

BUILDING INDIGENOUS ECONOMIES IN AUSTRALIA

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Introduction

A couple of decades ago I was introduced to the work of the Rocky Mountain Institute in the USA (usually renowned for its work on renewable energy and water systems) in relation to community based economic development. In the early 1980s a group of economists had joined the RMI and seen analogies between the flows of energy and water systems, and how money flows through the economy. They developed a series of handbooks to assist communities in analysing and strengthening their own economies.

I seized on this work and adapted it for my own work with regional communities in Australia. At the time I was working with a high profile economist from a very conventional school, and showed him the RMI material. His reaction was surprising, but affirmed my faith in the model. He proclaimed that he would throw all his textbooks in the bin and would henceforth only use the RMI model, as it explained how things really worked.

Since that time I have adapted the RMI model to a wide variety of contexts, and expanded on some of the facilitation techniques. I have worked with traditional land owners in Papua New Guinea and “poorest of the poor” barangays in The Philippines, and have found that even with very little base material it is possible to develop a model of the local economy that is tremendously empowering for the community.

Some of the components of the RMI model are:

- Ø **identifying income streams** - this can be done by examining what particular households have earned in a particular time period and extrapolating upwards and outwards through consultation
- Ø **identifying expenditure patterns** - this can be done the same way, with use of some external indicators to cross-validate findings
- Ø **seeing what money leaks out** of the local economy and what stays in local circulation (with the local multiplier effect of incomes being deduced from this analysis)
- Ø **looking at how the leakages can be plugged** (using a “leaky bucket” analogy to depict the local economy)
- Ø **developing strategies for strengthening the local economy** with an emphasis on:
 - making use of untapped local resources
 - recycling waste streams
 - adding value to local production
 - filling gaps in local supplies of goods and services.

Regrettably this powerful and common sense model is almost never applied by governments when they are providing economic assistance to poor communities. In Australia and overseas, the focus is on assisting individuals and single enterprises through grants and loans, rather than building the economy as a whole. I have recently read a regional overseas aid strategy where the only proposed form of economic intervention is in the form of microfinance loans to individual entrepreneurs. It seems that there is no awareness of alternative strategies that might prove more effective, or at least complementary.

I have had the opportunity to evaluate the impact of microfinance lending in The Philippines, working as a consultant to AusAID and The World Bank. This is a country where microfinance lending is generally seen as successful, and my findings do not dispute this success in terms of the positive impact it has had on microfinance borrowers, generally very poor women. Self-selected groups of women form a peer support group, and develop skills in managing loans so as to establish small enterprises that can gain them a living. As they succeed in repaying small loans they are able to increase their borrowings and expand their businesses. All well and good, but there was considerable surprise from my agency clients when I suggested that an impact assessment should examine the impacts on non-borrowers as well as borrowers. It seems fairly self evident to me that:

- Ø lending to one person rather than another in a survival economy could result in non-borrowers suffering from competition
- Ø a rational use of low interest loans in many developing economies would be to hoard scarce materials which could put others out of business
- Ø the most lucrative use of low interest money would be to on-lend it at high interest rates, creating precisely the same kind of exploitative situation which microfinance schemes were designed to avoid.

My field assessment did not find that microfinance lending resulted in substantial hoarding and economic exploitation of non-borrowers, but there were impacts that were of concern. In particular, the borrowers (as might be expected) lacked skills in identifying gaps in the local supply of goods and services, which would have suggested the types of enterprise that offered best prospects of success. Instead they generally chose to set up the types of business that already existed, and with which they therefore were familiar. In the Filipino context this meant a proliferation of “sari sari stores” selling the same very limited range of basic goods, all competing with one another and adding very little if anything to the local economy. There had to be a better way.

Between 1996 and 2001 I had the opportunity to conduct several impact assessments of providing loans and grants to Aboriginal and Torres Strait Islander entrepreneurs throughout Australia, and this included tracking around 30 enterprises through an 18 month period as well as conducted a survey of around 100 Indigenous enterprise borrowers. The statistical side of these analyses showed how difficult it was for potential entrepreneurs in regional

and remote areas to gain access to funding compared with their urban counterparts. The focus for entrepreneurs was those areas where Indigenous peoples have a particular competitive advantage: tourism, culture and land based enterprises. However support for these enterprises was based on individual business ideas rather than building the infrastructure that was needed to support them. For example many Indigenous tourism and cultural enterprises have involved impressive product but with such locational disadvantage that they were out of reach of the market.

Funding for land based enterprises has proved particularly difficult. This represents a considerable lost opportunity, as Indigenous peoples have gained access to large tracts of land (through Native Title claims and purchases through the Indigenous Land Corporation), estimated as around 23% of Australia's land mass to date. Acquisition has often involved land that requires environmental repair or needs significant investment in infrastructure (fencing, water supply, buildings, tools etc). Support for these investments has been lacking, so that Aboriginal land owners may be asset rich but capital poor. Mobilisation of land resources for sustainable economic gain could be a key platform for addressing the relative disadvantage of Aboriginal and Torres Strait Islander people, as well as improving management of marginal lands. However there seems to have been a failure to invest in land-based enterprises for the following reasons:

- Ø an initial focus by the Indigenous Land Corporation on land purchase rather than management and improvement, and a more recent rapid reorientation to a mainstream land management model
- Ø a reluctance by the Commercial Development Corporation (later to become Indigenous Business Australia) to invest in land based enterprises because of a valid perception that conventional rural industries offer poor returns and high risks compared with other enterprise types
- Ø a failure of mainstream agencies to understand the types of land management regimes that have emerged amongst Indigenous landholders, which challenge some conventional assumptions about rural production.

In the early 2000s I carried out some research for the Rural Industries Research and Development Corporation into the emerging models of Indigenous land management. Essential features seemed to be turning the conventional rural production model on its head. Indigenous enterprises were:

- Ø labour intensive rather than capital intensive
- Ø focused on production of goods for a local market rather than export oriented
- Ø based on a diverse range of activities rather than heavy specialised.

There is also considerable interest amongst some Indigenous land owners in new types of production such as native wildlife harvesting (kangaroo farming etc) and commercial bushfood production, which may be much more

compatible with arid rangelands than conventional livestock farming or crop production. An extension of this type of land use would be developing a capacity for rehabilitating lands after mining activity has taken place, which provides a huge economic opportunity for many traditional owner groups.

Around the same time as this research, I was also involved in working with some very remote but large communities which suffer from huge rates of unemployment. Some observers had started to model the ways in which substitution of local employment for “imported” employment in these communities could substantially fill the employment gap. Currently most of these communities are heavily dependent on people from outside the community for carrying out work such as Council administration, teaching and health services. The cost of bringing people into the community and housing them is enormous, especially in a situation where there is a very high rate of turnover. It has been estimated that the average stay of a Council CEO in a remote Aboriginal community is something like 6 months! Bringing outsiders into the community for a short period of time is obviously high risk, with the new recruits having insufficient time to become familiar with local customs and needs, and some recruits being totally unsuitable. A long term strategy (multi-generational if necessary) for building local capacity to take on these jobs would be cost effective, lower risk, and would do much to raise community pride. It has been estimated than in some medium sized desert communities a redirection of resources from imported to local labour could result in virtual full employment.

As a result of this background, I am now in the process of writing a book about looking at local economies as a whole, and building up local wealth, creating an environment for job creation and successful enterprise development. This can draw on the economic component of all local activities, including local building work, housing and health service delivery for example, as well as entrepreneurial initiatives. The RMI model provides a good demonstration of why regional and remote communities (Indigenous and non-Indigenous) suffer from leakage of wealth to larger urban centres, where the scale of population provides greater opportunities for internal trade and wealth building. However with the right strategies, it is possible to create circles of trade within even the most remote communities, and to add value to any money flowing into the community. The key is to understand how money flows, to trap it and keep it local.

I believe that this understanding is fundamental to addressing the United Nations Millennium Development Goals, to which Australia and other nations are committed. Globalisation of all our economic networks means that some of these development tools are no longer specific to remote communities, and there are new opportunities as well as challenges to be faced everywhere. The same market forces which can make larger urban centres richer and remote centres poorer, and concentrate more and more wealth in the hands of a few individuals, are also at work in exacerbating the disparity in wealth between rich and poor nations. It is a matter of social survival that we intervene in this market to interrupt the flow of money and direct it to community wealth creation.

Because we lack the operational models for achieving this, I thought I would start by looking at the actual and potential achievements of some of the Aboriginal client groups with whom I have worked over some time. I hope that by analysing what has and hasn't worked for them, and the future opportunities that are there to be seized, we can gain a greater understanding of the critical success factors for building local economies, and contribute to a broader conceptual model. The selection of case studies is from a wide variety of operating environments: small and large communities, remote, regional and metropolitan.

1: Old Mapoon

This is a remote community on Cape York Peninsular which receives a limited income stream from regional mining agreements, and which enjoys access to natural resources that can form a basis for enterprise development. The community has the potential to achieve full employment through a combination of business and community service delivery. Many researchers and activities have suggested that remote communities could achieve full employment through developing much greater self reliance, substituting for "imported" non-Indigenous workers through training and mentoring local people, as well as starting up businesses that tap into local demand for goods and services. Old Mapoon is a community where there is strong leadership and motivation to bring such a model into reality, and it paints a picture of what a full employment Indigenous economy would look like.

2: Heartland

Heartland is a regional organisation which was until recently extending from providing Community Development Employment Projects (CDEP – a program which builds individual capacity of Indigenous clients for employment participation) to a broader role in broader economic development. The organisation worked within five North Queensland regional communities – Ayr, Bowen, Proserpine, Mackay and Sarina, developing partnerships with other Indigenous organisations and traditional owners as well as a range of public and private sector stakeholders. A number of key businesses being established had the potential to strategically address gaps in the regional economy. Unfortunately the government recently wound up many regional CDEP organisations including Heartland. This case study identifies some lost opportunities.

3: Scrub Hill Farm

This is a case study of mixed use land management and production, which was earlier profiled by the Rural Industries Research and Development Corporation (RIRDC). It provides evidence of an emerging new model for rural land use based on the aspirations of Indigenous land owners. There is a strong argument for investing in demonstration farms such as Scrub Hill, to provide practical land management experience that can be applied elsewhere as Indigenous land ownership increases (through assertion of Native Title or purchases through the Indigenous Land Corporation). The model established at Scrub Hill in Hervey Bay runs counter to mainstream rural industry practices by focusing on high labour/low capital production modes, mixing

enterprises to achieve synergy rather than specialising in a single production stream, and orienting to local rather than export markets.

4: Winnam

Winnam Aboriginal and Torres Strait Islander Corporation is a small community organisation located in the Bayside area of Brisbane, serving local Indigenous clients. Its initial role was provision of housing services, relying on government funding support. It was then urged by the government to become involved in aged care, taking on the operations of a failing hostel/nursing home, and turning it into a successful service. Along the way the organisation managed to establish some equity of its own, and a small enterprise base in local Aboriginal art and craft. With the withdrawal of government funding from Indigenous organisations in urban areas, Winnam has been forced to adapt and develop an entrepreneurial model. This will enable it to continue to contribute to the well being of the local Indigenous community no matter what future government support is available. It is achieving a new business model based around an expansion of its aged care service delivery.

5. Palm Island

The large community of Palm Island in North Queensland (population over 2,000) is a more complex case study because of its size and social mix. It is representative of many large remote areas which were formed by mission administration, to house Indigenous people from a wide catchment area. However there is a strong component of people who are traditional owners. There has to date been limited economic engagement, though there is current work being done to develop a commercial hub as part of Town centre planning. The island has excellent natural resources and the community size means that there is a critical mass of people that can sustain local enterprises, if these can become established.

6: Epenarra (Wetenngerr)

Finally, the lessons learnt from the previous case studies are applied to the small desert community of Epenarra (also known as Wetenngerr). This is the test – if the model can work in Epenarra it can work anywhere. By accident of history (and some past government blunders) Epenarra has found itself located on an isolated pastoral excision without a resource base of its own. It has all the entrenched problems of remote desert communities – appalling health problems (probably worse now than they were 30 years ago), extreme poverty, lack of services, lack of political representation, out of the public eye. Nonetheless it is a community that has a proud history, and which is striving to get on top of things. Even here there are opportunities but the obstacles loom large. This case study identifies a pathway, albeit a rocky road.

The lessons learnt from these case studies are being assessed and applied to the development of a broad framework for building economies within impoverished and marginalised communities. Essential elements include:

- developing financial literacy amongst potential participants
- identifying local resources including those that are untapped
- identifying products and services that serve local markets

- matching the local labour market to employment opportunity
- constructing an effective value chain for local production
- adding value to goods and services based on local resources
- consolidating and expanding enterprise initiatives over time.

There is also much to be learnt about potential new models for business development support. One of the exciting new developments in Queensland has been the establishment of Indigenous Knowledge Centres in 17 different Aboriginal and Torres Strait Islander communities. These are quite different from other agency structures in that they are run entirely by local people, and respond to local agendas. Some of the evident achievements of IKCs to date are:

- a quantum leap in terms of capacity to use information technology, which has been described as “from message stick to memory stick” or “leapfrogging the gap”
- development of new community based initiatives for improving literacy and numeracy amongst whole families
- providing improved capacity for financial management eg through Internet banking and comparison pricing, as well as job seeking
- raising confidence in individual ability to get involved in small business activity, and acting as a base for specific training delivery
- reinvigorating and promoting local cultural industries.

My book on “Building Indigenous Economies” should be available by the end of the year, thanks to the sponsorship of Indigenous Business Australia and the Queensland Department of State Development.

Author's biodata

Jane Stanley is Director of FOCUS Pty Ltd, a planning consultancy that has provided capacity building and business development support to Indigenous clients over a 20 year period. FOCUS prepared the three National Aboriginal and Torres Strait Islander Industry Strategies (addressing Rural, Tourism and Cultural industries) in response to the Royal Commission into Aboriginal Deaths in Custody, which identified these as areas of Indigenous competitive advantage. This work included tracking around 30 Indigenous businesses over an 18 month period. Other work carried out by FOCUS included a National Impact Assessment of ATSIC's Business Development Program, seven different regional plans addressing Aboriginal economic development and a Statewide Manual on increasing Indigenous employment outcomes, in addition to numerous individual business plans and enterprise feasibility studies.

Jane was awarded a PhD in Architecture, Social and Economic Research for her research into rural-urban migration and shanty town development in Ghana, West Africa. More recently she had an appointment as Adjunct Professor (Sustainable Heritage Development masters program) at the Australian National University. She is President of the International Division of the Planning Institute of Australia, and has received numerous planning awards for her work in Australia and overseas. Jane has recently completed a planning textbook ("Gnarly Planning") based on her community planning experience in different parts of the world, which was launched at the Asian Planning Schools Conference in Colombo in August 2007.

FOCUS has established publishing capacity. It produces a monthly community newspaper for the Sarina Shire, and is involved in printing a number of books for individuals and community groups. This includes Jane's current planning textbook.