

Indigenous Reference Group to the Ministerial Forum on Northern Development

18 March 2020

Hon. Warren Entsch, MP
Chair
Joint Standing Committee on Northern Australia
PO Box 6021
Parliament House
CANBERRA ACT 2600

Via Email: jscna@aph.gov.au

Dear Mr Entsch

Second Response to the Inquiry into the Opportunities and Challenges of the Engagement of Traditional Owners in the Economic Development of Northern Australia

I refer to the detailed submission made by the Indigenous Reference Group to the Ministerial Forum on Northern Development (IRG) to the Joint Standing Committee on Northern Australia's (JSCNA) Inquiry into the Opportunities and Challenges of the Engagement of Traditional Owners in the Economic Development of Northern Australia dated 28th February 2019, as well as the evidence provided by myself on behalf of the IRG to the JSCNA hearing on 7th February 2020. During questioning by JSCNA members at the hearing, the JSCNA requested further detail and clarification on several issues, and specifically requested that the IRG 'come back' to the JSCNA on these matters¹.

Please accept this correspondence as the IRG's response to this request. It should be noted that this response provides summary information only. The rigorous analysis and consultation that has informed the IRG's policy response to accelerating the development of the Northern Australian Indigenous economy to date encompasses a significant body of work that has resulted in an evidence-based policy position and which underpins the ongoing refinement and meticulous planning that is currently underway with respect to several initiatives under that policy framework. The IRG would be delighted to share this detail with the JSCNA at its request.

While there has been some progress in the development of a modern Northern Australian Indigenous economy, progress over the past 45 years has been at a rate that is unacceptable by any reasonable measure. Indigenous persons account for an average of 15 percent of the Northern Australian population (with much higher representation outside of Northern Australian cities). Since proclamation of the *Aboriginal Land Rights (Northern Territory) Act 1976* and subsequent land rights legislation (including *Native Title Act 1993 (Cth)*), Indigenous ownership of and legal rights over land has grown to 80 percent of the terrestrial land mass of Northern Australia and extensive areas of coastline (including 85 percent of the Northern Territory coastline). While the progress of rights is of critical importance, the fact is that the economic outcomes for Indigenous peoples of Northern Australia to date is very limited. For example:

- Compared to non-Indigenous Northern Australians, on average Indigenous Northern Australians are less than half as likely to be employed, those in the labour force are roughly three times as likely to be

¹ Joint Standing Committee on Northern Australia (2020), Office Committee Hansard – opportunities and challenges relating to land related agreements and engaging traditional owners in the economic benefits of Northern Australia, 7 February, Commonwealth of Australia

unable to find work, and Indigenous Northern Australians are twice as likely to have disengaged from the labour force entirely².

- Over half of the Office of the Registrar of Indigenous Corporations Top 500 Indigenous Corporations are located in Northern Australia, and these Northern Australian Top 500 Indigenous Corporations account for 70 percent of the total income of the Top 500 Indigenous Corporations³. However, this income is equivalent to less than 1 percent of the Gross Regional Product (GRP) of Northern Australia⁴.
- There are around 1,300 privately owned Indigenous businesses across Northern Australia. However, while there are 91 privately owned businesses for every 1,000 Australians and 14 privately owned Indigenous businesses for every 1,000 Indigenous Australians, there are only 8 privately owned Indigenous businesses for every 1,000 Indigenous Northern Australians⁵.

What is particularly perplexing is that these circumstances exist in a context where there are at least 80 separate employment and support programs delivered by the Commonwealth, Western Australian, Northern Territory and Queensland Governments that can be accessed by an Indigenous person or entity in Northern Australia, many of which are targeted exclusively at Indigenous persons or entities. Unless a substantively different policy approach to growing the Northern Indigenous economy is adopted, the Northern Agenda will fail to achieve its intended outcomes, the already substantial fiscal deficit associated with delivering government programs to the Northern Australian Indigenous community will grow and most importantly, Indigenous Northern Australians will continue to experience what is, in many cases, extreme levels of socio-economic disadvantage.

Principles that underpin world-best-practice in regional Indigenous economic development are now well recognised and much can be achieved with the existing resources. What is required is a fundamentally different approach and an institutional reset that is place-based, expertise-based and which shifts the culture of Indigenous economic development from a 'rights' and 'social services' mindset to an 'economic self-determination' mindset.

Extent of the IRG's work

Over the course of the past two years, the IRG has led a very significant body of work that has resulted in an evidence-based policy platform that when implemented will facilitate accelerated growth of the Northern Australian Indigenous economy. This has included:

- Extensive consultation with senior policy makers in Commonwealth, Western Australian, Northern Territory and Queensland Government agencies and instrumentalities (a process that is ongoing);
- Consultation with the Northern Australian indigenous leadership (a process that is ongoing); and
- Commissioning of detailed independent research and analysis to support the formulation of the IRG Recommendations and associated implementation planning.

The resulting policy recommendations and institutional initiatives presents a significant modernisation of the approach to facilitating Indigenous economic self-determination, an approach that is consistent with recognised principles of worlds-best-practice in facilitating the growth of regional Indigenous economies⁶.

The IRG has kept the Australian executive government and parliament abreast of its work through interaction with the MFND and detailed formal submissions to various Senate and Australian Government instrumentality inquiries and continues to work with jurisdictional governments, Northern Australian Indigenous leadership, industry and other key stakeholders to refine and plan implementation of the IRG Policy Recommendations.

² Australian Bureau of Statistics (2016), *Census 2016*. Data derived analysis of geographic cluster areas by basis of selected local government areas within cluster bounds.

³ Office of the Registrar of Indigenous Corporations (2017), *The Top 500 Aboriginal and Torres Strait Islander Corporations 2015-16*, Australian Government, Canberra

⁴ Office of Northern Australia

⁵ Australian Bureau of Statistics (2017), *Census 2016*, Australian Government, Canberra

⁶ OECD (2019), *Linking Indigenous Communities with Regional Development*, OECD

How the IRG defines the Northern Australian Indigenous economy

The Northern Australian Indigenous economy is an 'eco-system' comprised of several key economic entities:

- Indigenous Northern Australian residents who are employed or who seek employment;
- Privately owned Indigenous enterprises that may employ people or which employ an individual or family members;
- Indigenous enterprises that are subsidiaries of 'communally-owned' structures such as Prescribed Body Corporates (PBCs), Land Councils, Community Councils or other trust-like structures (including economic activities associated with land and other rights that are held by these structures as trustee or agent for common law rights holders); and
- Not-for-profit (NFP) and non-government organisations (NGOs) that are 'owned' and/or operated by Northern Australian Indigenous interests.

The IRG is firmly of the view that to grow the Northern Australian Indigenous economy, policy must address sources of market failure in each of these elements of the Northern Australian Indigenous economic eco-system.

IRG Policy Recommendations

The MFND has endorsed 36 specific policy recommendations made by the IRG. Of these 36 IRG Policy Recommendations, the MFND has approved 16 for implementation planning in accordance with the Northern Australia Indigenous Economic Development Accord (see below) and referred the remaining 20 back to the IRG for further consideration.

It should be noted that the IRG's Policy Recommendations pertain to facilitating accelerated development of the Indigenous economy in Northern Australia and should be considered additive to effective and adequately resourced health, education, housing and other social and human service programs. People cannot participate in the economy if they are of poor health, unsafe, uneducated or do not have adequate accommodation.

The IRG Policy recommendations can be categorised according the themes presented in Figure 1 below, with Exhibit 1 providing a summary of the specific recommendations that are the subject of implementation planning.

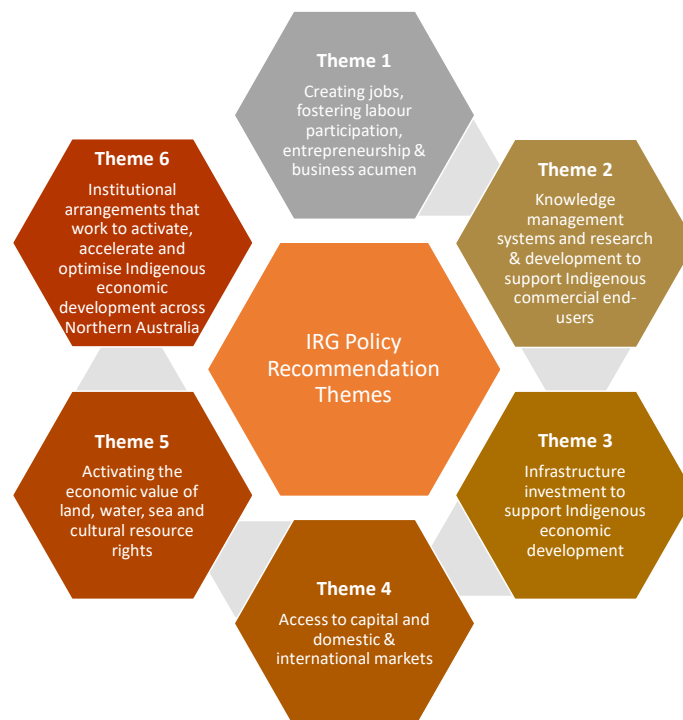


Figure 1 – IRG Policy Recommendation Themes

Northern Australia Indigenous Economic Development Accord

Ongoing refinement and implementation of the IRG Policy Recommendations is underpinned by the Northern Australian Indigenous Economic Development Accord. Announced in December 2019, the Northern Australian Indigenous Economic Development Accord is an agreement between the Commonwealth, Western Australian, Northern Territory and Queensland Governments to work with the IRG to continue to refine and implement IRG Policy Recommendations that have been endorsed by the MFND.

Northern Australia Indigenous Enterprise and Employment Hub Network and Economic Development Body

Northern Australia Indigenous Enterprise and Employment Hub Network

Discrete local regional Indigenous economies across Northern Australia are highly heterogeneous in terms of natural resources, aspirations, capability and capacity, markets and governance structures.

As outlined in Exhibit 1, fundamental to the successful implementation of many of the IRG Policy Recommendations is the implementation of a network of Indigenous Enterprise and Employment Hubs across discrete regional Indigenous economies in Northern Australia (Recommendation 3). Progressively deployed in locations such as Alice Springs, Broome/West Kimberley, Cairns, Cape York, Darwin, Groote Eylandt, Karratha, Kununurra, Mackay, Mount Isa, Nhulunbuy, Rockhampton, Townsville and Torres Strait and based on regional Indigenous economic development policy world-best practice principles, these Hubs will perform the following functions:

- Develop a deep understanding of the local Indigenous economy, including its natural resources, aspirations, capability and capacity and current and potential markets, as well as the specific support needs of the Indigenous enterprises (in whatever form) and workforce needs of that economy;
- Work with local enterprises to develop and package a tailored support program drawing not only from the 80 or more existing government programs, but from the NFP, NGO and private sector;
- Provide access for local enterprises to external factor markets and markets for their products and services, as well as aligned sources of capital and knowledge and data products to assist with decision-making;
- Work with the local actual and aspiring Indigenous workforce to identify employment opportunities and career pathways and deliver tailored support from the national support program landscape; and
- Promote the local Indigenous economy to the local community and externally.

Individual Hubs will be established in collaboration with the local Indigenous economy and have accountability to that local economy through a local reference group. They will report to and be resourced by the proposed Northern Australian Indigenous Economic Development Body (see below). The proposed Hub network is currently the subject of a co-design process with the Northern Australian jurisdictions and other key stakeholders.

Northern Australian Indigenous Economic Development Body

In addition to the IRG Policy Recommendations summarised in Exhibit 1 and on the recommendation of the IRG, the IRG has been tasked by the MFND to work with the Commonwealth, Western Australian, Northern Territory and Queensland Governments, Northern Australian Indigenous leadership and other key stakeholders to co-design a Northern Australian Indigenous Economic Development Body (NAIEDB).

Under its current design the NAIEDB will differ substantially to other Indigenous economic development institutions in both structure and culture. It will be a company limited by guarantee with a single administrative shareholder and funded (at least initially) by an 'arms-length' financial assistance agreement with governments and potentially other investors, with a view to progressively becoming less dependent on Government financial support. The majority of its board will be comprised of Indigenous Northern Australians and while input to board appointments will be sought from key actors in the Northern Australian Indigenous economy, board appointments will be made on a relevant expertise, rather than representative basis. Its organisational structure will be 'flat' and based on a small, highly capable team.

The NAIEDB will perform four core functions that are not and cannot be performed by any existing organisation in the Northern Australian Indigenous economic development institutional landscape:

1. **Coordination and resourcing of the Northern Australian Indigenous Enterprise and Employment Hub Network (IRG Policy Recommendation 3)** – the NAIEDB will work with individual Enterprise and Employment Hubs to ensure that they have access to national government, NFP, NGO and private sector resources, factor markets, markets for products and services, capital markets and sources of knowledge and data to allow the Hubs to assemble and facilitate the delivery of tailored support programs.
2. **Custodian and prosecution of the Northern Australian Indigenous Commercial Research Roadmap (IRG Policy Recommendation 6)** – using the Roadmap as a guide, the NAIEDB will identify and assemble existing knowledge and data, commission research to address identified knowledge and data gaps and develop and deliver through the Hub Network tailored knowledge products and decision-support tools that Indigenous investors, entrepreneurs and business managers can use to identify and assess opportunities, prepare business cases and manage risk.
3. **Work with the leadership across the Northern Australian Indigenous economy to develop policy options for fiscal and regulatory reform pertaining to the Northern Australian Indigenous economy in areas of common interest that is evidence-based and informed by global best practice (IRG Policy Recommendation 16)** – optimal activation and growth of the Northern Australia Indigenous economy will require reform in significant policy and legislative areas such as native title, water rights, intellectual property rights, taxation and so on. This function is in no way intended to undermine the rights of individual actors in the Northern Australian Indigenous economy to formulate policy, but rather to bring stakeholders (PBCs, Land Councils, Indigenous businesses etc.) together to identify, research, deliberate and agree on broad policy frameworks that address common issues in these ‘bigger-picture’ policy areas.
4. **Through a partnership model advocate for policy reform that pertains to the Northern Australian Indigenous economy in the Northern Australian Agenda** – despite being one of six pillars of the Northern Agenda, *Indigenous Business and Enterprise* does not have institutional representation in its development and prosecution. Rather, its representation is comprised of around 150 PBCs, 10 Land Councils, 1,300 privately owned Indigenous businesses and a plethora of other Indigenous organisations. The NAIEDB will seek to represent the Northern Australian Indigenous economy on agreed common issues and through a partnership approach, seek to have government and industry adopt agreed policy and initiatives that serve the common good of the Northern Australian Indigenous economy. Again, this does not undermine the right or ability of individual actors to advocate on issues.

The proposed NAIEDB is currently the subject of a co-design process with the Northern Australian jurisdictions and other key stakeholders.

IRG Capital Access Framework

Through its work, the IRG has identified that access to private capital for Indigenous enterprise, and self-generated revenue for communally owned vehicles (such as PBCs, Land Councils and other Indigenous community organisations), presents a significant obstacle to the accelerated growth of the Northern Australian Indigenous economy.

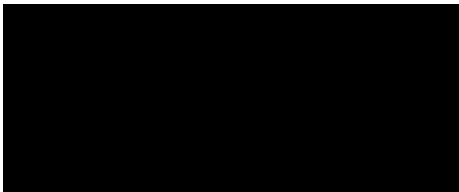
The IRG has undertaken an extensive review of frameworks used in international jurisdictions to increase private investment in Indigenous ‘governance-like’ organisations and enterprise, and to increase private investment in sectors that have been deemed desirable from a public policy perspective. From this analysis, the IRG has focused on nuancing:

- A framework used in Canada to allow First Nation Groups to issue bonds against future incomes for the purposes of increasing the self-financing of PBCs, Land Councils and other such organisations across Northern Australia; as well as
- A framework that was used by the Australian Government to lower private sector hurdle rates in venture capital style investments to attract private equity investment in Indigenous enterprises in Northern Australia.

This work is at a relatively early stage of analysis, with the IRG currently ramping up its engagement with the jurisdictions, industry and investment markets to further explore and validate models. Any specific capital access recommendations will be subject to the same co-design process as the proposed NAIEDB and EEH Network.

I trust that this correspondence provides greater clarity on the matters raised by the JSCNA on 7 February 2020 and the IRG's offer to provide further, more detailed briefings to the JSCNA obviously remains open to be used at your convenience.

Yours faithfully,



Peter Yu
Chair
Indigenous Reference Group to the Ministerial Forum on Northern Development

Exhibit 1 – Summary of the IRG Policy Recommendations Endorsed for Implementation Planning

Theme 1: Creating jobs, fostering labour participation and business acumen	
Rec. 1	Consistent Indigenous training and employment targets Infrastructure projects, public sector and corporate sector to include consistent and agreed Indigenous training and employment targets specific to a region and sector of Northern Australia, with these targets published in Regional Workforce Plans the subject of Recommendation 2.
Rec. 2	Published Regional Workforce Plans Published Workforce Development Plans for key sectors and regions of Northern Australia that identify current and future job opportunities, skills and capacity gaps with respect to those opportunities, align local training and education with those opportunities and present Indigenous training and employment targets for the sector and region.
Rec. 3	Northern Australia Indigenous Enterprise & Employment Hub Network Develop a network of Indigenous Enterprise and Employment hubs across key local Indigenous economies in Northern Australia that develop a deep understanding of the local Indigenous economy, its enterprises and workforce and coordinate and help deliver tailored enterprise and employment support programs to those local Northern Indigenous economies.
Rec. 4	Scholarships to address skills gaps Ensure that government supported secondary and tertiary scholarship programs (through the spectrum) allocate portions of funding to target uptake by Northern Australia Indigenous students, particularly to source education and training that is aligned with the Workforce Development Plans that are the subject of Recommendation 2.
Theme 2: Knowledge management systems and research and development to support Indigenous commercial end-users	
Rec. 5	Indigenous access to data and knowledge Improve access to government research and development for Indigenous end-users to support commercial decision-making and better connect Indigenous communities and economies to the framing of relevant research questions.
Rec. 6	A Northern Australia Indigenous Commercial Research Roadmap Develop an end-user driven plan that identifies the knowledge priorities of Indigenous investors, business managers and entrepreneurs across Northern Australia as a resource for aggregating existing data and knowledge, commissioning research to address identified knowledge gaps and developing appropriate decision-support tools and knowledge products for Northern Australian Indigenous investors, entrepreneurs and business managers so that they can better assess opportunities, develop business cases and manage risk.
Theme 3: Infrastructure investment to support Indigenous economic development	
Rec. 7	Indigenous participation in infrastructure planning Develop a Northern Australian Indigenous Infrastructure Priorities Plan and engage Northern Australian Indigenous interests in the earliest stages of infrastructure planning to ensure opportunities to address Indigenous infrastructure priorities are optimally materialised.
Rec. 8	Improved outcomes from planned infrastructure investment for Indigenous workers and enterprise Publish details of a planned Northern Australian infrastructure pipeline including identification of Indigenous procurement and employment opportunities associated with the construction and operation of specific infrastructure projects.
Rec. 9	Appropriate funding for Indigenous infrastructure requirements Reform the Northern Australia Infrastructure Facility (NAIF) to render it more accessible for Indigenous infrastructure projects and develop programs that are more suited to financing Indigenous infrastructure across Northern Australian that can complement the NAIF.
Theme 4: Access to capital and domestic and international markets	
Rec. 10	Better linkages to the right markets for Indigenous businesses The Northern Australian Indigenous Enterprise and Employment Hub Network that is the subject of Recommendation 3 will facilitate dramatically improved ‘investment ready’ services and matching of individual Indigenous enterprises to aligned sources of capital, as well as facilitate improved access to factor markets and markets for the products and services of those enterprises.
Rec. 11	Re-tasking of legislated Indigenous economic development instrumentalities with respect to Northern Australia Seek to modify the mandates of Indigenous Business Australia and the Indigenous Land and Sea Corporation, to allow a greater focus on the investment and business support needs of the Northern Australian Indigenous economy.
Rec. 12	Northern Australia Indigenous business export program Work with Austrade to develop an understanding of the export support needs of Indigenous businesses and agree an approach to providing the support required to allow Northern Australian Indigenous businesses to penetrate and grow international markets for their products and services.
Theme 5: Activating the economic value of land, water, sea and cultural resource rights	
Rec. 13	Platform for commercialisation of Indigenous asset rights The Northern Australian Indigenous Enterprise and Employment Hub Network that is the subject of Recommendation 3 will ensure that Indigenous land, water and intellectual property right holders across Northern Australia have access to data and knowledge and business support services that allow them to develop a deep understanding of the economic potential of those assets and develop plans to appropriate economic value from those assets.
Rec. 14	Indigenous natural resource management planning and capability building Provide assistance to Indigenous communities across Northern Australia to build the capacity to develop regional land use and development plans similar to those used by governments as ‘blueprints’ for the development of land resources.

Theme 6: Institutional arrangements that work to activate, accelerate and optimise Indigenous economic development across Northern Australia	
Rec. 15	Place-based approaches to Indigenous economic development institutional settings Support that is co-designed with and focused on the needs of localised regional Indigenous economies delivered through the Northern Australian Indigenous Enterprise and Employment Hub Network, potentially in association with a Regional Collaboration Deals
Rec. 16	Fiscal and regulatory reform that facilitates accelerated development of the Northern Australian Indigenous economy Exploration of fiscal and regulatory reform options for the purposes of accelerating Indigenous economic development.