example of this new approach is a scorecard that has been developed as part of the Empowered Communities Initiative that has constructed 50-60 indicators covering issues such as social inclusion, strong families, strong culture, economic prosperity, challenges and barriers, education, well-being and demographics. This has enabled the community to take ownership of data and tell their story (which they feel "Closing the Gap" does not) (OECD Fact Finding Mission – July 2018). There is a sense in the community that an understanding and recognition of this approach ("or cultural competency") is missing within mainstream institutions and it is difficult to get traction on (OECD Fact Finding Mission – July 2018). It is hoped that over time, the focus on data and institution building will be able to create a regional community and economy that is more inclusive of this world-view.

#### *Government policy frameworks*

Like NSW, the Victorian Government policy framework for Indigenous economic development focuses on addressing the gap between Indigenous and non-Indigenous Victorians, particularly in business (Department of Economic Development, Jobs, Transport and Resources, 2017<sup>[52]</sup>). The strengths of the Indigenous economy are identified in tourism, creative arts, and natural resource management with a

distinction made between land-based enterprises and other businesses. Policy priorities include partnerships with industry to stimulate Indigenous employment, participation in overseas trade missions to leverage opportunities in Asia, and public procurement (Department of Economic Development, Jobs, Transport and Resources, 2017<sup>[52]</sup>). Commitments are set out to work with Kinaway (Victoria's Indigenous Chamber of Commerce), Traditional Owner Groups, and the Commonwealth government in the implementation of the Strategy (Department of Economic Development, Jobs, Transport and Resources, 2017<sup>[52]</sup>). RDA – Hume is the regional development body for the Goulburn Valley and Shepparton region. It identifies the challenges faced by local Indigenous peoples in terms of socio-economic exclusion, notes cultural strengths, and the need for targeted employment and training initiatives (Victorian Government, 2010<sup>[53]</sup>). The City of Greater Shepparton identifies Indigenous cultural heritage and tourism as strengths of the local economy. The Council has played the role of a convener, bringing local industry stakeholders together with Indigenous institutions, to identify opportunities and employment pathways for the local Indigenous population (Greater Shepparton City Council, 2019<sup>[54]</sup>).

### *Discussion*

As with other Indigenous communities in this study, the development vision for the Yorta Yorta people is based on strengthening cultural well-being. This is based on the idea of 'restoration' and moving beyond a past which has been characterised by dispossession and dependency on government. The community has built institutions which are able to articulate these priorities, develop indicators and data to measure progress, coordinate with government, and establish enterprises and employment initiatives. Victoria's Indigenous Business Strategy identifies the importance of working with Indigenous institutions but does not identify the importance of their role in community economic development, nor any specific initiatives to build their capacity. The Indigenous economy is visible in regional and local planning frameworks. The City of Greater Shepparton is a good example of a local municipality taking a proactive role in terms of convening different stakeholders to support Indigenous economic participation.

## **Local and regional development priorities: Broome and the Dampier Peninsula, Western Australia**

### *Local and regional Indigenous institutions*

Across Broome and the Dampier Peninsula, there are different traditional owner groups and Indigenous institutions. On the Dampier Peninsula there are a number of different local Aboriginal Corporations, within Broome there is Nyamba Buru Yawuru representing the Native Title holders in Broome, and the Kimberley Land Council. Underpinning these institutional arrangements are kinship systems that create formal and informal roles in decision-making about economic and community development. Sometimes this can result in very localised (and fragmented) forms of economic development based around individual outstation communities. These different institutions have similar philosophies based around economic and community development that supports traditional care for country, language, and cultural practices (Lombadina Aboriginal Corporation, 2019<sup>[55]</sup>; Nyamba Buru Yawuru, 2019<sup>[56]</sup>; Kimberley Land Council, 2019<sup>[57]</sup>). Land and water are key to creating economic opportunity and the focus is on development that balances with traditional values and obligations. Priority business opportunities are in the areas of tourism, food production, pastoral activities, and environmental management. For example, eco-tourism and the ranger program were identified as two areas that strike an appropriate balance. Nyamba Buru Yawuru (a corporation owned by the local Native Title holders) has also been able to leverage its assets to undertake land and property development, and develop expertise in technology and data management linked to environmental management. These efforts have been based on a community planning approach, which is informed by local data and analysis (See Chapter 1).

This economy has been able to develop in part due to recent settlements on Native Title in the region. However, there is a set of legacy costs - inter-generational trauma and weak institutions, and a complex land management framework - that constrains the potential of this Indigenous economy. Local Aboriginal Corporations and Prescribed Body Corporates mostly lack capacity to drive a community and economic development agenda, and lack mechanisms to co-operate. For example, communities across the Peninsula did not have a coordinated response to the construction of a new road, which meant there was not a collective response to addressing positive and negative impacts of it. Regulatory frameworks related to land and water were described by local Indigenous leaders as paternalistic and complex (OECD Fact Finding Mission, July 2018). Obtaining a lease over parcels of land is lengthy with multiple agencies and levels of government involved in development approvals that do not coordinate effectively. Land development planning arrangements do not provide sufficient clarity for development and basic mapping and data about land is absent or incomplete. Local Indigenous institutions are not involved adequately in land planning, or have the authority to make or participate in decisions about development. Coupled with poor infrastructure (transport, communications and energy) in more remote areas this creates a difficult environment to start and grow a business.

### *Government policy frameworks*

As mentioned earlier, the Western Australian Government's government's policy framework for Indigenous economic development as a strong focus on supporting business opportunities linked to land and water assets (pastoral industry, agri-food and fisheries and aquaculture) (Department of Primary Industries and Regional Development, 2019<sup>[30]</sup>). This includes through business support and agricultural outreach services, and divestment of Aboriginal Trust lands. The Kimberley Development Commission (Broome and Dampier Peninsula area) identifies that the region's Indigenous population is a source of future growth and development. This includes because it is a young population that can meet future labour needs, and unique business opportunities linked to traditional knowledge and land assets. It identifies the need to better engage with traditional owner groups on economic development, build capability and productivity in the pastoral industry, tourism entrepreneurship opportunities, and address remote economic participation challenges (Kimberley Development Commission, 2019<sup>[58]</sup>). The Broome Shire Council positions itself as advocate for local Aboriginal development outcomes with other levels of government and the private sector (Shire of Broome, 2019<sup>[59]</sup>).

### *Discussion*

The common thread linking the Indigenous economy in the Kimberley is the focus on development that supports traditional care for country, language, and cultural practices. There are a number of small Aboriginal Corporations representing local Indigenous people. Although this gives people an identity and a voice, it can also lead to fragmentation and lack of coordination in relation to community and economic development efforts. The key for Indigenous groups in the Kimberley is secure tenure over land and water, which enables them to leverage these assets. The case of Nyamba Buru Yawuru is illustrative in this point and the Yawuru people have been able to use the proceeds of a land settlement to develop a community planning framework, invest in social infrastructure and create new business opportunities. State, regional and local government agencies recognise the strength of the Indigenous economy relates to land and water assets. However, the cultural embeddedness of this economy and the need for it to strengthen cultural well-being is not visible. The role of local Indigenous institutions in terms of planning and coordinating community economic development is also not recognised.

### **Comparing experiences across case study communities**

The common development philosophy linking these Indigenous communities is the focus on development that supports traditional care for country, language, and cultural practices. This form of community

economic development (manifested in activities such as arts, culture, environmental and tourism related services) enables Indigenous peoples to strengthen kinship ties and Indigenous language and identity. A key aspect of this is connection to country that may be formalised in different ways (Native Title, and State and Territory land regimes). When title is formalised, it gives communities the basis to leverage land and water assets to create economic opportunities. This is also determined by the presence of resource endowments, amenities, and access to markets. When resource endowments and amenities are present it broadens the scope of economic development possibilities, and the opportunity to develop partnerships with corporations that can deliver local business and employment benefits. Key differences exist in remote areas which are characterised by a 'hybrid economy' that mixes subsistence with wage labour and other forms of income including government transfers (Altman, 2004<sup>[41]</sup>). In these communities, small scale entrepreneurial activities that are linked to traditional knowledge, and locally driven employment and training initiatives, enables better matching of economic activities with traditional values and obligations. Some examples of these activities are outlined in Box 3.3.

### Box 3.3. Examples of remote Indigenous economic development

Cultural production may, in certain circumstances, be partially commodified and sold as a good or service on the market. Emblematic of this is the example of visual arts. Customary knowledge may be embedded in paintings and other forms of art, the sales of which can amount to a significant income stream, often with some government support. For example, at Yuendumu, a mid-sized remote community, art sales and copyright payments generated revenue from the private market of over \$2.5 million dollars in 2017, with the art centre leveraging a further \$460,000 in government grants. According to the Warlukurlangu Art Aboriginal Corporation's audited financial statements for 2016-17 around half of revenue was dispersed directly to artists as cash income, providing mean personal cash income of over \$2,000 per adult resident of the community (noting that this income is unevenly distributed between community members) and further income being dispersed locally as wages to art centre employees. According to the 2014/15 NATSISS, 13% of Indigenous adults in remote Australia received cash income from cultural activities in the previous 12 months.

While visual arts may trade upon returned land indirectly, more direct commodification of land-based resources also takes place. Carbon farming is one example of this. The Arnhem Land Fire Abatement (ALFA) project, for example, is generating both public benefit and economic activity by reducing greenhouse gas emissions. ALFA had its origin in the West Arnhem Land Fire Abatement (WALFA) project which began in 1997. WALFA took many years to gain funding, support and recognition, initially undertaking burning that was funded by private interests. ALFA now receives support from the Commonwealth through the Emissions Reduction Fund. ALFA's primary abatement strategy relies on fire management of Aboriginal-owned land. According to their 2017 financial report, ALFA abated over 700,000 tonnes of CO<sub>2</sub>e in that year, in the process generating both employment and over \$6.8 million in revenue.

Source: Jordan, K., F. Markham and J. Altman (2019<sup>[12]</sup>), *Linking Indigenous Communities with Regional Development*.

Building this economy is a complex process that requires alignment in priorities and coordinated effort from local institutions and different levels of government. In terms of alignment of priorities, a development philosophy based on culture and care for country is not articulated strongly in Indigenous business or regional development policy frameworks. The focus is predominantly on addressing the gap in terms of entrepreneurship between Indigenous and non-Indigenous populations through procurement and industry development opportunities. This is an important part of the picture but it does not respond to local aspirations for development. At the local level, Indigenous institutions can play an effective role if they have



the capacity to build community consensus about priorities for future development, have indicators and data to measure progress, coordinate with government agencies, and establish enterprises and employment initiatives. However, this is generally not the case. Local Indigenous institutions were generally established to hold and protect Indigenous land rights, not to promote community and economic development. Some of them do play this role but with limited resources and capabilities, and proactive support for these institutions to play a role in economic development is not evident at a local or State and Territory level. Often there are multiple Indigenous institutions within a single region that do not necessarily coordinate effectively, and as a result, opportunities for Indigenous economic development are missed. Entities that could provide a convening function such as RDAs and Local Governments are generally not playing this role. There are some good practices but there is not a systemic approach to supporting community economic development that is led by local Indigenous institutions.

Another key factor is the provision of enabling funding from governments. While Indigenous people are able to leverage their returned land for economic development, this is most successful when supplemented by state support. However, these initiatives do not originate within Commonwealth or State and Territory agencies. Rather, they all originate in grassroots Indigenous initiatives that governments later came to assist financially in various ways. This can be in the form of direct support of particular industries, as in the case of visual arts, much like industry policy more generally seeks to provide strategic support for economic development. However, locally-directed financial subsidies in the form of Community Development Employment Projects (CDEP) has historically played a crucial role in the development of these activities in their early decades (Jordan, Markham and Altman, 2019<sup>[12]</sup>). The provision of state support in a manner that is flexible, locally directed and with flexibility to agree on outcomes is likely to be crucial to the success of any future economic development on Indigenous land.

## National policy framework for Indigenous economic development

The Commonwealth Government plays a critical role in strengthening local Indigenous economies through its responsibility for Native Title, Indigenous Affairs policy and regional services, and key agencies (Indigenous Business Australia and the Indigenous Land and Sea Corporation). The following section will assess how the variety of local Indigenous economies, linked by a shared development approach that supports traditional care for country, language, and cultural practices, are reflected in policy frameworks. Drawing from the framework articulated in the global study for this project it will focus on how the national policy framework:

- Incorporates Indigenous values and perspectives about development into policy frameworks.
- Aligns policy outcomes across levels of government and sectors and articulate differences in development challenges and opportunities for Indigenous peoples in urban, rural and remote regions.
- Incentivises the use of mechanisms and tools that support the implementation of a place-based approach and better link Indigenous peoples with regional development efforts (e.g. local area data, community brokers and participation in existing regional governance structures).
- Defines short-, medium- and long-term outcomes that can be measured (and disaggregated across different types of regions) to enable evaluation, learning and feedback (OECD, 2019<sup>[13]</sup>).

### ***Commonwealth – State and Territory Co-operation on “Closing the Gap”***

The contemporary policy approach in Australia to Indigenous economic development is based upon achieving greater equity between Indigenous and non-Indigenous Australians. This equity objective is defined as closing the gap in living standards between Indigenous and non-Indigenous populations, which has been a characteristic of policies since the 1970s (Taylor, 2011<sup>[60]</sup>). 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, developed by the Council of Australian Governments (COAG), set targets for federal, state and territory governments to:

- Halve the gap in child mortality between Indigenous peoples and other Australians by 2018.
- Have 95% of all Indigenous four-year-olds enrolled in early childhood education by 2025.
- Close the gap in school attendance between 2014 and 2018.
- Halve the gap in reading and numeracy by 2018.
- Halve the gap in Year 12 attainment by 2020.
- Halve the gap in employment rates by 2018.
- Close the gap in life expectancy by 2031.

There was very little meaningful consultation with Indigenous peoples to develop the Closing the Gap architecture. It drew on an emerging ‘Close the Gap’ health campaign that had been launched by a coalition of non-governmental organisations (NGOs) in 2006. The principle goal of that campaign – supported by more than 40 Indigenous and non-Indigenous health and human rights organisations – was to close the gap in life expectancy between Indigenous and non-Indigenous Australians by 2030 (Australian Human Rights Commission, 2019<sup>[61]</sup>). Although this informed one of the headline targets for the Closing the Gap framework, there is no public evidence of consultation with Indigenous communities or organisations on the remaining Closing the Gap targets.

The 2008 *National Indigenous Reform Agreement (Closing the Gap)* identifies economic participation as a key building block and this issue is framed in terms of facilitating opportunities in the “real economy” in terms of jobs, business and wealth creation (Council of Australian Governments, 2008, p. 7<sup>[62]</sup>). A strong focus is on integrating Indigenous peoples into the labour market and recognises the differences in outcomes between urban and rural locations (Council of Australian Governments, 2008<sup>[63]</sup>). The dimension on economic participation focuses on halving the gap in employment outcomes within a decade (by 2018), which is measured by the level of workforce participation, unemployment, and the labour force participate rate. The result of this strategy was envisaged to be reduced welfare dependency, increased employment, and improved balance in the representation of Indigenous peoples in different industry sectors and occupations.

The companion *National Partnership Agreement on Indigenous Economic Participation* sets out the detailed commitments for different levels of government on Indigenous economic development (Council of Australian Governments, 2008<sup>[63]</sup>). There are a number of key policy changes focusing on increasing labour force participation. The first was changing assistance to Indigenous peoples who are unemployed through the Community Development Employment Programme (CDEP). The CDEP operated in remote areas and provided job readiness services (training and work experience) and investment in community projects (Department of Families, Housing, Community Services and Indigenous Affairs, 2009<sup>[64]</sup>). Under these reforms, the CDEP was re-orientated to build pathways into employment often in publicly funded service providers operating in remote areas. The second was to utilise the collective purchasing power of Australian governments through preferential procurement with a particular focus on improving employment and training outcomes for Indigenous peoples. Likewise, any reforms developed through COAG also had to develop an Indigenous workforce strategy (for example in relation to infrastructure). Lastly, the agreement also set out commitments for all Australian governments to lift the proportion of Indigenous peoples employed in the public service to their share of population (2.6% by 2015) (Council of Australian Governments, 2008<sup>[62]</sup>).

The national reform and partnership agreements create a common architecture to guide the policies of Commonwealth, State and Territory governments in relation to closing the gap in socio-economic outcomes between Indigenous and non-Indigenous Australians. Because Indigenous outcomes are a shared responsibility between governments, the agreement commits the parties to work co-operatively to

realise the objectives and commitments (Council of Australian Governments, 2008, p. 8<sub>[62]</sub>). This includes a common process for monitoring outcomes through reports on closing the gap, and analysis by the Australian Productivity Commission on Indigenous service delivery outcomes, and overcoming Indigenous disadvantage (Box 3.4). The *National Partnership Agreement on Indigenous Economic Participation* set out more detailed allocation of responsibilities. It recognises the Commonwealth responsibility for employment assistance and welfare benefits whilst there is shared responsibility with the States and Territories for industry and business development (Council of Australian Governments, 2008, p. 8<sub>[63]</sub>). This includes coordinating efforts to deal with transitional issues arising from changes to the CDEP programme through the States creating paid positions for local Indigenous people in remote areas to move in too.

### **Box 3.4. Australian Productivity Commission – Overcoming Indigenous Disadvantage**

The Australian Productivity Commission is an advisory and research body that undertakes reviews and ongoing work at the direction of the Australian Government. The Overcoming Indigenous Disadvantage (OID) Reports are released every two years by the Commission and measure the well-being and disadvantage experienced by Indigenous Australians. It is designed to inform the design of better policies.

The OID Reports are produced by a Steering Committee made up of representatives of the Australian Government and all State and Territory governments, and observers from the Australian Bureau of Statistics and the Australian Institute of Health and Welfare. Aboriginal and Torres Strait Islander organisations are also involved in the production of the report. The National Congress of Australia's First Peoples is part of a working group that advises the Steering Committee and Indigenous groups are involved in consultation sessions.

The logic for the indicator framework is developed from Closing the Gap. After a review in 2011, and feedback from Indigenous Australians, it was recognised that there was a need to develop a more 'strengths-based' approach. As a result, the 2016 edition of the report shifted its focus to improving wellbeing and away from addressing disadvantage. This includes adding a dimension related to governance, leadership and culture.

The report provides analysis of trends in relation to each indicator, its relationship to the COAG target, and the identification of leading policy practices. The economic participation chapter of the report focuses on four indicators: Employment (full time/part time status, sector and occupation), Indigenous owned or controlled land and business, Home ownership, and Income support. Where available, the report provides disaggregation of indicators by age and location, but the vast majority of the report is providing aggregate reporting at the national level.

Source: Australian Productivity Commission (2016<sub>[65]</sub>), *Overcoming Indigenous Disadvantage: Key Indicators 2016*, <https://www.pc.gov.au/research/ongoing/overcoming-indigenous-disadvantage/2016> (accessed on 5 April 2019).

### **Closing the Gap refresh**

According to the Australian Government, by 2018, three of the seven Closing the Gap targets are on track to be met (child mortality, early childhood education, and Year 12 attainment) (Department of the Prime Minister and Cabinet, 2018<sub>[66]</sub>). The positive aspects of "Closing the Gap" is the articulation of shared targets and outcomes and long-term commitments to coordinate policy reforms that lift Indigenous employment participation. This is a genuine move forward because it drives a focus on addressing Indigenous disadvantage that is bipartisan and long-term. However, there are a number of shortcomings that are evident. The first is that the initiative was government led and not developed in collaboration with

Indigenous peoples. This is reflected in the logic of “closing the gap”, which is not framed or organised around an Indigenous view of well-being that incorporates issues such as culture, the transmission of traditional knowledge and practices, language, kinship relations, and access to land and waters. It is defined on non-Indigenous terms and as a deficit focus (i.e. the gap between Indigenous and non-Indigenous Australians). The framework also does not acknowledge issues around political rights and decision-making (Altman, 2009<sup>[67]</sup>). Second, economic development is defined as a narrow way with a primary focus on integrating Indigenous peoples into the labour force through changes to welfare and employment services. There is not a focus on how to facilitate Indigenous-led community economic development, and in particular how to mobilise community assets (e.g. land, water and traditional knowledge). Entrepreneurship and business ownership are not addressed (except through the lens of procurement). Third, the framework is largely a-spatial and does not articulate any mechanisms to work with place-based Indigenous communities, or vary measures and strategies between urban, regional and remote areas.

In 2016, COAG agreed to refresh Closing the Gap ahead of its tenth anniversary. The refresh was informed by a public submission process, 29 national roundtables, and two technical workshops (Department of the Prime Minister and Cabinet, 2019<sup>[68]</sup>). The Congress of Australia’s First Peoples called for additional targets related to social policy challenges (family violence, access to justice, child safety and well-being, and access to disability services), and to negotiate formal governance mechanisms going forward (National Congress of Australia’s First Peoples, 2018<sup>[69]</sup>). In February 2018, a special gathering of prominent Australians presented COAG with a statement setting out priorities for a new Closing the Gap agenda (Box 3.5). The Special Gathering Statement addresses some of the shortcomings in the 2008 Closing the Gap strategy such as the inclusion of Indigenous peoples, and taking an asset-based approach that incorporates Indigenous values and perspectives. In December 2018, COAG agreed to establish a Joint Council to oversee the finalisation of the refreshed Closing the Gap Strategy and its implementation. The Joint Council includes Ministers, 12 members of the National Coalition of Aboriginal and Torres Strait Islander Peak Organisations, and one representative of the Australian Local Government Association (ALGA). Draft targets and indicators have been released. In terms of economic development there is a continued focus on employment participation with a new focus on young people participating in employment, education or training (COAG, 2019<sup>[70]</sup>). Importantly, a target has also been added to realise the land, water and cultural rights of Indigenous peoples and an indicator will be developed in 2019 to measure it. Racism, discrimination and social inclusion, healing and trauma and the promotion of language and culture have been identified as “cross system priorities” but it is not clear how these areas will be prioritised through policy reform and how progress will be monitored.

### **Box 3.5. Special Gathering statement – Closing the Gap Refresh**

A Special Gathering of prominent Aboriginal and Torres Strait Islanders occurred to coincide with the first Council of Australian Governments (COAG) meeting of 2018. Forty-five participants (up to six from each jurisdiction) were selected by State and Territory governments. The remaining 19 were selected by the Commonwealth government.

Participants were asked to come together to provide advice on future policy priorities, and how all governments can be held to account for driving change. This information was used to inform further community consultation and give a signal to Ministers about issues important to Indigenous Australians.

The Statement from the Special Gathering set out three key principles to inform the refresh and future work with Indigenous peoples. The first was that the overall approach had to be community-led and strengths based. Indigenous peoples needed to be included from the ground-up in terms of policy

design and implementation. Accountability for results also needed to be clarified and Indigenous peoples included in these mechanisms.

The special gathering articulated that additional targets and indicators were needed related to the following themes:

- Families, children and youth.
- Housing.
- Justice, including youth justice.
- Economic development.
- Culture and language.
- Healing.
- Eliminating racism and systemic discrimination.

Source: Council of Australian Governments (2018<sup>[71]</sup>), *Special Gathering Statement: Closing the Gap Refresh Building Pathways for Future Prosperity*, <https://closingthegap.niaa.gov.au/sites/default/files/special-gathering-statement-coag.pdf> (accessed on 5 April 2019).

Over the past decade, the policy framework has evolved to create a “recognition space” that institutionalises targets and indicators that reflect Indigenous values and priorities (Taylor, 2008<sup>[10]</sup>). However, this space is still limited and is located within the dominant policy logic of bringing Indigenous Australians into mainstream society and achieving greater equity for them (Taylor, 2011<sup>[60]</sup>). Further engagement with Indigenous Australians is required to develop appropriate indicators that can provide measures of themes such as language, culture and traditional knowledge, racism and discrimination. *Closing the Gap* has also been useful in creating shared outcomes for all Australian governments to prioritise Indigenous policies and report progress on them. The framework is largely a-spatial and focuses on aggregate outcomes. This is a missed opportunity as there is a great diversity in outcomes by location as shown in Chapter 1 and acknowledged by the Productivity Commission (Australian Productivity Commission, 2016<sup>[65]</sup>). This spatial issue is identified as a high-level implementation principle in the *Closing the Gap* refresh (COAG, 2019<sup>[72]</sup>). The implementation framework should articulate how development challenges and opportunities vary by location, and develop guidance and tools for the adaptation of policies to different places. This will also need to be supported by better local data and monitoring of outcomes at a regional and local level.

### **Policy frameworks for Indigenous entrepreneurs and business**

In 2011, the Australian (Gillard) Government released its *Indigenous Economic Development Strategy 2011 – 2018* which notes the need to leverage the unique assets and traditional knowledge of Indigenous peoples and adapt policies to the needs of different places (Australian Government, 2011<sup>[73]</sup>). Overall, the Strategy had a strong social policy focus with priorities related to housing, community infrastructure, school education, employment and training, entrepreneurship, and financial security. The employment and skills priority mainly identified mainstream initiatives related to workforce development, skills and apprenticeships which will also benefit Indigenous Australians (Australian Government, 2011<sup>[73]</sup>). The Strategy noted the importance of mobilising the economic potential of land (particularly benefit-sharing arrangements with mining companies) but did not identify any priority actions to address this issue. The Indigenous Land Corporation (ILC) was identified as a key stakeholder but no additional directions were provided for it. Priority actions related to entrepreneurship and business focus on improve access to government programs (entrepreneurial capabilities and finance), developing partnerships with the private sector, and increasing access to procurement opportunities (Table 3.7).

In 2014, the newly elected Abbott Government released the *Indigenous Advancement Strategy*. This strategy consolidated existing Indigenous specific programs into five programs to make it easier for local organisations to deliver them. The five themes were: Jobs, Land and Economy; Children and Schooling;

Safety and Wellbeing; Culture and Capability; and, Remote Australia Strategies (Department of the Prime Minister and Cabinet, 2016<sup>[74]</sup>). Importantly, the program framework links together employment, entrepreneurship and land assets which is an improvement from the Closing the Gap, and *Indigenous Economic Development Strategy 2011 – 2018*. Under the Jobs, Land and Economy theme activities can be funded which foster employment, entrepreneurship, and enable Indigenous communities to mobilise land and water assets for economic development.

**Table 3.7. Indigenous Economic Development Strategy 2011-18 – Business and entrepreneurship priority**

Strategies	Actions
<b>Objective 4.1: Support the growth of the Indigenous business sector</b>	
Seek advice from key stakeholders on strategies for the sector	<ul style="list-style-type: none"> <li>Establish an Indigenous Business Policy Advisory Group</li> </ul>
Improve support and advisory services for Indigenous enterprises	<ul style="list-style-type: none"> <li>Support national, state and regional Indigenous business networks to provide leadership, advice and networking opportunities</li> </ul>
Encourage skills development	<ul style="list-style-type: none"> <li>Promote participation in business administration and business management training through vocational and tertiary education courses</li> <li>Support critical skills training and capacity development including business financial literacy, business planning and marketing planning for Indigenous entrepreneurs</li> </ul>
Build our knowledge base of the Indigenous business sector	<ul style="list-style-type: none"> <li>Work with the ABS to design better ways to capture data on the Indigenous private sector.</li> </ul>
<b>Objective 4.2: Improve access to finance and business support</b>	
Ensure government support to Indigenous business owners meets their needs	<ul style="list-style-type: none"> <li>Realign Indigenous business support programs so that they are more client-centred and service business development from start-up to growth</li> <li>Ensure mainstream business support programs are accessible to Indigenous clients and business networks</li> <li>Assist eligible Indigenous Australians to establish, acquire and grow small-to-medium businesses</li> </ul>
Remove barriers to accessing finance	<ul style="list-style-type: none"> <li>Work with business leaders, the financial sector and Indigenous entrepreneurs to improve access to finance</li> </ul>
<b>Objective 4.3: Encourage private-sector partnership</b>	
Increase private-sector commercial engagement with the Indigenous business sector	<ul style="list-style-type: none"> <li>Encourage the private sector to include Indigenous businesses in their supply chains</li> <li>Explore new sector-specific initiatives and industry opportunities to promote sustainable Indigenous business growth</li> <li>Promote and support the Australian Indigenous Minority Supplier Council</li> <li>Trial ways to integrate small-to-medium sized Indigenous contracting businesses into major project supply chains</li> <li>Provide seed and growth funding for social enterprises through the Social Enterprise Development and Investment Funds initiative</li> </ul>
Support private-sector partnerships	<ul style="list-style-type: none"> <li>Support partnerships between Indigenous communities, the mining industry and regional communities for improved Indigenous economic outcomes</li> <li>Continue to support wealth-creating joint venture investment partnerships through Indigenous Business Australia</li> <li>Facilitate partnerships between Indigenous and non-Indigenous businesses in the tourism sector</li> </ul>
<b>Objective 4.4: Increase economic outcomes from government investment</b>	
Increase the use of Indigenous businesses through government procurement	<ul style="list-style-type: none"> <li>Apply the Indigenous Opportunities Policy to major Australian Government procurement activities from 1 July 2011</li> <li>Support the use of the Commonwealth Procurement Guidelines exemption for agencies contracting with Indigenous businesses</li> </ul>

Note: Actions have been edited to fit within the table.

Source: Australian Government (2011<sup>[73]</sup>), *Indigenous Economic Development Strategy 2011-2018*, [https://www.ilo.org/dyn/youthpol/en/equest.fileutils.dohandle?p\\_uploaded\\_file\\_id=500](https://www.ilo.org/dyn/youthpol/en/equest.fileutils.dohandle?p_uploaded_file_id=500).

The *Indigenous Business Sector Strategy* was released in 2018 as a ten-year strategy that aims to maximise the potential of entrepreneurship and business growth to close the gap between Indigenous and non-Indigenous Australians (Australian Government, 2018<sup>[75]</sup>). The Strategy focuses on how to bring Indigenous peoples into the mainstream economy, and does not define the unique assets of Indigenous peoples (land, water, culture and traditional knowledge), or values about development. It identifies that levels of entrepreneurship are lower in Australia’s Indigenous population and Indigenous entrepreneurs face challenges related to accessing finance, inter-generational wealth transfer, and remoteness. Action is needed on the demand side (through procurement and Reconciliation Action Plans), and on supply side constraints (finance, entrepreneurship skills, and networks). Four areas of priority action are identified: (i) better business support; (ii) improved access to finance; (iii) stronger connections and relationships; and, (iv) harnessing the power of knowledge (Table 3.8).

**Table 3.8. Indigenous Business Sector Strategy, 2018 – Priorities and actions**

Priorities	Actions
Better business support	<ul style="list-style-type: none"> <li>• Establishing National Indigenous Business Hubs</li> <li>• Establishing project hubs</li> <li>• Increasing self-employment through the Community Development Programme</li> <li>• Stronger joint ventures</li> </ul>
Improved access to finance	<ul style="list-style-type: none"> <li>• Finance and capital support from Indigenous Business Australia</li> <li>• Expanding microfinance and grants for business assets</li> <li>• Indigenous Entrepreneurs Capital Scheme</li> </ul>
Stronger connections and relationships	<ul style="list-style-type: none"> <li>• Expanding Partnerships</li> <li>• Accessing Networks</li> <li>• Aboriginal and Torres Strait Islander women in business</li> </ul>
Harnessing the power of knowledge	<ul style="list-style-type: none"> <li>• Digital Launch Pad</li> <li>• Better data collection</li> </ul>

Source: Australian Government (2018<sup>[75]</sup>), *The Indigenous Business Sector Strategy*, [https://www.pmc.gov.au/sites/default/files/publications/ibss\\_strategy.pdf](https://www.pmc.gov.au/sites/default/files/publications/ibss_strategy.pdf).

Similar challenges to the *Indigenous Economic Development Strategy 2011 – 2018* are identified in terms of improving accessibility for Indigenous peoples to business support programs. The 2018 strategy introduces the concept of business and project hubs to provide a “one stop shop” for Indigenous entrepreneurs to access government support. There are more specific interventions related to improving access to finance both at the pre start-up and growth phases in order to get Indigenous businesses to a point where they are ready for mainstream financial services. A broader scope is also outlined in relation to building networks for Indigenous entrepreneurs and business, which is also connected with the maturity of the governments approach to preferential procurement. Finally, Indigenous business data is also identified as a challenge and commits the government to improving collection and reporting.

Over the past decade, economic development policies for Indigenous Australians have moved away from a sole focus on labour force participation toward entrepreneurship. The prioritisation of labour force participation reflects the historical legacy of social and welfare policies in Indigenous Affairs. The Government has started to formally engage with the sector (through advisory bodies and consultations with Indigenous business associations), and recognises the need to develop better knowledge and data about the Indigenous business sector. Neither strategy provides a clear picture about the competitive advantages and strengths of the Indigenous economy beyond identifying growth in some sectors (e.g. construction and mining), and a focus on developing partnerships and joint ventures linked to Indigenous lands. Common problems prioritised on the supply side are access to finance and entrepreneurial skills and networks. There has been increasing focus over the past decade in using preferential procurement as a means of developing reliable demand for the Indigenous business sector. Both strategies identify the

need to improve accessibility and a more client centred approach to programme delivery, which has culminated in the idea of business hubs in the 2018 *Indigenous Business Sector Strategy*.

State and Territory governments are also implementing Indigenous business and economic development strategies. These take a similar approach to the Australian Government. For example, Victoria, New South Wales and Western Australia all share a focus on public procurement linked to construction and improving accessibility to business support advisory services (Aboriginal Affairs NSW, 2018<sup>[44]</sup>; Department of Economic Development, Jobs, Transport and Resources, 2017<sup>[52]</sup>; Department of Primary Industries and Regional Development, 2019<sup>[30]</sup>). There are opportunities to enhance co-operation and improve national consistency on these issues. For example, there are different targets related to Aboriginal procurement. A national approach would simplify the “rules of the game” for Aboriginal businesses and improve the scope for participating in construction projects across different levels of government. The State of Victoria includes a focus on improving data about the Indigenous business sector. Again, this is an area where national co-operation would be beneficial. Western Australia and Victoria differentiate support for land-based enterprises and Victoria recognises the important role of the social enterprise sector for Indigenous economic development and the need to focus on entrepreneurial training and network development. The Australian Government’s policy framework would benefit from incorporating these elements. The clear area of differentiation between the Australian Government and the State and Territory governments is the provision of finance undertaken by Indigenous Business Australia. However, policy frameworks at a national or sub-national level do not outline respective roles, responsibilities and complementarities (except for Victoria). This collaboration could help improve the coherence of economic development policies and support for Indigenous entrepreneurs and communities.

### ***Assessment of Australian Government Indigenous business policy frameworks***

Policy frameworks at a Commonwealth level have a strong focus on how to develop Indigenous business through public and private procurement initiatives. For example, the demand-side levers identified in the 2018 *Indigenous Business Sector Strategy* are: Commonwealth Indigenous Procurement Policy, State and Territory Procurement, Major Infrastructure, Northern Australia White Paper, City Deals, Major Service Delivery (NDIS), Private Sector Initiatives, BCA Procurement Policy, and Reconciliation Action Plans (Department of the Prime Minister and Cabinet, 2018, p. 9<sup>[76]</sup>). This creates a sectoral bias (favouring industries such as mining, energy, and construction), and also tends to favour urban areas where there is a greater density of opportunities related to public procurement. Future policy frameworks would benefit from:

- Articulating different forms of entrepreneurship and community economic development (individual entrepreneurship, social enterprise, land and water-based enterprises, and community owned enterprises).
- Economic development opportunities and challenges between urban, regional and remote areas.
- How future trends such as digitalisation and the growth of the Asian middle class create new opportunities for Indigenous entrepreneurs.
- The unique cultural value, assets and opportunities embedded in the Indigenous economy.

The 2011 and 2018 national strategies have relatively weak integration of Indigenous values and perspectives about economic development. The *Indigenous Economic Development Strategy 2011 – 2018* does include a brief discussion about the role of traditional knowledge and culture, and land as an asset for economic development. However, these issues are absent in the *Indigenous Business Sector Strategy* (2018). Neither strategy outlines any specific initiatives to leverage traditional knowledge, culture or lands besides partnerships and joint ventures with the private sector. For example, there is no discussion or initiatives related to Indigenous cultural and intellectual property protections, reforms to the Indigenous land tenure system and participation in natural resource management, or economic opportunities that may flow from traditional knowledge and culture (e.g. arts and performance, tourism, health and well-being, or



food). These land and water issues are partially identified in the Indigenous Advancement Strategy (AIS) but they are not reflected in the 2018 strategy. There also is not any discussion about the unique nature of Indigenous entrepreneurship in terms of the connection to land and notions of community-based economic development (Peredo and Anderson, 2006<sup>[9]</sup>). The lack of focus on the unique assets of Indigenous peoples is a missed opportunity in terms of creating unique businesses, and to link entrepreneurship and business with strengthening Indigenous languages and culture.

The 2011 and 2018 national strategies articulate a set of priority objectives for the development of the Indigenous business sector; however, linkages to other levels of government are weak, and distinction between issues in urban, regional and remote areas are not strongly articulated. There is no discussion about the roles and responsibilities between different levels of government, complementarities between them, and how policies are aligned and coordinated for place-based Indigenous communities. Future strategies would benefit from articulating these roles and responsibilities, particularly in regards to regional development initiatives at the State and Territory level, and the role of local government. The *Indigenous Economic Development Strategy 2011 – 2018* outlines the different challenges and opportunities across cities and larger regional centres, smaller regional and rural areas, and remote areas (Australian Government, 2011, p. 16<sup>[73]</sup>). Accessibility and capability challenges for remote areas are noted in the 2018 strategy (Australian Government, 2018, p. 4<sup>[75]</sup>). This analysis also flows into some adjustments to adapt business support in rural and remote locations. This includes shifting the Community Development Programme (CDP) toward supporting entrepreneurship, dedicated Indigenous business advisors for remote areas, micro-finance and direct financial contributions through the Indigenous Entrepreneurs Fund (IEF), and the use of digital platforms to build business networks.

The 2011 or the 2018 strategies do not set out incentives, governance mechanisms or tools to implement a place-based approach to Indigenous economic development. The policy framework is largely based upon connecting individual Indigenous entrepreneurs to business support programs (direct grants, business networks, finance, and procurement) through the PM&C Regional Network. There is some discussion in the AIS about regional network staff collaborating with Indigenous communities to identify local needs and priorities. However, the institutions or tools that will be used to develop these priorities are not outlined. There is no discussion about how entrepreneurship and economic development can be a collective endeavour organised at the community level (OECD, 2019<sup>[13]</sup>). This is a missed opportunity because kinship, clan and language groups connected to a particular territory is an important unit of social organisation for Indigenous peoples. In many cases, there are Indigenous-led institutions (Prescribed Body Corporates, Aboriginal Corporations, and Traditional Owner Groups) that make decisions on behalf of Indigenous peoples and govern these territories. Supporting and clarifying the role of these institutions in economic development would help support better outcomes, particularly in rural areas. This includes how these institutions can act as partners in economic development with other local and regional institutions (local municipalities, Land Councils, and regional development organisations). Implementing a place-based approach also requires different tools (local area planning, partnership agreements, local area data, community brokers, and pooled funding arrangements). However, discussion and identification of these tools and who is responsible for them is also missing. These issues will be discussed further in Chapter 3.

Some of these issues have been addressed in the national Indigenous economic development strategy for New Zealand *He kai kei aku ringa* (HKAR). HKAR is based on Maori culture and values, and incorporates a place-based approach (Box 3.6). This policy identifies the need to increase Māori participation in regional economies. It encourages regional and sectoral leadership to facilitate local ownership of actions and introduces a measurement of Māori participation in regional economies. HKAR defines Indigenous economic development along the lines of Māori culture. It recognises *whānau* (extended family or community) as the foundation of the Māori economy and the essential unit of interaction. Despite being established through a Crown-Māori panel, the strategy was lacking local and regional input during its first years. Since, 2014, the strategy acknowledges the need for a more direct approach to engaging with regional Māori through *iwi*, *hapū* and *whānau*, particularly at a regional level,

as well as with Māori enterprises. Further, it set up the Māori Economic Development Advisory Board to provide guidance, stewardship and monitoring. Regarding integration, the strategy covers topics like childcare, education and skills, in consultation with a range of ministries. Its action plan clearly defines which government or non-governmental actor is responsible for delivering on each action of the plan.

### Box 3.6. *He kai kei aku ringa* – The Crown Māori Economic Growth Partnership

In 2012, New Zealand set-up *He kai kei aku ringa*, the Crown Māori Economic Growth Partnership and national Māori Economic Development Strategy, which provides a vision on growing a productive, innovative and internationally connected Māori economy. The name literally means, “to provide the food you need with your own hands”, highlighting the economic self-determination of Māori people and the fact that this development programme is especially oriented at Māori and driven by *whānau*. The strategy defines 6 goals to achieve by 2040 and defined 26 recommendations in a 2012-27 action plan to achieve these goals. The six goals are:

- Greater educational participation and performance.
- Skilled and successful workforce.
- Increased financial literacy and savings.
- Government in partnership with Māori enabling growth.
- Active discussion about the development of natural resources.
- Māori Inc. as a driver of economic growth.

The strategy government as an enabler, empowering *whānau* and Māori Inc. to economic growth by creating a favourable business environment and providing better public services. For instance, one of the actions involves the creation of an information-sharing platform between Māori entities and the government to better match mainstream programmes to Māori needs.

The strategy is also informed by a place-based approach to economic development. For instance, communities that have specific needs are identified and public services targets disaggregated according to regional conditions. Further *iwi* and collectives are requested to determine their own skill needs, using existing government services or developing their own tools.

Outcomes of the strategy were evaluated in 2017 and highlighted that 42 000 more Māori people were in work since 2012 and unemployment rate had decreased by 2.3% – while still being more than double the national rate of 5.2. Many government agencies have grown their own Māori capabilities and embedded Māori approaches in their programmes, through co-design, collaboration, leadership and networks, to increase Māori participation.

Targets and indicators development following the refresh, titled *E RERE* (“to leap, run, fly”), are to be completed by 2021. They focus on growing the workforce, growing Māori enterprise, increasing Māori participation in regional economics and upskilling the Māori workforce. It puts even more focus on a place-based development approach, identifying and developing a cross-agency plan to encourage greater Māori participation in regional planning for and implementation of the Regional Growth Programme.

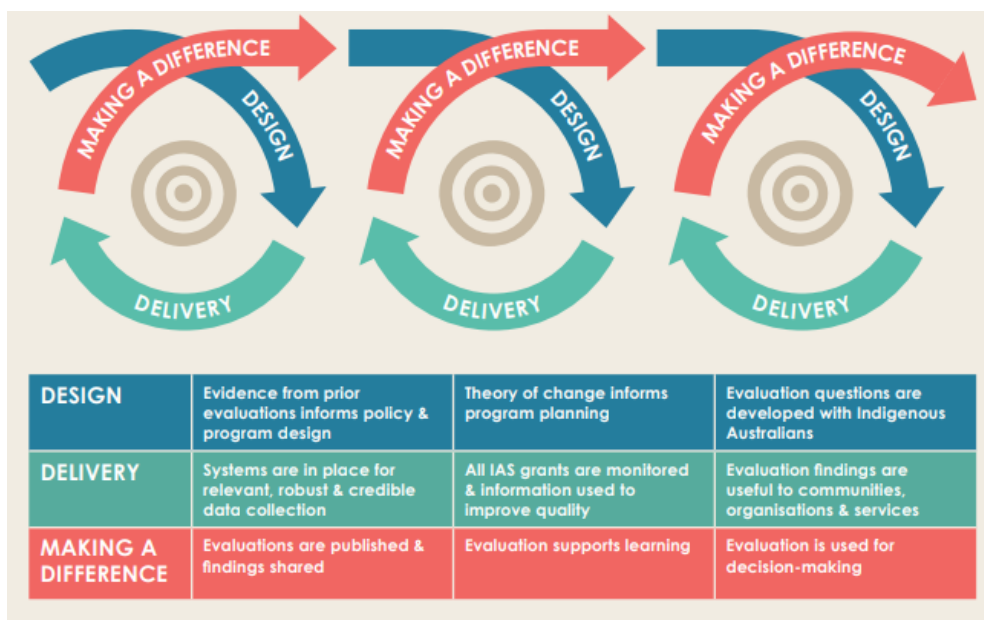
Source: Te Puni Kōkiri (2012<sup>[77]</sup>), *Action Plan 2012-2017 - Māori Economic Development Panel November 2012*, Government of New Zealand; Te Puni Kōkiri (2017<sup>[78]</sup>), “Refreshing He Kai Kei Aku Ringa: The Crown-Māori economic growth partnership”, <http://www.mbie.govt.nz/info-services/infrastructure-growth/maori-economic-development/documents-image-library/hkar-cab-paper.pdf>.

The 2011 and 2018 national strategies, and the AIS articulate a number of priority actions, initiatives and programmes that are organised around objectives and themes. The 2011 and 2018 strategies do not define measurable outcomes and differentiate or disaggregate these indicators across different types of regions (urban, regional and remote). The *Indigenous Economic Development Strategy 2011 – 2018* identifies

evaluation is undertaken at the level of individual programmes (Australian Government, 2011, p. 19<sup>[73]</sup>). The *Indigenous Business Sector Strategy* (2018) commits to monitoring and evaluation but does not articulate any measures or on what basis the evaluation will occur (Australian Government, 2018, p. 6<sup>[75]</sup>). The 2014 AIS does articulate program outcomes and commits to program evaluation. However, in 2017, the National Audit Office (NAO) found that evaluation and monitoring systems were not sufficient to effectively verify, analyse or report on program performance under the AIS (National Audit Office, 2017, p. 8<sup>[79]</sup>).

In 2018, the Australian Department of the Prime Minister and Cabinet published a new Evaluation Framework for their policies and programmes. The framework is based on the principle that each policy intervention should articulate its intended impact, and its effectiveness measured on that basis. This means shifting from measuring inputs (the amount of resources dedicated to Indigenous economic development) and outputs (the amount of infrastructure or services delivered) to outcomes (impacts on agreed outcomes such as income and employment). The department has committed to annually publishing an evaluation work plan and the outcomes of evaluations. An Indigenous Evaluation Advisory Committee and an ethical framework that commits to collaboration and partnerships with Indigenous communities guides research. This framework provides a set of best practice principles for evaluation and mechanisms to make it operational (Figure 3.3). The implementation of this Evaluation Framework will help address the issues raised by the NAO report.

**Figure 3.3. Monitoring and evaluation in policy and feedback cycles in the Indigenous Advancement Strategy, Australia**



Source: Australian Government (2018<sup>[80]</sup>), *Indigenous Advancement Strategy Evaluation Framework*, <https://www.niaa.gov.au/sites/default/files/publications/ias-evaluation-framework.pdf> (accessed on 19 October 2018).

This assessment has identified a number of issues to address in the design of future Indigenous business and economic development policy frameworks at a Commonwealth level:

1. Developing a way to conceptualise the Indigenous economy and embedding that as an organising principle of the policy framework. This would involve working with Indigenous leaders and organisations to develop a way to conceptualise the Indigenous economy that incorporates

traditional knowledge, culture and kinship relations, and the unique assets that Indigenous Australians can contribute to the Australian economy.

2. Considering how technological and market trends will generate new opportunities for Indigenous entrepreneurs. This includes digitalisation, market mechanisms related to emissions reductions, and the growth of middle-class households in Asia.
3. Ensuring the policy framework is linked to the programme architecture embedded in the AIS. This means having a policy framework that incorporates measures related to entrepreneurship and small business, employment and training, land and water, and strengthening local Indigenous institutions.
4. Including a focus on how to promote community economic development. The current policy framework is too focussed on individual entrepreneurs. This needs to be broadened to include incentives, tools and support for community-based economic development (including land and water-based enterprises). This includes broadening the scope of support to include social entrepreneurship.
5. Articulating the governance arrangements implement economic development for Indigenous communities in urban, regional and remote areas. These arrangements will vary across different States and Territories. Clarifying roles and responsibilities between levels of government will help improve accountability, and alignment between different entities delivering economic development support for Indigenous peoples.
6. Developing and reporting upon indicators of progress that can be disaggregated by urban, regional and remote areas. This will need to align with the Closing the Gap framework, but may also move beyond it, for example in the area of entrepreneurship and small business.

## Policy tools to support Indigenous entrepreneurs and SMEs

This section of the chapter will assess the policy tools, which are available at the Commonwealth level to strengthen local Indigenous economies. It also includes some discussion of Indigenous economic development programs at the State and Territory level. This assessment covers three aspects, which draws from the global study of the *Linking Indigenous Communities with Regional Development Project* (Box 3.7). The first is related to access to finance, including the provision of specific equity and loan facilities and support for local intermediaries who can match capital with business that need it. The second is in regards to building entrepreneurial skills and capabilities. These “soft skills” (such as business planning, and financial literacy) are critical, particularly in the context of local communities where there is not a strong history of entrepreneurial activity. The third is related to preferential procurement policies. This is where targets are set or public procurement is ring-fenced for Indigenous businesses and can help build a market by providing a predictable level of demand.

### Box 3.7. OECD recommendations to support Indigenous entrepreneurship and small business development

Increase **access to finance** for Indigenous business by:

- Incorporating Indigenous values and perspectives into the design of economic development programmes (e.g. objectives such as the strengthening of Indigenous language and culture, addressing social needs and support for subsistence activities).

- Providing Indigenous-specific equity and loan facilities that address imperfections (such as less competition, lack of collateral and discrimination) in credit markets for Indigenous communities in rural areas (from micro-enterprises to established businesses).
- Ensuring these equity and loan instruments have flexibilities that reflect the characteristics of Indigenous economies in rural areas such as lower levels of collateral, variability in cash flow and substituting wage income with subsistence, and seasonal business activities.
- Increasing the effectiveness of financial intermediation by supporting the formation of locally owned Indigenous institutions that can provide financial and business development support services to local communities (thereby building capacity within communities and better matching business support to local conditions).
- Ensuring these institutions are at the right geographic and population scale to be viable and supporting the creation of mechanisms that enable them to pool risk and resources for larger loans.
- Providing mechanisms and infrastructure, and reducing regulatory barriers to encourage the formation of social impact markets (financing of activities that deliver social and/or environmental outcomes and a return on investment) for Indigenous entrepreneurs.

Build **entrepreneurial skills and capacity** by:

- Providing coaching and mentoring support to develop business plans, and access technical advice for emerging entrepreneurs.
- Promoting success stories of individual and community-owned firms.
- Providing access to resources and tools that can build financial literacy in Indigenous communities.
- Providing targeted business development services that are packaged with grants that contribute to start-up and operational costs for Indigenous entrepreneurs and business owners.

Improve **public procurement policies** targeted for Indigenous businesses (which are already operating in Australia, Canada and the United States) by:

- Using a combination of targets and set-asides to facilitate the inclusion of Indigenous-owned businesses in public procurement markets and provide regular reporting on outcomes.
- Designing procurement packages in a way that reduces barriers to entry for micro and small businesses.
- Providing “wrap around” business development support for Indigenous businesses in the public procurement market (mentoring and joint ventures, certification training, and targeted equity and loan instruments).
- Providing information about the scheduling of future public works between different levels of government at the regional level to provide greater certainty for Indigenous owned businesses.

## ***Indigenous economic development programmes***

### *Why this is important*

Market failures such as asymmetric information and the inefficient allocation of credit are apparent in the Indigenous business sector, which contributes to lower rates of entrepreneurship than non-Indigenous populations. Successive Australian Government have put in place specific programmes that are designed to directly invest in resources and networks that can support Indigenous entrepreneurs to activate business ideas. The first is direct contributions to the capital and operating costs of a business, for example, plant and equipment, business planning, participation in cluster initiatives, and marketing and promotional

activities. These direct contributions provide seed capital that can be used to leverage additional capital. The second market failure is in regards to information asymmetries. Support for participation in networks and cluster initiatives as well as marketing and promotional activities can help Indigenous entrepreneurs to build networks and access information to support business growth and innovation. This also generates opportunities for peer-support and mentoring between Indigenous entrepreneurs and with non-Indigenous entrepreneurs.

### *Indigenous economic development programmes*

As discussed earlier, Australian Government Indigenous economic development programmes are articulated within the 2014 IAS. The IAS program outcomes for economic development are outlined in Box 3.8. The benefit of this approach is that it establishes a distinct funding stream to support Indigenous economic participation, which is outcomes-based and relatively flexible. The program outcomes would mostly apply equally to Indigenous and non-Indigenous Australians with the exception of promoting economic and social development linked to land and sea assets. A missing element is a specific outcome related to traditional knowledge, language and culture (although it is implicit in the land and sea related outcomes). Another section of the IAS engages with cultural issues but not on an entrepreneurial basis. It notes the availability of funding for arts and cultural enterprise activities but these are dealt with through the Commonwealth Ministry responsible for the Arts, and the Australia Council for the Arts (Department of the Prime Minister and Cabinet, 2016, p. 47<sup>[74]</sup>). These initiatives are not part of the IAS, or Indigenous business policy frameworks at the Commonwealth level. This separation reduces the scope to properly describe the Indigenous economy and deliver programmes to support it in a coherent way. The other key player in providing direct support for Indigenous businesses is AusIndustry (the Australian Governments agency that provides support and advice to business) that has played a role in terms of facilitating and matching investment opportunities.

The Indigenous Land and Sea Corporation (ILSC) in Australia provides another vehicle for Indigenous groups to build assets, support business development, and achieve objectives set out in the IAS (Indigenous Land Corporation, 2019<sup>[81]</sup>). The Aboriginal and Torres Strait Islander Land Account was established by the Australian Government following the Mabo case to provide a mechanism for Indigenous Australians to reclaim land assets, and fund the activities of the ILSC. ILSC is a government entity that runs enterprises through subsidiaries, undertakes joint ventures and also divests or purchases land on behalf of Indigenous groups. Some of the key areas of activity are in agri-business, tourism, environmental services (carbon credits and biodiversity offsets), and renewable energy. In February 2019, the remit of the Indigenous Land Corporation was extended to included water assets. As a result, it was asked to replace its current planning framework with National Indigenous Land and Sea Strategy and Regional Land and Sea Strategies (NILSS and RILSS) (ILSC, 2019<sup>[82]</sup>).

At the State and Territory level there is less emphasis on Indigenous specific business development programs. Western Australia and the Northern Territory have specific programs for Indigenous economic development with a particular focus on remote areas and land based enterprises (Office of Aboriginal Affairs, 2019<sup>[83]</sup>; Department of Primary Industries and Regional Development, 2019<sup>[30]</sup>). The common approach amongst State and Territory Governments is to establish mechanisms to improve accessibility of Indigenous business owners to mainstream programs. For example, in Queensland and Western Australia this is facilitated through Indigenous business service providers (Queensland Department of Aboriginal and Torres Strait Islander Partnerships, 2019<sup>[84]</sup>; Department of Primary Industries and Regional Development, 2019<sup>[30]</sup>). Victoria have business brokers who work with Indigenous business owners, provide tailored information, and have an Aboriginal specific business support portal (Department of Economic Development, Jobs, Transport and Resources, 2017<sup>[52]</sup>). This is also the approach taken in South Australia which has an on-line portal and proactive support to link Indigenous businesses with public and private procurement opportunities (Aboriginal Business Connect, 2019<sup>[85]</sup>).

### Box 3.8. Program outcomes and funded activities - Jobs, Land and Economy – Indigenous Advancement Strategy (IAS)

Within the Jobs, Land and Economy theme of the IAS activities can be funded which support the establishment and growth of Indigenous enterprises, help traditional owners make informed decisions about land development and develop tenure systems to facilitate development, employment transitions and pathways, and build governance capacities. It has a strong focus on how Indigenous Australians can mobilise the economic potential of land and water. The program outcomes are:

- Increase in employment and participation rates for Indigenous Australians.
- Increase the number of Indigenous Australians participating in activities and work experience that build work-readiness and contribute to community.
- Increase the number of Indigenous Australians who reach 26 week and/or longer outcomes in employment.
- Increase the number of participants who remain in employment or training three months after participating in the programme.
- Increase the number and viability of Indigenous enterprises.
- Support Indigenous Australians engaged in jobs to engage in jobs relating to land and sea management.
- Progress land and sea claims and township leases under Commonwealth native title and land rights legislation.
- Indigenous Australians use their land and sea assets to create economic and social benefits.

Source: Department of the Prime Minister and Cabinet (2016<sup>[74]</sup>), *Indigenous Advancement Strategy Grant Guidelines*, <https://www.pmc.gov.au/sites/default/files/publications/ias-grant-guidelines.pdf> (accessed on 11 April 2019).

#### *Assessment and international lessons*

The Australian Government provides specific economic development program funding which is relatively flexible and covers employment, training, entrepreneurship and leveraging land and water assets. This is complemented by the role of the ILSC that enables Indigenous communities to build assets. Two elements could be strengthened within this framework. The first is supporting Indigenous peoples to leverage traditional knowledge to create business opportunities (food, medicine, music, art and crafts). This includes broadening the concept of entrepreneurship to include community and social enterprises. As discussed earlier, there is no shared definition of the Indigenous economy that incorporates traditional knowledge, culture and kinship relations, and its unique assets. Therefore, these issues are not visible in Indigenous business and economic development programs. These are all aspects that are more prominent in rural and remote communities. As a result, the current program architecture may present limited opportunities for Indigenous communities to leverage their unique assets in rural and remote areas. The second element is in relation to support for community economic development. This includes how Indigenous institutions are supported to undertake local community economic planning, develop data and indicators, and broker and facilitate solutions. At the moment, Indigenous economic development is framed in relatively narrow terms based on individual entrepreneurs participating in the mainstream economy. This is important but excludes the role of local Indigenous institutions in setting priorities for development, coordinating investment, and running enterprises. Community economic development is a strong focus in Canada's programs for First Nations (Box 3.9).

### Box 3.9. First Nation Community Economic Development in Canada

First Nation governments in Canada are governed under the Indian Act (this statute does not apply to Métis or Inuit). This gives rights for status Indians to live on reserve land and acknowledges their membership of a First Nation. Each First Nation elects a band and chief, and this governing council has a range of responsibilities. These self-governing nations hold assets, operate businesses, and invest in community infrastructure. The Canadian Government provides a range of different programmes to support First Nation community economic development. These programmes are of five main types:

1. Support for governance and administration.
2. Community preparedness for economic development opportunity (focus on natural resources).
3. Infrastructure, housing and energy investments.
4. Strategic planning and land management.
5. Indigenous advocacy and rebuilding nations.

**Table 3.9. Key federal programmes for Indigenous community economic development**

Programme name	Focus	Funding type
Band Support Funding	Helps First Nations with the costs of local government and with administering services	Yearly grant
Community Opportunity Readiness	To address the financial needs of Aboriginal communities when they are in pursuit of, and wish to participate in, an economic opportunity	Project based
First Nation Infrastructure Fund	Supports infrastructure projects for which there are long-standing community needs	Project based
First Nation On-Reserve Housing Program	To provide more and better-quality housing in First Nation communities in Canada (excludes BC)	Annual funding allocation. Does not cover full housing costs.
First Nations Land Management Regime	Assists First Nations in implementing their own land management outside of the Indian Act	i) developmental funding, ii) transition funding; ongoing operational funding
Indigenous Representative Organizations - Basic organizational capacity funding	Basic organizational capacity funding towards the core operations of national, provincial, territorial and/or regional representative Indigenous organizations and national Aboriginal women's organizations representing the interests, issues, and concerns of their members.	Proposal based
Lands and Economic Development Services Program	Supports community economic development planning, capacity development initiatives and proposal development, development of land codes, individual agreements, land management systems and environmental agreements	Operational and project-based funding
Nation Rebuilding Program	Funding support for activities facilitating Indigenous groups' own path to reconstituting their nations.	Five-year contribution agreements
Northern Responsible Energy Approach for Community Heat and Electricity Program	Funds renewable energy and energy efficiency projects, and related capacity building and planning in northern Canada	Project based
Professional and Institutional Development Program	Funds projects that develop the capacity of communities to perform ten core functions of governance	Proposal based
Reserve Lands and Environment Management Program	Provides targeted funding for lands and economic development support services	Project based
Strategic Partnerships Initiative	Provides targeted funding for lands and economic development support services particularly in the natural resource sectors	Led by federal government departments



### *Remote economic participation*

Successive Australian Governments have recognised the unique challenges and opportunities of economic participation in remote areas by having a specific program to support employment participation in these regions. This program is currently called the “Community Development Program” (CDP). The program provides support for job seekers in remote areas to complete 20 hours of work-like activities that benefit them and their local community (Department of the Prime Minister and Cabinet, 2019<sup>[86]</sup>). Prior to the 2019 Budget the Department of PM&C released a discussion paper and undertook a consultation exercise that identified the desire for greater community control over the way the program works (Department of the Prime Minister and Cabinet, 2017<sup>[87]</sup>). A set of reforms are being introduced to achieve this objective including Indigenous organisations to deliver the CDP, supporting local engagement mechanisms to provide advice, and the inclusion of community engagement in the performance framework for providers. A Capital Investment Fund has also been created which allows local communities to apply for grants to purchase capital items that can help deliver local projects. PM&C regional services are responsible for supporting the implementation of these reforms.

CDP and its predecessors have also been criticised in the past for not building a “real economy” in remote areas. An element of the 2019 reform was to provide direct wage subsidies for CDP participants to employers with bonuses for retention. The rationale is for government to compensate the employer for low productivity workers until they have reached a point where they can participate fully in the labour market. The 2019 Budget also announced an initiative to pilot a business incubation model and expand microbusiness support for CDP participants, to build pathways for entrepreneurs. Under this model, CDP providers will play a role in terms of linking potential entrepreneurs with support (business advice, capital, government grants) through entities such as Indigenous Business Australia (IBA) and Little Rivers. Remote communities as part of this study identified the lack of continuity and familiarity in services and support provided by entities such as IBA and Little Rivers, let alone mainstream government providers or the private sector, as a problem (OECD Fact-finding mission July 2018). The real challenge in this space will be how to build an entrepreneurial ecosystem in these remote places that can provide an environment for start-ups. This includes packaging together elements such as appropriate physical space, business expertise, digital technologies, mentors and peer support, and access to financial intermediation. Getting these elements in place requires leadership and coordination from local communities, which is supported and enabled by governments. In sum, the success of these reforms will depend upon strengthening remote economies through consistent, long-term partnerships between local Indigenous institutions and relevant government agencies.

Another initiative to support Indigenous economic participate in rural and remote areas is the Australian Government’s Indigenous Protected Areas (IPA) programme. This enables land and sea country to be managed according to the wishes of the Traditional Owners. IPAs are voluntary arrangements through which Indigenous communities dedicate their lands or sea country to be set aside formally for conservation purposes. These areas are then recognised by the Australian government as part of the National Reserve System and deliver important Indigenous land management, cultural, social, and economic and employment outcomes. There are currently 75 dedicated IPAs that contribute over 65 million hectares, or more than 44%, of the National Reserve System. These outcomes are also shared, and in many cases strengthened by the government’s funding for Indigenous rangers. Through their projects, ranger groups protect, conserve and manage environmental and cultural values. Projects can include, but are not limited to, activities such as the management of threatened species, invasive weeds and feral animal control, biosecurity activities, fire management, management of coastal and marine systems, visitor and information management, community engagement and education. These projects often contribute to economic development opportunities more broadly such as a fee for service work on behalf of government agencies, research and philanthropic organisations and the private sector; tourism enterprises; and carbon initiatives. The Indigenous ranger funding supports 118 ranger groups across the country and together with IPAs, the 2 programmes employ over 2 900 Indigenous Australians to work on land and sea country.

## **Indigenous specific loan facilities**

### *Why this is important*

Access to finance is critical to starting a business and enabling existing businesses to achieve their full potential. Start-ups and small businesses can be at a disadvantage in terms of accessing finance because of factors such as limited collateral and credit history, and lack of expertise with regards to business planning and producing financial statements (OECD/EU, 2017<sup>[88]</sup>). Businesses in remote areas can face additional challenges because there may be a lack of similar proposals or investments for institutions to benchmark against, returns tend to be smaller than in urban places, and there may be a lack of local financial institutions that have the local knowledge to effectively assess a proposal. With the exception of tourism (where a market is brought to a place), remote rural entrepreneurship also generally takes place outside of the services sector and it often based on natural resources including forestry, minerals, hydrocarbons, renewable energy, fishing and aquaculture. Many of these industries are capital intensive and require large long-term investments before gains are realised. These factors present challenges for Indigenous entrepreneurs and communities. Collateral can be difficult because in some jurisdictions Indigenous peoples living in traditional settlement areas do not own land or typically their home, which is a common way for small business owners to secure financing. Historical dependency on government transfers for housing and income has also resulted in a weak credit history, which makes it difficult for institutions to make an assessment of risks related to investment or finance. As a result, an entrepreneur may have difficulties in securing funding from a non-Indigenous entity and may have to bear a higher rate of interest on loans to offset the higher risk. Discrimination and cultural bias may also be a challenge resulting in lenders or investors being unwilling to even consider funding Indigenous communities or individuals.

Access to financial capital is a pre-condition for any form of economic development. Essentially, there are three distinct sources of funds for either a firm or a community and each has distinct characteristics: retained earnings, equity and debt. Retained earnings are generated from the firm or enterprise from previous profits and are only available once the business is operating. The benefit of retained earnings is that the enterprise, whether owned by an individual or a community, is successful enough to generate surplus funds that can be used for expansion or improvements. Equity financing is a process of raising capital through the sale of shares (e.g. family and friends, and investors). Profits from the firm accrue to the equity investors and if the anticipated profit stream is lower than that provided by alternative investments it will be difficult to attract equity from external investors. Debt funding comes from an outside source, typically a financial intermediary but potentially a private lender or a government. Debt finance must be repaid in a timely manner and carries an interest payment that is proportional to the risk that repayment will not occur. An enterprise with a high risk of failure and with few assets that can be sold to recover funds has little chance of finding a lender unless the firm's owners are able to provide a large share of her total required funds through equity investments. In some circumstances, firms with limited equity and significant risk can obtain debt finance if a third party, usually a government agency, which provides a loan guarantee. This guarantee shifts the default risk from the lender to the guarantor, allowing the lender to offer a loan at a lower interest rate.

While financial markets are relatively efficient and tend to allocate funds based on relative risk and return, they can have imperfections that are important to recognise. In remote economies, there are few financial intermediaries, which reduces competition, and those in rural communities typically focus on routine lending opportunities and lack the capability to assess unusual funding requests. Typically, risks are higher and rates of return are lower for rural enterprises because local markets are smaller and it is hard to penetrate markets that are more distant (OECD, 2017<sup>[89]</sup>). Indigenous enterprises, whether owned by individuals or by communities, can also face particular challenges in raising financial capital. In particular, the indivisible nature of the Indigenous estate often means that land or water assets cannot be used as a

security for a loan. Lenders may have less knowledge of Indigenous opportunities and conditions, which can reduce their willingness to lend money without adequate collateral.

### *Indigenous specific equity and loan facilities*

The Australian Government has sought to address these market imperfections by providing targeted financial instruments for Indigenous businesses at different sizes and at different points in the business growth lifecycle. This lifecycle has different phases depending upon the size of the business, sector and the regulatory framework. It is generally understood as a start-up phase, a period of growth and financing, succession and disposal. Micro-finance has been used as one strategy because it is able to successfully target micro-enterprises and to support the financial inclusion of disadvantaged groups and in remote areas. This involves the provision of very small loans, support and business advice. Different thresholds are applied in countries regarding what constitutes micro-finance; for example in Australia, it may be loans up to AUD 5 000 (Burkett and Sheehan, 2009<sup>[90]</sup>). Larger loans in the start-up phase are also provided, which can be useful particularly for purchasing equipment, which is sometimes necessary for participating in public procurement and providing services to the mining industry. This support can also include a mix of grants and loans, which enable entrepreneurs to build their equity share, and if the business is successful, enables them to access further finance. Larger scale loans (direct loans and guarantees) are provided for this growth stage. Some of the design features introduced into these loan facilities include flexible repayment schedules (e.g. accounting for seasonal conditions), no interest loan periods, lower requirements for capital contributions and the direct provision of public capital.

Micro-finance addresses a financing and business support gap for very small enterprises and encompasses different tools (savings, insurance and loans). Evaluations about the efficacy of these programmes across different countries are mixed with some evidence of positive effects on household income (Kovsted, Andersen and Kuchler, 2009<sup>[91]</sup>). Nevertheless, there is evidence that they are able to address a gap in the provision of credit for groups that lack personal savings, a credit history and different forms of discrimination. Indigenous entrepreneurs can face similar issues and when they wish to start a business, small amounts of finance may be required to activate a business idea. Some governments have responded to this gap through the provision of targeted micro-finance loan programmes. In Australia, the main provider of microfinance to Indigenous populations is “Many Rivers”, which was established in 2007 as a subsidiary of Opportunity International (Many Rivers, 2019<sup>[92]</sup>). It now provides loans, financial advice and support through a network of locations across Australia. Little Rivers has formed a strategic relationship with Westpac Banking Group to provide a pathway toward access to mainstream banking and some of its funding support for its activities comes from the government. This government support focuses on the provision of microfinance to remote communities.

Once Indigenous-owned businesses are established and growing, governments provide different loan facilities for them. A key characteristic of these loan facilities is flexibility in terms of scale, repayment schedules and access to business advisory support services. In the Australian context, Indigenous Business Australia (IBA) provides business development and loan programmes for the Australian Government (Indigenous Business Australia, n.d.<sup>[93]</sup>). IBA provides a number of different loan facilities to Indigenous entrepreneurs. Business loans of AUD 10 000 to AUD 5 000 000 are provided for working capital requirements, purchase of existing businesses, plant and equipment, and other commercial assets. Flexible provisions are provided in these loans, for example, to cover contract cost, extended interest only repayments, and seasonal fluctuations. A procurement loan (up to 2 years) is another facility that is provided to cover initial capital costs related to the awarding of a contract through the Indigenous Procurement Policy (IPP) or another government programme. Support for start-ups includes a 30% contribution through a grant and includes a funding package of up to AUD 100 000 for up to 7 years. IBA also provides short-term loans to cover cash flow issues associated with invoices (of 60-90 days). IBA plays a very important role in terms of providing a “one stop shop” for accessing finance, information and expertise which is specifically targeted to Indigenous peoples (OECD Fact Finding Mission – July 2018).

### *Access to mainstream financial services*

Given personal levels of wealth tend to be lower amongst Indigenous peoples and public capital may be scarce, another key strategy for growing the Indigenous business sector is through improved access to private capital. This can be achieved organically through the maturing of the Indigenous business sector. As businesses grow and achieve a record of accomplishment, it will become easier for them to access mainstream banking services. Profitable businesses are attractive to lenders and equity investors because they have demonstrated an ability to survive and because they have retained earnings on their balance sheets. Mainstream banks can also be more proactive at reducing barriers to Indigenous peoples and businesses accessing financial services. Banks in Australia have used the framework of Reconciliation Actions Plans to identify ways to enhance the inclusion of Indigenous peoples in mainstream banking and finance. This includes priorities to increase Indigenous employment in banking and finance, strengthening cultural competency, developing bespoke products and tools, financial literacy and encouraging savings (Box 3.10).

#### **Box 3.10. Mainstream banking and finance and Indigenous peoples, examples from Australia**

##### **Australia and New Zealand Banking Group (ANZ)**

ANZ is Australia's third largest commercial and retail bank and provides services across Australia and New Zealand. ANZ's Reconciliation Action Plan (2016-19) outlines the following priorities and achievements:

- Moneybusiness initiative, developed in partnership with the Australian Government in 2005, builds the money management skills and confidence of Indigenous Australians and develops a stronger savings culture in remote communities. The programme is delivered in communities through a series of workshops and support materials. In 2016, 55 100 Aboriginal and Torres Strait Islanders had participated in this initiative.
- The Saver Plus initiative is a matched savings and financial education programme supported by ANZ. Matched savings provided by the bank can be used to purchase educational items (e.g. computers and computer equipment, textbooks, school uniforms and school camps). People who have a healthcare or Pensioner Concession card, have some regular income and are participating or have a child participating in education and training are eligible. In 2016, 95 Indigenous families had participated in the programme.
- ANZ offers dedicated Indigenous traineeships to increase employment of young Indigenous peoples in the company, provides cultural awareness training to staff, and ensures that Indigenous welcome to country ceremonies are standard practice at key events.

Source: ANZ Banking Group (2016<sup>[94]</sup>), *Reconciliation Action Plan 2016-2019*, <http://www.indigenouisculturalawareness.anz.com> (accessed on 23 January 2019); Westpac Group (2018<sup>[95]</sup>), *Partnering for Prosperity - Westpac Group Reconciliation Action Plan 2018-2020*, <http://www.gaawaamiyay.com> (accessed on 23 January 2019).

### *Assessment and international lessons*

The Australian Government supports a number of different equity and loan facilities that address challenges faced by Indigenous entrepreneurs such as lack of collateral and discrimination. Flexibilities have also been introduced to address issues such as seasonal fluctuations. As outlined above, the two main institutions delivering this support is Many Rivers and IBA. These institutions increase access to capital for Indigenous entrepreneurs because they facilitate loans that have higher risk and lower returns than would be acceptable to a commercial lender. IBA has developed innovative loan instruments to

support participation in the public procurement market. This supports the growth of firms that provide construction related services, for example in areas such as building and maintaining transport and communications infrastructure. As discussed, rural industries such as mining and energy are capital intensive and it can take a long time before gains are realised. However, with increasing global demand for metals and minerals, this is a key opportunity for Indigenous economic development. Particularly in the context of advancements in Native Title. Indigenous groups generally lack the capital to take an ownership stake in mining and resource projects. One potential gap is a loan instrument that would enable equity participation by Indigenous groups in mining and resource projects. Combined with funding from ILSC and local sources this could create a powerful incentive for increasing Indigenous ownership in resource development opportunities. This will be particularly important in the context of the developing northern Australia agenda (Department of Industry, 2019<sup>[96]</sup>).

There is also an implementation challenge related to the on-the-ground complexities generated by the range of support that is available. The key issue is how Indigenous entrepreneurs can access this support. In practice, this happens in a number of ways. On the ground in rural areas, the first point of contact usually occurs through PM&C regional services staff, and Land Councils, which have connections with local communities (OECD Fact Finding Mission – July 2018). Entrepreneurs and micro-enterprises that need support can be referred to Many Rivers. In turn, they may refer businesses onto Westpac or IBA. PM&C regional services staff can also refer larger business opportunities onto IBA or other agencies such as AusIndustry. On other occasions IBA can deal directly with communities and entrepreneurs, undertake due diligence on proposals, and then refer it back to PM&C regional services to help activate an outcome (OECD Fact Finding Mission – July 2018). In some instances, business development agencies at the State and Territory level may also be involved, and roles and responsibilities between levels of government are negotiated on a case-by-case basis (OECD Fact Finding Mission – July 2018). Feedback provided on mission indicated that local Indigenous communities, entrepreneurs and business owners are faced with a range of different programs and support mechanisms which generated complexity and high transaction costs (OECD Fact Finding Mission – July 2018). There was also a lack of continuity in support with different personal and changing program priorities and rules. None of these institutions is Indigenous controlled. As a result, these arrangements generate the risk of ongoing dependency relationships with different agencies and levels of government, and do not build economic development capacity within Indigenous institutions.

### **Box 3.11. Indigenous specific loan facilities – Canada and the United States**

Government guaranteed loans to Indigenous businesses are also used in Canada and the United States.

Canada uses a similar model to Australia and provides loans through a government agency. The difference is that it is delivered through a mainstream institution. Business Development Canada provides the Indigenous Entrepreneur Loan with access to funding of up to CAD 250 000 for existing businesses and up to CAD 150 000 for start-ups. Loans can be used to acquire fixed assets, finance franchise fees, cover start-up costs, start exporting and replenish working capital. This loan facility is provided through the Business Development Bank of Canada, which is part of the same institution and provides capital, advisory services and finance to small and medium-sized enterprises (SMEs).

The United States uses a different model of loan guarantees. Eligible borrowers (tribal organisations, tribal members, and businesses with at least 51% Indigenous ownership) can apply for a loan through a lending institution. Lending institutions can then apply for a guarantee for loans that provide Native American businesses with operating capital, equipment purchases, business acquisition and refinance, building construction and lines of credit. This program has been utilised by Indigenous Community Development Financial Institutions (CDFI). Individual loans are capped at USD 500 000 and can be

increased for tribal enterprises. Since its inception, this programme has guaranteed over USD 1 billion worth of loans.

Source: Business Development Canada (2019<sup>[97]</sup>), *Indigenous Entrepreneur*, [https://www.bdc.ca/en/i\\_am/aboriginal\\_entrepreneur/pages/default.aspx](https://www.bdc.ca/en/i_am/aboriginal_entrepreneur/pages/default.aspx) (accessed on 23 January 2019); Bureau of Indian Affairs (2019<sup>[98]</sup>), *Division of Capital Investment*, <https://www.bia.gov/as-ia/ieed/division-capital-investment> (accessed on 23 January 2019).

### *Intermediary institutions*

#### **Why this is important**

Local intermediaries that can match finance and business expertise to Indigenous entrepreneurs and businesses that need it can play a key role in addressing these complexities. In order to supporting this matching process, it is necessary for the intermediary (e.g. Indigenous business service or business broker) to build effective and inclusive relationships with Indigenous communities and entrepreneurs. This reduces information asymmetries and cultural mismatches and creates an environment where Indigenous entrepreneurs and organisations can access the support they need. As discussed above, the intermediary may change depending on the location and circumstance.

There is evidence that challenges exist in terms of effectively delivering support for Indigenous businesses, and that current arrangements may not be fit for purpose. For example, consultation and engagement with Indigenous businesses in Victoria identified the following key barriers to accessing business support:

- poor co-ordination of business support services
- lack of flexibility in the delivery of business support
- low awareness of existing business support services
- lack of programs tailoring assistance to the particular needs of a business
- travel requirements, distance and cost (Department of Economic Development, Jobs, Transport and Resources, 2017<sup>[52]</sup>).

Coordination problems were also identified in a 2016 Parliamentary Inquiry into Aboriginal economic development in New South Wales, which recommended providing more tailored “wraparound services” for Indigenous entrepreneurs to overcome problems of fragmentation and gaps in business support (Parliament of New South Wales, 2016, p. 58<sup>[99]</sup>). Challenges such as the absence of genuinely shared decision-making, duplication of services, lack of coordination, and unclear accountability pathways have previously been identified by the New South Wales Government (NSW Government, 2013<sup>[100]</sup>). A strategic review of Indigenous expenditure at a Commonwealth level in 2010 found there were 232 Indigenous-specific programs or mainstream programs with provisions specific to Indigenous peoples (Department of Finance and Deregulation, 2010<sup>[101]</sup>). A later study in 2016 found 49 Indigenous-specific programs at the Commonwealth level, in addition to 235 State and Territory programs, and 797 programs delivered by non-government organisations (many of which were fully or partly government funded (Hudson, 2016<sup>[102]</sup>). Short term programme funding and lack of coordination has resulted in undue on the ground complexity.

#### **Existing intermediaries**

The Australian Government has developed different mechanisms to overcome these challenges. This includes the consolidation of programs under the 2014 Indigenous Advancement Strategy. Later efforts have focused on how to improve facilitation and brokering between government programs and communities. For example, the PM&C regional services from reacting to issues and administrating programs toward a more proactive role in facilitating solutions and problem solving with communities (OECD Fact Finding Mission – July 2018). This includes embedding a business advisory support function

within these teams. A 2018 Australian National Audit Office (ANOA) report found some challenges in making this shift due to staffing reductions and lack of consultation when engaging with local communities (Australian National Audit Office, 2018<sup>[103]</sup>). An online system to bring together business support options is also under development (OECD Fact Finding Mission – July 2018). IBA also plays a coordinating and brokering role with businesses but is not actively present across many communities particularly in rural areas (for example there are 4 offices across Western Australia and the Northern Territory combined). Other mechanisms are at the pilot stage. For example, creating one-stop-shop Indigenous Business Hubs that were introduced as part of the 2018 Indigenous Business Sector Strategy. The first of these hubs is to be established in Western Sydney to deliver support services and space for entrepreneurs, enterprise support services, and social procurement (Department of Infrastructure, Regional Development and Cities, 2019<sup>[49]</sup>). The other is the business incubator model announced as part of the reform of the CDP, which operates in remote areas. However, these are still small scale and limited in geographic reach.

### **Assessment and international lessons**

A systemic solution could be achieved through local Indigenous organisations playing the role as the intermediary. For example, prescribed body corporates (PBCs), local Aboriginal Corporations, and Land Councils. However, these institutions were established primarily to hold, represent and protect the rights and interests of traditional land owners. In terms of economic development their primary role has been to negotiate agreements with project proponents (e.g. mining and infrastructure) to ensure land rights are protected and benefits flow to traditional owners. They do not have the authority, resources or competencies to support local businesses and community economic development. Indigenous-led business associations and chambers of commerce could also fulfil this function. This would also have the benefit of building a critical mass of Indigenous leaders with business experience and commercial acumen. However, these institutions generally lack institutional capacity and geographic reach to undertake this role in a consistent way across urban, regional and remote regions.

Over the last three decades, the governments of Canada and the United States have developed a network of local Indigenous-owned financial institutions that provide this intermediary function. For example, in the United States there are currently 70 Native American Community Development Financial Institutions (CDFI) across 19 states. These CDFIs can be banks, credit unions, loan funds, microloan funds, or venture capital providers, and their initial may be raised from the local community, other financial institutions and government. The Native American CDFI Program (or NACA Program) is supported by the U.S. Department of Treasury and has three components: i) Competitive Financial Assistance (loans, grants, equity investments, deposits and credit union shares); ii) Technical assistance (equipment; hire consulting or contracting services, pay salaries and benefits, or train staff or board member); and iii) Capacity building (training and webinars on topics such as small business) (U.S. Department of Treasury, 2019<sup>[104]</sup>). Similarly, over the last three decades, Canada has also built a network of local Aboriginal Financial Institutions (AFIs). AFIs emerged in the mid-1980s in Canada with the Federal Government providing the initial capital injection of CAD 240 million. Since this time, AFIs have provided over 42 000 loans to Indigenous business owners with a total loan value of over CAD 2.3 billion (Box 3.12).

#### **Box 3.12. Aboriginal Financial Institutions in Canada**

There are three types of Aboriginal Financial Institutions (AFIs) operating in Canada. The first is Aboriginal Capital Corporations that are capitalised by the Federal Government, typically have a revolving loan fund and also provide technical and advisory services. The second is Aboriginal Community Futures Institutions that are capitalised through Federal Regional Development Agencies (RDAs) that also provide loans and technical advice, along with strategic planning and community initiatives. The third is Aboriginal Developmental Lenders that are capitalised by provincial governments

and/or the private sector and provide debt and equity capital, and business support services. These institutions are now supported by two main mechanisms at a federal level. The first is the Aboriginal Entrepreneurship Program that includes equity funding for a range of different business activities. The second is the Community Futures through RDAs that provides funding support for community planning and projects, business services and capital for SMEs. AFIs now have revolving funds that do not require ongoing supplementary financing from governments; however, financial support is still provided for operational funding. One key challenge that has been identified in Canada is that they have stretched their initial capital base, which is now reducing their capacity to take on new and riskier developmental loans.

Source: NACCA (2018<sup>[105]</sup>), *Supporting Your Vision Investing in Your Strengths - 2018 Annual Report*, [https://nacca.ca/wp-content/uploads/2018/11/NACCA\\_ANNUAL\\_REPORT\\_FINAL\\_WEB.pdf](https://nacca.ca/wp-content/uploads/2018/11/NACCA_ANNUAL_REPORT_FINAL_WEB.pdf) (accessed on 5 March 2019).

In Canada and the United States, the growth of these grassroots Indigenous financial institutions and the growing Indigenous business sector have also led to the creation of national representative organisations that can lobby on behalf of their interests, build scale, provide technical expertise and deliver funding support. The Canadian Council of Aboriginal Business (CCAB) and the National Aboriginal Capital Corporations Association (NACCA) are examples of these institutions (Box 3.13). These institutions are important for a number of reasons. First is they enable Indigenous businesses and local financial institutions to advocate for their own interests with governments. Therefore, they are important in terms of giving Indigenous peoples an independent voice in debates and policy processes related to economic development. Second, is that they provide a forum to share best practices and build capacity through events and networking. Third, they provide a mechanism to deliver government support and programmes to local Indigenous businesses. Fourth, they can provide a platform that enables local institutions to build scale and attract private capital. By building scale, it may enable local institutions to attract institutional investors, which is critically important in terms of growing the overall capital base for the Indigenous economy by accessing private sector finance, an area that has not been fully exploited.

### **Box 3.13. Indigenous business institutions and representative organisations in Canada**

Indigenous business interests can lack a clear voice and influence over decision-making about policies, investments and regulatory frameworks. To overcome these challenges there are various examples of where Indigenous businesses have set up institutions that enable them to build linkages with other businesses, pool resources and expertise, and influence political and policy processes. These types of institutions exist in countries such as Australia, Canada, New Zealand, Peru and the United States. They also play a role in terms of delivering public goods, for example by delivering programmes on behalf of governments, and generating research and data about the Indigenous business sector. Two examples from Canada are outlined below.

#### **Canadian Council of Aboriginal Businesses (CCAB)**

The CCAB grew out of an initiative in the 1980s to better link corporate Canada with Indigenous peoples. It now serves as a platform to foster relationships between Indigenous businesses, partnerships between Indigenous entrepreneurs and Canada's institutional enterprises, and awareness about the interests of its Indigenous business membership. The functions of the CCAB include: awards that recognise Indigenous business success, events that provide Indigenous businesses with expert advice, link and network with other businesses, and provide opportunities to share lessons, programmes to certify businesses are Indigenous-owned, certifies corporate performance on Indigenous relations, provision of business tools and resources, and research about the Indigenous business sector.



### **The National Aboriginal Capital Corporations Association (NACCA)**

NACCA is an umbrella body for 59 AFIs across Canada. It provides programme-funding support for AFIs, promotes best practices for lending to Aboriginal people, advocates to government and potential funders, and promotes the AFI network. NACCA has recently launched an Indigenous Growth Fund initiative, which is designed to leverage government funding and attract higher levels of private and institutional funding to AFIs. In the United States, the Native CDFI Network fulfils a similar function.

#### *Investments in business skills and capabilities*

##### **Why this is important**

Starting and operating a business also depends upon a range of cognitive and non-cognitive skills, which can include creativity, strategic planning, financial literacy, mobilising resources, managing uncertainty and teamwork (OECD, 2019<sub>[106]</sub>). The skills can be developed through access to formal and informal training (OECD/EU, 2017<sub>[88]</sub>). This can include the provision of business incubation services, technical assistance, access to mentors and financial advice. Community-based models of delivering these initiatives can also help Indigenous entrepreneurs build networks and generate opportunities for peer-support and mentoring. Financial literacy is of critical importance and encompasses understanding about financial products, concepts and risks, and the capacity to make informed decisions and effective actions about them (OECD, 2012<sub>[107]</sub>). This includes applying basic numeracy skills, understanding credit, interest rates, and scheduling repayments, and the relationship between risk and return. Without these basic skills in the population, it is difficult to create an environment that is conducive to business creation. Levels of financial literacy have been found to be relatively low across G20 countries with fewer than half of all adults able to achieve a minimum score of standard questions about financial knowledge (G20/OECD, 2017<sub>[108]</sub>). Financial literacy is recognised as an increasingly important skill in OECD countries in the context of the shift of risk and responsibility from states and corporations to individuals, and increasing complexity and choice in financial markets (OECD, 2012<sub>[107]</sub>).

##### **Existing initiatives**

There is not a coherent to building Indigenous business skills and capabilities from Australian or State and Territory governments. A good example of work undertaken by IBA is a forum for business women “Strong Women, Strong Business”, which provides opportunities for matching mentors and mentees and peer learning through sharing stories on-line and events (Indigenous Business Australia, 2019<sub>[109]</sub>). As governments were not consistently providing the resources to address this issue, other actors were playing a role (OECD Fact Finding Mission – July 2018). Indigenous Chambers of Commerce at a state level are providing one mechanism to undertake this role – for example through peer learning and networking - but were doing so without sufficient resources. For example, Kinaway Chamber of Commerce provides services across the State of Victoria in areas such as financial services, mentoring, networking, and information about access to government support (Kinaway Chamber of Commerce, 2019<sub>[110]</sub>). Another example is the Murra Indigenous Business Masterclass Program at the University of Melbourne that provides a 12-day business skills development program. It covers topics such as business strategy, finance and marketing, management, and networking (University of Melbourne, 2019<sub>[111]</sub>). The program also offers a mechanism for post-program support through mentoring. Individual businesses may also play role. Local Indigenous entrepreneurs may start their own community-based networks to disseminate information and for peer support (OECD Fact Finding Mission – July 2018). Mining and resource companies may also employ a business development manager who can work with local communities with mentoring and brokering and facilitating solutions (OECD Fact Finding Mission – July 2018).

### Assessment and international lessons

Existing research suggests that levels of financial knowledge are lower for Indigenous populations (Wagland and Taylor, 2015<sup>[112]</sup>). This was supported by engagement with participants on the OECD Fact Finding Mission in July 2018. Indigenous people in remote areas are undertaking activities that could potentially be turned into business opportunities (e.g. painting, weaving, food and knowledge of country). However, access to information and support to take the first steps to start a business are lacking, particularly in remote areas and homeland communities. People living in a context with strong attachment to traditional culture and language may not necessarily have an understanding of how businesses are structured or operate, and the kinds of support that are available (OECD Fact Finding Mission – July 2018). In this environment, initiatives that address gaps in business skills, support peer-learning, and mentoring, are needed, to complement those that provide funding or financing to start and operate a business. Government support services focussed on addressing social needs (health, social assistance, safety) were most visible and familiar in local communities whereas business and economic development support were not. Access to opportunities to learn basic business skills, and be exposed to coaching and mentoring opportunities, was generally identified as a gap (OECD Fact Finding Mission – July 2018). In this context, bottlenecks can quickly emerge and result in Indigenous communities missing out on local business and employment opportunities.

#### Box 3.14. Indigenous Financial Literacy education in Canada

The Financial Consumer Agency of Canada (FCAC) has identified financial literacy as a key issue for Indigenous communities in the context of developing a new National Strategy for Financial Literacy. The agency recognises that these barriers need to be addressed by engaging Indigenous communities in the design and delivery of financial literacy interventions. As part of the National Strategy, the FCAC has established a working relationship with Indigenous organisations, which is co-chaired with the Aboriginal Financial Officers Association (AFOA). AFOA is an Indigenous-led not-for-profit organisation that focuses on capacity building for Indigenous professionals working finance, management, band administration and programme management. It provides training and certification for Indigenous financial managers, administrators and leaders.

Within this framework FCAC has developed a partnership with the Seven Generations Education Institute (SGEI) and the Martin Family Initiative (MFI) to develop a financial literacy pilot in northern Ontario. For the pilot project, the partners collaborated with ABC Life Literacy Canada to adapt FCAC's Your Financial Toolkit program. This program provides information and tools to help adults manage their personal finances and gain the confidence they need to make better financial decisions.

The pilot will include approximately 20 hours of in-class programming on topics such as budgeting, banking, and credit and debt management and will be delivered by SGEI's instructors. MFI will assist with training the instructors who will pilot the material with students registered in SGEI's Workplace Literacy and Essential Skills Program. This model is based on research which has shown that financial education programs must be community driven, created for and with Indigenous Peoples, who must be involved in their design, delivery and measurement.

Source: Aboriginal Financial Officers Association (2020<sup>[113]</sup>) <https://www.fofa.ca/fofaen/About/en/About/About.aspx?hkey=c7862a97-b851-4fcd-8082-2b2c62e23599>; Financial Consumer Agency of Canada (2019<sup>[114]</sup>), "FCAC, the Seven Generations Education Institute and the Martin Family Initiative announce financial literacy pilot project", <https://www.canada.ca/en/financial-consumer-agency/news/2018/09/fcac-the-seven-generations-education-institute-and-the-martin-family-initiative-announce-financial-literacy-pilot-project.html> (accessed on 4 July 2019).

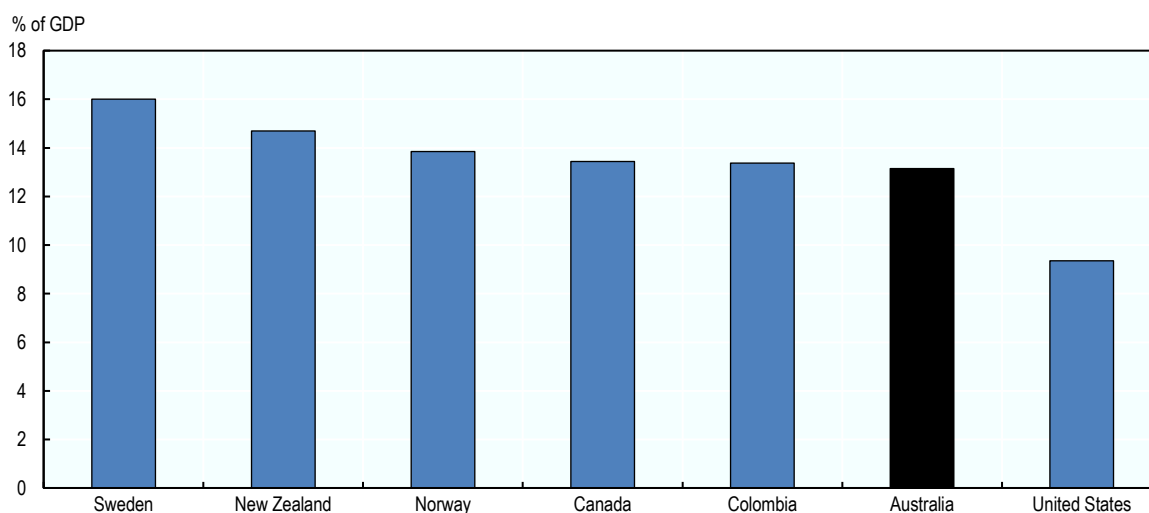
## Preferential procurement policies

### Why this is important

Chapter 1 shows the systemic disadvantages faced by many Indigenous Australians. The absence of resources, assets and capabilities means that in spite of best endeavours communities can be stuck in a cycle of weak investment, growth and employment. Barriers to market access for Indigenous peoples can occur because of supply-side factors such as insecure property rights, lack of skills and inadequate infrastructure. Weak demand for Indigenous products, services and skills also plays a role. On the demand side, there may also be a lack of familiarity, trust and awareness on behalf of public entities and corporations, and a reluctance to invest and increase risks associated with project cost and delivery schedules. Corporations and governments may structure procurement in such a way (through the size of projects, rules and technical requirements) that make it difficult for Indigenous-owned enterprises to access these opportunities. Therefore, opportunities to develop skills, employment and businesses are lost.

Preferential public procurement (adjusting policies regarding the purchase of goods, services and works by governments and state-owned enterprises to meet social objectives) has been used as a lever in Australia, Canada and the United States to expand access to markets for minority groups (e.g. Indigenous, women, and newly arrived migrants). These schemes have been criticised on the basis that they distort markets and increase costs, which outweighs the benefit of achieving their secondary objectives. However, preferential treatment and targets can help overcome barriers to market access by providing strong and predictable increases in demand for goods and services for disadvantaged population groups. This can contribute to promoting entrepreneurship and small business development within these groups. As will be discussed further in this section, complementary initiatives are required to ensure minority-owned enterprises can benefit from preferential procurement regimes. The size of the public procurement market across OECD countries is significant. Governments in OECD member countries spend on average 12% of their gross domestic product (GDP) on public procurement (excluding procurement by state-owned utilities) and this is significant for some countries with Indigenous populations (Figure 3.4) (OECD, 2011<sup>[115]</sup>).

**Figure 3.4. Public procurement as a percentage of GDP, select countries, 2015**



Source: OECD (2017<sup>[116]</sup>), *Government at a Glance - 2017 Edition: Public Procurement*, <https://stats.oecd.org/Index.aspx?QueryId=78413> (accessed on 24 January 2019).

McCrudden (2004<sup>[117]</sup>) provides a useful overview of the history of public procurement as a means to achieve social objectives. Procurement set-asides go beyond prohibitions on discrimination and employ various forms of “affirmative action” to accomplish social objectives and encourage entrepreneurship amongst minority groups (e.g. African Americans, Indigenous peoples, women and people with disabilities). Mandatory set-asides for federal contracts for Indigenous peoples (as direct contractors and as sub-contractors) is a practice that has been used by the Canadian Government since 1996. Evaluations of the effectiveness of various set-asides provide mixed results. A number of problems that reduce the effectiveness of these programmes have been identified in the literature (McMurtry, 2014<sup>[118]</sup>; Myers and Chan, 1996<sup>[119]</sup>; Noon, 2008<sup>[120]</sup>; Oakes, 2010<sup>[121]</sup>). This can include lack of experience in bidding for government contracts, difficulties in finding potential partners for subcontracts, lack of minority-owned firms in sectors such as construction and manufacturing, and the use of silent minority partners in the business ownership structure. These challenges can be summarised in terms of problems in the design of public procurement processes and barriers to the creation of minority firms that can take advantage of these opportunities (Box 3.15).

### Box 3.15. Common barriers to minority participation in government contracting

Enchautegui et al. (1997<sup>[122]</sup>) carried out a nation-wide study of minority-owned firms in the United States and identified the following factors as instrumental in the limited success of procurement policies.

Barriers to minority participation in the government contracting process:

- Failure of government to break large contracts down into smaller projects so that minority firms, which tend to be smaller, can compete.
- Extensive granting of waivers from minority subcontracting requirements to majority contractors.
- Ineffective screening for false minority fronts.
- Limited notice of contract competitions.
- Bid shopping on the part of majority prime contractors, who disclose minority forms subcontracting bids to their majority competitors so they can be underbid.

Barriers to the formation and growth of minority firms:

- Lack of financial capital - minorities have lower incomes, fewer assets and diminished access to business loans.
- Lack of social capital - minorities' access to business networks is limited and their own family networks may be smaller or less valuable than those of their majority counterparts.
- Lower human capital endowments - minorities have less education and professional training, and their access to union and other apprenticeship programmes is more limited.
- Minorities' access to lucrative, nonminority consumer markets is comparatively limited - due in part to historical patterns of residential segregation.

Source: Enchautegui, M. et al. (1997<sup>[122]</sup>), *Do Minority-Owned Businesses Get a Fair Share of Government Contracts?*, <https://www.urban.org/research/publication/do-minority-owned-businesses-get-fair-share-government-contracts> (accessed on 24 January 2019).

## Australia's approach to Indigenous public procurement

The Australian Government established its Indigenous Procurement Policy (IPP) in 2015 (Department of the Prime Minister and Cabinet, 2018<sub>[123]</sub>). The Australian Government has set a target of 3% of the total value of public procurement to Indigenous businesses by 2019-2020. It also has mandated set-asides in remote areas to incentivise Indigenous participation, and minimum Indigenous content requirements on public procurement contracts worth over AUD 7.5 million. Australia launched its Indigenous Procurement Policy in 2015 and in 3 years, it has increased the value of contracts going to Indigenous owned businesses from AUD 6 million to over AUD 1 billion. The setting of targets and mandatory set-asides, along with regular reporting on outcomes to government, have been seen as very important in generating behavioural change in public procurement (OECD Fact Finding Mission – July 2018). Conversely, the absence of these specific targets and lack of monitoring and reporting on outcomes was seen as reducing the effectiveness of these initiatives. Alongside this, a number of complementary supports have been put in place. 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 (OECD Fact Finding Mission – July 2018). In addition, the Australian Government supports registration and matching through Supply Nation, which is a non-profit entity (Supply Nation, 2019<sub>[124]</sub>).

State and Territory Governments are also designing or have implemented preferential procurement policies to support Indigenous economic participation (Table 3.10). It was indicated this was a cost for SMEs who needed to adjust bidding strategies and business models to adapt to these different rules (OECD Fact Finding Mission – July 2018). Complicating this issue were the different definitions of Indigenous businesses applied across State and Territories (and the private sector), and different databases that were utilised to register them (Supply Nation, Aboriginal Chambers of Commerce and/or state departments and agencies). This increases the risk of Indigenous-owned businesses missing out on opportunities, barriers to accessing new markets, and costs associated with adjusting business models to meet different requirements (OECD Fact Finding Mission – July 2018). Businesses located in border will also face additional complications, for example on APY/NPY lands, businesses operate under 3 different State and Territory policies, and the Commonwealth procurement policy. Consideration should be given to how the Commonwealth and State and Territories can move toward a single set of rules governing preferential procurement policies to support Indigenous economic participation. This would include setting a common target and timeframe, the application of common thresholds for direct negotiation/ set asides for Indigenous businesses, shared requirements for suppliers related to sub-contracting and employment, and reporting. This change would need to be based on an evaluation of current practices and what is achieving best outcomes at lowest cost across jurisdictions. There is also capacity for jurisdictions to share and diffuse good practices, such as the guidance provided for procurement staff produced by the Western Australian Department of Finance, or the partnerships developed with Kinaway and Supply Nation in Victoria (Victorian Government, 2018<sub>[125]</sub>; Government of Western Australia, 2019<sub>[126]</sub>).

**Table 3.10. Preferential procurement policies – Australian states (select)**

Jurisdiction	Target	Thresholds	Accountability/ reporting
New South Wales	3% of total value of procurement and 3 000 FTE employment by 2021	Direct negotiation/ single quote possible for contracts worth up to AUD 250 000 All contracts worth over AUD 10 million must have an Aboriginal Participation Plan	Agencies are required to prepare and publish online an Aboriginal Participation Strategy
South Australia	Targets set by individual agencies	Direct negotiation/ single quote possible for Aboriginal businesses with contracts worth up to AUD 220 000 For contracts over AUD 220 000 lifting industry participation weighting from 15% to 20% in favour of suppliers with high levels of Aboriginal participation (sub-contracting and employment) 30% employee participation required on APY lands	Agencies report annually to the Office of the Industry Advocate (OIA)

Jurisdiction	Target	Thresholds	Accountability/ reporting
Victoria	1% of total value of procurement by 2019-20	Under AUD 20 million agencies required to consider Aboriginal businesses, including unbundling contracts Over AUD 20 million set targets with suppliers and demonstration of how they will achieve it	Each department and agency prepare a Social Procurement Strategy
Western Australia	3% of total value of procurement by 2021	Applies to contracts above AUD 50 000	Agencies develop a strategy with annual reporting on outcomes through Department of Finance

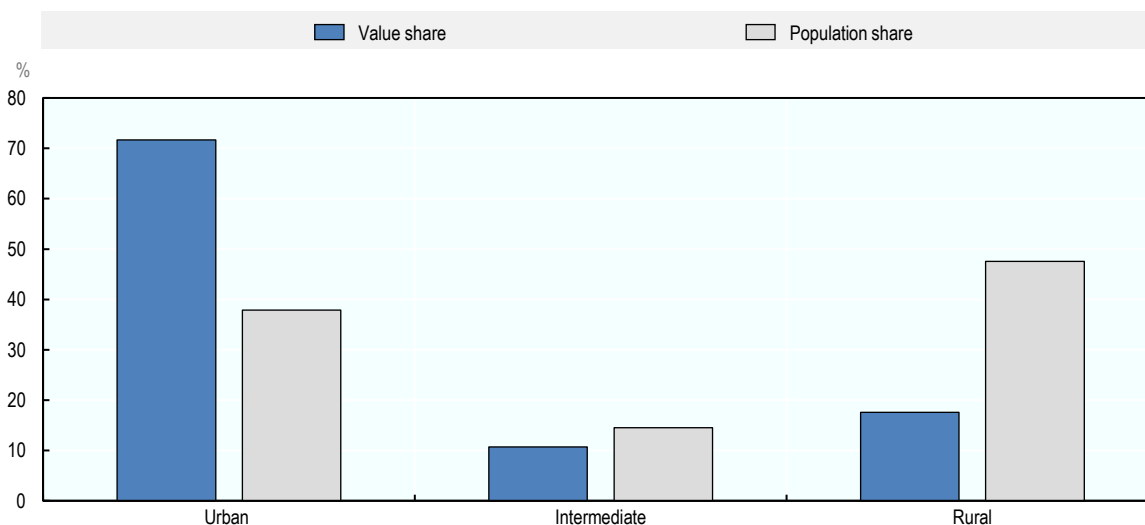
Source: New South Wales Government (2018<sup>[127]</sup>), *Aboriginal Procurement Policy*, [https://www.procurepoint.nsw.gov.au/system/files/documents/app\\_policy\\_may\\_2018.pdf](https://www.procurepoint.nsw.gov.au/system/files/documents/app_policy_may_2018.pdf) (accessed on 2 July 2019); Victorian Government (2018<sup>[125]</sup>), *Victoria's Social Procurement Framework*; Government of South Australia (2017<sup>[128]</sup>), *South Australian Industry Participation Policy Procedural Guidelines*, <https://innovationandskills.sa.gov.au/upload/industrypolicy/Procedural-Guidelines.pdf> (accessed on 2 July 2019); Government of Western Australia (2018<sup>[129]</sup>), *Aboriginal Procurement Policy*, [https://www.finance.wa.gov.au/cms/uploadedFiles/Government\\_Procurement/Policies/Aboriginal\\_Procurement\\_Policy.pdf](https://www.finance.wa.gov.au/cms/uploadedFiles/Government_Procurement/Policies/Aboriginal_Procurement_Policy.pdf) (accessed on 2 July 2019); Government of Western Australia (2019<sup>[126]</sup>), *Aboriginal Procurement Policy (Implementation) Guide: A Guide for WA Government*, [https://www.finance.wa.gov.au/cms/uploadedFiles/Government\\_Procurement/Policies/Aboriginal\\_Procurement\\_Policy\\_Implementation\\_Guide.pdf](https://www.finance.wa.gov.au/cms/uploadedFiles/Government_Procurement/Policies/Aboriginal_Procurement_Policy_Implementation_Guide.pdf) (accessed on 2 July 2019).

### Assessment and international lessons

As this policy matures there are two main challenges that will need to be addressed (in addition to the challenges of defining an Indigenous business that was addressed in Chapter 1, and the complexities generated by different preferential procurement regimes). The first is ensuring capacity-building support is in place for firms at key transition points to support continued growth in the Indigenous business sector. Supply Nation is an important initiative but it primarily links buyers to Indigenous suppliers. There is a need to provide more effective support for entrepreneurs and small businesses considering a move into the public procurement market. This includes how firms are supported in the pre-establishment and establishment phases to access finance, insurance and required certifications. Once firms are participating and start growing, targeted support is also needed to manage this growth phase (e.g. cash flow, management, business strategy). As noted earlier, there are gaps in support for Indigenous entrepreneurs to develop these skills (OECD Fact Finding Mission – July 2018). With the right support and resourcing Indigenous Chambers of Commerce or other local Indigenous institutions could play this capacity building role. The second is ensuring a continuity of local opportunities through government infrastructure projects. This can be achieved by enhancing coordination of infrastructure planning, funding and financing at the regional level. For example, the Western Sydney City Deal provides a mechanism to coordinate Commonwealth-State infrastructure investment, and a working group has been established to proactively reach out to local Indigenous businesses to support participation. Another example is Regional Industry Based Agreements in New South Wales (Aboriginal Affairs NSW, 2019<sup>[130]</sup>). This initiative builds off Local Decision-Making Agreements where regional Aboriginal Alliances enter into accords that commit parties to joint addressing priorities. The Regional Industry Based Agreements provide a mechanism for industry and government to agree on actions to increase Aboriginal economic participation, including procurement (Aboriginal Affairs NSW, 2019<sup>[131]</sup>).

Participation in the public procurement market is also uneven across different geographies. Preferential procurement policies are less likely to be effective in low-density economies due to the smaller number of contracts available, lack of scale and specialisation in the local economy, and the longer distances that are required to travel. A significantly higher proportion of the benefits of the Australian Governments Procurement Policy flows to Indigenous businesses in predominantly urban regions (Figure 3.5). Procurement set-asides and variations in rules for public procurement in remote areas and on Indigenous lands is one strategy that can be employed (currently applied by the Australian and South Australian governments). Enhancing regional level cooperation is another way to increase scale and predictability in future public works. In particular, local municipalities are critical because of their role in terms of investment and maintenance of local infrastructure.

**Figure 3.5. Share of Indigenous procurement (2015-18) and share of Indigenous population, by type of region**



Note: Nominal values.

Source: Australian Department of the Prime Minister and Cabinet.

Canada and the United States are the two other OECD countries that implement preferential procurement policies to support Indigenous economic participation. There are a number of areas where Australia could apply lessons from these jurisdictions. The first is in relation to the certification process which is undertaken by a government agency in both countries. For example, the U.S. Small Business Administrative (SBA) has an on-line certification procedure for minority owned businesses (U.S. Small Business Administration, 2019<sub>[132]</sub>). The second is how to enhance coordination between levels of government and the private sector in delivering major projects (outside of the framework of a City or Regional Deal). The Strategic Partnership Initiative (SPI) in Canada is a good example of project specific coordination to increase Indigenous economic participation (Box 3.16). The third is in relation to the capacity-building support provided by the U.S. SBA. The Mentor-Protégé program provides support for a mentor business to provide assistance (technical, management, financing, trade education) to a protégé (minority owned) small business. In addition, the Office of Native American Affairs within the SBA provides funding for training and capacity building in areas such as marketing, strategic planning, financial analysis, contract management and compliance (U.S. Small Business Administration, 2019<sub>[133]</sub>). These initiatives are delivered through a network of Native American business and economic development organisations across the United States.

**Table 3.11. Federal preferential public procurement policies, Canada and the United States**

	Set-asides and targets	Qualification	Other assistance and support
Canada (2010)	<ul style="list-style-type: none"> <li>Contracts that serve a primarily Aboriginal population are set aside for competition among qualified Aboriginal businesses</li> <li>Voluntary set-asides are possible by federal departments and agencies</li> <li>Federal departments and agencies set targets on an annual basis</li> </ul>	<ul style="list-style-type: none"> <li>51% Indigenous-owned and controlled and at least one-third Indigenous staff (if larger than 6 staff)</li> <li>Joint ventures at least 33% Indigenous content</li> </ul>	<ul style="list-style-type: none"> <li>Certification on Industry Canada Aboriginal Business Registry</li> <li>Procurement Co-ordinators (outreach and partnership building)</li> <li>Strategic Partnerships Initiative</li> </ul>
United States (1978)	<ul style="list-style-type: none"> <li>Minimum 5% of all federal contracting to small businesses</li> </ul>	<ul style="list-style-type: none"> <li>51% minority-owned</li> </ul>	<ul style="list-style-type: none"> <li>Certification under Small Business</li> </ul>

	Set-asides and targets	Qualification	Other assistance and support
	owned by minorities (not Indigenous specific)		Administration <ul style="list-style-type: none"> <li>● Mentor-Protégé programme</li> <li>● Management and technical assistance programme</li> <li>● Assistance and tools provided by the Bureau of Indian Affairs</li> </ul>

### Box 3.16. Strategic Partnerships Initiative (SPI) – Canada

Initiated in 2010, the SPI provides a whole-of-government, collaborative approach to address gaps in existing Indigenous economic development programmes. It enables federal partners to strategically engage other governments and private sector partners to leverage additional funding in support of Indigenous participation in complex economic development projects.

With an annual budget of CAD 14.5 million, the SPI works in partnership with interested Indigenous stakeholders, provincial and territorial governments and the private sector to target federal investments from across departments in a broad range of economic development opportunities across various sectors of the Canadian economy such as mining, fisheries, forestry, agriculture, tourism and energy.

Currently, 17 federal agencies and departments are part of the programme that is organised by a secretariat that supports the Director-General of the Investment Committee (DGIC). The DGIC includes membership from all SPI signatory departments. It makes final funding decisions on initiatives and validates and prioritises opportunities for investments. It also identifies relevant federal government departments that have a lead role to play in supporting any given initiative and ensures that they work together with Indigenous groups to advance these opportunities. It also enables federal partners to strategically engage other levels of government and private sector partners so they may leverage additional funding or in-kind support. The DGIC completes a review of detailed proposals from federal departments on opportunities for consideration under the programme.

Source: Aboriginal Affairs and Northern Development (2014<sup>[134]</sup>), *Evaluation of Aboriginal Economic Development Strategic Partnerships Initiative*, [https://www.aadnc-aandc.gc.ca/DAM/DAM-INTER-HQ-AEV/STAGING/texte-text/ev\\_eds\\_1442409296332\\_eng.pdf](https://www.aadnc-aandc.gc.ca/DAM/DAM-INTER-HQ-AEV/STAGING/texte-text/ev_eds_1442409296332_eng.pdf) (accessed on 16 October 2018).



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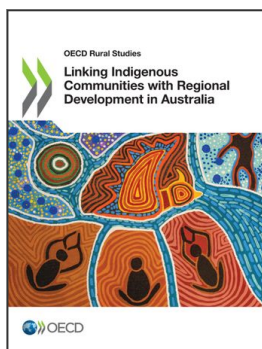
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