



## Australian Government

# Australian Government submission: Expert Mechanism on the Rights of Indigenous Peoples (EMRIP) study on business and access to financial services by Indigenous peoples, in particular indigenous women and indigenous persons with disabilities

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## Introduction

The private sector is the engine of economic growth. Economies grow when resources are used more productively—when individual businesses can start or expand in response to new opportunities and when workers develop new or improved skills. Economies grow when the private sector expands and the public sector enables and supports this expansion. Successful businesses drive economic growth through the creation of jobs and payment of taxes that finance key public services. Private companies provide an ever-increasing share of essential services and products that directly reduce poverty in developing countries, such as access to finance, telecommunications, health, education, and innovative new products which increase productivity in fields such as agriculture. A vibrant private sector is therefore a prerequisite for sustained economic and social development.

The 2007 UN Declaration on the Rights of Indigenous Peoples states that indigenous peoples have the right to maintain and develop their own economic systems (UNDRIP Articles 3, 5, 20, 21, 23). It also calls upon States to take effective measures to ensure the continuing improvement of economic conditions for indigenous peoples (UNDRIP Article 21). Many indigenous communities around the world have been using their own businesses / social enterprises to create the jobs, services, assets and wealth for their entire community to flourish, based upon the priorities self-determined by the community itself. Indigenous peoples celebrate these successes each year at the World Indigenous Business Forum.

However not all indigenous peoples are realising their economic rights in the UNDRIP. The 2015 Financing for Development Addis Ababa Action Agenda stated that indigenous peoples continue to be excluded from participating fully in the economy.

In order to realise the economic-related articles in the UNDRIP, national and international policy makers should come together, through transformative individual and collective actions, to ensure that indigenous peoples can fully participate in the formal economy as well as contribute towards economic policies and initiatives that benefit them. These efforts should be multidimensional and focus on the economic system and policy-making procedures across national, regional and global levels.

This submission will explore how the Australian Government is:

1. Supporting Indigenous Australians people to participate in the formal economy.
2. Supporting our partner governments in the Indo-Pacific region to build their own enabling environments for business to flourish, including both indigenous and non-indigenous peoples.

The submission will conclude with a series of suggestions about dismantling barriers and advancing opportunities for indigenous businesses to engage with the formal economy at national, regional and global levels.

## **Part One: Australian Government support for Indigenous Australians**

Indigenous Australians are under-represented as business owners: estimates place the number of Indigenous-owned businesses at between 8,000 and 16,000, while census data indicate that Indigenous rates of self-employment are three to four times lower than those of non-Indigenous Australians. This low representation is a result of the multiple and intersecting forms of disadvantage faced by Indigenous Australians when starting or running a business, low intergenerational wealth transfer, and the ongoing impact of poor education, employment and health outcomes. Enabling the Indigenous business sector can help turn this around, delivering Indigenous Australians the opportunity of self-employment and economic empowerment. The flow-on effects of this are likely to be far-reaching, with increased wealth and opportunity in communities helping support other policy priorities such as "Closing the Gap" in outcomes between Indigenous Australians and non-Indigenous Australians.

Indigenous women are even less likely to own a business than Indigenous men. According to the 2011 census, there were fewer than 3,000 female Indigenous business owners, compared to approximately 5,000 male Indigenous business owners. Indigenous women are also less likely to be in business than non-Indigenous women (4 per cent compared to 11 per cent). Yet Indigenous women owned businesses are particularly important for female employment – they are twice as likely to employ other Indigenous women. In addition, women owned businesses have a unique multiplier effect, increasing economic and social prosperity for the whole community.

To address Indigenous economic disadvantage the Government is taking a dual approach:

1. driving demand for goods and services produced by Indigenous businesses; and
2. supporting Indigenous suppliers to meet this demand.

### **Driving Demand for goods and services produced by Indigenous businesses**

As a major spender in the economy, the Australian Government is driving demand for Indigenous business through the Indigenous Procurement Policy, and the inclusion of Indigenous supplier and employer targets in initiatives such as the Northern Australia White Paper (Australia's plan to build a stronger economy in the north through better infrastructure) and the Cities Deals. The Australian Government is working with State and Territory governments to further drive demand through preferential procurement and employment policies, and is considering an employment and supplier use framework for infrastructure projects. Increased demand for the goods and services produced by Indigenous business is also coming from the private sector. The Business Council of Australia has found that major corporations see the value in engaging Indigenous businesses in their supply chains to increase competition and realise the benefit of supplier diversity.

The Australian Government introduced the Indigenous Procurement Policy (IPP) in July 2015. This major initiative is harnessing the purchasing power of the Australian Government while driving demand for goods and services delivered by Indigenous owned businesses. The IPP has three main elements:

1. A target number of contracts that need to be awarded to Indigenous businesses;
2. A mandatory set-aside for contracts valued between \$80,000 and \$200,000 and all remote contracts; and
3. Minimum Indigenous participation requirements in contracts valued at or above \$7.5 million in certain industries.

In the first year of the policy, the Government awarded more than 1,500 direct and indirect contracts to almost 500 Indigenous businesses worth a total of more than \$284 million. The policy requires an Indigenous businesses must be considered first for all contracts valued between \$80,000 - \$200,000 and all contracts in remote areas (with very few exemptions). Under the IPP, from 1 July 2016 businesses that tender for large Government contracts need to meet Indigenous supplier and/or employment

targets in their contracts. This ensures Indigenous Australians gain skills and benefit from Government projects. Given the success of the IPP, the Government has brought forward the 2020 target to ensure at least 3 per cent of Government contracts are with Indigenous business in 2017, nearly three years ahead of schedule.

The Australian Government is also ensuring Indigenous people have the opportunity to benefit from the investment made by governments and the private sector in infrastructure. To this end, the Government is embedding Indigenous economic objectives within cornerstone nation-building projects; this started with ensuring the road projects funded under the White Paper on Developing Northern Australia to include Indigenous employment and supplier-use targets that reflect the available local Indigenous working-age population. Indigenous economic development is dependent upon improved access to land and infrastructure. In recognition of this, governments across Australia are committing funds towards infrastructure upgrades and development. This includes support for infrastructure projects and community investment in regional and remote Australia, and supporting flights to around 260 remote communities while also indirectly servicing a further 106 remote communities.

### **Supporting Indigenous Suppliers to meet growing demand**

Since the commencement of IPP and infrastructure and supplier-use targets, demand for Indigenous suppliers is growing rapidly. Current approaches to providing businesses support and capital are not adequate to keep the sector growing at the required scale. That is why the Government is transforming its current service delivery and capital models in partnership with Indigenous businesses and the broader private sector.

The Australian Government is providing targeted support for Indigenous entrepreneurs and businesses through three initiatives:

- Establishing an Indigenous Entrepreneurs Fund (IEF) to establish and grow Indigenous businesses by providing business advisory support and one-off grants for business assets, primarily in remote and regional Australia;
- Providing business assistance and development support through Indigenous Business Australia (IBA), an Australian Government agency providing commercial opportunities for Indigenous Australians; and
- Developing an Indigenous Business Sector Strategy.

### **Indigenous Entrepreneurs Fund (IEF)**

The IEF supports Indigenous businesses and entrepreneurs by providing access to a business advisory service. This support includes assisting businesses with identifying market opportunities, business planning, commercial viability considerations, as well as identifying and applying for finance and funding opportunities. The \$90 million IEF will provide one-off grants targeted to Indigenous businesses for business assets and working capital. It will be delivered mainly in remote and regional areas—recognising that there are higher market barriers and start-up costs, limited access to business infrastructure and markets, limited intergenerational assets or wealth, and limited or no employment in these areas.

The IEF will link closely with other Government initiatives, such as the Community Development Programme (CDP), and will build connections to the Indigenous Procurement Policy for Indigenous businesses located in remote and regional areas. The IEF is building on the learnings of the Indigenous Enterprise Development Fund, which provided funding support to a number of Indigenous businesses in 2015-16 to establish or expand sustainable small businesses or social enterprises primarily in remote Australia.

## Indigenous Business Sector Strategy

The Australian Government is committed to supporting small and medium businesses across Australia as part of the National Economic Plan for Jobs and Growth. Through the National Economic Plan, the Government is making it easier to do business in Australia by encouraging investment, facilitating innovation, and making Australian businesses more competitive in international markets.

Evidence suggests while the number of Indigenous businesses across a range of sectors is growing, Aboriginal and Torres Strait Islander people are still three to four times less likely to own their own business than non-Indigenous people. Growth in the sector would see flow-on benefits in the form of increased competition and diversity in our economy and a stronger business sector for all Australians. It is estimated that increasing economic participation of Indigenous Australians to parity levels could result in an Australian economy that is up to 1.15 per cent larger in 2031 (a gain of \$24 billion in 2012-13 terms).

To meet the surging demand and to assist future growth of Indigenous businesses the Australian Government is working with Indigenous business owners, business support providers and other key stakeholders to develop an Indigenous Business Sector Strategy. The proposed Strategy will provide Indigenous entrepreneurs with a clear pathway to take advantage of the increasing opportunities available to Indigenous businesses.

## Securing the Safety of Indigenous Women to pursue Economic Opportunities

Keeping Indigenous women and girls safe is a key priority for Australia. All levels of Government are addressing the drivers of violence in Indigenous communities, such as inter-generational trauma; childhood removal, abuse and neglect; and systemic disadvantage and discrimination. Indigenous women are 32 times more likely to be hospitalised because of family violence. This situation is unacceptable. That is why the Government is providing \$25 million under its Third Action Plan to Reduce Violence against Women and Their Children to ensure frontline services can act to prevent violence from occurring, while also addressing the drivers of violence in Indigenous communities. The Australian Government's Women's Safety Package has dedicated \$21 million for activities specifically targeting Indigenous families, including funding for:

- Quicker responses to domestic violence in remote communities by reducing police response times (upgrading airstrips in Torres Strait);
- To maintain four Community Engagement Police Officers in the Northern Territory;
- The Cross Border Domestic Violence Intelligence Desk, supporting police to protect victims and hold perpetrators to account across Western Australia, Northern Territory and South Australia borders;
- A targeted domestic violence module for the Australian Nurse Family Partnership Programme to support nurses to address domestic violence in their client families; and
- Delivery of rehabilitation activities to perpetrators of domestic violence.

This funding complements the Government's existing commitment through the Indigenous Advancement Strategy to tackle the drivers of violence in Indigenous communities.

## Addressing barriers for Indigenous Australians living with a disability

Indigenous Australians experience significantly higher rates of disability than other Australians. According to Australian Bureau of Statistics data, after adjusting for differences in the age structure of the two populations, Indigenous Australians are nearly twice as likely as non-Indigenous people to be living with disability. Indigenous Australians aged 35-54 years are 2.7 times more likely than

non-Indigenous people of the same age to have a disability (37.8 per cent and 14.2 per cent respectively).

While all Australian governments are committed to driving improved outcomes for both Indigenous Australians and people with disability, it is important to ensure that Indigenous Australians who also live with disability do not fall between the gaps. The Australian Government has heard the voices of Indigenous Australians with disability, their families, carers, and representative organisations—such as First Peoples Disability Network and state based Aboriginal Disability Networks—who have advocated for governments to focus on what needs to be done to improve the life outcomes of this group. In order to put this commitment into practice, the Australian Government is developing a plan to help Indigenous Australians with disability across a broad range of portfolios. Effective engagement with Indigenous Australians with disability is an essential part of the development of the plan and will be ongoing throughout its implementation.

The Australian Government established the National Disability Strategy 2010-2020, which provides a ten-year national policy framework for improving life for Australians with disability, their families and carers. It represents a commitment by all levels of government, industry and the community to a unified, national approach to policy and program development. This approach aims to address the challenges faced by all Australians with disability, both now and into the future.

The Australian Government recognises that factors affecting the wellbeing of Indigenous Australians with disability are complex and multi-faceted, and that any commitment to improving life outcomes will be a long-term commitment. The *2013 - 2023 Australian Government Plan to Improve Outcomes for Aboriginal and Torres Strait Islander People with Disability* will reflect the aims and objectives of the National Disability Strategy. It will identify tangible actions to improve outcomes for Indigenous Australians with disability across Commonwealth areas of responsibility.

### The National Disability Insurance Scheme (NDIS)

The National Disability Insurance Scheme (NDIS) is currently being implemented across Australia. It will provide about 460,000 Australians who have a permanent and significant disability (including approximately 23,000 Indigenous Australians) with the reasonable and necessary supports they need to live an ordinary life, including finding employment.

Due to the increased demand for disability services under the NDIS, it is expected that the disability workforce will need to double (compared to its size before the scheme commenced) by 2019-2020. This offers a unique economic and social participation opportunity for Indigenous Australians. This provides an opportunity to develop an Indigenous workforce and Indigenous disability service enterprises that provide both long term employment options for Indigenous communities and the range of disability services required to support NDIS participants. There is an opportunity for Indigenous Australians to develop local business enterprises that take advantage of the ongoing demand for disability and associated services. These enterprises will offer long term and varied employment opportunities for local Indigenous Australians.

To help realise these opportunities, the Department of the Prime Minister and Cabinet has established a cross-portfolio working group to develop initiatives that improve service outcomes, increase Indigenous employment and facilitate new and expanded Indigenous businesses in the range of disability-related fields required under the NDIS. For Indigenous women there is potential to establish enterprises that take advantage of the demand for services through the NDIS particularly because:

- NDIS participants have the right to choose their service provider;
- NDIS provider registration is accessible to a wide range of businesses from sole traders to incorporated bodies; and
- the vast majority of the care workforce is female.

## **Best practice: Indigenous Investment Principles**

The Indigenous Investment Principles (IIP) – an initiative led and owned by Indigenous Australians – was released in 2015 to provide guidance to Indigenous Australians, organisations and communities to develop greater economic resilience and to be strong, active participants in the Australian economy. The voluntary principles are designed to help underpin efforts of Indigenous Australians to maintain their cultural, linguistic and environmental resilience for future generations.

### **Guiding objectives of the Indigenous Investment Principles:**

**Cultural heritage: Protect and preserve the cultural heritage of Indigenous Australians through successful investment of Indigenous communities' assets.**

**Economic independence: Improve, protect and foster the best interests of Indigenous Australians by successfully achieving their investment objectives. This will ensure the economic independence and social development of Indigenous communities.**

**Capacity building: Develop financial and commercial skills in Indigenous communities to contribute to sustainable and successful investment practices, and commercial activity generally.**

**Build respect in markets: Build confidence and respect with commercial counterparts in financial and other markets, promoting and encouraging confidence and investment in Indigenous communities.**

**Risk management: Demonstrate a transparent and sound governance structure that provides for adequate implementation resourcing, communication strategy, operational controls, risk management and accountability."**

*"Indigenous communities and their leaders are acutely aware that they are negotiating, sometimes reluctantly, over their precious heritage in a manner never envisaged by their ancestors, and in circumstances where this may be the only opportunity to gain an economic foothold for today and the future. In addition, they must establish and manage the competing and often urgent short-, medium- and long-term needs and aspirations of each community to maximise the financial opportunity and create social, cultural and economic benefit, including developing mechanisms that grow intergenerational wealth creation" – Extract from the **Indigenous Investment Principles***

*"Indigenous Australians are committed to increasing their engagement in the economy on all fronts, including investment opportunities. Effective market and economic participation has enormous potential to foster culturally, linguistically and environmentally resilient communities, honouring the land, water and cultural heritage from which the financial opportunity originates, and strengthening prospects for present and future generations." – Extract from the **Indigenous Investment Principles***

*"The framework's core intent is to allow Communities with varying levels of financial knowledge, different levels of social and financial infrastructure, and specific decision-making methods to assess their particular circumstances and decide how best to move forward for the benefit of their members. It encourages decision-making that is based on accurate, independent information and free from any undue influence" – Extract from the **Indigenous Investment Principles***

Indigenous Business Australia, a statutory agency in the Australian Government, helped facilitate the forums for Indigenous leaders to prepare the Investment Principles. More information about the Principles can be found on the website for Indigenous Business Australia (IBA): [www.iba.gov.au/iip](http://www.iba.gov.au/iip).

## Part two: Australian Government support for indigenous businesses in developing countries

### Summary

Part one of this submission outlined how the Australian Government is reducing barriers and advancing opportunities for Indigenous Australian businesses to participate in the formal economy.

Part two of this submission will summarise the Australian Government's experiences with supporting our partner governments in the Indo-Pacific region to create an enabling environment for business in their own countries (this work is mostly driven by the Australian Department for Foreign Affairs and Trade). The submission will then draw on this analysis to recommend interventions to advance the specific interests of indigenous businesses in developing countries.

In particular, the submission will explore how indigenous peoples in developing countries can be excluded from the economy as a result of: challenges facing developing countries in general and the multiple and intersecting forms of disadvantage facing indigenous peoples in particular.

### Private Sector Development in Developing Countries

The World Economic Forum has found that “the societies that have succeeded in building robust middle classes and reducing poverty and social marginalisation have “tended to create effective economic institutions and policy incentives in many of these areas, while also pursuing sound macroeconomic policies and efficiency-enhancing reforms over time”.<sup>1</sup> However inequalities of income, wealth, opportunities and social mobility and access to decision-making prevents many people, particularly disadvantaged indigenous communities, from benefiting from economic growth or poverty reduction in many countries. These challenges are particularly evident in developed countries such as Australia that have highly developed capital markets, high levels of liquidity, meaningful regulatory bodies, large market capitalisation, and high levels of per capita income, but where indigenous peoples remain marginalised from the formal economy and experience disproportionate rates of poverty and disadvantage.

The challenges are slightly different for indigenous peoples in developing countries. Developing countries have little market liquidity, zero to marginally developed capital markets, weaker regulatory environments, and lower per capita income. Many developing countries are unable to take advantage of trade opportunities because of poor infrastructure, including roads, ports and information and communications technology; lack of private sector capability, including limited access to finance and distribution channels; lack of skilled workforces; and weak public sector institutions, including in formulating economic policy and regulations and negotiating trade-related agreements.

Starting or growing an individual business involves considerable risk in a developing country, including for both indigenous and non-indigenous persons. While the constraints to doing business can differ significantly country-to-country, access to finance, property and land rights, access to infrastructure, competition policy, access to energy, and access to essential services such as health and education, and broader governance issues are common constraints to most in a developing country.

Investors are cautious of risk (including country risks such as political, regulatory, local economic or currency-linked crises), liquidity and exit risk (unable to exit the specific investment at the desired time), and growth potential of a given country when making decisions. As a consequence, many investors consider it too risky to invest in many developing countries, especially ‘Least Developed Countries’ and ‘Small Island Developing States’, due to their limited human, institutional and financial

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<sup>1</sup> World Economic Forum, 2017, “The Inclusive Growth and Development Report 2017”,



capacities; vulnerabilities to external economic and natural shocks; and high transport costs for example.

## **Donor Cooperation**

The majority of the world's bilateral aid donors cooperate through the OECD's Development Assistance Committee (DAC), including Australia. The DAC and its members are supporting developing countries to build enabling environments for business and investment to flourish within their borders and to engage with the global trading system. The DAC provides analysis, guidance and good practice to strengthen the quality and effectiveness of development assistance, particularly for pro-poor economic growth and poverty reduction.

Bilateral donors report on their aid flows to the OECD-DAC through codes that distinguish between expenditure in different sectors (for example, education, ending violence against women and girls, fishery development etc.). However, as the OECD-DAC does not have any codes about indigenous peoples, it is almost impossible to track the extent to which donors are focused upon indigenous communities in developing countries, including indigenous businesses.

## **Australian Government investments: private sector development**

Like many other international development donors, the Australian Government uses our overseas aid program as a catalyst to promote economic growth and for poverty reduction. We are supporting our partner governments in the Indo-Pacific region to build better environments for business and address constraints to growth in specific markets. Our interventions include:

- Investing in effective governance to support the stronger operation of the public sector, including public policies and services, macroeconomic policy and structural policy settings;
- Improving regulatory settings to foster a competitive and market-based environment;
- Reducing the risks the private sector face in doing business in order to attract and retain private investment;
- Reforming business registration processes, contracting laws, customs and trade regulation;
- Removing barriers to efficient market operation;
- Improving the functioning of value and supply chains;
- Enabling access to finance;
- Providing essential hard and soft infrastructure (including roads, bridges, ports, hydropower, telecommunications, etc);
- Building functioning market environments that are open and competitive so that firms can seek out cost-effective and profitable ways of doing business; and
- Encouraging greater mobility and connectivity of workers and capital to support the most productive sectors of the economy.

The integrated nature of the global trading system provides opportunities for developing countries to boost economic growth through increased exports, technology transfer and financial inflows. However, there are large variations across the world in terms of countries' ability to conduct business across borders and to engage with and influence global economic policy. In order to take advantage of these opportunities, developing countries first need to create an environment that allows their private sector the best chance of success in international markets.

Developing countries are increasingly seeking assistance from donors to enable them to improve their capacity to engage in global trade and attract and retain investment. Australia's aid-for-trade interventions in developing countries include:

- Supporting our partner governments to engage and be competitive in the global rules-based trading system, including by:
  - Tackling “beyond the border” constraints by providing trade policy and analysis training,
  - Tackling “at the border” constraints by improving the efficiency of functions such as customs and quarantine services;
- focusing on initiatives that encourage open markets, facilitate trade, and broader economic reform;
- enhancing engagement with the women and men of the private sector in areas that will have a significant impact on the poor; and
- encouraging economic opportunities for women, including growth in entrepreneurship and improved workplace standards.

The 2015 Financing for Development Addis Ababa Action Agenda recommitted the international community to broadening and strengthening the voice and participation of developing countries in international economic decision-making and norm setting and global economic governance.

Australia continues advocating a stronger economic and trade development agenda in international fora, including the United Nations (UN), the World Trade Organization (WTO), Organisation for Economic Co-operation and Development (OECD) and G20.

### **Integrating the interests of indigenous peoples into private sector development**

The International Monetary Fund (IMF) has stated that the gap between the rich and poor is at its highest level in decades.<sup>2</sup> The IMF recommended that policymakers should consider policies to tackle inequality, taking into account country-specific policy and institutional settings, and capacity / implementation constraints.<sup>3</sup>

Developing countries already experience challenges with providing essential services to its citizens and in fostering environments for business and investment to thrive (including in the Pacific region where indigenous peoples are the majority population). Indigenous peoples in developing countries, especially where they are the minority, also experience multiple and intersecting forms of disadvantage and discrimination.

These elements combined indicate that indigenous peoples in developing countries experience inequality of outcomes as well as inequality of opportunities. In the same way, indigenous peoples in developing countries will continue facing a range of barriers with establishing a business, attracting and retaining finance, accessing markets, and engaging in international trade until such a time as donors and their governments meet their specific needs.

More deliberate choices on the part of national governments, international development donors, global policy makers and the private sector is needed to ensure equal participation of indigenous peoples in the formal economy. Additional interventions specifically targeted at indigenous women and indigenous

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<sup>2</sup> International Monetary Fund, 2015, “Causes and Consequence of Inequality”, pg 4

<sup>3</sup> *Ibid*, page 30

persons with disabilities may be necessary to ensure that they are also not inadvertently excluded or left behind. The success of these interventions, in large part, will be dependent upon the capacity of governments and donor agencies to meet the specific interests of indigenous peoples.

Australia has learned many lessons in this regard. Australia's Department of Foreign Affairs and Trade (DFAT) is responsible, amongst other things, for improving market access overseas for Australian goods and services, attracting foreign investment to Australia and supporting Australian business. DFAT is also responsible for delivering an innovative aid program, centered on the Indo-Pacific region, which contributes to sustainable economic growth, poverty reduction and regional stability.

To ensure that DFAT does not inadvertently exclude indigenous peoples, DFAT has undertaken a series of internal institutional reforms to ensure its mainstream policies and programs are meeting the very specific interests of Indigenous Australians and indigenous peoples around the world.

- In 2015, DFAT issued its first **Indigenous Peoples Strategy** to embed consideration of indigenous peoples issues across its foreign policy, trade policy and economic diplomacy, overseas aid program, public diplomacy and internal human resourcing policies. One of DFAT's first priorities under this Strategy was to influence global actors, including EMRIP and the UN Human Rights Council, to advance the economic rights and interests of indigenous peoples.
- In 2015, DFAT released an operational-level **guidance note** to support its staff to design, implement, and monitor and evaluate aid programs that could impact indigenous peoples in developing countries. DFAT also revised its internal reporting procedures to capture and disseminate data about indigenous peoples in the overseas aid program.
- DFAT assesses all its investments in Australia's overseas aid program against six aid quality criteria, using a six-point rating scale known as "Aid Quality Checks" (AQC). DFAT recently issued a short note to help staff assess in AQCs whether initiatives are specifically meeting the interests of indigenous peoples too, drawing upon the principles of '**free, prior and informed consent**' and '**self-determination**' to prepare the ratings criteria. For instance, an initiative should have a low ranking of '1' if indigenous peoples were not provided with the opportunity to self-determine their priorities nor provide their free, prior and informed consent to DFAT. Whereas initiatives can be ranked '6' if robust evidence can be provided to that effect.
- At the time of preparation of this submission, DFAT is preparing a Charter to raise awareness that the foreign affairs and trade portfolio has activities that can support Indigenous Australian businesses seeking to engage with the global economy.
- DFAT has contracted i2i Development, an Indigenous Australian business, to provide commercially focused assistance to indigenous communities in Papua New Guinea. Indigenous peoples in developed and developing countries share many things, including spiritual connections to their traditional lands as well as shared desires to maintain their cultures and languages and to self-determine their own social and economic development for future generations. DFAT recognises that indigenous businesses can provide expert, culturally appropriate 'peer-to-peer' assistance to other indigenous communities in developing countries.

Through these efforts, DFAT is consciously making an effort to include, and not inadvertently exclude, indigenous peoples from its mainstream policies and programs. Moreover, whilst the Department has not yet integrated the interests of indigenous peoples across the full breadth of the department's work, DFAT is nonetheless on a journey towards normalising indigenous issues in its business.

Based on DFAT's experiences, five key factors contribute to indigenous business growth in developing countries:

- 1) International development donors (both bilateral and multilateral) should implement internal policies and processes in order to support their staff to deliver aid programs that include, and not inadvertently exclude, indigenous peoples in developing countries. These efforts should integrate the interests of indigenous peoples into private sector development initiatives and aid-for-trade initiatives. This step would help ensure that donors themselves will have the requisite capacity to provide assistance to others.
- 2) International development donors should take specific steps to build the internal capacity of government agencies in developing countries to meet the needs of their indigenous communities. This step would help ensure that government agencies will have the requisite capacity to deliver initiatives tailored to their indigenous communities.
- 3) Donors and government agencies in developing countries should support indigenous businesses in their own efforts to dismantle barriers and advance opportunities for their full and effective participation in the formal economy. For instance:
  - supporting indigenous businesses to be 'investment ready'
  - utilising blended finance mechanisms to de-risk private investment into indigenous businesses struggling to attract and/or retain market-based investment on their own;
  - supporting indigenous businesses to understand the legal and regulatory environment;
  - supporting export-ready indigenous businesses to build their export competitiveness, including by facilitating networking opportunities with buyers and trade promotion organisations;
  - building infrastructure to help connect indigenous communities to markets;
  - connecting indigenous businesses to value-chains and supply-chains for government agencies;
  - supporting indigenous communities to pursue communal economic development whilst accommodating the potential opportunities from individual entrepreneurialism;
  - supporting indigenous peoples to gain advocacy and negotiating skills to help them influence national, regional and global economic policy-making.
- 4) Governments (in both developed and developing countries) should take steps to strengthen the voice and participation of indigenous people in international economic decision-making, norm setting and global economic governance.

Taken together, these four steps provide a multi-tiered approach towards addressing barriers and enabling opportunities for indigenous peoples in local, national, regional and global economic systems and policy-making procedures.

### **Mobilising private sector capital into indigenous businesses in developing countries**

Impact investing – investments that have a social and/or environmental benefit whilst delivering a profit - has grown in recent years. The 2016 Annual Impact Investor Survey surveyed 159 impact investors that collectively managed US\$77.4 billion in impact investing assets. Roughly half of assets under their management in 2015 were invested in developed markets and half in emerging and markets.<sup>4</sup> There were notable differences to which businesses receive the most impact investment. For instance:

- 12% was allocated to businesses at the seed/start-up and venture stage
- 76% was allocated to businesses at growth or mature stages.

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<sup>4</sup> *Global Impact Investing Network (GIIN), 2016 Annual Impact Investor Survey, page 13*

- 12% was allocated to mature, publicly traded companies.<sup>5</sup>

International development donors are collectively investing billions each year to build the private sector in developing countries. Meanwhile the private sector is investing trillions each year in financial and economic markets around the world, including through commercial investment and impact investment. The 2015 Financing for Development Addis Ababa Action Agenda recommitted the international community to support developing countries to mobilise private sector investment for sustainable development, particularly towards the achievement of the 2030 Sustainable Development Goals (SDGs).

The international donor community is increasingly deploying public funds more strategically to de-risk financial instruments for private investors – including through ‘blended finance’ (mechanisms that blend public and private capital to finance development goals and achieve sustainable results). For example, the OECD-DAC and the World Economic Forum jointly established the ‘Redesigning Development Finance Initiative’ to boost private investment in developing countries through the complementary deployment of risk mitigation and concessional finance tools.

### **Convening power of EMRIP**

Lessons from the activities of donors to mobilise private sector investment into developing countries can apply to indigenous businesses. For instance, governments should come together at the international level to de-risk and mobilise private sector capital and expertise into indigenous businesses. Investing in indigenous businesses will provide indigenous peoples with the capital, expertise and ability to self-determine and drive their own economic and social development.

EMRIP could utilise its convening power to connect the World Indigenous Business Network to global actors so that indigenous business leaders can directly influence global economic policy makers to advance the economic rights of indigenous peoples. This global actors should include UN Member States; the World Bank; the International Monetary Fund, the OECD, and the World Economic Forum (including the joint OECD/WEF ‘Redesigning Development Finance Initiative’); as well as philanthropic, impact and private sector investors. EMRIP could also call upon global actors to ensure that the investment is culturally-sensitive and upholds the principles in the UN Declaration of the Rights of Indigenous Peoples.

The attached non-paper by the Australian Department of Foreign Affairs and Trade provides some initial ideas for EMRIP to consider (note that this is a discussion paper only and does not reflect the official policy position of the Australian Government).

### **Conclusion and recommendations**

Governments can deploy their extensive assets to build an enabling environment for business and investment to thrive in their countries; all the while ensuring that these interventions will also benefit, and not inadvertently disadvantage indigenous businesses. For example:

1. Governments could enact national or subnational policies or legislation that provides exemptions and incentives for government agencies to direct source from indigenous businesses in their countries.
2. Governments could provide capacity-building programs to support indigenous peoples in their countries to start and grow businesses, with programs tailored for indigenous women and indigenous persons with disabilities.

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<sup>5</sup> *Ibid*, page 21

3. Governments could provide opportunities for indigenous peoples to influence national, regional and global economic policies, including through capacity building programs around advocacy and negotiations, with programs tailored for indigenous women and indigenous persons with disabilities.
4. Governments could facilitate training opportunities for indigenous businesses to gain a better understanding of global trade rules, international marketing, global value chains etc.
5. Governments could de-risk and mobilise private sector investment into indigenous businesses, including through blended finance platforms.
6. International development donors (both bilateral and multilateral) could implement internal policies and processes within their own organisations in order to support their staff to deliver aid programs that include, and not inadvertently exclude, indigenous peoples.
7. International development donors could integrate the interests of indigenous peoples into ODA-funded private sector development initiatives and aid-for-trade initiatives in developing countries.
8. International development donors could support government agencies in developing countries to meet the needs of their indigenous communities.
9. Governments could provide opportunities to strengthen the voice and participation of indigenous people in international economic decision-making, norm setting and global economic governance.

However, national efforts are not enough. The interconnectedness of the global economy means that the economic articles of the UNDRIP will only be realised if governments, the multilateral system, the private sector and indigenous peoples work together in dismantling barriers, appropriately spreading risk, and advancing opportunities for indigenous businesses to engage with the formal economy at national, regional and global levels.

10. The UN Human Rights Council should call upon UN Member States to collaborate with international economic organisations to advance economic human rights for indigenous peoples.
11. EMRIP should convene a meeting between the World Indigenous Business Network, the International Monetary Fund, the OECD, the World Economic Forum and investors to explore concrete measures that could be taken to grow the global indigenous business sector and improve access to financial services by indigenous people.

## Best practice: Indigenous business leaders supporting each other

### World Indigenous Business Forum

The World Indigenous Business Forum engages indigenous people in global economic discussions. The Forum offers ongoing opportunities for capacity building and global economic development, with thousands of Indigenous leaders from around the world coming together to explore and share success stories for the future growth of Indigenous nations. The WIBF follows 'Seven Generation Thinking' which aims to provide sustainable prosperity for communities now and for seven generations to come.

*"While it is tempting to focus on studying the seemingly endless business and economic opportunities in global, national and regional markets, it is important to first look at the needs, capabilities and resources of our peoples and communities. We must consider community first and from this build an understanding of growth and to use this new local community-based growth as a 'spring board' to build and develop business in markets outside of the community."* **Mr. Ivan Makil, a Native American business leader and founder of "Generation Seven Strategic Partners, addressing the 2013 WIBF**

*"The future of every community lies in capturing the passion, energy and imagination of its own people... All development is indigenous. We need to listen to the grassroots indigenous peoples from all nations. Development is about discovering what is already there: to open up and discover. It should be coming from indigenous peoples."* **Dr Ernesto Sirolli, founder of "Enterprise Facilitation" (a person-centred approach to economic development), addressing the 2016 WIBF**

WIBF has met annually since 2010, including in the US, Canada, Australia, Namibia and Guatemala. The WIBF will meet in Chile in 2017 and in New Zealand in 2018. The WIBF was founded by the Indigenous Leadership Institute in Winnipeg, Canada and more information can be found at <http://wibf.ca/>

### World Indigenous Business Network

International Indigenous leaders at the World Indigenous Business Forum have recognized that they are in a position to share their knowledge and resources with other entrepreneurial Indigenous people who are striving to find ways towards economic prosperity. Leaders at the 2015 World Indigenous Business Forum signed a protocol to support the development of a World Indigenous Business Network (WIBN). The network will be an online community to connect, inspire and mobilize organizations and entrepreneurs to pursue the sustainable development of Indigenous businesses globally. The network will be an active and engaging platform where Indigenous business people can benefit directly from shared resources, mentorships and collaboration efforts. The WIBN aims to provide opportunities to widen markets, skip intermediaries, and enhance Indigenous prosperity through economic growth. More information about the Network can be found at <http://worldindigenousbusinessnetwork.com/>

### i2i Development Projects Pty Ltd (indigenous2indigenous)

i2i is an Indigenous-owned global business based in Australia that is building a network of Indigenous business owners and consultants to provide advisory and consulting services to indigenous peoples in developing countries. i2i specialises in the design and delivery of aid projects that provide an enabling structure for long-term sustainability and prosperity for indigenous communities, based upon indigenous values and indigenous ways of working, with an emphasis on initiatives that will increase rural incomes and improve access to services for poor indigenous communities in remote areas. DFAT contracted i2i Development, a 100% Indigenous Australian owned business, to support indigenous communities in East New Britain in Papua New Guinea to commercialise co-operatives for subsistent cocoa farmers in order to take advantage of commercial opportunities in the cocoa sector. More information about i2i can be found at <http://www.i2idevelopment.com/>

## **Best practice: Indigenous business leaders defining development**

The following is a press released issued by the delegation of the 2016 World Indigenous Business Forum.

### ***“Press Release by the delegation of the 2016 World Indigenous Business: Defining Indigenous Development in their Own Terms***

At the seventh annual World Indigenous Business Forum in Saskatoon, Saskatchewan, Canada, a delegation of Indigenous business leaders from across the globe resolved to define Indigenous Development in their own terms. Following an impassioned keynote by Dr. Ernesto Sirolli in which he highlighted the lacklustre entry in Wikipedia for “Indigenous Development”, a delegation of individuals from Indigenous communities across the globe rallied to write a description that would accurately reflect what they do. Facilitated by Sirolli himself, a pioneer in sustainability, the group produced the following resolution statement, in English and Spanish, which was accepted unanimously by the entire forum:

#### **CHANGE OF THE DEFINITION OF INDIGENOUS DEVELOPMENT**

***“In consideration of the cosmology of indigenous populations as exemplified by the common knowledge of its people, and the application to every aspect of life from politics to economics to science, spirituality, morality and philosophy, our definition of Indigenous Development is:***

***“Indigenous development is the organized effort by Indigenous Peoples to honor, enhance, and restore their well-being while retaining a distinctiveness that is consistent with their ancestral values, aspirations, ways of working, and priorities on behalf of all Future Generations. Their efforts also strive to share a holistic model of livelihood that respects the Creator, the Earth and promotes sustainability now and for the generations to come.”***

Though this may seem like a small step to some, building consensus among Indigenous communities and empowering them to seize control of their own Nations is a focus of many organizations across the world. To have a definition of what it is Indigenous People would like for themselves allows these groups to narrow their focus and provide services that respond directly to the needs of the populations they’re serving.”

Further information about the WIBF press release can be found at <http://wibf.ca/> or [https://en.wikipedia.org/wiki/Indigenous\\_development](https://en.wikipedia.org/wiki/Indigenous_development)