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## **Generating finance for Indigenous development: Economic realities and innovative options**

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## Foreword

This working paper was originally prepared as a contribution to the Reconciliation Australia Banking Workshop in Sydney in May 2002. CAEPR worked closely with Reconciliation Australia on the planning for this workshop, which focused on the delivery of banking and financial services to Indigenous communities. The proceedings of the workshop will be published later this year on CD Rom by Reconciliation Australia. In the meantime, the circulation of this workshop contribution as a CAEPR Working Paper aims to make it readily available to a potentially wider and different audience.

The remaining three papers contributed to the Banking Workshop by CAEPR staff and Centre Associate are also to be published in the Working Paper series on this website. They are

- 'The spatial context of Indigenous service delivery', by John Taylor (CAEPR Working Paper No. 16).
- 'The potential use of tax incentives for Indigenous businesses on Indigenous land' by Owen Stanley (CAEPR Working Paper No. 17).
- 'Banking on Indigenous communities: Issues, options, and Australian and international best practice', by Siobhan McDonnell and Neil Westbury (Reconciliation Australia) (CAEPR Working Paper No. 18).

In September 2002, CAEPR prepared a submission to the Parliamentary Joint Committee on Corporations and Financial Services Inquiry into the Level of Banking and Financial Services in Rural, Regional and Remote Areas of Australia. This submission will be available at the Parliamentary Joint Committee's website <[http://www.aph.gov.au/Senate/committee/corporations\\_ctte/index.htm](http://www.aph.gov.au/Senate/committee/corporations_ctte/index.htm)>. The Inquiry's terms of reference focus on options for making additional banking services available to rural and regional communities; options for expansion of banking facilities through non-traditional channels; the level of service currently available to rural and regional residents; and international experiences and policies designed to enhance and improve the quality of rural banking services.

The publication of CAEPR's inputs to the Banking and Financial Services Workshop address important issues of public policy. Access to consumer and business banking services remains a fundamental precursor to enhanced economic futures for Indigenous communities in today's world. These papers outline some of the fundamental, but diverse, actions that are needed to address the current banking and financial service delivery shortfalls currently experienced by many Indigenous communities and people.

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## Table of Contents

<b>Foreward</b> .....	i
<b>Abbreviations and acronyms</b> .....	iii
<b>Abstract</b> .....	1
<b>Introduction</b> .....	1
<b>A brief policy history</b> .....	2
<b>Some avenues for generating Indigenous finance for development</b> .....	3
The financial asset base .....	3
The Indigenous land base .....	5
Program dollar streams.....	5
The levers: Consent and negotiation rights.....	6
<b>Inhibitors to financing Indigenous economic development</b> .....	7
Economic reality .....	7
Unclear property rights and contested aspirations .....	7
Institutional fragmentation .....	7
Missing financial institutions .....	7
<b>Some ways forward, some propositions</b> .....	8
Indigenous governance for development.....	9
The role for the corporate banking sector .....	9
<b>Conclusion</b> .....	9
<b>Notes</b> .....	10
<b>References</b> .....	10

**Abbreviations and acronyms**

ABA	Aboriginals Benefit Account
ALRA	<i>Aboriginal Land Rights (Northern Territory) Act 1976</i>
AGPS	Australian Government Publishing Service
ANU	The Australian National University
ATSIC	Aboriginal and Torres Strait Islander Commission
BAC	Bawinanga Aboriginal Corporation
DAA	Department of Aboriginal Affairs
CAEPR	Centre for Aboriginal Economic Policy Research
CDEP	Community Development Employment Projects
IBA	Indigenous Business Australia
ILC	Indigenous Land Corporation
NSW	New South Wales
NTA	<i>Native Title Act 1993</i>



## Abstract

This is an exploratory ideas paper that sets out to consider how real development futures might be financed and delivered to Indigenous people, especially those residing in rural and remote regions. These are places where there are limited conventional development opportunities—where development is and is going to be costly—but where demographic projections, cultural imperatives and history indicate Indigenous people will be living in 50 to 100 years time. These are also places where a very high proportion of land is owned by Indigenous people, generally under inalienable title, and often (even if tradable) has a low market value. The issue addressed is how can existing institutions and statutory and non-statutory policy frameworks be used by Indigenous interests to strategically leverage development capital. This issue is especially critical under current circumstances when governments appear reluctant to recognise communal Indigenous rights and interests and market failure, and instead focus increasingly on the individual and the market, in accord with the dominant ideology of development. Simultaneously, there is evidence of a corporate banking retreat from commercially marginal regions. What strategic pressure might Indigenous interests exert to reverse such a trend?

## Introduction

‘Indigenous Australia’ is a diverse analytical concept made up of about 400,000 individuals in very many different social groupings. A fundamental problem in delivering economic development opportunity to this entity is that, while a great range of policy instruments and options are available, resources are invariably inadequate given the extent of the development challenge. Furthermore, the overarching policy framework is fundamentally ‘developmental’ (economic assimilation), without necessarily being appropriate to Indigenous aspirations (when articulated), or sustainable, given the particularities of Indigenous circumstances.

The economic problems of Indigenous Australia are highly variable:

- some are a function of historical legacy—dispossession, exclusion, marginalisation, racism;
- others are a function of a combination of this historical legacy, as well as location and scale; and
- others still are a function of all of the above factors, as well as cultural persistence and resistance of robust customary institutions poorly adapted to economic development (in a market sense).

Discerning the relative role of access to finance in delivering economic development opportunities to Indigenous Australia is a complex task given this diversity. Furthermore, as with policy frameworks, the mainstream financial system is predicated on the currently dominant neo-liberal ideology of development. This ideology is not necessarily shared by Indigenous people, many of whom understand the trade-offs between their social capital and the mainstream’s are a lot better than many policy makers and politicians—white and black—wish to acknowledge. At times there is opposition to development.

Other highly generalised background factors further complicate an assessment of the role of business finance in the delivery of Indigenous economic development. Most of these can be viewed as countervailing trends. I note just five of relevance to the issues raised in this paper:

- With enhanced globalisation there is some evidence of a growing geographic duality: prospering commercial centres along the southeast seaboard and an economically declining regional and remote hinterland (see Gray & Lawrence 2001). Indigenous Australians are disproportionately represented in the latter (Taylor 2002).

- Globalisation is assumed to result in economic and cultural acquiescence to the market, but there is evidence of Indigenous cultural resistance and persistence, especially in remote regions.<sup>1</sup>
- Globalisation is creating a tension in the corporate sector between the prerogative of short-term competitiveness and profitability versus longer-term strategic and global competitive advantage.
- A growth in the Indigenous land base in the underdeveloped hinterland, based on land rights and native title (see Pollack 2001), that deliver customary use rights, but not exclusive property rights in commercially valuable resources. Meanwhile, Indigenous population and residence on the Indigenous estate is likely to grow.
- There is a growing distinction between the expanding 'new' economy based on high tech innovation and the stagnating 'old' economy based on resource exploitation. Government industry support and concessions by States and Territories are oriented to the former, based on the principle of supporting innovation. Indigenous market engagements are currently perceived to be with the latter, but may in fact be in missing or future markets and deserving of support on the basis of market failure.

## **A brief policy history**

It is probably unnecessary to extend Aboriginal affairs policy history further back than 1972, arguably the start of the modern policy era. The fundamental economic policy framework over the past 30 years has been based on a somewhat old-fashioned view of economics—Indigenous economic disadvantage will be eliminated or ameliorated in one of two broad ways:

- (a) socioeconomic backlogs will be addressed by additional doses of services, which have never been adequately delivered, and/or
- (b) economic development opportunities will be provided by restitution of factor endowments, mainly land and capital, with human capital (education) being part of (a).

This broad two-pronged approach was comprehensively articulated in the Miller Report on Aboriginal Employment and Training Programs in 1985; incorporated in the Aboriginal Employment Development Policy (1988–93); and subsequently updated in a number of Aboriginal and Torres Strait Islander Commission (ATSIC) documents such as 'Policies and Strategies for Achieving Economic Equality for Indigenous Australians' (1996), 'Pathways to Sustained Economic Development for Aboriginal and Torres Strait Islander Peoples' (1997) and 'Getting on with Business' (1998), as well as in John Herron's 'Removing the Welfare Shackles' (1998a) and 'Beyond Welfare' (1998b).

Many of these policy statements since the early 1980s have articulated an important role for business in generating Indigenous economic development. Sometimes this role was crudely articulated in terms of policy goals of business (that is, self-employment) equality between Indigenous and other Australians.<sup>2</sup> At other times there was a more sophisticated recognition that, in the absence of vibrant labour markets in remote regions, an economic base will need to be established (Miller 1985).

To simplify considerably, these policies generally proposed two types of Indigenous business entity:

- micro business that includes self-employment and family business, and
- micro to small business that is owned, in whole or in part, by an Indigenous corporation, usually in the community sector.

The two entities are not discrete sets and there is clearly considerable overlap between self-employment and enterprise within what is often referred to as the Indigenous community sector. To differentiate though, Indigenous self-employed usually face similar challenges to other Australians in establishing a small business. It is just that for them, historical legacy, and in some situations cultural continuities, make the hurdles far greater. It is the latter form of business enterprise that differs most from mainstream forms. Indigenous corporate



business faces greater challenges precisely because it is located with the Indigenous community sector, a sector that is often poorly socially and spatially defined, and hence contested, and where property rights may be equally murky in definition.

This paper will largely focus on the latter more problematic and complicated form of business development and on issues linked to the provision of capital, grants and loans for Indigenous investment. However, many of the issues raised will also be applicable to self-employment in the Indigenous community sector.

### **Some avenues for generating Indigenous finance for development**

As a group, Indigenous Australians are income and asset poor and face a number of additional disadvantages—low education status, communications problems, relative social and geographic isolation, and a land base that is often communally owned and legally inalienable. Consequently, and not surprisingly, they face problems in gaining access to finance for development. Part of the policy response has been to provide special sources of finance for Indigenous development, although it is arguable whether these special sources in fact outweigh potential mainstream (banking sector) sources. Under such circumstances, it is clearly important that any available levers are used to generate development finance, where economic development is a shared community aspiration. In this section, an effort will be made to briefly outline Indigenous-specific sources of finance, levers that are available to generate special additional finance, and some options for using these levers to engage more creatively with the financial sector.

As already noted, the emphasis here will be on finance for community-based enterprise development. It is assumed, by and large, that development finance will be sought in situations where Indigenous comparative advantage has been identified to generate a commercially viable (not risk-free!) development outcome. The discussion will be embellished, here and there, with brief case study material (boxed) garnered from a personal research engagement with these issues over the past 20 years. While finance opportunity will be highlighted in this section, inhibitors will be discussed in the next.

### **The financial asset base**

Incrementally over the years, and in recognition of the limits of the Indigenous asset (or wealth) base, a number of institutions have been established since the early 1970s to facilitate Indigenous access to finance or to assist in accumulating financial resources for the current and future benefits of Indigenous Australians. The institutions that I describe here are limited to what could be termed the top five, three of which have national constituencies and two that have state/territory jurisdictions:

1. *The Aboriginal and Torres Strait Islander Commission* (ATSIC) is an independent statutory authority with an annual budget (2000–01) exceeding \$1 billion, of which over \$800 million was disbursed in grants. Key financial activities of ATSIC with development implications include its business development and assistance program that approved loans and grants (but made no guarantees) valued at \$37 million in 2000–01; a home ownership program that approved 474 new loans with a value of \$54 million; and the Community Development Employment Projects (CDEP) scheme, with a total cost of \$437 million, and an unspecified part of its \$157 million non-wages component available for capital expenditure. ATSIC also administers the Aboriginal and Torres Strait Islander Land Fund, with a net asset base of \$940 million at 30 June 2001, and the Aboriginals Benefit Account (ABA), with a net equity base of \$58 million (ATSIC 2001).
2. *The Indigenous Land Corporation* (ILC) is an independent statutory authority that was established to acquire and manage land for the economic, environmental, social or cultural benefits of Indigenous people. The ILC received \$52 million in draw-downs from the land fund in 2000–01. Importantly, the ILC has powers to borrow and act as guarantor on loans. The ILC's income stream is assured in perpetuity from draw-downs

from the land fund that will have an asset base exceeding \$1.2 billion by 2005–06 (ILC 2001; see also Altman & Pollack 2001).

3. *Indigenous Business Australia* (IBA) is an independent statutory authority that aims to advance the commercial and economic interests of Indigenous Australians by using its capital assets for their benefit. IBA does not have an annual government appropriation, but has received \$70 million since 1990, with an injection of \$10 million in 1998–99. Typically, the IBA invests in joint ventures but then seeks to divest its share to Indigenous venture participants. The IBA can provide guarantee facilities. At 30 June 2001 IBA had an asset base worth about \$70 million, operating revenue of \$8 million and operating profit of over \$4 million. The IBA was involved in 23 principal investments and also approved a number of loans and guarantee facilities in 2000–01 (IBA 2001).
4. *The Aboriginals Benefit Account* (ABA) is a special account under the *Commonwealth Financial Management and Accountability Act* 1997. The ABA had its origins in the *Aboriginal Land Rights (Northern Territory) Act* 1976 (ALRA) and receives income in the form of statutory royalty equivalents raised from mining operations on Aboriginal land in the Northern Territory. The ABA is administered by ATSIC and its activities are controlled by the federal government and managed by ATSIC. The ABA makes payments to land councils for their administrative expenses and for distribution to incorporated Aboriginal entities in areas affected by mining; and for the benefit of Aboriginal-incorporated entities in the Northern Territory generally. In 2000–01 the ABA made payments of \$9.7 million to entities in areas affected and \$2.1 million in general grants. The net accumulated assets of the ABA of \$58 million are ultimately controlled by the Minister for Aboriginal and Torres Strait Islander Affairs (ABA 2001).
5. *The NSW Statutory Investment Fund* was established by the *Aboriginal Land Rights Act* 1983 (NSW). Between 1983 and 1998, 7.5 per cent of the state land tax was provided to Aboriginal interests. Of \$547 million allocated, \$268 million was placed in a Statutory Investment Fund that earned \$224 million and had a balance of \$492 million at 31 December 1998. The earnings from this fund are allocated to the Aboriginal land council system, but the capital base remains intact. A review on the future of this investment fund was instigated in 1999 and has yet to be completed (NSW Department of Aboriginal Affairs (DAA) 1999).

The sum total of all these available financial resources is not inconsiderable. All these organisations have assets that can be used to facilitate Indigenous business investment and a number have been successful in joint ventures in particular, but also in the purchase and divesting of properties and businesses to Indigenous interests. All of these organisations also face problems, including the following:

- there is no link between resourcing and success
- annual appropriations may be insufficient, so each has to husband resources cautiously and only invest in low-risk ventures
- each organisation has considerable and highly variable objectives and jurisdictions, and options for joint action is limited
- each is subject to restrictions that are ministerially imposed and may make little commercial sense
- it is unclear if their substantial asset base can be fully utilised to back loans or guarantees or to jointly finance ventures with banks, and
- there is some lack of appropriate transparency and communications with potential beneficiaries.

An apparently sound financial proposal in 1998 to consolidate these ‘top’ five institutions to negotiate more effectively with mainstream financial institutions floundered politically, indicating a problem, namely, the fractured nature of the Indigenous commercial leadership, an issue that will be discussed further below (see Herron 1998a).

## The Indigenous land base

Indigenous Australians own between 15 and 18 per cent of Australia, although this land is very inequitably distributed on a State-by-State basis and has highly variable commercial worth (see Pollack 2001). Consequently, options for raising capital from this land are not just circumscribed, but vary enormously. There is a general view that Aboriginal land has limited value as collateral for raising commercial finance, even where this land can be sold, because its generally communal ownership can make sale legally difficult. But there is no doubt that some groups have been able to use their land ownership to negotiate income-generating joint venture agreements.

The Bawinanga Aboriginal Corporation (BAC), a regional outstation resource agency and development corporation in central Arnhem Land, has one joint venture, Bawinanga Safaris, and one leased sports fishing venture. In each venture BAC has made investments in fixed assets while the non-Indigenous partner has invested heavily in movable assets, in generating industry goodwill, and in managing and operating the businesses. The former venture provides employment and trophy fees to traditional owners, the latter significant access fees. BAC has provided short-term licences to operate by investing in the venture and representing traditional owner interests.

Similarly, there is a view that Aboriginal land cannot generate development capital, but this is clearly not the case when long-term lease agreements are made, as with a number of national parks.

A number of national parks in the Northern Territory, such as Kakadu, Uluru, Nitmiluk and Gurig, are leased back to Commonwealth and Northern Territory park authorities under long-term, 99-year agreements. Each agreement has renegotiable financial clauses that see significant returns to traditional owners. The long-term nature of these agreements should make future income streams a potential source of collateral for raising commercial finance.

The leasing of Aboriginal-owned land is an option for raising development finance, but obviously only in situations where there is a market demand for land access. Similarly, as will be shown below, resource agreements are frequently in the form of land access agreements that provide negotiated payments to landowners. Clearly though, in many situations, land is not a realisable asset for a lender, or else tradability is too fraught with sovereign and political risk.

## Program dollar streams

Numerous community organisations participate in government programs, such as the CDEP scheme, that have potential to guarantee future income streams. This is especially the case when strategic and business planning has resulted in the negotiation of multi-year funding agreements with agencies. In such situations and with an adequate organisational track record, short-term overdraft facilities can be made with banks to underwrite business development. Such arrangements are highly dependent on very low-risk commercial opportunity and highly skilled organisational expertise, but when successfully negotiated can improve the credit worthiness of organisations over time.

The BAC has leveraged its income stream from the CDEP scheme and trading surpluses to incrementally expand organisational investments into a number of community enterprises—a service station and store, commercial harvesting of wildlife—and into two joint ventures where it has provided the fixed assets. The BAC is generating a trading surplus annually that can now be re-invested in additional enterprise developments. Such investments have occurred without any access to Indigenous-specific business loan facilities (BAC 2002).

## The levers: Consent and negotiation rights

Historically, Indigenous interests had very limited leverage in negotiations with commercial interests and were almost entirely dependent on the public sector for development capital. In the 1970s, and especially since the passage of the ALRA, a precedent has been established in providing Indigenous interests some negotiating strength when development occurs on Aboriginal-owned land. This leverage was termed a 'de facto' property right by the Industry Commission in 1991 (Industry Commission 1991). In fact, in the ALRA, Indigenous interests have two forms of property right—one to statutory royalty equivalents guaranteed by law since 1952 (in the Northern Territory), and the other a right to negotiate above the statutory royalty. All mining agreements since 1978, when the financial elements of the ALRA were operationalised, have included statutory royalty equivalents and negotiated mining payments (Altman 1983).

The agreement completed in 1978 between traditional owners of Nabarlek and the mining company Queensland Mines included a negotiated royalty that was 267 per cent greater than the proportion of statutory royalty equivalent guaranteed by the ALRA (Altman 1983).<sup>3</sup>

Other land rights laws have similarly provided Indigenous interests with options to benefit from mining or, in some cases, other commercial developments on Aboriginal land, although arguably no statute to date matches the 'de facto' property rights provisions in the ALRA.<sup>4</sup> The *Native Title Act 1993* (NTA) included a right to negotiate which was described at that time, and has subsequently proven to be, a weaker form of 'de facto' property right than that provided in land rights law (Altman 1993). The 1998 amendments to the NTA not only eliminated the right to negotiate in many situations, especially in urban areas, but also restricted the potential areas available for native title claim (Smith 1998).

Levers to gain access to a share of resource rents are not just precipitated by statute. There is a growing recognition by developers that it is good business sense to negotiate with Indigenous interests, even in situations where native title has been historically extinguished or still requires legal determination. A number of significant long-term agreements in the Pilbara (Hammersley Iron), the Burrup Peninsula (Woodside), Western Cape York (Comalco), Goldfields (Anaconda) and the Gulf Region (Century Zinc, now Pasminco) are recent exemplars.

The Century Mine Agreement completed in 1997 with a number of native title groups includes a significant and diverse benefits package provided by the mining company Pasminco, as well as by the Queensland government. This agreement extends over 20 years and, if strategically utilised, its guaranteed income stream could provide the Gulf Aboriginal Development Company and the Aboriginal Benefits Development Trust options to raise additional venture capital.

Part of this business case is precipitated by vastly improved information flow today, but also because so many major companies operate globally and recognise that performance in one jurisdiction could influence future opportunities in another.

There are clearly many issues that can be raised that focus not so much on what rent sharing can be negotiated in resource development agreements, but on how income flows that inevitably are a part of benefit packages might be utilised. But this lies well beyond the ambit of this paper (and workshop) and I merely point to a few issues that have arisen when seeking to use negotiated income flows as levers to raise development finance:

- income streams that are dependent on royalties are inherently risky and unstable because resource development is risky business
- there is a tendency for agreements to focus on income maximisation rather than on stable income streams, and

- agreement beneficiaries are often poorly defined, liable to change (usually expanding in number) and consequently liable to contestation and subsequent political instability.

## **Inhibitors to financing Indigenous economic development**

The discussion above indicates that there are avenues for financing Indigenous economic development. But there is also evidence of some crucial inhibitors that in turn influence the willingness of the banking sector to commercially engage with Indigenous enterprise, especially at the community level. A few key inhibitors, in no particular order, are as follows:

### **Economic reality**

As already noted, many discrete Indigenous communities are located in regional and remote areas where conventional commercial opportunities are heavily circumscribed. Under such circumstances, it is extremely important to clearly identify comparative advantage, while realistically taking into account Indigenous elements of the commercial environment. Too much viability assessment and business planning pays scant attention to distinct Indigenous elements of corporate structure and asset ownership. The very scale of discrete communities, almost all with populations of less than 1,000, means that they are disadvantaged in terms of institutional support and capacity to foster economic development in the most difficult Australian circumstances—structural disadvantage compounds historical legacy. Unless such communities are to be condemned not to participate in development, there is a need to explore how market failure, missing markets and potential future markets in these regions might be fostered or underwritten by government to allow appropriate development to occur (Altman 2002).

### **Unclear property rights and contested aspirations**

There is evidence that even in situations where conventional economic development might occur—where there is comparative advantage in relation to mining or tourism, sometimes created by agreement-based concessions—political instability can undermine commercial success. This is usually a result of lack of clarity in property rights in land and resources, both within the Indigenous domain and interculturally. There is often a tension between property rights as defined in Australian law and in customary law. It is axiomatic that business investment and success is highly dependent on political stability, yet this is never evident if land ownership is contested or if proper consultation over development has not occurred. Under such circumstances there is a need for a high degree of regional consensus on development, and a crucial role for robust mediating institutions, like regional land councils, that will negotiate and indemnify commercial interests against future financial liability and legal challenge.

### **Institutional fragmentation**

The benefits that could result from a strategic approach that unifies all the potential generators of Indigenous development finance identified above could be significant. But opportunities for productive investment can be foregone because Indigenous institutions are factionalised and the Indigenous polity is fractionalised and unable to operate in concert. This partly reflects normal political processes and associated vested interests and the complexities for Indigenous interests of operating under Australian federalism.

### **Missing financial institutions**

A combination of the above three factors is resulting in a relatively low articulation between the commercial banking sector and the embryonic Indigenous business sector. These are barriers that profit-seeking banks have clearly identified and a form of market failure that government is currently reluctant to address. Under such circumstances, though, how can

enhanced Indigenous business development and engagement with the market—another plank of government policy—occur? The absence of banking facilities in many remote localities compounds existing development hurdles. Emerging enterprises lack access to rudimentary services such as deposit and withdrawal facilities that are taken for granted in metropolitan regions. They also lack access to ancillary business advisory services. Issues of scale and remoteness loom large here because even the largest discrete Indigenous communities have a level of consumer and commercial financial activity that cannot attract a permanent banking presence, let alone access to expert commercial expertise. This is a problem that Indigenous Australia shares with much of regional Australia, but more so. There is clearly a need for innovative approaches to provide commercial banking services to remote Indigenous communities, to gain preferential arrangements for Indigenous organisations.

## **Some ways forward, some propositions**

There are success stories in the Indigenous corporate sector, at the regional and local levels, and it is important to recognise them, especially those of the last decade. Success is invariably predicated on comparative advantage, appropriate institutional design, strong leadership, robust governance, a degree of political stability and shared development aspirations among Indigenous people and, often, commercial leverage of some form—that is all. But clearly there is a need for much more widespread and robust economic development opportunities for Indigenous people and this will require strong linkages with the banking sector.

The leadership needed to ensure progress will not emanate from one source. There is a need for state, Indigenous and corporate collaboration and joint action to ensure the paradigm shift that is needed to produce a different trajectory for Indigenous economic development, where sought by Indigenous people. It would be naïve, however, not to acknowledge that in some situations there may be commercial contestation both between and within these three broadly demarcated sectors.

## **State governance for development**

Remote Australia is heavily underwritten by metropolitan Australia, but Australia's fiscal federalism does not ensure that Indigenous development is underwritten equitably. There is an important role for governments in underwriting development futures and wealth creation for Indigenous people that recognises comparative advantage, market failure, missing markets, future markets, and the roles that Indigenous Australians living on their remote lands must play in the development future of the nation. I do not want to labour these points in detail, but merely note the following:

- There is need for a far more transparent identification of state underwriting of non-Indigenous business and industry in remote regions and an extension of such concessions to Indigenous interests in cases of market failure.
- Consequently, there may be a need for the state to institutionalise community service obligations (by statute) on the banking sector, although given that commercial banking is a low-margin enterprise in remote regions (see below) this might need to be underwritten by the state.
- There is a need to assist Indigenous people to gain access to and to invest in tradable assets. In particular, there is a need to increase Indigenous ownership of income-generating and income-appreciating tradable assets, for example, rights in resources, fisheries, water and carbon credits.
- There is a need to recognise the inalienability of the Indigenous land base as a positive in terms of sustainable development.
- There is a need to recognise the crucial role that will be played by robust Indigenous regional institutions in development.

## **Indigenous governance for development**

As suggested above, there is a need for strong Indigenous leadership and governance for development, although this statement does not overlook the enormous challenge this represents for the Indigenous polity. This leadership and appropriate institutional design is needed at national, regional and community levels:

- At the national level there is need for greater collaboration between existing Indigenous institutions, but also for alliance-building with mainstream business, including the banks. The financial leverage of Indigenous national institutions working in concert needs to be exerted to ensure best returns for Indigenous interests.
- At the regional level there is a need for a more strategic regional approach to development that can be auspiced by robust regional institutions. As noted above, there is a role for government in facilitating the strengthening, rather than diminution, of regional institutions like land councils. In a complex world, there is a need for the critical mass and expertise that robust regional organisations can provide to ensure intercultural mediation between Indigenous interests, in all their diversity, and the market. Such institutions will play an important role in ensuring the level of political stability needed for development.
- At the local level there is also a need for institutional strengthening to generate appropriately structured community development institutions that are commercially realistic and have the means to deliver local political stability; and that trade to generate a capital pool from the expenditure undertaken at remote communities. It is important that the multiplier effect of such income does not dissipate to non-Indigenous commercial interests, but is retained and accumulated locally for development purposes.

## **The role for the corporate banking sector**

Finally, there is a need for a strategic engagement with the private sector. The Indigenous leadership must continue its efforts to influence the broader behaviour of financial institutions. The following three strategies may be considered:

- Any possibilities for conjoined Indigenous and state leverage to enhance commercial banking support to Indigenous business should be pursued. Some banks are already providing philanthropic business advisory support to Indigenous communities.
- Options for making a business case for an enhanced profile for banks, even on a remote regional basis, should be considered. Such a profile might be under the guise of an initial community service obligation, but may with time prove commercially profitable, especially if based on alliances between Indigenous and corporate interests.
- There is a need for the banking sector to seriously consider the corporate citizenship and leadership provided by the mining industry in seeking to facilitate and underwrite sustainable economic futures for Indigenous communities. This is increasingly recognised as the means to ensure secure long-term licences to operate, while maintaining global competitive advantage. However, it is recognised that the extension of banking into the Indigenous sector in remote regions will be a low-margin enterprise.

## **Conclusion**

This paper has set out to frankly discuss some innovative approaches to generate finance for Indigenous economic development. In particular, it seeks to assess how Indigenous assets and statutory rights might be used within the constraints of Australia's political economy and fiscal federalism. It has become amply apparent in this paper that access to development capital is only a part of the answer to the development problems of Indigenous Australians, especially in remote regions. While without doubt there is a role for the commercial banking sector in facilitating Indigenous economic development, it is contestable whether this is even a first order issue, given existing options and other

fundamentals that have to be addressed. The paper suggests that parallel action is needed by the state, the Indigenous sector and the corporate sector to ensure progress in this area. Government seems to be doing little to ensure commercial banking services are available for remote Indigenous interests. Under such circumstances, corporate leadership by the banking sector, to match that taken by key mining corporates in the native title era, would be one possibility. However, a strong business case needs to be made to encourage such leadership. It is perhaps incumbent on the Indigenous leadership to make this case using the significant Indigenous asset base as the lever for 'community service obligations' to be met by banks. There is no doubt, however, that there are many existing opportunities for development progress in the Indigenous sector and every effort should be made to ensure that existing institutional and statutory frameworks are strengthened to hasten success.

## Notes

1. For an interesting Ecuadorian industry-based case study see Colloredo-Mansfield (2002).
2. See Hunter (1999) for the most recent analysis of this issue.
3. See also Altman & Smith (1994) for a discussion of how these moneys were utilised between 1980 and 1993.
4. For a wide ranging recent compilation of the issues see Nettheim, Meyers & Craig (2002).

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