

A black and white profile photograph of an Indigenous Australian man, looking towards the right. The image is partially obscured by text boxes and decorative elements.

Linking Indigenous Communities with Regional Development in Australia

Policy Highlights

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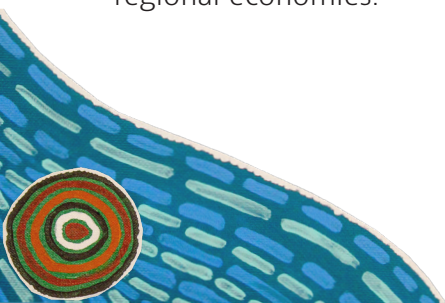
There are approximately 800,000 Indigenous Australians, which is 3.3% of Australia's total population. Scientific evidence suggests that mainland Australia was first settled by Indigenous peoples approximately 65,000 years ago. The intimate relationships between spirituality, livelihoods, kinship, and place are central to understanding Indigenous Australians. It is the world's oldest continuous living culture and Aboriginal and Torres Strait Islander peoples make a vital contribution to contemporary Australian society. Indigenous Australians are also important for the future of the national economy. For example, the amount of land with Indigenous ownership and interest now covers approximately half of Australia's land mass.

Indigenous Australians play an important role in the development of regional economies. Compared to the non-Indigenous population, Indigenous peoples are more likely to be located in predominantly rural regions (48% compared to 17% for the non-Indigenous population). As such, they are relatively more important to rural economies in terms of labour supply and consumption, and play a key role in unlocking the growth potential of regional economies.

In recent decades, there has been significant Indigenous innovation and entrepreneurship with business growth in areas such as construction, tourism, environmental services, and arts and culture. However, significant gaps in socio-economic outcomes compared to non-Indigenous Australians remain. These gaps are larger in rural regions.

This study, undertaken prior to the COVID-19 pandemic, provides recommendations to the Australian Government about how to improve economic development outcomes for Indigenous peoples at a local and regional level around three pillars:

1. Developing statistical frameworks and data governance for Indigenous well-being;
2. Creating an enabling environment for Indigenous entrepreneurs and small business;
3. Implementing a place-based approach to economic development that empowers Indigenous Australians.



1. Indigenous well-being, statistical frameworks and data governance

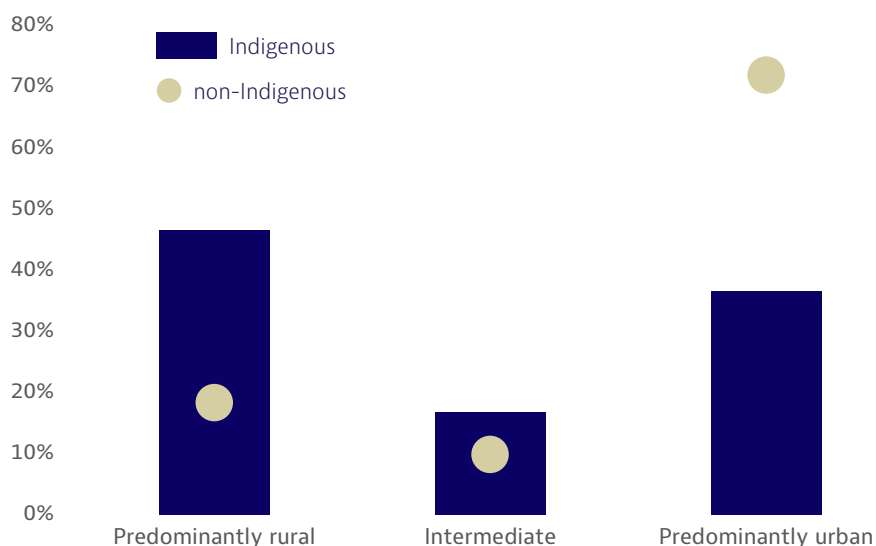
1.1 Australia's Indigenous population is characterised by its relative growth, youth, and concentration in rural areas as well their connection to land and traditional knowledge that gives rise to competitive businesses and has significant growth potential

Place is a key organising feature of Australia's Indigenous economy. Kinship relations of different First Nations stretch back millennia and emphasise spiritual connections to distinct lands. Australian Indigenous policies up to the late 1960s were characterised by dispossession and assimilation. Often, this resulted in the disruption and loss of traditional territories, dependency upon religious and state institutions, and barriers to economic participation.

Since the 1970s, Australian Indigenous peoples have had their rights recognised, which for some includes land and rights to development. Today, Indigenous Australians are developing competitive and innovative businesses that range from mining and construction, tourism, renewable energy, ecosystem services, arts and creative industries. In many cases, traditional knowledge (an evolving system of knowledge and practices developed over millennia) is a fundamental component to these business ideas. Australia's Indigenous population is younger than the non-Indigenous population with a median age of 23 compared to 38. Indigenous peoples are also more likely to live in rural regions compared to the non-Indigenous population. Over time, the population is becoming more urbanised.

Figure 1. Population distribution by type of region, 2016

Population growth rates 2001-2019 in small OECD regions



Note: Based on the OECD Territorial Classification.

Source: Calculations based on data drawn from ABS Census of Population and Housing, 2016, TableBuilder for Australia.

1.2 There are significant well-being inequalities between Indigenous and non-Indigenous Australians - these gaps are larger in rural regions

At national level, inequalities between Indigenous and non-Indigenous populations manifest themselves across far too many indicators - for example, the gap in upper secondary school attainment for 25-64 year olds is 40 percentage points (pp) between the Indigenous and non-Indigenous population and the gap in life expectancy is 10 years. There is significant variation at the State and Territory level. The largest gaps are evident in the States and Territories that are

resource based and have lower population densities (Queensland, the Northern Territory and Western Australia). Unemployment for instance varies from 9% (Australian Capital Territory) to 27% (Northern Territory). These results are similar to the employment rate. Indigenous Peoples in predominantly rural regions have the most disadvantage position across multiple indicators. For example, the unemployment rate of Indigenous Peoples in predominantly rural regions is 6 pp higher than in predominantly urban regions, and upper secondary school education attainment of 25-64 years olds between urban and rural Indigenous Peoples is 16 pp lower in rural populations.

Table 1. Gaps in well-being indicators, Indigenous and non-Indigenous population, by type of region, 2016

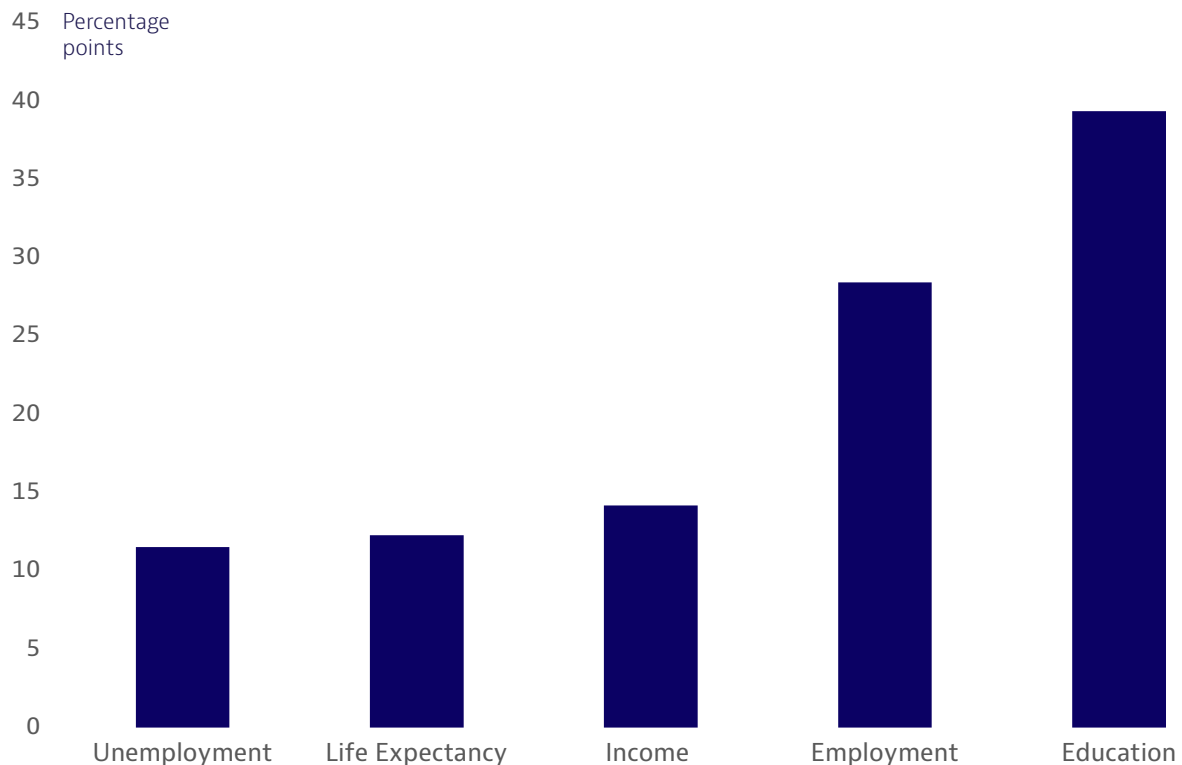
	Urban	Intermediate	Rural
Employment rate gap	-20	-27	-32
Unemployment rate gap	8	12	15
Self-employment rate gap	-6	-9	-10
Educational attainment	-31	-31	-31
Household internet access	-5	-9	-11

Note: Percentage point difference between Indigenous and non-Indigenous outcomes.

Source: Calculations based on data drawn from ABS Census of Population and Housing, 2016, Table Builder for Australia.

Figure 2. Gaps in selected well-being indicators between Indigenous and non-Indigenous peoples at the national level, 2016

Absolute values



Note: The gap in life expectancy represents the gap between the life expectancy of Indigenous peoples and non-Indigenous peoples relative to the life expectancy of non-Indigenous peoples. The gap in income is defined as the difference between median weekly earnings of Indigenous and non-Indigenous peoples relative to median weekly earnings of non-Indigenous peoples.

Source: Calculations based on data received from the ABS.

1.3 Statistical frameworks have advanced – but the inclusion of Indigenous values and perspectives, and the empowerment of Indigenous groups to collect and use data needs to become priority

Despite progressive improvements in data collection about Indigenous peoples, gaps remain and inclusion of Indigenous values and perspectives needs to be improved.

Indigenous geographies (based on First Nation territories) are not part of the territorial classification, which reflects how government agencies (rather than Indigenous Australians) are primarily driving the framing and organisation of statistics. The main mechanism for communicating Indigenous well-being outcomes in Australia is the “Closing the Gap” framework. The design and organisation of these statistics is driven by government agencies, which is reflected in lacking statistical products for local Indigenous communities and missing survey instruments to collect sufficiently disaggregated data about issues that matter for Indigenous peoples (e.g. traditional knowledge). Further, research is heavily weighted to health and social issues, and in comparison, evidence about Indigenous business and economic development issues, is lacking. In addition, there are inconsistencies and gaps related to data about Indigenous businesses across governments, not for profit and private sectors because there is no common definition for Indigenous business. This makes it difficult to make accurate and comparable statements about the size, composition and trends in this sector.

Mechanisms to include Indigenous Australians in the governance of data are focused on government agencies and miss to empower local Indigenous institutions. Indigenous representatives have an advisory capacity in the creation and dissemination of statistics

by the Australian Bureau of Statistics (ABS). The ABS also employs Indigenous engagement officers, and adapts collection methods for remote areas. Efforts to implement reforms recognise the need to better link existing datasets to improve coverage. However, the implementation of these reforms is not monitored, which depend upon co-operation among the Commonwealth, States and Territories. Support to empower local Indigenous institutions to collect data and use it to inform community decision-making is generally lacking. This includes Indigenous-specific data governance models, and the availability of funding and technical support to build data collection and analytical capabilities.

Selected recommendations for improving statistical frameworks and data governance 1.4

National Indigenous statistical frameworks and tools can be improved by:

- Introducing a consistent Indigenous business identifier that acknowledges the stage of maturity of the Australian Indigenous business sector, into the Australian business registry system, the tax office, and business surveys undertaken by the ABS.
- Increasing the frequency of the National Aboriginal and Torres Strait Islander Social Survey (NATSISS) from six to every four years to provide more timely data about Indigenous populations. Alternatively, consider re-aligning the ABS survey model to streamline NATSISS and the six yearly NATSIHS (National Aboriginal and Torres Strait Islander Health Survey) sample and questionnaire content into a more regular single survey.

- Working with Indigenous organisations and community representatives to develop indicators and data by remoteness category related to subsistence, access and use of traditional lands and waters, and internet access and use (potentially by increasing the scope of NATSISS).
- Ensuring that the monitoring of progress through “Closing the Gap” includes disaggregated analysis and reporting by remoteness category, and compares progress across different types of regions.
- Working with Indigenous organisations and community representatives to develop pilots on statistical reporting based on the traditional boundaries of language and social groups.
- agreements, data sharing protocols) to enable the sharing of data between service providers and Aboriginal organisations (e.g. to support collaborative initiatives such as Empowered Communities).
- Embedding data and analytical capacities into the National Indigenous Australians Agency (NIAA) regional network to provide support communities to utilise data in planning and decision-making.
- Ensuring the monitoring reports on the Partnership Agreement on “Closing the Gap” include a component on progress in improving Indigenous statistical frameworks, addressing data linkage issues, and supporting Indigenous data sovereignty.

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

- Developing an online platform for local Indigenous communities to disseminate data tools, build capacity, and share lessons and good practices.
- Providing seed funding for Indigenous-led data projects and development of local indicators, data analytics and GIS capabilities.

Strengthening Indigenous data governance by:

- Supporting Indigenous-led institutions to develop data governance models, research ethics guidelines, and protocols for data use and sharing.
- Removing administrative barriers (through changing procurement rules, service

2. Creating an enabling environment for Indigenous entrepreneurs and small business

2.1 Indigenous entrepreneurship and business development is critical to self-determination and unlocking the potential of regional economies – geography shapes opportunities

Entrepreneurship presents Indigenous peoples with the opportunity to use assets and resources in ways that align with their objectives for development, build wealth and create jobs. It can support self-determination and reduce dependency relationships. Typical market failures, such as asymmetric information and the inefficient allocation of credit, are often more pronounced in the Indigenous small business sector. This can be due to the regulatory and administrative arrangements governing Indigenous lands, discrimination and poor credit histories. Geography is an important factor in shaping the economic development opportunities available to Indigenous communities. Development opportunities and challenges differ whether firms are located in a metropolitan region, rural regions close to cities, or in rural remote regions. Cities offer a greater diversity of opportunities due to the scale and density of economic activity. In contrast, rural regions have thin markets, lower levels of human capital, and often depend upon specialising in tradeable activities.

Land tenure arrangements shape trajectories of Indigenous business and economic development. A key characteristic of the

Indigenous economy is legal rights over the use of land, water and sub-surface resources. Over the past 50 years, the amount of land with Indigenous ownership and interests has increased significantly in Australia. In 2017, 48.5% of Australia's land mass had some form of Indigenous rights, and a further 28.1% was subject to claimant application for Native Title. Current arrangements for managing and regulating Indigenous lands create barriers to economic development, including complex and lengthy procedures, dependency on multiple local, state and Commonwealth agencies, weak links with local municipalities, and lack of authority and capacity to map land and identify areas for development potential. Overall, local Indigenous institutions lack effective control of land.

Indigenous communities value development outcomes that strengthen cultural well-being and this is driven by local innovation 2.2

The analysis of Indigenous economic development includes six diverse places and their communities. These range from remote places with limited resources and amenities over remote places with abundant resources and amenities to those close to cities and in metropolitan regions. Many communities strive to join economic development with the strengthening of connections to country and culture. In rural remote areas with large Indigenous populations the development

context is shaped by traditional hunting, fishing and food gathering, cultural obligations, and sharing resources amongst kinship groups. These communities have also developed opportunities linked to the primary sector and tourism. Local Indigenous leaders and institutions have played a key role in activating these opportunities.

Developing local Indigenous economies is a complex task that requires strong local institutions and flexibility from governments.

Effective local Indigenous-led development institutions are needed to provide leadership, facilitate development priorities, build evidence through data, coordinate investment, and operate community businesses.

Local Indigenous institutions (Aboriginal Corporations, Land Councils, and Prescribed Body Corporates (PBCs)) take on these roles, but generally do not have the skills and resources needed to do this in a sustainable way. Government policy frameworks and decision-making across levels of government lacks a vision for Indigenous economic development based on strengthening culture and connections to country. Policy settings related to Indigenous economic development tend to focus on public procurement and industrial development opportunities.

Engagement with local governments and Regional Development Australia (RDA) Committees are absent or weak.

2.3 Although policy frameworks are advancing, more efforts are needed to recognise the unique strengths of Indigenous economies and the importance of community economic development.

All Australian Governments have made significant progress in policy frameworks to support Indigenous economic participation, but challenges remain. The focus has shifted

from reforming employment services towards increasing demand for Indigenous business through preferential procurement. The Australian Government's 2018 Indigenous Business Sector Strategy identified measures to improve access for individual entrepreneurs and business owners to finance and business support services. Despite this, there are still a number of weaknesses in the policy framework that need addressing, including: failing to include Indigenous perspectives about development; unclear roles and responsibilities between different levels of government; a failure to integrate Indigenous priorities in land use regulation and administration, and; a lack of support for local Indigenous institutions leading in community economic development. There is an opportunity to improve the policy framework and address these gaps as part of the implementation agreement of the Joint Council on the "Closing the Gap" report.

In terms of programme delivery and implementation, gaps in supply-side support need to be addressed, along with making it easier for entrepreneurs, business owners and local institutions to navigate the existing support

2.4

The Australian Government's Indigenous Procurement Policy has generated impressive results, and there are opportunities to strengthen this initiative.

In 2015, the Australian Government set a target of 3% of the total value of public procurement to Indigenous businesses by 2019-2020. It also has mandated set-asides in remote areas to incentivise Indigenous participation, and minimum Indigenous content requirements on public procurement contracts. This policy has increased the value of contracts awarded to Indigenous businesses increased from AUD 6 million to over AUD 1 billion in three years.

Additionally support is provided in terms of concessional loans and performance bonds as inadequate capital and assets prevented participation in public works. The Australian Government also supports registration and matching through Supply Nation, a non-profit entity. As this market matures, better support is needed to support firms at key transition points. Improved market efficiencies can happen by simplifying in preferential procurement rules and coordinating public investment between levels of government.

In remote regions, there are a number of specific programme and implementation challenges. Preferential procurement policies are less effective in low-density economies because of thin markets. Other types of policy interventions, such as reforms to Indigenous land tenure and building the capacity of local institutions to promote community economic development, can improve this. The Australian Government's Community Development Programme (CDP) is the service for job seekers in remote areas, to which a business incubator pilot was recently introduced. However, this will not succeed without a local entrepreneurial and business eco-system to support it, and these different elements are external to the programme (e.g. physical premises, mentors, and financial intermediation). This approach also needs to recognise the different forms of entrepreneurship (not for profit and linked with traditional knowledge and cultural obligations). Finally, primary sectors in remote areas (mining and resources, farming, and fisheries and aquaculture) are capital intensive, and Indigenous groups tend to lack the capital to participate as equity partners. This reduces incentives for economic development and the opportunities for Indigenous Australians to benefit from it.

Indigenous entrepreneurs, business owners and communities face complexities in accessing existing programs and services. Indigenous communities and entrepreneurs struggle to navigate the range of business support available. Often this results from programmes and services being delivered by different intermediaries (Commonwealth and State agencies, local government, and not for profit entities) that do not have strong relationships with Indigenous communities, or consistent presence in some places. Importantly, many of these institutions are not Indigenous-led or owned, which means economic development capabilities are not necessarily developed within communities.

Selected recommendations for creating an enabling environment for Indigenous entrepreneurs and small business

2.5

Ensure that the Joint Council on "Closing the Gap" Framework and associated implementation arrangements include the following:

- Inclusion of Indigenous values and perspectives about development, and the unique economic contribution and strengths of Indigenous Australians.
- Integration of the broad range of policies 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 differences across territories.

- Alignment of policy outcomes across levels of government and sectors, clarification of roles and responsibilities across different levels of government (including local government).
- Ensuring that evaluation frameworks disaggregate outcomes across different types of regions.

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).
- Providing more effective support for entrepreneurs and small businesses to participate in public procurement (e.g. pre-establishment and establishment phases to access finance, insurance and required certifications, cash flow management, business strategy).

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

- Prioritising implementation of recommendations identified in the 2014 investigation by COAG on Indigenous land administration reform and use allowing traditional owners to generate economic development opportunities (within the framework of the Joint Council).
- Strengthening the Remote Indigenous Business Incubation model, by ensuring this pilot has the elements in place to support entrepreneurial ecosystem.

- Increasing strategic planning, capacity building and economic development support for local Indigenous institutions.

Consider support for the establishment of **Indigenous-owned local financial institutions**, including:

- An initial capital injection from government and ongoing funding to cover a proportion of operational costs.
- Developing partnerships with mainstream financial institution and philanthropic foundations to increase the potential pool of capital available to Indigenous financial institutions.



3. Implementing a place-based approach to economic development that empowers Indigenous Australians

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

Local Indigenous institutions are the foundation of this place-based approach, however; capability gaps reduce their effectiveness. There are a multiplicity of local Indigenous institutions across Australia. These include Indigenous municipalities, Indigenous corporations and co-operatives, and PBCs. Local institutions are important for community economic development because they facilitate negotiation and dialogue and activate development processes. Often, local Indigenous institutions are unable to fulfil these functions because they lack own source revenues, have restricted mandates, and do not have the right mix of skills and capabilities. Capability gaps include leadership, community planning, technical skills (e.g. finance and legal), and business and commercial skills. Current capacity building support is insufficient to address critical gaps.

Strengthening the ecosystem that supports these local institutions will enable them to take a leadership role in economic and community development. Currently, capacity-building programmes target individual institutions while economic development programmes focus on individual firms. More consideration needs to be given to

strengthening co-development institutions required for community economic development. These intermediaries include regional advisory services (that can provide technical assistance and policy advice), Indigenous research institutions (that can build a body of knowledge, produce data, and promote knowledge-exchange), and community brokers (who can coordinate and build linkages to access resources). Governments at all levels need to consider how they can use policy, grant funding, coordination, facilitation, and service design to strengthen this eco-system.

Government needs to facilitate economies of scale and shared decision-making for local Indigenous institutions 3.2

Local Indigenous institutions also require mechanisms that strengthen regional partnerships to build scale, access ideas and resources, and mobilise investment opportunities. Frequently, local Indigenous institutions do not have the scale or scope to address complex economic development issues. Furthermore, connections with institutions that shape local and regional development policies are lacking. This results in inconsistent links with:

- Local governments with responsibilities in areas such as community planning, local economic development, local

infrastructure, and service provision (noting these operate under different States and Territory legislative frameworks).

- The Australian Governments RDA Committees that undertake regional strategic planning, identify and facilitate projects, disseminate information about government programmes, and inform government of regional priorities.

The Regional Network of the National Indigenous Australians Agency (NIAA) has the potential to play a stronger role in implementing a place-based approach.

The NIAA is shifting towards a more place-based approach focussed on working with local communities to identify opportunities and bottlenecks, and coordinating within government, private and philanthropic sectors to address them. Yet, the staff in the regional network do not have sufficient capability and tools – such as entrepreneurial skills, community planning frameworks, and budget flexibility – to implement this place-based approach and adjust for diversity of conditions across Australia's First Nations.

A place-based approach requires governments to facilitate opportunities for meaningful participation, coordinating and aligning policies, and investments at the local level.

Without a formal representative institution of Indigenous Australians, the quality of engagement and consultation with them is inconsistent across Commonwealth departments and agencies, and between levels of government. Over the last two decades, there have been many changes to organisational structures in Indigenous Affairs. The institutional landscape at a local level is complex and small scale with ad-hoc and inconsistent support. The Joint Council on

"Closing the Gap" provides an opportunity to develop a more coherent and comprehensive national policy framework for Indigenous economic development, which can be used as a basis to better coordinate action at the local level and shift to a longer-term funding approach.

Selected recommendations for implementing a place-based approach to economic development that empowers Indigenous Australians 3.3

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

- Consolidating existing funding support for institutional capacity building into a single programme (alongside the other 5 themes of the Indigenous Advancement Strategy).
- Increase funding to address capability gaps and re-focus support on strengthening institutional capacities that address these gaps (leadership, technical skills e.g. finance and legal, and business and commercial skills) at critical points in the lifecycle (e.g. pre-establishment of PBCs).
- Expand the range of institutional capacity building activities including support for community planning, business case development, and local area data.
- Strengthen the role of Indigenous-led third party organisations in delivering programs including support to develop guidance, share good practices and lessons, and coordinate local efforts.

Build scale in Indigenous community and economic development by:

- Working with local governments on developing good practice guidance, tools, and leading practices on the role of local government in Indigenous community and economic development.
- Consider adding Indigenous economic and community development to the RDA Charter, and sharing best practices on how RDAs work with Indigenous communities.
- Including regional scale collaboration as a criteria in relevant programme streams of the Indigenous Advancement Strategy.
- The NIAA taking a whole of government leadership role in monitoring consultation, promoting best practices, and delivering training and guidance.
- Establishing a model for shared local decision-making through the Joint Council on “Closing the Gap” that enables agreements on local area outcomes and pooling of budgets between levels of government to support Indigenous community and economic development.

Embed a place-based approach in the operational model of the NIAA regional network by:

- Re-scoping roles, training and mentoring to develop entrepreneurial skills and capabilities for staff (i.e. Community development, stakeholder engagement, data analytics and business support)
- Delivering guidance, tools and material to support community planning for Indigenous groups, and providing resources and expertise for Indigenous organisations to develop and use data.

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

- Developing a common framework and good practices for consultation across Australian Government departments and agencies.

About the OECD

The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

About the Centre for Entrepreneurship, SMEs, Regions and Cities

The Centre helps local, regional and national governments unleash the potential of entrepreneurs and small and medium-sized enterprises, promote inclusive and sustainable regions and cities, boost local job creation and implement sound tourism policies.

About this Policy Highlights

This booklet reproduces highlights from the *Linking Indigenous Communities with Regional Development in Australia* report. Find out more about the OECD work on regional and rural policy: <http://www.oecd.org/regional/rural-development/>

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