These articles have been compiled to stimulate your thinking and provide you with some background to each of our plenary sessions. This material is *optional* reading only, and speakers will not assume you are familiar with the content. We hope you enjoy the material.
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In the last twenty years the number of Indigenous businesses has tripled. Marcia Langton has called this rise in Indigenous entrepreneurship "the frontier of radical change". While it is heartening to see increasing numbers of Indigenous businesses competing successfully in the open market, many Indigenous people living on Indigenous land are still unable to leverage their land for economic development purposes. Instead of thriving personal and communal finances, "dead capital" litters the landscape.

This session will discuss what needs to change in order for economic development to occur on Indigenous land. What is the Indigenous Property Rights Network and how does it envisage 'reaping the benefits of the Indigenous estate'? What are some of the social issues that need to be addressed before economic opportunities can be realised? How can partnerships with other businesses contribute towards sustainable Indigenous economic activity? How does Indigenous intellectual property rights and culture provide both a value proposition and an asset to leverage? And what can Australia learn from overseas examples of Indigenous economic development strategies and initiatives?
How a B.C. native band went from poverty to prosperity

Jake Macdonald | The Globe and Mail | May 2014

The Osoyoos Indian Band is arguably the most business-minded First Nation in Canada. So what’s the secret to their success?

The first thing that strikes you about the Osoyoos Indian Band is the postcard setting of its reserve. Deep in British Columbia’s southern Okanagan, it’s surrounded by weathered mountains and mirrored lakes. This is the hottest and driest part of Canada, a northern extension of the Sonoran Desert, where rattlesnakes inhabit sagebrush canyons and noonday summer temperatures can hit 38 C.

The second striking thing about the Osoyoos Indian Band is that it’s not poor. In fact, it’s arguably the most prosperous First Nation in Canada, with virtually no unemployment among the band’s 520 members. Job-seekers from elsewhere flock in to work at the band’s businesses, which last year saw $26 million in revenue and $2.5 million in net profits. Meanwhile, the reserve’s impressive school teaches native heritage and the Okanagan language.

The third singular thing about the Osoyoos Indian Band is its hard-ass leader, Chief Clarence Louie. If you ask for an appointment, he sets the tone right off the top. “Be here at 9 o’clock sharp,” he texts. “No Indian time.”

The remark is typical. The curt, outspoken chief has been known to scold other aboriginal leaders who drift into meetings a few minutes late with coffee cups in hand. Louie doesn’t have time for diplomacy or political niceties. He makes it clear to everyone he meets that he expects them to either lead, follow or get out of the way.

How did the Osoyoos band become so prosperous while hundreds of other Canadian First Nations wallow in despair? Is there a way to franchise Louie’s model and export it to other reserves? These are urgent questions. After decades of social engineering, ineffective self-government and billions of dollars of federal spending, everyday life in remote First Nations continues to be deplorable. And judging by demographic trends, conditions are likely to go from bad to worse—unless someone like Clarence Louie has a better idea.

Critics of Louie’s success often say that he’s merely lucky—the band owns a fabulous piece of real estate. As you drive 20 kilometres down the narrow winding highway from Oliver to Osoyoos, just about everything you see out the driver’s side is Indian land: Of the band’s 32,000 acres, a good third of it is rich valley bottom bristling with vineyards. But not very long ago, the Osoyoos reserve was plagued with the same problems of poverty, crime and family violence common to other First Nations across Canada.

Joe McGinnis remembers it well. An Osoyoos elder, he’s a quiet, composed man with a baseball cap tugged down low, a wispy beard and the demeanour of a mountain ascetic. He’s one of the few remaining speakers of Okanagan.

He grew up in the 1950s, in a community wracked with booze and violence. “There was nothing to do,” he says. “There were no jobs, no band office, no local government, no school. There was an Indian agent up in Vernon who would show up once a month to hand out welfare cheques. That was about it.”

McGinnis was shipped to residential school in a livestock truck at the age of 5 and only saw his parents in the summer. “It was very lonely to be taken away from your family at such a young age,” he says. “It takes many years to get over something like that.” At the age of 15, he ran
away from school. “There was lots of work in the orchards of the Okanagan but the people here wouldn’t hire Indians, so I crossed the line into the States and rode the rails and picked fruit across Washington and Oregon.”

Louie was younger than McGinnis, so he managed to miss residential school. But his sister, Mona, says he had a difficult childhood anyway. “The reserve was a rough place in those days. There were no jobs and the main recreation was drinking and fighting. Clarence was a small kid and we both got picked on a lot, especially on the school bus. I just dreaded getting on that bus.”

At the age of 19, Louie attended what is now First Nations University in Regina, then went on to log two years in native studies at the University of Lethbridge. At the age of 23, emboldened by the Red Power movement of the 1970s, he ran successfully for chief.

“It’s the same story all over Canada,” Louie says, sitting in his office beneath portraits of his heroes Muhammad Ali and Nelson Mandela. “They gave the best land to the European newcomers and stuck the Indians back in the bush and gave them bread and water and a Bible.

“As I grew up and studied our history, I became convinced that the remedy to most of our problems was economic development. We needed to close the circle and reclaim the power that we had before white people came along.”

When the Hudson’s Bay Co. first started doing business in the Pacific Northwest in the 1800s, the Okanagan nation (of which the Osoyoos are part) encompassed most of south central British Columbia and sprawled far down into Washington. According to the journals of early explorers, the Osoyoos were a well-respected, peaceful and prosperous people. Then came the gold-rush era of the mid-1800s, when thousands of prospectors and drovers with large herds of cattle traipsed north into Indian territory, provoking bloody fights with Okanagan warriors. In 1877, the Canadian government persuaded the Osoyoos to move onto the reserve where they reside today—a small portion of their original territory.

When Louie became chief in 1984, the land wasn’t being used to generate much in the way of jobs or wealth. The band was operating a campground and a vineyard but both were sloppily managed and in debt. Apart from government transfer payments, the only other income came from nickel-and-dime lease arrangements with non-native farmers and small businesses.

Louie’s first efforts at developing band-owned enterprises made little headway—in part because he had no business background and in part because, by federal law, First Nations cannot mortgage their own land. No collateral means no start-up financing from banks.

Louie lost his bid for re-election in 1989. When he was re-elected in 1991, he was determined not to repeat his rookie mistakes. “The band was insolvent and under third-party management,” he says. “We recognized that we needed outside help.”

He took advantage of a federal/provincial program called Industrial Adjustment Services, designed to help communities gain the skills required to run successful businesses. With the help of an experienced IAS “white guy” named Dave Sutherland, Louie introduced strict financial controls and accountability measures, some of which were unpopular with band members accustomed to the casual rules of earlier business ventures. “Mismanagement and general incompetence are big problems on the Canadian rez,” he says. “We wanted to let people know those days were over.”

The community launched a vision quest that sought to involve all the band members in a long-term development plan. The search arrived at an ambitious goal—total economic self-sufficiency by 2005. It seemed like a pipe dream—only a few band members were employed, and the rest of the labour pool were lacking in basic education, job skills and work ethic. “Outside experts like Sutherland helped us to get people trained,” Louie says. “Some of our people needed a pat on the back and some needed a kick in the butt. A hundred years of enforced dependency had broken our tradition of hard work and independence.”

Louie can be a tough SOB to work for. He doesn’t believe in the concept of ‘downtime.’

Chris Scott

Louie and his band councillors usually get most of the credit for turning his community around,
but it’s unlikely they could have done it without partnerships with the outside business community. One of Louie’s key team members was another “white guy” named Chris Scott, who offered to help the band build a clean, streamlined corporate structure based on proven practices and personal accountability. Scott, who had built a successful fruit company in the Okanagan, didn’t need the work; he was motivated by a desire to help.

He wasn’t exactly greeted with open arms. “Some of the people on the reserve were understandably mistrusting of white men in neckties, and others were just opposed to any change of any kind. I’m a stubborn and fairly thick-skinned guy, but I was really unprepared for the hostility that greeted my arrival. I was criticized and threatened on a regular basis. One big guy had to be restrained from punching me out. Another guy walked into my office, laid a big bowie knife on my desk and said, ‘Give me one reason why I shouldn’t use this on you right now.’”

Scott says the main thing that kept him going was his belief in Louie and his long-term plan. “He can be a tough SOB to work for. He doesn’t believe in the concept of ‘downtime.’ He demands the impossible from his inner circle and rarely gives praise for someone’s extra effort or a job well done. He’s always focused on work, 24/7, and he expects everyone to go as hard as he does. But his heart is in the right place and I was convinced that we could make it work.”

Ronny McGinnis, who has been married to Joe McGinnis for 33 years, recalls that when Louie and Scott negotiated a pipeline lease deal, there was tremendous pressure to parcel out the resulting income in per-capita payments to band members. “People wanted to buy new cars and whatever with the money and we were determined to reinvest it for the future of the community,” McGinnis says. “Well, I thought we wouldn’t live to see the end of the week. We were accused of stealing the money and everything else. But we had this new policy of transparency, so we could say to everyone, ‘Come and see the books.’ People were really mad, but when they saw the eventual benefits, they became believers.”

Meanwhile, Louie was busily educating himself on the workings of the outside economy. (“I think he’s read just about every business book ever published,” Scott says.) In 1995 the Osoyoos Indian Band bought out the lease on the Cherry Grove Golf Course and took over its management. Embarking on an aggressive expansion, it invested $2 million of band funds in the project, and renamed it the Nk’Mip Canyon Desert Golf Course, gambling that a world-class 18-hole course would draw traffic to the band’s other businesses, such as a neighbouring trailer park and condos. The band also asserted control over the taxation of non-native companies leasing land on the reserve—taxes formerly scooped by the province. It was a small initiative, but it added $750,000 in annual revenue.

In 1998 the band opened a gas station and convenience store—a modest venture but in keeping with Louie’s focus on creating long-term jobs for band members. His belief that “the economic horse pulls the social cart” broke with the tradition on many First Nations reserves of relying on the leasing of land to outside companies, creating rent income that Louie dismisses as “rocking-chair money.” He wanted not just income for his members but what he calls “a reason to get out of bed in the morning.” But the inability to get mortgage financing hampered those ambitions.

On a national level, the controversial issue of band members using reserve land as collateral is gathering support from both ends of the political spectrum. It’s a favourite idea of Stephen Harper’s political godfather Tom Flanagan, and of native leaders like Manny Jules, who leads the First Nations Tax Commission, which is lobbying Ottawa to allow First Nations to take full ownership of their land and use it as collateral if they choose to do so.

With no access to bank financing, Louie, despite his inclinations, was obliged to lease more band acreage to outside businesses like winemaker Vincor International. That worked out well: The long-term security of the lease revenues persuaded banks to lend the band money. Never one to overlook a business angle, Louie also eventually parlayed the landlord relationship with Vincor into a joint venture, Nk’Mip Cellars and vineyard. (Nk’Mip means “valley bottom.”)

**Business may be humming on Louie’s reserve but the band doesn’t seem to be spending the money on office buildings. A bumpy side road in Oliver leads to band headquarters—a modest**
place with the ambience of a construction-site office, complete with squads of efficient-looking white guys huddled over laptops and engineering drawings. Gym-trim and youthful-looking at 53, Louie tends to be a touch imperious with visitors, especially if any of his band councillors are watching. Staffers warn that it’s not a good idea to suggest “going for lunch” because Louie regards going for lunch as a baffling waste of time.

Louie is a serious sports fan and his small, cluttered office is plastered with crests, posters and memorabilia of teams like the Chicago Blackhawks and the Washington Redskins. “I like teams with Indian names,” he chuckles. His interest in sports and teamwork is also expressed in his approach to business and personal achievement. He’s emphatic that working co-operatively with the larger Canadian society is the best way forward for native communities, and he says he’s not hesitant to partner up with outside experts if they have superior credentials. “Some coaches are always talking about the process,” he says. “I’m more interested in the results. I want to see the numbers. I don’t care what colour someone’s skin is. If they can help us reach our goals, I want them on our team.”

**People talk about running native businesses the Indian way, but there is only one way to do business and that is the business way.**

*Clarence Louie*

In 1998, Louie and his council, at the urging of Scott, ratcheted the band’s professionalism by establishing the Osoyoos Indian Band Development Corp. Scott was named chief operating officer. Previously, the band’s businesses had reported directly to council. Now the band moved the corporation into a separate building to symbolize its independence from the ongoing fiscal demands of the reserve’s various payrolls and social agencies. As Louie puts it, “People talk about running native businesses the Indian way, but there is only one way to do business and that is the business way.”

The OIBDC hired a team of seasoned non-native business professionals to act as advisers, and the corporation began both expanding the businesses it already had and acquiring others. The roster includes golf courses, vineyards, a campground and RV park, and a gravel and concrete business. On a high ridge overlooking Osoyoos Lake, the OIBDC built the sprawling, elegant, desert-style NK’Mip Resort. The accommodations portion of the year-round $100-million complex is co-owned and managed by an outside firm (Calgary-based Bellstar Hotels & Resorts). The resort features outdoor pools and a spa, a gourmet dining room and a golf course with a sweeping view of the valley.

In keeping with Louie’s insistence that all of OIBDC’s new businesses promote the culture of his people, the Okanagan language is employed as much as possible, even on traffic signs. Hikers on the resort’s trails come across a tule-mat teepee, a pit house, a sweat lodge, and signs describing the terrain, wildlife and history of the Okanagan people. Another attraction is NK’Mip Cellars, the OIBDC majority-owned partnership that has received many prizes for its wines. In 2012, Wine Access magazine named NK’Mip Cellars the best winery in B.C. and the second-best in Canada. The winery is 49% owned by Constellation Brands Inc., the world’s leading wine producer. (Constellation took over the band’s original partner, Vincor, in 2006.)

“The creation of the OIBDC and the band’s good working relationship with outside investors helped to launch and manage all these businesses,” says Scott. “Separate bookkeeping helped the band see where its revenues were coming from and where its expenditures were going. That not only made it easier to keep track of the money but it dramatically increased accountability and transparency, and allowed us to evaluate each business as a stand-alone entity.”

All the businesses have been turned into limited-liability partnerships to minimize tax and liability risks, and each was required to obtain its own line of credit. “We didn’t want them running to the band every time they got in a cash-flow pinch,” says Louie. “Each business manager is expected to show profits and steady growth, and if they don’t produce results, they’re out the door, just like in the NHL.”

Louie regularly travels across the country, giving speeches and hawking his miracle cure of jobs and economic development to politicians, CEOs and other native leaders. He has enough of a profile in Western Canadian business and political circles
that, like a Bono or Adele, he gets by with just one name, as in, “Do you know this guy Clarence?” Unlike other celebrities, he handles his own phone calls and appointments. He doesn’t hesitate to call journalists late at night and invite them to the Osoyoos Reserve so they can see the economic transformation for themselves.

Although that transformation is strongly identified with Louie personally, there is no obvious cult of Clarence adulation on the reserve. “I’m one of Clarence’s biggest critics,” his sister Mona says. “I think he’s too focused on business. But I’ve never doubted his idealistic motives. He’s really driven by the desire to help his people.”

Ronny McGinnis was first elected a councillor back in 1984, in the same vote that first made Louie chief. “He and I don’t agree about a lot of things. He’s bossy and stubborn. He’s too gung-ho on economic development and not enough about spiritual development, but his heart is in the right place. One of our boys was getting in trouble with the law, and Clarence would come around just when he needed support, take him to hockey games, take him up to the Fraser River to catch salmon for the community. He’s like an uncle to all kinds of young people.”

Nathan McGinnis testifies to Louie’s one-on-one help himself. Nathan says he “acted like an idiot” when he was a teenager and almost ended up in jail. The fishing trips with Louie came with a message, he says: Straighten up. “I looked up to Clarence as a role model and it made a big impression that he cared enough to spend time with me.”

With Louie’s support, McGinnis went into a difficult millwright apprenticeship program. At the age of 35, he says he now “definitely has his life figured out,” with two kids of his own and a good job with Constellation as a millwright.

That’s a theme one hears repeatedly at Osoyoos, and it goes some way to explaining why Louie commands respect.

Leona Baptiste says she might have ended up “a complete loser” if it hadn’t been for Louie’s intervention. Like many teenagers everywhere, she ran wild and partied all night.

“Clarence knows every kid in the community. He’s always watching what’s going on. One day he said to me, ‘You’re better than this.’ He told me to come to Prince Rupert, where he was giving a speech to some other native leaders.

“It was pretty cool. I had no idea that Clarence was a widely respected leader. To me, he was just Clarence. But when I watched him speak in front of all these people, it really made me curious. I said to him, ‘Wow, how did you get to be you?’”

At Louie’s urging, Baptiste went back to school and interned at the OIBDC. “Chris Scott was unbelievable with me,” she says. “He didn’t have the extra time to teach a kid the basics, but he still mentored me and was quite stern when I deserved it. I’m so lucky they brought me in. I don’t know where I would have ended up otherwise.”

Baptiste now has her work cut out for her as the OIBDC’s HR director, riding herd on up to 600 employees.

Louie insists that young people need to be busy and active or they get in trouble. Unsurprisingly, the sports fanatic is keen on getting young people involved in athletics; the walls of the reserve school’s gym are appointed with slogans like “Being on Time Shows You Care!” and “Bring Back Our First Nations Working Culture!”

Most nights of the week, Louie can be found in the gym’s weight room, working out on the resistance machines and advising kids on diet and physical fitness. “It’s all about having a purpose in life,” he says. “I think people have it backwards when they emphasize social development over economic development. If you get people working, most of the social problems in a community fade away.”

The latest (and biggest) project the OIBDC has attempted is a new $193-million, 378-cell provincial prison, which the B.C. government is building with the band on land leased from the reserve. Chris Scott served as the lead negotiator for the project, which Osoyoos won over a number of competitors. Construction began this spring, and it’s expected that many of the well-paid construction jobs will go to band members.

This project could be where the invincible Chief Louie finally sees his reputation dented. Louie’s campaign to host a provincial jail on Indian land raised eyebrows in native leadership circles across Canada, and some suggested that he’d gone too far in working with white society.
After all, there’s a long and troubled history between aboriginal people and the justice system in Canada, in which jails are seen as a symbol of white oppression. Aboriginals make up about 23% of the prison population across Canada—far more than their 4% share of the general population—and many native leaders say the disparity is driven by racism, police harassment and other systemic injustices. (As one Osoyoos councillor suggests, “It’s because white people can afford better lawyers.”) Cops, prosecutors and others working on the front lines of the law beg to differ, pointing out that aboriginal people commit more than their share of crimes and can’t blame racism when they find themselves in a courtroom.

In 1999, the Supreme Court of Canada instructed judges to look at alternatives to imprisonment for aboriginal offenders. In 2001, the federal government adopted this “supply-side” solution and vowed in its Throne Speech to reduce the number of aboriginal people in the criminal justice system until the percentages were in line with Canadian demographics. According to Correctional Service of Canada statistics, aboriginal offenders now tend to receive lighter sentences than non-aboriginal offenders for crimes of equal gravity, and a myriad of in-house cultural programs, from sweat lodges to native handicraft classes, are designed to make the prison experience more rehabilitative than punitive.

If I have to go to one more jailhouse sweat lodge, I’m going to puke.

Clarence Louie

But even with softer sentencing, the percentage of aboriginal offenders keeps rising. According to a report by Ottawa’s Office of the Correctional Investigator, there has been a 43.5% increase in the federal aboriginal inmate population since 2006. The new prison in Oliver is not designed strictly for aboriginal inmates, but Louie says it’s safe to assume that it will have the usual demographics. He doesn’t believe the prevailing approach to cultural accommodation will make any difference in the long run. “If I have to go to one more jailhouse sweat lodge, I’m going to puke,” he says. “It’s not about spiritual wholeness; it’s about the economy. Inmates need to learn carpentry and plumbing and other skills that will help them make a living when they get out.” Ronny McGinnis and Louie’s sister Mona both roll their eyes when Louie gets onto this subject. “He’s too macho,” declares McGinnis. “I know the prison scene, and I’ve always worked with people in trouble. I’ve visited enough jails to know that the average offender is not a bad person. They’re usually scared and lost. They don’t know who they are, and they need help and spiritual guidance before they are ready to get employment training. You need to heal people before you can expect them to hold a job.”

Louie shrugs off their criticisms. “They’re a little more touchy-feely than I am, but I partly agree with them, and we’ve been talking with BC Corrections about running some of our own cultural stuff inside the prison. I’m big on programs that teach responsibility, like taking care of livestock. We’re a horse culture, and we’d like to get the inmates working with horses. I think it would be good for them to be outside, learning to deal with these beautiful animals that depend on them every day for food and exercise.” (The idea is not written into the plan for the prison, but BC Corrections spokesperson Cindy Rose confirms that her department “welcomes Chief Louie’s ideas and we look forward to working with the band.”)

The prison will create about 240 full-time jobs, and Louie expects that some of the positions will be filled by his band members. He says he’s well aware that some people think a prison is a bad choice for a First Nations community, but he argues that aboriginal people should be involved in all levels of the justice system—as prison staff, judges, lawyers, police and all the rest. “We need our band members working in that prison as role models. The jail is going to produce full-time jobs, with good benefits and indexed pensions, and I’d rather see my people on the outside of the bars than the inside.”

Assume for a moment that the prison experiment works out and is added to the Osoyoos band’s string of successes. But so what? One of the most common dismissals of the Clarence Louie experiment is that it has no relevance for urban natives, whose situation is very different

By the same token, it’s obvious that most reserves are less naturally endowed than Osoyoos. No one is going to build a resort at Pikangikum or Shamattawa, where sexual assault, suicide and substance abuse define everyday life. But
Louie says that every reserve has its own unique potential, and with accelerating development in the North, many First Nations are well-positioned to partner up with outside companies. “You have to exploit whatever potential there is in the area. If you are on the coast, it’s trees and fish. If you are up north, it’s mining and forestry. For us, it’s agriculture and tourism. You let your natural resources tell you what business you’re in.”

The jail isn’t even built yet, but Louie is already planning another project—a plush club and racetrack for car enthusiasts. The Okanagan region has no shortage of retired millionaires with sports cars tucked in their garages, and the proposed Area 27 Motorsports Club will give silver-haired boys a place where they can give their high-performance roadsters some exercise without worrying about a radar trap around the corner. The vice-president of the club, none other than racing legend Jacques Villeneuve, will design the asphalt circuit.

Louie, a car and motorcycle enthusiast himself, says he can’t wait to hear the announcer say, “Ladies and gentlemen, start your engines.”

TRIBAL WEALTH: An inclusive prosperity agenda

G20 Cairns, Queensland, Australia
19 September 2014

There is an urgent need for change to enable Indigenous people to prosper. Continued delay and failure to activate economic opportunity will result in further economic stagnation and consequential social, environmental and cultural decline.
THE PURPOSE OF THIS PAPER

The purpose of this paper is to stimulate discussion and ideas across two key areas:

1. A Tribal Wealth agenda that elevates the importance and understanding of our right to development.

2. Through the Tribal Wealth agenda, more effectively connect financial and human capital with Indigenous opportunity via new Investment interface mechanisms, and building and managing Tribal Wealth Funds.
INTRODUCTION: OPPORTUNITY CALLS

We currently have a window of opportunity in which Indigenous Australians can begin to truly realise our right to development and free ourselves from the shackles of dependence on government and welfare.

Like the bottom billion in the world’s poorest countries who are ‘stuck’ in terms of development, Indigenous people within Australia have not benefited as one might expect from two decades of unprecedented national economic growth. In terms of employment we have, if anything, slipped backwards in recent years.

The approach to Indigenous affairs in this country continues to be dominated by government transfers and social policy provisioning. This narrow focus cannot lift Indigenous people out of poverty.

To overcome development challenges we must take an inclusive development approach that empowers Indigenous people through opportunity, capability and choice.

This is what we call the Tribal Wealth agenda. It is a new approach to Indigenous-led development.

Economic opportunities are just now emerging. In many ways we find ourselves standing at the threshold of a new dawn in Indigenous development.

Through land rights and native title, more than 20 per cent or 1.5 million square kilometres of the Australian land mass is now Indigenous-owned or controlled. Land is now a significant asset for us, with attendant economic opportunities to be realised.

Many Indigenous people are building the individual capabilities required to succeed in work and business. Increasingly, successful Indigenous enterprises are being established across the country. These businesses are 100 times more likely to employ Indigenous Australians than other businesses (Forrest 2014).

Building more Indigenous businesses must be at the centre of our development efforts, especially in remote areas where the employment crisis faced by Indigenous people is most acute. While there is limited data about Indigenous businesses, we do know:

- Self-employment has increased steadily from 4,600 self-employed Indigenous people in 1991 to 12,500 in 2011.
- Most Indigenous self-employed businesses are in mainstream industries, such as freight transport, construction, building and cleaning services, carpentry, creative arts and other domestic or personal services.
- Most entrepreneurs are in the south east corner where there is also stronger Indigenous education outcomes, higher population densities and demand for goods and services (Hunter 2013).
We must position ourselves to accelerate the realisation of Indigenous opportunity in remote regions, so that no one is left stuck. We must empower all Indigenous people (collectively and individually) through jobs, business, asset and wealth creation.

One of the challenges we must overcome is the lack of access to appropriate financial and human capital to support Indigenous economic development opportunities. We must find ways to far more effectively connect private sector investment and expertise, with Indigenous opportunity.

In Cape York we now understand what can potentially be achieved by tapping into venture capital models of finance, for example, to support new Indigenous start-ups. We are also grasping the enormous value of access to first class advisors, executives and managers who are helping to create Indigenous operators who can function in both George and Collins Streets, and Cape York.

We cannot rely on government to fulfil these needs; government alone will never be able to provide what is required. In this paper we put forward ‘Investment Interface’ mechanisms to connect opportunities for those at the bottom with investment from the top.

In creating Tribal Wealth, we must ensure that we are making the best use of what we do have, including mining and other land-rights related benefits. We propose Tribal Wealth Funds be used to ensure that income derived from land effectively creates intergenerational wealth for Indigenous people.
THE BOTTOM BILLION: CHALLENGES TO INDIGENOUS DEVELOPMENT

Concentrations of intergenerational poverty exist in Indigenous Australia despite Australia being one of the world’s wealthiest nations. This is particularly the case in remote areas where, despite the opportunities, communities labour under an employment crisis and extremely limited economic development.

Paul Collier (2007) identifies that around a billion people in the developing world live in countries where development is stuck. He states that ‘the countries at the bottom coexist with the 21st century, but their reality is the 14th century: civil war, plague, ignorance’ (2007, p.3).

For those in the bottom billion we can ask: why has the ‘rising tide’ of strong global economic growth in the developing world not ‘lifted all the boats’? And why has the traditional approach of providing aid to the world’s poorest countries been ineffective in lifting the bottom billion?

Collier (2007) identifies that unlike other developing counties, the countries of the bottom billion often fail to progress because they suffer from one or more development traps:

1. The geographical trap - when poor landlocked countries with poor neighbours find it almost impossible to tap into opportunities flowing from world economic growth. Without a coastline to allow trade with the world, landlocked countries primarily trade with their neighbours. Poor infrastructure and high transport costs mean limited access to markets.

2. The natural resource trap - when countries rich in resources are paradoxically worse off because resources become a curse rather than a blessing. Conflict for resources is more likely. Government may not need to tax its citizens appropriately meaning citizens are less likely to demand accountability in return.

3. The conflict trap - when countries experience violence, civil wars and political coups and the associated substantial economic costs. The longer a country stays in a state of conflict, players that profit from the tumult become more entrenched and the situation becomes increasingly intractable.

4. The bad governance trap - when small countries with poor governance and policies destroy an economy at alarming speed. Smallness discourages potential investors unfamiliar with local conditions and risks, who instead opt for China or India. Poor governance means there is limited ability to disburse aid effectively.

We can ask similar questions in Australia: why, despite the ‘rising tide’ of Australian economic growth, are the development prospects of many Indigenous communities stuck? And why has government funding and social services not been effective in lifting Indigenous people out of poverty?
Collier’s notion of development traps has some application.

1. The geographical trap - remote Indigenous communities have limited access to markets and employment opportunities, often due to lack of infrastructure such as sealed, weather proof roads.

2. The natural resource trap - royalty income flowing from mining on Indigenous land may increase conflict and do little to increase development outcomes.

3. The conflict trap - a high level of violence and conflict impedes development and deters investment. As this becomes entrenched, industries are built around this dysfunction.

4. The bad governance trap - the problems of ‘Balkanisation’ caused by the fragmentation of small, under-resourced organisations in the post native title world limit development (see e.g. Langton, forthcoming). Poor governance has seen a very high proportion of funds earmarked to assist Indigenous people out of disadvantage being spent on administration.

Beyond Collier’s development traps, we might add other ‘home grown’ development traps specific to the Indigenous Australian context:

5. The ‘welfare trap’ - when income support has set up perverse incentives that encourage people to stay on welfare and not engage in real economic activity. This passive welfare system not only leads to intergenerational poverty and social dysfunction, but has corrosive effects on culture, language, and connection with ancestral Indigenous lands. We must continue to reform the Australian welfare system to remove the vicious cycle of passive welfare.

6. The ‘communalism trap’ - when land-rich Indigenous people are not able to align private interests with community interests it deters investment. There are complex negotiations and high transaction costs. The potential for development and its income increases conflict and forms of ‘lateral violence’ where intra group politics, ‘free rider’ and ‘rent seeker’ behaviour1 discourages enterprising individuals (see text box 1). There has been little policy focus on ways to better align individual interests and community interests2 or how to minimise the adverse impacts of ‘lateral violence’ on the development prospects of individuals and communities. Creative thinking is required to find structural solutions.

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1 Communal landholders may unrealistically expect to benefit from wealth creation through enterprise without paying for any cost of the benefit, or without making a work contribution towards creating it. Indigenous communalism, cultural practices of ‘demand sharing’ and a passive welfare mentality may reinforce these forms of ‘lateral violence’. It should be noted that this use of the term ‘rent-seeking’ carries a different meaning to how it would ordinarily be used by economists.

2 Some land reforms and innovative approaches are occurring that can assist; we must proceed carefully with land reforms to ensure they do not tear down the hard fought gains we have made through land rights.
Text box 1: Lateral violence and crabs in a bucket

The term lateral violence describes displaced violence directed against one’s peers rather than one’s true adversaries, and has frequently been used in analyses of Native Americans and Canadians, as well as Indigenous Australians.

We can extend the use of the phrase to describe the problems and conflicts that arise amongst Indigenous people themselves as a result of real or perceived tensions between our communal culture and individual interests.

In The Australian on 6 August 2011, Noel Pearson, then Director of the Cape York Institute discusses the dynamic by relating it to former Prime Minister Paul Keating’s striking metaphor:

Paul Keating once told me, the problem with your mob is you’re like crabs in a bucket. If one of you starts climbing out and gets his claws on the rim, about to pull himself over the top to freedom, the other mob will be pulling him back down into the bucket. You all end up cooked.

Pearson continues to describe the consequences of this dynamic in the following way:

Aboriginal individualism is at odds with Aboriginal community. As it is, the latter is constraining the former. Nay, not just constraining but crushing.

The implications this has on prospects for Indigenous development are obvious. It’s easier for a white fella from outside a community to set up a shop in a Cape York community than it is for a community member to do so. This is not just because the local may not have the means or the capabilities: it would be even harder for a member of that community with the money and the means to do so than a local person without.

Source: Pearson 2011

It is useful to understand that challenges faced by Indigenous communities may have unique dimensions, but are not dissimilar to those impacting on development globally.

The provision of aid to countries in the bottom billion has not overcome the development traps identified by Collier. Nor will the provision of government funds alone overcome the compounding destructive impact of the traps hindering economic development across Indigenous Australia.

We need to conceive and enact broad development policies that overcome the adverse effects of these traps and, over time, remove them.
A NEW PARADIGM:
TRIBAL WEALTH

To address the traps and achieve development a new approach is required—one that elevates the right to development and empowers Indigenous people (collectively and individually) to embrace and drive development. This is the Tribal Wealth approach.

The ‘right to development’ is more often associated with the bottom billion people in the world’s poorest countries, not Indigenous Australians. However Indigenous Australians, like all people, have a right to development.

‘The right to development is an inalienable human right by virtue of which every human person and all peoples are entitled to participate in, contribute to, and enjoy economic, social, cultural and political development, in which all human rights and fundamental freedoms can be fully realized.’

(Article 1.1, Declaration on the Right to Development, UN General Assembly 1986)

The words ‘participate’ and ‘contribute’ emphasise active involvement. The right to development entitles us to be key actors in our own development, including our own economic development, rather than passive recipients of commodities and services.

We want to create wealth our way—in a way that is consistent with the needs and values of Indigenous people. We do not approach ‘development’ or ‘wealth’ in purely economic terms; as Indigenous people, we value ‘development’ and ‘wealth’ across different dimensions—including economic, social, cultural and environmental.

Nonetheless it is difficult to drive development outcomes in any dimension if people are economically disempowered, passive and disengaged. We must focus on building capability and choice. We build on the work of Nobel Laureate Amartya Sen (1989) who argues that the extent to which development is successful will depend on people’s capabilities to choose a life that they have reason to value.

Currently Indigenous people have too little agency when it comes to determining development outcomes. For example, despite the size of Indigenous land-holdings and some of the largest mineral deposits worldwide, we struggle to achieve development outcomes according to our own goals and aspirations.

While this may be, in part, due to lack of capability, it is also impacted by how we are linked to the development process: passively and as opponents to the developers or development, rather than active partners and agents.

Indigenous landholders are frequently the last parties to be engaged in development processes.

Often, the mining sector seeks to profit from extracting natural resources on Indigenous land and the environmental movement seeks to prevent this. Indigenous landowners are side-players caught in the crossfire.
Government attempts to balance the importance of economic growth and the urgency of environmental protection routinely pay scant regard for the wishes of traditional owners (see figure 1).

In recent years this zero sum game has become all too familiar to the people of Cape York and across Australia.

![Figure 1: Indigenous people want starring roles in our own development.](image)

Indigenous people are generally dependent on this balancing act, and on reacting to the movements of either the environmental or the business sector. As a consequence, Indigenous people may seem to be fundamentally ‘opposed’ to:

- Developers - we are seen as an impediment to enterprise when we exercise the leverage afforded by our procedural rights to deny access or delay development and our right to negotiate benefits.
- Environmentalists - we are seen as being opposed to conservation outcomes when we seek to keep development options open on our land.
Economic, social, cultural and environmental values are not mutually exclusive. They are part and parcel of the broader development agenda. If we want to choose where the balance should sit, we must be in the starting blocks. At present, we are not well positioned to proactively drive the development outcomes we want.

When agreements are reached setting out the terms under which development on Indigenous land is to occur, the benefits that flow to our people are usually in the form of passive royalty-type payments. Agreements to provide Indigenous people with real skin in the game and commercial incentives, such as through shareholding, joint venture or other participatory arrangements, are very much the exception rather than the rule.

Shifting to a new Tribal Wealth paradigm will require capability building. We need to build capacity in education, health and employment and, more specifically, in Indigenous business development and social and economic entrepreneurialism. However, capability building alone is not enough; we must transform the broader structural and policy environment to enable Indigenous people to be the key actors in our own development. There is a great deal of work to be done.
CONNECTING OPPORTUNITY AT THE BOTTOM WITH INVESTMENT FROM THE TOP:  
THE INVESTMENT INTERFACE

Nine in every 10 jobs are created by the private sector in both emerging and fully developed markets (World Bank 2013).

In Australia, there has been successful private investment into remote Indigenous communities, but examples are largely limited to resource extraction activities (see Langton 2012).

Predominantly, Indigenous communities are public sector service economies. For example, the private sector is virtually non-existent in Cape York’s Indigenous communities (see Appendix A for a comparison of a Cape York Indigenous community with similar sized mainstream towns).

To create more diversified Indigenous economies, including in remote regions, we need a range of Indigenous enterprise development involving:

- Industries in which scalable businesses can be built. For example in the Cape there are opportunities in resources, agriculture, base commodities, timber, tourism and renewable energy. Through these, we can deliver significant job creation outcomes that, in turn, generate further business opportunities.

- Micro, small and medium (MSME) entrepreneurial and community-based/social enterprises. These normally provide the majority of jobs in developing economies and the base for economic expansion.

While there are many large and small business opportunities, Indigenous people often lack the business expertise or access to finance required to effectively capitalise on the opportunities (e.g. see Morley 2014; EY 2014).

Access to finance is limited by low inter-generational transmission of wealth, difficulties in obtaining commercial sources of capital using communal land as collateral and the paucity of ‘backable’ investment grade Indigenous business operators. Again there are parallels between Indigenous Australia and the bottom billion.

Although opportunities do exist, it is difficult to attract investment in small, remote places that feature multiple development traps especially when investors are unfamiliar with the local opportunities, conditions and true risks. Perceived risk of investment is high. Typically the local and regional economies are small and the community of private investors understands little about them—absorbing information is costly in time and resources (Collier 2007, pp. 87-89). In a bid to overcome this in the developing world, there has been a substantial focus on improving investment interface mechanisms that will accelerate development (see e.g. text box 2).
Text box 2: Ernst & Young Investment Centres

Investment interface mechanisms are a key part of the Ernst & Young Private Sector Development Framework applied in countries worldwide. Under the framework, investment centres have been used to identify investment opportunities in specific regions and to present these opportunities to investors. This was done in various ways, including through one-on-one sessions with large corporates and ‘Investment Expos’. This approach has helped to create over 200,000 jobs in India’s Madhya Pradesh province, for example.

Source: EY 2014

While in Australia we have tended to rely on government funds and social service provisioning to create the diverse economy and the jobs we need, it is clear we need private sector involvement in capital formation, facilitation of investment and entrepreneurship, and skill development.

However, we are positioned to deal with the private sector in opposition or passively, as described above.

We must better position ourselves to work with the private sector in a manner that is consistent with our Tribal Wealth agenda. How can we be enabled to proactively engage private investment to drive development as active participants and proponents not merely as reactive or passive beneficiaries?

There are a number of transformations that may need to occur. One is certainly the creation of new investment interface mechanisms to actively facilitate the connection of Indigenous opportunities with private investment and know-how. We are long on opportunity, but short on an effective and sustainable means by which to interface with mainstream human and financial capital.

New investment interface mechanisms must empower Indigenous people to play an active role, and maximise skill development. To achieve this, investment interface mechanisms will need to facilitate a balance between different forms of grant, debt and equity capital. In particular, a broader range of finance, including seed, expansion and joint venture capital must be brought to bear.

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3 For example, procurement and tax measures could complement investment interface mechanisms, to incentivise private investment in Indigenous businesses in remote areas. Tax incentives could be structured along the same lines as the R&D tax incentive. The R&D refundable benefit ensures skin in the game, encourages considered investment, cost control, and provides a (refund) cash benefit which incentivises investment and reduces risk by effectively reducing the cost of investment required to fund start-up or investment opportunities. Tax incentives could also attach to Indigenous land to encourage investment, and could be conditional on reforms that support local economic development such as to enable private enterprise.
• Currently many Indigenous businesses are heavily reliant on grant capital. While this has its place (i.e. as a hand up), it provides investors with no skin in the game and does nothing to ensure that qualified financial and business expertise is highly engaged in building the Indigenous enterprise.

• Debt and equity models provide a higher level of incentive for investors to build the capacity of Indigenous operators (for return on capital and reputation reasons). Clearly, owning a share (equity) of an Indigenous business heightens an investor’s interest in its growth and success.

For start-ups, the connection must be made early in the process and include intensive and ongoing involvement as the business develops and grows. A great deal of work must be done to build the ‘business foundations’ so that capital providers can confidently invest.

One model might involve executive and non-executive management expertise in advance of financial capital. Our experience in the Cape reveals that this is increasingly possible as more senior executives step back from business life and look for new adventures and opportunities to ‘make a difference’. Once the human capital is investment grade, the financial capital will flow more readily.

A key task for this management must be to develop a new generation of Indigenous operators and entrepreneurs that can manage and grow the business in the long-term, through mentoring, education and on the job training. In Cape York we want both access to, and development of, senior operators who can function in George and Collins Streets, and in Cape York.

This model provides a hands-on approach beyond that found in the usual grants and loan frameworks used to support emerging Indigenous enterprise. Such a hands-on strategy, however, is familiar throughout the venture capital world (see text box 3).
Text box 3: Venture capital in the Apple story

The venture capital process is much messier than the process of just getting a loan, or other forms of finance to support an emerging business idea. The venture capitalist becomes intensively involved in the start-up stages of business development. One author describes the role of venture capital in the Apple story as follows:

Often, you start with a ragtag guerilla outfit, with no obvious path forward. In the documentary Something Ventured, venture capitalist Don Valentine relates how no one wanted to invest in Steve Jobs and Steve Wozniak in 1977. Before he would invest in Apple, Valentine had to convince the two entrepreneurs to accept an experienced executive, Mike Markkula, as their CEO. As Markkula describes in the film, ‘The two of them did not make a good impression on people. They were bearded, they didn’t smell good, they dressed funny, young, naive.’

Source: Forbes 2012

While governments do have an important role in creating the enabling environment for Indigenous enterprise, it must be recognised that government is not the natural capacity builder, the private sector is.

There is a wide range of Australian and state government programs that offer business support services to Indigenous people through grants and low cost loans, business mentoring, development assistance, facilitating procurement from Indigenous businesses and providing connections to markets. However, the ‘sheer number and complexity’ of such programs and services has been criticised as being ‘confusing and daunting to emerging Indigenous entrepreneurs’ (HRSCATSIA 2008, p. 37).

There are two key government funded statutory bodies, the Indigenous Business Australia (IBA) and the Indigenous Land Corporation (ILC), that provide grants and loans to Indigenous organisations and in the case of the IBA, to individuals. A recent review of the ILC and IBA, however, found that these organisations ‘could not support’ the need for access to capital in a timeframe or of a scale required to effectively stimulate Indigenous economic development (EY 2014, p. 12). The IBA has limited debt and equity products; for example, equity investment opportunities are only available above a $5 million threshold.

Indigenous enterprise presents a unique value proposition for private investors who choose engagement as a means of reconciliation. In light of the rapidly increasing size of ethical investment funds in Australia (both social and environmental), and the growing recognition of the importance of Corporate Social Responsibility, this unique value proposition can help to attract private investment into Indigenous opportunities.

Finally, the range of capital and business expertise required to support Indigenous economic development will vary enormously.
It is unlikely that a single investment interface will adequately cater for the range of capital and expertise needs. Further consideration should be paid to the merit of an investment interface in the form of a bank. This might be an Enterprise Bank focused on supporting MSMEs, an entirely new structure or through reform of an existing structure such as the IBA.

Questions

How can the expertise and resources of private investors be harnessed by us to drive innovative solutions for disadvantaged Indigenous communities?

How can people in disadvantaged Indigenous communities be supported to become successful entrepreneurs?

What are the best ways to connect Indigenous businesses with entrepreneurial advice and support?

What can be done to attract large investments to remote Indigenous communities?

What is the optimal architecture of investment interface mechanisms?

Do we need an Enterprise Bank model to focus on growing small-scale Indigenous enterprises in remote areas?

Could reforms of the existing IBA model fill the gap we have identified, in whole or in part?
MAKING THE MOST OF WHAT WE HAVE: BUILDING AND MANAGING TRIBAL WEALTH FUNDS

Recognition of our rights has increasingly enabled Indigenous people to win a share of the wealth extracted from ancestral lands.

For example, under the ‘right to negotiate’ provisions of the Native Title Act 1993 (Cth), there are many agreements between Indigenous landholders and private corporations and governments that set out the terms on which commercial development, especially mining, occurs on our land.

Financial payments or ‘quasi-royalty’ payments under such agreements are commonly channelled into investment funds managed through charitable and discretionary trust structures. They may also be made by individual distributions.

How these revenues, especially mining revenues, can contribute to economic and social development is highly contested in the ‘resource curse’ debate (see e.g. O’Faircheallaigh 2011).

It is clear that effective, accountable and transparent governance arrangements are needed to manage funding flows to ensure they support sustainable long-term development outcomes. Without this, what should be a blessing becomes a curse when the allocation and utilisation of benefits is beset by conflict and dependency.

In Australia the details of negotiated agreements and the resulting investment funds are usually confidential. This makes it difficult to be clear about the combined scale of land-related funds, or ‘tell the story’ of these funds in order to inform policy development.

• Based on audited accounts for the financial year 2011-12, the Minerals Council of Australia has advised that the annual native title monies coming from the mining industry was worth around $3 billion (Taxation of Native Title and Traditional Owner Benefits andGovernances Working Group 2013).

• The total amount of land-related capital that Indigenous groups are accumulating is a multiple of that figure, and has been estimated by industry sources to be around $12 billion.

Clearly these funds have the potential to play a critical role in creating the opportunities and capabilities to support a Tribal Wealth agenda.

We must ask ourselves: is the current governance and management of these funds effectively enabling Indigenous people (collectively and individually) to build intergenerational wealth?

Significant concerns have been flagged about the current governance and management of land-related payments (Taxation of Native Title and Traditional Owner Benefits andGovernances Working Group 2013). We believe that the time is right for alternatives to be created.
We propose that a transformation must occur to allow us to create Tribal Wealth Funds, through which we can far more effectively manage our own wealth prudently for the long-term to enable development.

The use of Tribal Wealth Funds would be voluntary, available on an opt-in basis, but incentivised through tax exempt status. It would be up to Indigenous people to decide if continuing with current practices is preferred, or whether ‘agreement’ payments are to be managed by Tribal Wealth Funds.

In establishing Tribal Wealth Funds we can draw upon and learn from experience across the globe, including from Sovereign Wealth Funds which also focus on managing wealth for the benefit of ‘peoples’ rather than individuals (see text box 4).

Text box 4: Learning from Sovereign Wealth Funds

Although Sovereign Wealth Funds are managed by governments, and our Tribal Wealth Funds would be operated by Indigenous people, they face similar challenges in terms of investment strategies, intergenerational equity, allocation of income to current consumption versus long-term investment, utilisation of income generated by funds and in some cases the finite nature of the natural resource revenues generating income for the fund.

The Santiago Principals provide guiding principles for Sovereign Wealth Funds, initiated by the International Working Group of Sovereign Wealth Funds. These principals can provide guidance to Tribal Wealth Funds in terms of how to promote transparent and sound governance structures and processes in managing our funds.

Source: International Working Group of Sovereign Wealth Funds 2008

Further consideration should also be given to Singapore’s Central Provident Fund established by Lee Kuan Yew in 1955. Individual compulsory savings in Singapore are directed to the Central Provident Fund which is deliberately focused on enabling individual capital formation (e.g. through funds to support home ownership), and funding health care and retirement, rather than supporting individual consumption (see text box 5).

Text box 5: Closing the structures around capital formation in Singapore

The importance of closing the structures around capital formation has been highlighted by Singapore’s ex-prime minister Lee Kuan Yew. In the book From Third World to First: The Singapore Story: 1965-2000, he explains how his policies were purposefully aimed at enabling his people to be development agents, primarily by supporting them to accumulate capital and giving them the opportunity to invest their capital effectively.

This was done through strict regulation around the Central Provident Fund, and by powerful reforms in the housing market. Citizens of Singapore were obliged to save substantial (and increasing) portions of their income in the Central Provident Fund, where every citizen had an individual account. The money in these accounts could be used as old-age pensions or as funding for home-ownership—which further enabled capital formation. In this way structures around capital accumulation played a key role in enabling long-term wealth creation.

Source: Lee 2000
The clear lesson from Singapore is that we must think carefully about how income should flow from Tribal Wealth Funds to Indigenous individuals and families in a way that is consistent with the goal of long-term returns. For example, we could enable individual capital formation through supporting Indigenous people to buy their own home or invest in other discrete assets. We should drive aspects of capability building (such as health, through funding private health insurance) through the operation of Tribal Wealth Funds.

Tribal Wealth Funds provide an opportunity to overcome problems with the governance and management of payments made to Indigenous people under agreements.

For example, the taxation of income streams into and out of investment funds means that many agreements establish charitable trusts to act as the vehicle for investment funds. However, this has serious implications:

- It focuses on the concept of charity which is aligned to welfare rather than an empowering conception of development.
- It seriously reduces the ability of Indigenous people to use their income in the variety of ways they may wish, e.g. to establish business enterprises, as use of the fund income must be limited to certain purposes such as the relief of poverty.
- The accumulation of benefits for future generations of Indigenous people is discouraged (Taxation of Native Title and Traditional Owner Benefits and Governances Working Group 2013).

It is possible to provide a legal structure and tax treatment for Tribal Wealth Funds that transforms these issues.

Many existing funds involve ‘dead capital’ where monies are accumulating in trust structures that do not have a clear framework or mandate for wealth creation and distribution.\(^4\)

There are agreements that provide significant benefits over multiple decades. One fund established in 2001 to benefit communities with a combined population of 3000-4000, was valued at more than $50 million in 2010 (O’Faircheallaigh 2010).

However, it is more often the case that native title holders receive smaller payments from a number of mining agreements that, on their own, are not able to contribute to development outcomes.

\(^4\) Indeed, despite the urgent need for Indigenous development outcomes, our Indigenous investment funds have generally been established to ‘freeze’ funds for extended periods in order to ensure a source of income remains after mining ends, that the funds can provide inter-generational equity, and to ensure that the funds are used prudently—particularly given the complexity of establishing these structures and the fact that few Indigenous people involved have expertise in managing and applying substantial flows of money. Many of our funds are still in a ‘capital building’ phase and have yet to generate substantial income flows (O’Faircheallaigh 2010).
Tribal Wealth Funds would permit the accumulation of substantial funds, rather than the collective value of these benefits being lost through individual distributions. A single Tribal Wealth Fund could receive funds from a number of sources and apply them to a wide range of purposes, and, in doing so, minimise duplication and administrative inefficiency.

This would also offer a longer-term approach to investment and management of funds, and ensure that funds are used to create ongoing income streams through effective investment strategies and support of business activities.

Finally, there is a clear need for an appropriate prudential framework to apply to the governance and management of native title and other traditional owner benefits held in investment funds.

Australia already has a strong prudential regulation framework designed to ensure that financial promises made by insurance and superannuation funds, for example, can be met within a stable, efficient and competitive financial system. The Australian Prudential Regulation Authority (APRA) is an independent regulator responsible for prudential supervision of the financial institutions involved.

Our Indigenous funds sit outside of this system and are remarkably unregulated when compared to other investment funds.

For the same reason that a regulatory framework applies to insurance and super funds, a regulatory framework for our funds is required. Such a framework could help to ensure proper management and investment of fund monies on behalf of and in the best interest of the beneficiaries, beneficiaries who themselves are not in a position to assess fully whether the funds are well managed. As is the case of insurance and super funds, the prudential framework could provide:

- capital adequacy-type standards to ensure funds must maintain sufficient assets
- a range of operating standards and other rules that establish a broad framework for the accumulation, investment and payment of benefits from the assets of funds—e.g. standards that create rules around investment, borrowing and lending, an accounting and reporting framework, and standards for the various parties involved in managing, investing and accounting for fund monies.

The creation of Tribal Wealth Funds could also help Indigenous people to proactively set the ground rules for development to occur, thereby reducing transaction costs and creating greater certainty about how development on Indigenous land can occur.

Such rules would apply to internal/intra group proponents (e.g. individual entrepreneurs) and external proponents of development. This would help to better align individual and community interests to support private enterprise.
For example, Tribal Wealth Funds might have an established ‘guaranteed profit share’ (e.g. 10 or 15%). Negotiations could still take place when the group sought a greater amount, but this could establish an ‘equity floor’ and introduce a clear rule that could be applied and boundaries for the negotiations.

**Questions**

How should Tribal Wealth Funds be governed and managed for future generations?

What role do Tribal Wealth Funds have in stimulating Indigenous economic opportunities?

In what ways can Tribal Wealth Funds be structured and managed to ensure we do not exacerbate conflict?

How can Tribal Wealth Funds be used to build capabilities and assets for Indigenous people?

Can Indigenous people in Australia potentially combine their resources, e.g. on a regional basis, for greater economic and political leverage?
6. CONCLUSION:
i20: A LEGACY OF G20 AUSTRALIA

Indigenous people stand at the threshold of opportunity. We can take greater control of development and the benefits that flow from this including jobs, businesses, and wealth creation.

We have asserted that a paradigm shift is needed to crash through some development traps. We seek to initiate a discussion about how we can realise our right to development through a Tribal Wealth agenda, and we have proposed some initial ideas that can bring about the structural transformation required.

The legacy of the indigenous 20 in Australia should, however, not be measured in such broad ideas, but in real action.

It is critical that governments fully acknowledge the Indigenous people’s right to development; governments have a clear obligation to enable Indigenous people to drive our own development outcomes—this is at the heart of our Tribal Wealth agenda.

Such an approach will not only benefit Indigenous people but also benefit Australian businesses, governments and the broader society. The benefit for business is clear; Indigenous Australia holds significant potential for investments that can be unlocked, especially in land use and resource extraction. Furthermore, well-managed Tribal Wealth Funds can provide a powerful stimulus for Australian economic growth.

Governments stand to benefit from income flowing from mining royalties and taxes if economic opportunities on Indigenous land are unlocked. Additionally, enabling Indigenous employment will decrease the welfare burden and increase tax revenues as taxable incomes of Indigenous people increase.

Most importantly, we can empower and enable Indigenous people to become key actors in our own development, to create enterprise, employment, economic and cultural determination. The social and economic dividends will be profound, but they will only be achieved if we take a leading role through a Tribal Wealth agenda to realise out right to development. This is vital if we are to have the capabilities to choose a life that we have reason to value.
Appendix A

In Cape York’s Indigenous communities, there is less diversification and private sector enterprise than would ordinarily be associated with a mainstream small town economy, including in other remote areas and elsewhere in North Queensland.

Figure A shows the economic base in Aurukun compared with two mainstream shires that have a similar amount of local jobs. As can be seen, the mainstream towns of Richmond and Etheridge have stronger ‘real economy’ industries such as in accommodation, transport, construction and agriculture and are less dominated by the public sector service industries.

Figure A: Local industry comparison (in % of jobs) between the ‘Indigenous community’ economy of Aurukun and the mainstream shires of Richmond and Etheridge

Source: ABS 2011
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Thank you for supporting the i20

You are amongst an amazing cast of individuals—Indigenous, business and political leaders—who are choosing engagement in Indigenous empowerment as a means of reconciliation.

We believe that you and those around you are needed to accelerate Indigenous development, and realise economic opportunities. We hope that you will continue the conversation and help to elevate Indigenous peoples’ right to development as a critical ingredient for economic, social and cultural success.

Walk with us:

Cape York Partnership
Duncan Murray, Chief Executive Officer
dmurray@cyp.org.au
Ph: 07 4042 7200

Balkanu Cape York Development Corporation
Terry Piper, Chief Operating Officer
terry.piper@balkanu.com.au
Ph: 07 4019 6200
Mana and money - the Maori business evolution

Anne Gibson | NZ Herald | 6 February 2016

Iwi business interests are expanding from land-based models to embrace a variety of assets and enterprises.

The assets of the top 10 Maori businesses are closing in on $5 billion as they develop from property and primary industries-related Treaty settlements into wider interests including, food and tourism, but one expert says the important issue is how much money they are generating to help the needs of the people.

As part of the Deloitte Top 200, the Maori businesses have been ranked by total assets and control a powerful asset base of $4.85 billion, from forestry to fishing, commercial land development, housing, tourism, food production and corporate investment.

But Leon Wijohn, a Deloitte private partner and the firm’s national Maori business sector leader, says the true gauge of Aotearoa’s powerhouse Maori economy is operating income.

"The size of the assets is amazing but what’s important is moving away from comparisons based on assets and moving more towards ebitda (earnings before interest, tax, depreciation and amortisation) because that’s an indication of how much free cash there is to look at addressing some of the needs of the people."

Previously, Deloitte only had nine businesses on its list. A newcomer on the list is Parininihi ki Waitotara, a Taranaki Maori incorporation owning 20,000ha of dairy land and other interests including crayfish, forestry and commercial property.

It has about 9000 shareholders, the majority being descendants of Taranaki Maori whose lands were confiscated in 1865.

Nelson-headquartered Wakatu Inc has vanished from the latest list, even though it declares assets of more than $260 million and its associate, Kono NZ LP, is a big food and beverage producer and exports wine, seafood, fruit and natural fruit bars.

The assets of the top 10 Maori businesses are closing in on $5 billion. Photo / Michael Cunningham
Some Maori businesses are understood not to want to be on the list, preferring a lower profile.

The biggest entity by far is the South Island’s trail-blazing Ngai Tahu with $1.2 billion of assets, producing a healthy $353 million of annual revenue, followed by Waikato Tainui with $1.1 billion of assets yielding $92.8 million of revenue, then Auckland’s fast-growing Ngati Whatua ki Orakei with $631 million of assets making $41 million of annual revenue.

Those three are taking new directions too.

Ngai Tahu is developing new housing estates around Christchurch including Wigram Skies, Prestons and Te Whariki. Tainui put part of its major Hamilton shopping centre, The Base, on the block late last year and Ngati Whatua will this month complete the first of its 30 revolutionary Stevens Lawson designed new affordable housing units alongside the Papakainga at Takaparawha or Bastion Point in Auckland’s Orakei, as well as planning other major developments around Bayswater, Hauraki Corner and Belmont.

Wijohn sees a clear evolutionary path for big Maori businesses as they grow, gradually moving away from their historic property or real estate interests into two related but clearly distinct sectors.

The size of the assets is amazing but what’s important is moving away from comparisons based on assets and moving more towards ebitda.

– Leon Wijohn

"Initially, they're all around property and the primary sectors - fishing, farming, forestry and land. That's a factor of Treaty settlements - the assets they can acquire back as part of the settlement process," Wijohn said.

"They then start diversifying and looking at what parts of the value chain they can invest in and tourism and food are two areas and an extension of the existing assets. If you have land, you’re looking at the potential uses so often they end up in these businesses."

Examples include Waikato Tainui pushing into the hotel sector with partial ownership of the Hotel Novotel Auckland Airport.

Ngai Tahu is well advanced on the tourism front, owning award-winning Whale Watch Kaikoura, the Shotover Jet attraction near Queenstown, Glacier Hot Pools at Franz Josef, guided walks and eco tourism ventures, while Ngai Tahu Seafood exports include blue cod, paua and lobster, sent to Australia, Asia, the US and Europe.

Last year, Wijohn noted Tainui’s move into the corporate sector: "Although Tainui will always have a property focus, moving into business investments is intended to diversify their investment portfolio."
more over time with the hope of increasing jobs and cash flow.”

Diversification into new sectors may be more challenging for Ngati Whatua Whai Rawa “with no big commercial farms in Auckland” but that business has big cashflow from occupants of its Quay Park land holdings, including Vector Arena, the three Scene apartment blocks and the Countdown supermarket and rent from the Aecom House office block at 8 Mahuhu Cres, which it bought two years ago for $67 million.

Tuhoe Te Uru Taumatua, with assets of $254 million, is another newcomer to the latest list.

For Wijohn, evolution also focuses on the need for good governance.

"That's the major issue that emerging Maori organisations need to tackle - having plans to improve their own governance, having an organisational plan and putting in place the right people, policies and procedures."

**Take wider view of size of economy, says Hayes**

EY Tahi’s Selwyn Hayes encourages taking a wider view of the size of the Maori economy.

Most media focus is on the tribal and Maori land collectives, but if you look at the analysis by economic consultant Berl, he says, the largest chunk of the $42 billion asset base lies with other organisations/employers, not the Maori collective sector.

"So following that logic, and if you're looking at growth of the Maori economy and where the most impactful prospects lie, then I would argue you're more looking at levers - potentially Government supported - for entrepreneurial and general business enterprise,” Hayes says, citing more tech and entrepreneurial hubs, most of which aren't Maori specific, "like ColabNZ which is coincidently owned by a Maori, Robett Hollis".

"But also in the Maori creative industries space, collaborations of Maori film producers in Rotorua like Steambox, and what Cliff Curtis could be cooking up," he says.

"If you take the narrower view of Maori collectives then you're into leveraging off the [mainly] farming, fishing, forestry starting base into spaces like export, [such as] more Miraka type joint ventures, into other agri-plays like Miere/honey and commercial property and related industries, for example Ngai Tahu Property setting up office in Auckland."

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Selwyn Hayes. Photo / Christine Cornege

Indigenous Australia is open for business – but we need investment to realise our potential

Marcia Langton | The Guardian | 26 May 2016

Indigenous businesses are rich in land and resources, and have a growing potential to contribute to the green economy. Long-term investment will help address the legacy of exclusion.

Little has been said about Indigenous policy during this election campaign. With economic conditions high on the agenda, the potential for Indigenous Australia to contribute should be mentioned.

Indigenous Australia is open for business. After more than a half a century of change in the way Australian governments treat us, we now have the ability and assets to invest in the economic development of Australia. It is important to understand the extraordinary opportunities that Indigenous corporations offer to those seeking to do business throughout Australia. Increasingly, our economic strengths, such as land holdings and other assets, and the value proposition in this vast area, are plain for all to see.

This is especially so in northern Australia where the Aboriginal populations, and their land holdings and assets, are significant. Some have called this Indigenous economic asset group the “sleeping giant”. But far from asleep, Indigenous people are awake to the opportunities.

Many Aboriginal groups want investment in their own assets and regions to address the legacy of underdevelopment and exclusion.

More than a third of Australia’s land mass is now Indigenous-owned or subject to Indigenous rights and interests in formal legal ways. In northern Australia, Aboriginal corporations own about 20% of the rangelands where the huge northern cattle herd is located.
About 60% of the mines in Australia are co-located with or near Aboriginal communities and populations.

There are about 2,000 agreements with Indigenous Australians, resulting in many strong partnerships between private developers and traditional owners. These agreements help ensure the security of the projects and also afford sustainable long-term benefits for Indigenous people and their communities.

In all these remote and rural areas, the Indigenous population is usually significant, and often the majority.

As many of Australia’s mining, energy and construction companies have found, Indigenous businesses often perform above par and generate positive local social impacts, including greater employment opportunities for Indigenous people in a region historically excluded from economic participation. This results in a long-term “licence to operate” for projects developed by companies that put a high value on corporate social responsibility.

We know that many Indigenous groups are looking for long-term investment solutions to:

- build wealth for the next generation;
- reduce dependency on government funding;
- diversify away from traditional bank deposits and earn higher returns on other investments; and
• plan beyond the finite sources of funding such as mining royalties.

Aboriginal corporations have invested in their local industries in north Australia, especially in mining, tourism, the pastoral industry and property development.

Research commissioned by Indigenous Business Australia in 2013 produced only rough estimates of the overall assets of Indigenous organisations, with the bulk in charitable trusts. The funds are worth more than $10bn, and are increasing rapidly.

Research commissioned by the Minerals Council of Australia in 2013 identified that, based on survey responses from its member companies, in 2011-12 around $259m was paid as land access-related payments by mining companies to Aboriginal groups. Many of these payments are annual and are accumulated in trust funds managed for Aboriginal people by fund managers.

Actual payments by all developers or others seeking to access Indigenous land across all sectors would be multiples of this amount. The report also estimates wider community impacts of the minerals industry, including the Indigenous sector. One third of the native title corporations hold funds and assets as a result of these arrangements.

Alongside the funds held by land-owning groups, there are funds held on behalf of Indigenous people in various statutory accounts, such as the Aboriginals Benefit Account in the Northern Territory and the Land Account of the Indigenous Land Corporation established as part of the native title settlement agreed between Aboriginal leaders and the Australian government in 1993. As of 30 June 2014, this latter fund had purchased some 6.1m hectares in urban, rural and remote Australia. Some 75% of the 251 properties acquired have been divested to traditional owners.

Indigenous businesses have been involved in civil infrastructure and construction as contractors and providers of goods and services. There is a growing “green economy” in the Indigenous sector with silviculture, timber harvesting and processing, and carbon trading projects being developed.

There are hundreds of Aboriginal tourism enterprises taking advantage of people’s desire to see Australia, to enjoy the immersive Indigenous cultural experiences, and to experience first hand Australia’s extraordinary native fauna and flora.

In its 2014 Indigenous Engagement Survey Report, the Business Council of Australia said that member companies continue to find new ways to support Indigenous socioeconomic inclusion. Indigenous employment remains a focus for up to 200 of Australia’s major companies. They also offer other opportunities, such as cadetships, microfinance programs and an increasing number are involved in joint ventures with Indigenous businesses.

With Indigenous chambers of business and networks growing in most states and territories, representing an estimated 3,000 Indigenous businesses, a rigorous engagement of Australian governments with this sector is overdue. The Australian government’s Indigenous procurement policy is an important step forward, and so too is the Northern Territory’s innovative remote area procurement policy. The enormous potential of Indigenous Australia to contribute to all Australians is a national issue that warrants more policy attention.

Marcia Langton is the professor of Australian Indigenous studies at the University of Melbourne. She will be speaking on the Open For Business panel at Homeground Talks on Friday 27 May at the Sydney Opera House

This article was amended on 29 May 2016 to correctly attribute the featured map to Jon Altman and Francis Markham from the Australian National University.

https://www.theguardian.com/commentisfree/2016/may/26/indigenous-australia-is-open-for-business-but-we-need-investment-to-realise-our-potential
Awakening the ‘Sleeping Giant’: The Hidden Potential of Indigenous Businesses

Sara Hudson | Policy Magazine | Autumn 2016