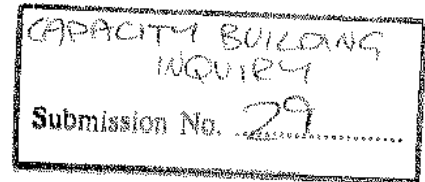




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Mr Barry Wakelin MP  
Chair  
House of Representatives Standing Committee on  
Aboriginal and Torres Strait Islander Affairs  
Parliament House  
CANBERRA ACT 2600

**Parliamentary Inquiry – Capacity Building in Indigenous Communities**

I refer to your letter of 2 July 2002 seeking a submission from Indigenous Business Australia (IBA) into your inquiry.

Please find attached a submission that sets down IBA's views on a range of issues, which need to be considered in capacity building.

Yours sincerely

Ron Morony  
General Manager  
30 August 2002

**Indigenous Business Australia**

**Submission**

**to the**

**Inquiry into Capacity Building in Indigenous  
Communities**

**being conducted by the**

**House of Representatives Standing Committee on**

**Aboriginal and Torres Strait Islander Affairs**

*“It is the case the world over that (community) governmental structure and capacity are indispensable to economic development and progress against social ills”*



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## 1. Introduction

This submission has been prepared by Indigenous Business Australia (IBA) to the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs Inquiry into capacity building in Indigenous communities.

As detailed later in this submission, IBA's role is specialised and therefore, IBA's comments will focus on commercial and structural issues. Our comments reflect experiences in working with Indigenous communities, organisations and bureaucratic structures for the past 12 years. Our comments also reflect our first-hand experience in studying examples of overseas "best-practice" in New Zealand, Canada and the United States of America.

While the Committee's terms of reference refer to capacity building, IBA's submission has taken a contextual approach addressing the implication of capacity building for self-management, good corporate governance and positive accountability.

## 2. About the IBA

### 2.1. Establishment

IBA was established by section 145 (1) of the *Aboriginal and Torres Strait Islander Commission Act 1989* (ATSIC Act). It commenced operations on 5 March 1990 and was then known as the Aboriginal and Torres Strait Islander Commercial Development Corporation. Assets were transferred from the former Aboriginal Development Commission, mainly: Bonner House, a commercial property located in Woden, Australian Capital Territory; and approximately \$9.6 million in funds. These funds were augmented by \$10 million a year appropriated for the four financial years 1990-91 to 1993-94, with a further injection of \$10 million in 1998-99.

### 2.2 Corporate Vision and Statement of Purpose

IBA's objectives are contained in its recently tabled *Corporate Plan 2002-2005* as follows:

*"To see greater economic self-sufficiency and well being for Indigenous Australians through a strong Indigenous business presence in mainstream economic activities."*

The Corporate Plan also contains IBA's statement of purpose:

*"IBA will endeavour to stimulate the economic advancement of Indigenous peoples through investing in sound commercial ventures while encouraging and supporting Indigenous participation in both the management and employment levels."*

This statement is derived from the ATSIC Act which sets out IBA's **purposes** (section 146), **functions** (section 147) and how IBA will act in the **performance** of its functions (section 148).

## **2.3 Purposes**

- To assist and enhance Aboriginal and Torres Strait Islander self-management and economic self-sufficiency; and
- to advance the commercial and economic interests of Aboriginal persons and Torres Strait Islanders by accumulating and using a substantial capital asset for the benefit of the Aboriginal and Torres Strait Islander peoples.

## **2.4 Functions**

- To engage in commercial activities;
- to promote and encourage Aboriginal and Torres Strait Islander self-management and economic self-sufficiency; and
- such other functions as are conferred on IBA by “the Act”.

## **2.5 Performance of Functions**

- IBA shall act in accordance with sound business principles.
- IBA shall have regard to the desirability of:
  - a) encouraging and facilitating Aboriginal and Torres Strait Islander participation in commercial projects and enterprises;
  - b) securing, as far as practicable, Aboriginal and Torres Strait Islander participation in the ownership and control of entities engaged in activities that are likely to have a significant impact on Aboriginal or Torres Strait Islander interests;
  - c) promoting the development of industries and other commercial and economic activities that are likely to have a beneficial impact on Aboriginal or Torres Strait Islander interests; and
  - d) making specialist commercial expertise available to Aboriginal persons and Torres Strait Islanders engaged in commercial activities.

## **2.6 IBA Operations**

IBA is managed by a Board of Directors comprising:

- a Chairperson;
- a Deputy Chairperson; and
- up to seven other members.


All Directors are appointed by the Minister for Aboriginal and Torres Strait Islander Affairs.

Day to day administration is undertaken by a small contingent of staff comprising:

- a General Manager;
- a Deputy General Manager; and
- 16 other staff located in three operational areas.

These operational areas are:

- Business Development;

- 
- Business Participation; and
  - Financial Management and Human Resources.

IBA meets all its administrative costs from its investment earnings.

As at 30 June 2002, IBA was engaged in 23 different business ventures over a diverse range of activities including:

- commercial operations;
- property development;
- aquaculture;
- tourism;
- retail and services;
- transport;
- commercial property;
- shipping;
- mining; and
- waste management.

Investments in these activities totalled almost \$50 million. Currently, IBA is investigating a number of prospective new business investments.

Further details of IBA's operations are contained in our *Annual Report*.

### 3. Inputs on Inquiry Terms of Reference

#### 3.1 Introduction

The Inquiry Terms of Reference are “ *The Committee will inquire into and report on strategies to assist Aboriginals and Torres Strait Islanders better manage the delivery of services within their communities. In particular, the Committee will consider building up the capacity of:*

- a) community members to better support families, community organisations and representative councils so as to deliver the best outcomes for individuals, families and communities;*
- b) Indigenous organisations to better deliver and influence the delivery of services in the most effective, efficient and accountable way; end*
- c) government agencies so that policy direction and management structures will improve individual and community outcomes for Indigenous people.”*

In addressing these terms of reference, IBA offers comments under the following headings:

- Disenfranchisement;
- Impact of intergenerational welfare;
- Number of Indigenous Organisations – friend or foe?;
- World Bank Studies;
- Access to Financial Services; and
- Recommendations.

#### 3.2 Disenfranchisement

International research would suggest that there would seem little point pursuing capacity building unless Indigenous people are concurrently being given genuine opportunities to exercise decision making over those matters which are central to their future.

For years, governments have encouraged better employment outcomes and offered a variety of training opportunities to Indigenous people. Often the take up rate, or success, of these “opportunities” appears, on the face of it, disappointing. The reality is that there is little incentive for Indigenous people to embark on a range of such initiatives if there is an overall pervasive view of doubt over the value of such initiatives in that all the important decisions affecting individual Indigenous people appear to be made by others.

In a paper delivered to a recent Australian conference on Indigenous governance, Dr M. Begay Jr and Prof. J. Kalt of the US Harvard Project on American Indian Economic Development, reported on the need for genuine self-determination. They reported that “*Self-determination is the only policy in a century that has worked to begin to alleviate*

*the legacy of suppression and economic dependency to which Native peoples of the US have been subjected*". They advised the conference that *"The research reveals a clear pattern among those American Indian nations that are moving confidently forward economically and socially. Without exception, such Native nations are marked by aggressive assertions of de facto sovereignty and self-rule"*. The researchers observe that these Nations are not waiting for reform, but are applying the Nike principle – "just do it".

Importantly, these Nations have also recognised that rights of self-rule must be backed by the internal institutional capacity for self-rule. A number of examples were provided to the conference which reinforced the focus, by these successful Nations, on aboriginal government capacity as a key to successful economic development. These researchers also argued that *"it is the case the world over that governmental structure and capacity are indispensable to economic development and progress against social ills"*.

To be successful, the form of the individual government structures is critical. There is no "one size fits all" and the Harvard Project research consistently points to the finding that, to be effective, aboriginal governmental structures and economic development policies have to possess "cultural match". In this context, "cultural match" means that the structure must fit each group's culturally based standards of what is legitimate and proper when it comes to such questions of who has what power, what economic systems will work, and what economic development projects are viable. The research findings pointed out that the results were hard-edged, well defined dimensions to cultures which directly impacted on the design of institutions and viable economic strategies.

Of particular interest to IBA was one of the research findings. It concluded that, as these Nations had taken direct charge of designing their own governmental structures, and accepted the challenge of addressing institutional capacity: *"they shift the centre of accountability home to reservation citizens and their governments and away from Washington, D.C."* Clearly, the research results show that local groups will accept greater responsibility for local outcomes, if they are given responsibility for real decision making – local control shortens the line of responsibility.

The report also warned that if the issues of rights and capacities of self-governance are *"...abridged or subjugated, American Indian nations are going to be consigned to ongoing and intractable problems of unemployment, poverty, social ill-health, and dependence on the federal government"*.

Based on their research, four guidelines for federal policy were proposed. These were:

- Adhering to the positive lessons of self-rule;
- Maximising aboriginal control of programs;
- Changing federal and indigenous incentives; and
- Building Institutional capacity.

These research outcomes were further reinforced in a paper presented by Prof. Stephen Cornell (Director of the Udall Centre for Studies in Public Policy in the University of Arizona). He was also part of the Harvard Research Project, and in a recently presented paper, he advised that research had concluded that successful economic development was



not education, natural resource endowments, location or access to financial capital. He advised that the features common to economic success on American Indian lands were:

- Sovereignty – self rule is necessary to put responsibility for the development agenda into Indian hands;
- Governing Institutions – the chances of sustainable development rise as Indian nations put in place institutions that can effectively solve core governance problems;
- Cultural Match – the institutions (both in structure and performance) must have the support of the people they govern;
- Strategic Thinking – strategic thinking has not been a feature within Indian lands due to years of external political and economic controls which have naturally suppressed the need for strategic thinking; and
- Leadership – either individuals or groups emerging who envisage a different future and recognise the need for foundational change.

While many of these findings relate specifically to the United States, IBA believes that the concepts behind these findings are directly applicable in the Australian context. Without real local responsibility and decision making, there is little prospect of sustainable long term development – particularly if the “drive” for this development is imposed from external sources.

### **3.3 Impact of intergenerational welfare**

IBA believes one of the biggest issues facing the individual community members is the negative impact of intergenerational welfare on education, employment, social and health outcomes.

Research in the early 1990’s showed that there are a number of direct mechanisms through which welfare participation may pass from one generation to the next. Firstly, parental welfare participation may lower the distaste or stigma experienced by children in receiving social welfare benefits. Secondly, welfare dependency by parents may reduce labour market opportunities of their children. For example, children of welfare recipients may have less exposure to on-the-job experience, and fewer job search skills and informal job contacts through their parents lack of participation in the labour market. Finally, transaction costs may be reduced for families receiving welfare benefits, because these children learn how the “system works”.

At a February 1997 conference on the subject “Intergenerational Equity in Canada”, a number of papers were presented examining intergenerational transmission of welfare through the family and the family’s access to income, health, and education. The many papers using this approach demonstrate that parental socio-economic status has a major impact on the benefits children receive from health and educational services. Furthermore, parents’ labour market experiences affect educational investment and attainment of their children.

A paper presented to the 6th Australian Institute of Family Studies Conference in Melbourne in November 1998 discusses the impact of intergeneration welfare in Australia. That paper “Changing families, challenging futures - Intergenerational Poverty

and Welfare Dependence: Is there an Australian problem?" by Jocelyn Pech and Frances McCoull is useful to draw on. That report concluded:

*"In recent decades, rising rates of unemployment and sole parenthood have seen a growth in Australia of income support receipt by families with dependent children. This has led to concern about the possible adverse effects that extended joblessness and/or income support reliance by parents may have on the life chances of their children. Evidence from the US suggests that the children of income support recipients are more likely than other young people to drop out of school early, make a poor transition to the workforce and/or become parents at an early age. These events, in turn, increase the likelihood of them receiving income support."*

While the paper advised that more research was required, the following extracts of the situation in Australia are useful in considering change processes which may be stimulated within Indigenous communities.

*"We do know that young people from low socio-economic status (SES) groups are significantly less likely than those from higher SES groups both to finish secondary school and to take up post-secondary education (Chapman 1992, RHEFP 1998). This disadvantage does not, however, appear to extend to rates of completion of post-secondary qualifications. Among those who proceed to further education, students from low SES backgrounds have similar success and retention rates to other students (RHEFP 1998: 92). In the light of this evidence, the Review of Higher Education Financing and Policy (the West Report) recommended earlier this year*

*That governments make every effort to ensure that virtually all young people proceed to the end of secondary education in order to open up possibilities in later life for participation in post secondary education (RHEFP 1998: 93).*

*Australian Bureau of Statistics (ABS) data show that young people whose parents are not in work have lower labour force participation rates and higher unemployment rates than young people with at least one parent in work. The 1992 Survey of Families (ABS 1994) collected data on the labour force status of parents and any young people aged 15-24 who were living at home. Table 1 summarises the results.*

*The lowest participation rates were found among young people from families with no parental employment, with the exception of young people whose parents were both outside the labour force. Young people without a parent in work were one and a half to two times more likely to be unemployed than young people with at least one parent in work."*

**Table 1: Labour force status of young people aged 15-24 and living with parent(s) by parental labour force status, 1992**

Family type and parental labour force status	Labour force status of young person	
	Participation rate (%)	Unemployment rate (%)
Couple families		

<i>Both parents employed</i>	71.7	17.7
<i>One employed, one unemployed</i>	70.8	20.3
<i>One employed, one not in the labour force</i>	71.3	20.2
<i>Both parents not in the labour force</i>	72.9	30.6
<i>Both parents unemployed</i>	56.5	32.4
<i>One unemployed, one not in the labour force</i>	53.0	41.2
<b><i>All young people in couple families</i></b>	<b>70.7</b>	<b>20.1</b>
<i>One parent families</i>		
<i>Parent employed</i>	69.0	28.2
<i>Parent unemployed</i>	55.7	33.5
<i>Parent not in the labour force</i>	59.0	42.9
<b><i>All young people in one parent families</i></b>	<b>64.5</b>	<b>32.7</b>

Source: ABS 1994

More recently, the ABS Survey of Employment and Unemployment Patterns (SEUP) collected information from a group of jobseekers over a period of several years. It showed that young people with one or both parents in work were significantly more likely to have found stable employment over a one-year period than young people whose parents were not in work. In these data, father's employment appears to have been more influential on young people's employment outcomes than mother's (ABS 1998: 106)."

A recent New Zealand study by Seth-Purdie (2000) examined various risk factors behind the welfare participation of youth at age 21. The author found that youth raised in families receiving some welfare benefits are more than twice as likely, compared to youth raised in families that never receive welfare benefits, to receive income from the same welfare programs at the time of the survey at age 21. This study was quite broad, examining a wide array of childhood adversity measures that could potentially influence welfare participation in early adulthood.

In a research paper "Factors Influencing the Educational Performance of Students from Disadvantaged Backgrounds" by Jill Considine and Gianni Zappala through the University of Sydney, a number of important observations are made on the issue of poor intergenerational education outcomes. The research focused on estimating the extent of socioeconomic, family, individual and contextual factors on school performance using a large data group (over 3000 students from financially disadvantaged backgrounds who were participating in the The Smith Family's Learning for Life program). The major findings " ...revealed that parental education was a key predictor of student academic achievement..... The findings support the notion that the 'social' and the 'economic' components of the socioeconomic status equation may have distinct and separate influences on educational outcomes. While financial assistance to schools and families in need is important the results highlight the need for policies and programs that also assist

*low-income families in providing appropriate psychological and educational support for their children."*

While noting the differences between US and Australian circumstance, the following extract from an issues brief for US State Governors "States Can Use Family Literacy Programs to Support Welfare Reform Goals" provides sober reading:

*"Study after study reveals an inextricable link between under education and chronic, intergenerational welfare dependency. Parents who drop out of school and join the welfare rolls often have children who do the same, and the cycle of under education and poverty begins. With the recent dramatic changes to the welfare system, policymakers must consider ways to strengthen current approaches and implement new initiatives for addressing the needs of under educated individuals in a welfare reform environment. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) focuses on moving individuals into the workplace as the first and most important step toward their achieving self-sufficiency. This is sometimes referred to as a "work first approach." PRWORA also emphasises the need for state welfare reform efforts to assist low-income parents and their children in becoming self-sufficient. Incorporating family literacy instruction into their welfare-to-work programs is one of the strategies that states can use to help low-income families become self-sufficient.*

*Almost 50 percent of adult welfare recipients do not have a high school diploma or General Educational Development (GED) certificate. More than 60 percent of the welfare recipients who spend more than five years on welfare enter the system with less than a high school education. Welfare recipients ages seventeen through twenty-one read, on average, at the sixth-grade level. Workers who lack a high school diploma earn a mean monthly income of \$452, compared with \$1,829 for those with a bachelor's degree. Adult welfare recipients with low literacy skills work eleven weeks per year, on average, while recipients with strong literacy skills work twenty-nine weeks per year, on average. Family literacy programs that achieve results over more than one generation of a family help strengthen families and make adults, such as those characterised in the statistics above, more competitive in the job market. With welfare reform's shift from extensive pre employment training to work first, states can use family literacy to complement the education of working individuals with low literacy levels. Family literacy can also help children become better prepared for school."*

Recent media reports (National Indigenous Times – 14 August 2002, page 3) reported on the release of a Government discussion paper on Indigenous Australians in higher education. According to the report, between 1999 and 2001 the number of Indigenous students commencing higher education studies fell from about 1.8 per cent of all domestic students to 1.5 per cent. A number of strategies were recommended to address this situation including improving support for students and lifting the acceptance and admittance rates at universities.

While a reduction in university admittance is a disturbing trend, IBA also holds concerns about the nature of courses undertaken. In essence, future Indigenous leadership would benefit from greater participation in the more pragmatic courses such as management, law and accounting – rather than the current dominance of socially oriented courses.

From IBA's observations of overseas trends, there is significant family and peer pressure to pursue academic studies with a greater economic focus, than occurs within Australia.

### **3.4 Number of Indigenous Organisations – friend or foe?**

It can be argued that having a range of specialist Indigenous service organisations improves the level of professionalism and the level of services available. IBA believes that the reality is that the current large number of organisations results in unhealthy competition for limited leadership "talent" and wasted energy competing for limited funds. There have also been examples where the propensity to establish new organisations to respond to "opportunities" arising from new government funding programs results in family dominance of separate organisational structures and an increasing reliance on these structures to become de facto employment providers.

As a result of historical circumstance, there is a plethora of organisations at the community level, the regional level, the state level and the national level. Many of these organisations are functionally based (such as legal services) or community based (such as housing companies). Many of these have been established under the Aboriginal Councils and Associations Act. Others are established by State or Federal land rights legislation (eg NSW land councils), and others by broader legislation (eg Regional Councils established under the ATSIC Act).

There is no apparent correlation between the overall number of organisations and the Indigenous population numbers. The following table provides an indication of organisation numbers based on known information. IBA has no direct access to the number of organisations incorporated under State or Territory legislation and has made some assumptions.

<b>Incorporating Authority</b>	<b>Number</b>
Commonwealth Aboriginal Councils and Associations Act (1)	3481
Federal or State Land Rights Legislation	139
ATSIC Act (2)	37
ASIC "Indigenous" (3)	282
ASIC "Torres Strait Islander" (3)	50
ASIC "first nation" (3)	11

ASIC "Aboriginal" (4)	500
<b>TOTAL</b>	<b>4500</b>
Indigenous adult population > 19 (5)	265,232
Average organisation adult membership	59

Note 1: extracted from the 2000-01 report of the Registrar of Aboriginal Corporations

Note 2: extracted from ATSIIC web site – includes regional councils and advisory groups

Note 3: based on search of ASIC data base using the specified words

Note 4 – ASIC data base prevents search due to number of entries with the word "Aboriginal". Have assumed a figure of 500 but likely to be much higher.

Note 5: extracted from CAEPR discussion paper no. 150/1997

In many Aboriginal communities in Australia, there will be any number of organisational structures delivering a range of services or pursuing commercial activities. Based on overseas studies, IBA suspects that one of the major contributors leading to the current debate on the need to improve capacity, is the over-abundance of organisations within Indigenous Australia. Within any community, the level of leadership and managerial "talent" will always be limited. Given the small pool of resources, there may simply be too many organisations in existence whose demands for quality leadership cannot be met.

By contrast, the structures in the United States of America, focus on empowerment of tribal groups through single structures. It must be acknowledged however that most structures and programs are based on tribal lands with little specialised services for Indian people who have left traditional lands. The same situation applies in Canada.

There are 561 federally recognised tribes with an American Indian and Alaskan Native population of 2.3 million (or 0.9% of the population). Each tribe has its own band council responsible for all social and economic development matters on tribal lands. Research by IBA suggests that in addition to these 561 tribal councils, there are only 28 national tribal organisations and only 25 regional tribal organisations. (Source: An Introduction to Indian Nations in the United States – second edition – Feb.2001). Clearly, with such a smaller number of organisations and a larger population base, the prospects of these organisations attracting skilled leadership must be significantly improved.

The form of government established by the tribal governments vary, but 60% are based on a model constitution developed as part of the Indian Reorganization Act of 1934. Others are based on more traditional forms of tribal government. IBA also refers to earlier comments on the need for the structure to meet community expectations.

Most tribes give legislative authority to tribal councils. These tribal councils are elected either by district or are elected at large. Councils generally have authority to write tribal laws and most tribal councils elect a chief executive.

The United States federal government has been following a process of decentralising programs to tribal governments. In recent years, service programs (welfare reform child

care and social support) and environmental programs have been increasingly devolved from the federal government to tribal governments.

Decentralisation disproportionately affects tribal governments. Depending on the mechanisms through which programs are devolved, tribal governments may or may not be recognised as units of government with authority to directly receive the resources and administered the specific programs. In the early stages of the current decentralisation process, many tribal governments and the federal government embraced the concept of shifting federal programs and services to tribal control. The Indian Self Management Education Assistance Act of 1975 gave Indian tribes the right to contract for federal resources and administer federal programs. Since 1975, the self-determination programs have been expanded several times. Tribal governments have even greater flexibility in reprogramming Bureau of Indian Affairs and Indian Health Service resources to meet tribal needs. The premise of the self-determination and self-governance programs is tribal governments have the option to negotiate an agreement to receive federal resources and to perform services themselves.

There have been some concerns expressed about the decentralisation policy, in that some critics see that the federal government is abrogating its responsibility to Indian people. Other critics believe that tribal councils do not receive proportionally the same level of financial and other support as state and local government bodies.

The socio-economic circumstance of Indian nations is not dissimilar to Australia's Indigenous people. The need for sustained economic growth is acute in most Indian communities. Indian reservations have a 31 per cent poverty rate – the highest poverty rate in America. Indian unemployment is approximately 46 per cent. Indian health, education and income statistics are the worst in the country. The vast majority of tribes live with severe and intergenerational economic depression. Tribes are striving to achieve economic stability and self-sufficiency by using the growing tools of self-governance.

Outcomes from the Harvard Research project, reported by Dr M. Begay Jr and Prof. J. Kalt, report that single structures also improve outcomes. In their paper (reported on in the earlier section), they identify that there is systematic evidence that the transfer of the management and delivery of programs from governments to Indian nations has been successful in both promoting economic development and enhancing tribes experience in self-governance. They also report that significant benefits arise with block granting such tribal groups, allowing those groups to determine internal priorities. Such an approach changes the incentives for aboriginal leaders and decision-makers and ensures that accountability to community members is maximised.

A similar organisational approach also applies in Canada. For the purpose of this submission, IBA would like to use the Musqueam Indian Band as a practical example. This Band has 500 members living on reserve land, which is now apart of suburban Vancouver, BC. There are a further 500 members living off-reserve due to insufficient suitable land for housing. The band is headed by 10 person elected council.

The council structure is responsible for delivering a range of "local government" type services including pre-school education, health, housing, training and economic activity etc. In many ways this band council would be the equivalent of a local government body

in Australia charged with the responsibility of delivering a holistic range of services to community members. The band does not seek to replicate adjacent mainstream services.

Responsibilities include:

- Land management (including roads etc) - the Band holds five separate parcels of land;
- Economic activities include:
  - two separate golf courses which are leased to private operators;
  - a commercial housing estate where land was leased to non-indigenous Canadians (leases are in place to 2065 which are prepaid at \$200,000 per block)
  - a hotel off-reserve
  - Celtic Ship Yards (which has not been successful and will be sold)
- Provision of housing through:
  - Canadian Lending and Mortgage facilities.
  - Welfare housing programs
  - Facilitating private housing loans as appropriate
- Provision of education services with pre-school and adult learning on-reserve. All other schooling is off-reserve.
- Health – community health nurse on reserve.
- Employment and training programs.

With the one band council responsible for all services, there is not the competition between organisations for resources and priority setting represents local needs.

### **3.5 World Bank Initiatives**

Australia is certainly not unique in wishing to address the issue of capacity building. There has been significant international research and sponsorship of capacity building.

The World Bank has been supporting a number of programs aimed at increasing the capacity of indigenous organisations in a Latin America to better self-manage. In a recent report (Latin-American and Caribbean Regional Sustainable Development Working Paper No. 10) the World Bank's Latin-American and Caribbean Regional Office provided an overview on outcomes of a number of programs which the Bank had funded.

The report was predicated on the belief that indigenous people in Latin America had recognised that to meet the challenges of modern society they could no longer rely solely on traditional forms of organisation knowledge and skills. They recognised that they needed to embrace new forms of organisation, knowledge and key elements of modern science and technology. The report also identified that new indigenous organisations had formed which were no longer based on traditional "grassroots" communities organisations and that at times these new organisations were in conflict with the more traditional organisations.

The Bank report noted that globalisation was providing many challenges for indigenous people, and that these challenges are heightening the importance of consolidating indigenous organisations and improving socio-economic conditions through greater



involvement in determining how resources are distributed. The report noted that indigenous people must broaden their knowledge and skills base, especially in the design, administration and evaluation of development projects for the social groups and communities. The report also recognise that effective participation require special skills that are not evenly distributed amongst different stakeholders and in particular marginalised groups, such as indigenous peoples, are more likely to lack such skills.

The report then provides an overview of a number of capacity building projects which had been implemented by the World Bank in Guatemala and Colombia.

The findings were that the program had been highly positive in both countries and that the main objectives of the program were fulfilled, mainly, the strengthening of communities and indigenous organisations through a high level of indigenous participation in the development of training activities. The report identified an important issue which need to be addressed in the future - whether the capacity building should remain a short-term initiative or become a regular program supporting training initiatives that could eventually be consolidated with non bank resources. Experience showed that the program's effect is greater when theoretical training is combined with practical application in the field. Therefore a major challenge is to closely link training activities to follow-up projects in which a workshop participants become key players in design and implementation. In addition it was clearly demonstrated the for indigenous communities and organisations to make the most of the training they must be given sufficient time to become acquainted with the program.

### **3.6 Access to Financial Services**

A continuing major impediment to increasing capacity and resultant economic and social development for rural and remote communities, is lack of equitable access to services. One of the more obvious gaps is lack of access to banking and financial services.

A research paper, recently prepared by Reconciliation Australia, analysed the need for banking services. The following is particularly relevant:

*“The future of Indigenous Australians is being influenced by the same array of forces that are impacting on the wider Australian community. Increasing globalisation, economic and labour market complexity, rapid changes in technology and the inevitability of continuing economic change are impacting on people's day-to-day lives. When conducting their inquiry into fees and charges imposed on retail accounts by banks and other financial institutions, the Prices Surveillance Authority argued that;*

*Access to a financial transactions account is necessary to conduct the personal business of everyday life in a modern economy. All citizens require this access regardless of income, employment status or personal circumstance (PSA 1995: xxxvi).”*

The House of Representatives Standing Committee on Economics, Finance and Public Administration (HRSCEFPA report titled *Regional Banking Services—Money Too Far Away* (1998) endorsed the National Farmers' Federation (NFF) submission that:

*“Access to financial services is an essential requirement for participation in modern society. All consumers need mechanisms for storing and saving money and for receiving and making payments to third parties. In this sense, basic banking services have much in common with central utilities such as electricity, gas and water (NFF 1998: 533).”*

The low-income status of many Indigenous households also limits their access to banking and financial services. In their final report to the Australian Parliament, the Council for Aboriginal Reconciliation argued that Indigenous Australians are both relatively and absolutely socio-economically disadvantaged when compared to other Australians (Council for Aboriginal Reconciliation 2000). In practical terms, this means that most low-income Indigenous households are without financial savings and therefore often pay comparatively more than other households for financial services.

Based on recent research by ANU’s Centre for Aboriginal Economic Policy Research, Indigenous people are disproportionately disadvantaged. The Indigenous share of total usual resident population is shown in the following table for each census since 1981 in respect of an area which includes the Far West and North Western Statistical Divisions (SD’s) in New South Wales, the South West, central West, North West and Far North SDs in Queensland, the Eyre and Northern SDs in South Australia, the South Eastern, Central, Pilbara and Kimberley SDs in Western Australia and Northern Territory Balance SD.<sup>1</sup>

Census year	Indigenous population <sup>b</sup>	Non-Indigenous population	Indigenous share of total population (per cent)
1981	77,372	531,050	12.7
1986	93,681	565,729	14.2
1991	102,205	563,645	15.4
1996	121,580	560,768	17.8

Notes:

- a. Based on usual residence counts
- b. Aboriginal and Torres Strait Islander status ‘not stated’ in each Statistical Division is pro-rated according to the revealed usual resident share in each census year and added to the Indigenous count.

This growth is occurring due to both a net reduction in the non-Indigenous population, but also higher population growth amongst Indigenous families.

Due to ongoing concerns about lack of access to banking services, and to borrowing facilities, IBA and ATSIC recently jointly funded a banking and finance conference, held in Sydney and jointly chaired by Mr Leon Davis, Chairman of Westpac and IBA’s Chairman, Mr Joseph Elu. It was well represented by senior level bankers, government departments and agencies, academia and Indigenous organisations.

The conference was co-ordinated by Reconciliation Australia with additional support from the Department of Family and Community Services and the Law Firm Gilbert and Tobin was also provided. In sponsoring the conference IBA stressed that it was not

looking only for outcomes focus. IBA saw the conference as an important opportunity to table issues and then look for ways of advancing issues.

The conference agenda focussed on:

- The provision of services to remote Indigenous communities and those living in rural areas, as well as improving access to a total service for those who reside near existing banking facilities;
- Finding ways of accessing commercial funds to address housing needs and enterprise development, including on Aboriginal lands;
- The need for incentives to encourage stronger Indigenous participation in private commercial development and with an emphasis on using the substantial asset base that some Indigenous groups have; and
- The issue of access to capital for the larger commercial ventures.

The discussions were timely and well structured and there was open and frank discussions about servicing remote and very small communities but also the need for an approach of mutual respect and honesty. It is also clear that stronger support from Government for this issue, in tandem with the other players, is needed in order to achieve the comprehensive response to those issues discussed.


#### **4. Recommendations**

IBA believes that efforts to address capacity building must take a holistic approach if such efforts are to be sustainable.

It is clear from research that there are significant issues to be address as a consequence of intergenerational welfare for Indigenous people. These issues are not easily addressed as many communities are in remote areas where education and employment opportunities are poor.

Importantly, overseas experience supports the notion that capacity building, when combined with local responsibility, has very positive outcomes. There are a number of hurdles that need to be considered if the Committee see merit in that approach. These hurdles are:

- Reducing the number of organisational layers to ensure that local decision making is genuine, in terms of representing community interests and priorities;
- Pursuing the concept of block granting to increase the level of genuine local control over priority setting;

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- Promoting the notion of accountability of organisations to the community, rather than to the funding provider;
  - Working with communities to ensure that local organisational structures represent their expectations (with appropriate internal controls) rather than imposing non-Indigenous concepts;
  - Identifying ways and means on involving Indigenous people in the design of programs and policies rather than imposing Canberra's ideas; and
  - Government policies aimed at increasing capacity and reducing welfare dependence should recognise the critical relationship between these policies, and importance of individuals having access to essential banking and financial services.

Indigenous Business Australia  
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