

RE: Reconciliation Australia's submission on the Indigenous Procurement Policy (IPP) Reform Discussion Paper

Reconciliation Australia welcomes the opportunity to provide a submission on the IPP reform Discussion Paper. We acknowledge the important role the IPP has had in driving more opportunities for First Nations businesses through procurement opportunities to the federal government, creating greater economic independence and employment opportunities. Economic independence is an act of self-determination.

The barriers to economic and social development of Indigenous Peoples are prescribed by the UN as a continuing injustice, and Indigenous peoples are still suffering the consequences of historic injustices, colonisation, dispossession, and lack of control over their own ways of life ¹.

We view strong economic participation and a prosperous Indigenous business sector as key to advancing equality and equity for Aboriginal and Torres Strait Islander Australians. And we note the powerful influence that the success of Indigenous businesses and entrepreneurs has in contradicting historical deficit narratives of First Nations people. This has flow on impacts to broader economic and social outcomes. Indigenous knowledge systems have been proven to demonstrate unique competitive advantage and greater sustainable returns, including in industries such as environmental management, health and wellbeing, tourism, and cultural exchange², spotlighting the strengths and growth that can be achieved by investing in First Nations peoples.

IPP has driven economic outcomes through the increased growth of Indigenous businesses to meet the demands of federal government departments. A thriving, diverse Indigenous business sector benefits all elements of Australian society through significant contributions that are cultural, social, environmental, and economic" ³. Realising these benefits rests on a strong level of institutional integrity, whereby government, corporate and social sectors actively promote and develop economic opportunities for First Nations peoples and businesses through participation in reconciliation and supporting the National Agreement on Closing the Gap.

¹ United Nations Department of Economic and Social Affairs Indigenous Peoples (n.d) *Economic and Social Development*, accessed at <https://www.un.org/development/desa/indigenouspeoples/mandated-areas1/economic-and-social-development.html>

² PwC's Indigenous Consulting, (2019) Realising the potential of the Indigenous Procurement Policy (IPP) <https://www.pwc.com.au/indigenous-consulting/assets/realising-the-potential-ipp-nov19.pdf>

³ Evans M & Polidano C (2022) First Nations Businesses: Progress, Challenges and Opportunities, Pg. 37 <https://www.rba.gov.au/publications/bulletin/2022/jun/pdf/first-nations-businesses-progress-challenges-and-opportunities.pdf>



Reconciliation Australia acknowledges the significant role Supply Nation has played in advancing the Indigenous business sector through the prioritisation of Indigenous procurement. We have long advocated for the role of Indigenous procurement in the economic development of Aboriginal and Torres Strait Islander businesses by embedding public commitments to procurement targets as a key component of Reconciliation Action Plans (RAPs).

This submission provides strong support for Supply Nation's response to the IPP reform discussion paper, which acknowledges that there is no agreed industry or community definition of what constitutes an Indigenous business and calls for an updated definition of an Indigenous Business to be an entity that maintains a verified minimum Indigenous ownership of 51 % as well as the ability to demonstrate Indigenous operational management and control of the business.

It will be critical for IPP reforms to maximise effective participation across the diverse range of Indigenous businesses and sectors, to minimise incidences of "Black Cladding", and to accurately reflect the needs and aspirations of First Nations peoples.

In response to the IPP Policy Reform discussion paper Reconciliation Australia recommends:

Recommendation 1: Strengthening the IPP definition of Indigenous Businesses to be minimum 51% Indigenous owned, operationally managed and controlled by Indigenous peoples, as well as an ability to demonstrate how it best serves Indigenous economic benefit.

Recommendation 2 In alignment with Supply Nation, the above recommendation should be supported by a verification process that includes a combination of the auditing of business documentation including legal structures, registrations, shareholders, governance documents and positional appointments with clear documentation of Aboriginality or Torres Strait Islander identification along with the conduct of a physical interview with the identified Indigenous interests.

Recommendation 3 Targeted measures to increase direct benefit of female owned Indigenous businesses in delivering government Indigenous procurement targets. Dedicated funding, policies and programs for female First Nations business owners to address barriers to opportunities in government procurement - should be considered.

Recommendation 4: Commonwealth government should integrate learnings from the private sector regarding building and developing scale in Indigenous business. Particularly from Stretch and Elevate RAP partners who are partnering with Indigenous businesses to demonstrate innovation and sustainability in their Indigenous procurement, mentoring and employment commitments.

Recommendation 5: Consistent, nuanced measurement and evaluation of IPP outcomes to identify gaps and opportunities for underrepresented sectors and new entrants, and for those learnings to be enacted through development support of Indigenous Businesses. Dedicated support for upscaling of

Indigenous business, at the discretion of the Indigenous business, would increase the capacity of Indigenous businesses to meet IPP contract requirements.

About Reconciliation Australia

Reconciliation Australia is the national organisation promoting reconciliation between the broader Australian community and Aboriginal and Torres Strait Islander people.

We believe a reconciled Australia is one where Aboriginal and Torres Strait Islander people participate equally and equitably in all areas of life, and the distinctive individual and collective rights and cultures of Aboriginal and Torres Strait Islander peoples are universally recognised and respected. That is, we have closed the gaps in life outcomes, and Aboriginal and Torres Strait Islander peoples are self-determining. To do so, we are dedicated to building relationships, respect and trust between Aboriginal and Torres Strait Islander peoples and other Australians.

Our Reconciliation Action Plan Program (RAP Program) has for 17 years supported organisations to engage with and embed reconciliation throughout their organisation. Reconciliation Action Plans (RAPs) seek to leverage the critical role that the government, corporate organisations, and community institutions can play in working with First Nations peoples and organisations to create culturally safe and inclusive environments that are free from racism, and value and respect First Nations knowledges, rights and interests.

Reconciliation Australia provides a framework of relationships, respect and opportunities for implementing reconciliation initiatives in the workplace and education settings. Indigenous procurement is a key action for promoting opportunities for First Nations businesses through reconciliation action plans.

Increasing confidence in the First Nations business sector

We consider that the proposed reform to the IPP definition of an Indigenous business to be an Indigenous managed and controlled entity with a minimum Indigenous ownership of 51 % - if supported by an appropriate, robust verification process - would increase buyer confidence and reduce market barriers to Indigenous procurement.

Criteria of Indigenous management and control are associated with strong Indigenous governance. The Australian Indigenous Governance Institute ⁴ lists the common features of Indigenous Governance as:

1. Networks
2. Relationships
3. Governance Histories
4. Cultural Geographies
5. Leadership
6. Decision-making Authority
7. Accountability

They are all critical to enabling a strong Indigenous business sector. Several factors of leadership, decision-making authority and accountability are best practiced through majority ownership, management and control. The United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) ⁵ prescribe the following articles on the right of Indigenous peoples to economic and decision-making participation of which should be key to any IPP reform:

Article 3

*Indigenous peoples have the right to self-determination. By virtue of that right they freely determine their political status and freely pursue their **economic**, social and cultural development.*

Article 5

*Indigenous peoples have the right to maintain and strengthen their distinct political, legal, economic, social and cultural institutions, while retaining their right to participate fully, if they so choose, in the political, **economic**, social and cultural life of the State.*

Article 18

Indigenous peoples have the right to participate in decision-making in matters which would affect their rights, through representatives chosen by themselves in accordance with their own procedures, as well as to maintain and develop their own indigenous decision-making institutions.

Article 20

*1. Indigenous peoples have the right to maintain and develop their political, **economic** and social systems or institutions, to be secure in the enjoyment of their own means of subsistence and development, and to engage freely in all their traditional and other economic activities.*

⁴ Australian Indigenous Governance Institute (n.d) *Indigenous Governance Toolkit*, accessed at <https://aigi.org.au/toolkit/indigenous-governance>

⁵ United Nations (General Assembly) (2007). *Declaration on the Rights of Indigenous People*.

The primary purpose of the IPP 'is to stimulate Indigenous entrepreneurship, business and economic development, providing Indigenous Australians with more opportunities to participate in the economy' ⁶ and therefore the implementation of the policy should be to ensure that it is primarily benefiting First Nations people.

We support Supply Nation's proposition that a verification process that includes strong evidence of Indigenous involvement could minimise incidences of 'Black Cladding', and result in improved buyer confidence in engaging with Indigenous Businesses that meet clear verification criteria.

Reconciliation Australia and our network of over 3,000 RAP partner organisations have a significant interest in a clear definition of an Indigenous business. The 2023 RAP Impact Survey demonstrated that the RAP network collectively procures over \$3.5 billion in goods and services from Aboriginal and Torres Strait Islander owned businesses⁷.

We anticipate that buyer confidence stemming from a recognised definition of an Indigenous business within the IPP would extend to Reconciliation Australia's considerable **RAP** network, bolstering organisational confidence, across sectors and industries, in their commitment to Indigenous Procurement activities and trust in Indigenous governance structures.

Successful Implementation of the proposed changes

We support the implementation of a staged, progressive approach to IPP reforms within a structured framework. Our RAP program demonstrates the effectiveness of implementing a staged approach to increasing Indigenous procurement and employment opportunities within the private sector. A RAP is a long-term structured journey. Each RAP is built on the Reflect, Innovate, Stretch, and Elevate (RISE) framework.

Our more advanced Stretch and Elevate RAP partners play a strong leadership role in demonstrating how transformational engagement and partnership with Indigenous business opportunities can be implemented. For example, Wesfarmers' **BOAB** (Building Outstanding Aboriginal and Torres Strait Islander Business) Fund, as part of their Elevate RAP transformation project, effectively models how mentoring, funding and development support can support First Nations businesses to grow and scale.

⁶ National Indigenous Australians Agency, (n.d) Indigenous Procurement Policy, accessed at <https://www.niaa.gov.au/indigenous-affairs/economic-development/indigenous-procurement-policy-ipp>

⁷ Reconciliation Australia (2023) 2023 RAP Impact Report, accessed at <https://www.reconciliation.org.au/publication/rap-impact-report-2023/>

Delivering greater benefit to the First Nations business sector, or economy more broadly

While the IPP has been a key driver in growth of the Indigenous business sector since its establishment in 2015, Supply Nation research has mapped how government contracts with Indigenous businesses are skewed towards certain industries, such as building and construction⁸. This has unearthed a clear gender disparity in IPP benefit. Female-owned Indigenous businesses are concentrated in sectors such as arts, entertainment and education, and this characteristic, and in combination with other gender-based market participation barriers, means they are much less likely to be awarded government contracts⁹.

Female-owned Indigenous businesses must have targeted, structured support, with the aim of developing and supporting them to compete equitably for high value government contracts. This should occur in tandem with efforts to identify unrealised opportunities for diverse Indigenous business contracts across all government agencies and activities.

Reconciliation Action Plans can support this action through the inherent ability of RAP partners to promote procurement engagement with a diverse range of Indigenous business, based on their breadth of sectors, industries and core activities. RAP partners span female dominated industries that include Health and Medical, Arts and Culture, Education and Training, Marketing, and Tourism, which may embed more opportunities for the current nature of female-owned Indigenous businesses specifically, and more diverse Indigenous businesses overall.

RAPs are a vehicle to implement IPP and a mechanism to drive better outcomes through their engagement with a large network of businesses and service providers. It is through this network that the RAPs framework also contributes to addressing the priority reforms of the National Agreement on Closing the Gap. The RAPs framework is replicable across many sectors, regions and communities.

⁸ Langford Z (2023) *The geographies of Indigenous business in Australia: An analysis of scale, industry and remoteness*, Report number: Supply Nation Research Report 8, accessed at <https://www.researchgate.net/publication/375923989> *The geographies of Indigenous business in Australia An analysis of scale in industry and remoteness*

⁹ National Indigenous Times (November 2023) *Report suggests First Nations businesswomen miss out on Indigenous procurement policies* accessed at <https://nit.com.au/23-11-2023/8750/report-suggests-first-nations-businesswomen-miss-out-on-indigenous-procurement-policies>