

Are Indigenous Land & Sea Management Programs a pathway to Indigenous economic independence?

Policy note

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This project aims to improve our understanding of the multiple benefits of Indigenous Land and Sea Management Programs (ILSMPs), with four related objectives. This note focuses on the third objective, i.e. to learn whether ILSMPs help stimulate growth of Indigenous businesses – even those not engaged in land management.¹ The project commenced in early 2016 and will end in early 2019.

ILSMPs stimulate growth of Indigenous businesses

FINDINGS

► **FIRST**, our review of relevant literatures clearly revealed that northern Australian economies are different from Western urbanised economies. If one's aim is to stimulate (short-term) economic development in northern Indigenous economies, then one needs to stimulate demand for goods and services that are 1) produced by Indigenous people and which 2) generate benefits that align with the goals and aspirations of Indigenous people.

► **SECOND**, our review highlighted that it is also important to create conditions that support social-cultural values that improve quality of life and thus promote innovation and creativity – a core driver for self-sustaining long-term economic development. ILSMPs have these characteristics and are also capable of stimulating short-run demand and supply for goods produced by Indigenous people.

► **THIRD**, increases in expenditure on ILSMPs is associated with an increase in the number of Indigenous businesses registered with ORIC in that same year and in each of the following two years. This suggests that there may be a causal relationship flowing from ILSMPs to growth in Indigenous businesses. This relationship is evident for all businesses – even those who are not involved in land management. The latter are not direct recipients of ILSMP funding so the observed relationship must reflect some positive spill-over. We can suggest three reasons for why this may be occurring but at this stage cannot determine which (if any) is having the greatest effect. For example: 1) ILSMPs may improve people's skills, knowledge and experience with this improved human capital facilitating further business growth; 2) a multiplier effect may exist with

Summary

Economic policies developed to stimulate urbanised Western economies do not easily translate to stimulating growth in remote Indigenous economies across northern Australia. Rather if aiming to promote economic development and/or independence in northern Indigenous economies, it's important to stimulate demand for goods and services that 1) are produced by Indigenous people and which 2) generate benefits that align with the goals and aspirations of Indigenous people. We also need to 3) create conditions conducive to innovation. ILSMPs provide all three of these characteristics.

Our statistical modelling indicates that expenditure on ILSMPs generates positive spill-overs for other Indigenous businesses, even those not engaged in land management ILSMPs – albeit with a three-year time lag. This suggests that ILSMPs, known for their ecological importance, may also help promote self-sustaining growth cycles and Indigenous economic independence.

Indigenous businesses receiving ILSMP funding then spending more with other Indigenous businesses, thus increasing demand; 3) ILSMPs may contribute to an increase in the general productive capacity of the region.

► **FOURTH**, the increase in the number of Indigenous businesses outlined above increases with time e.g. there is larger growth in year three than year two, which is larger than year one.

► **FIFTH**, ILSMP expenditure does not seem to affect average business income during the year in which expenditure occurs, but there is a positive impact two years later. This relationship is evident for all businesses – even those who are not involved in land management. The finding is consistent with the proposition that ILSMP funding impacts both demand and supply approximately equally in early years (simplistically, it is as if one is shifting both the demand curve and the supply curve to the right, with increases in quantity – as per our observed

1. This policy note is based on Jarvis et al. 2018.

increase in the number of businesses – but without having an impact on price). The observed increases in average income in subsequent years suggests that eventually, the demand-side effects (including spill-overs) dominate. If ILSMP expenditure is associated with subsequent growth in Indigenous businesses (which are not engaged in land management) and the magnitude of this impact is growing over time, we suggest that ILSMPs could provide an important pathway in facilitating Indigenous economic independence.

We tentatively suggest that the close alignment of ILSMPs with Indigenous aspirations – often associated with empowerment, caring for country and community support – is indeed helping to create the right environment for innovation and creativity, sparking a self-sustaining cycle of Indigenous-led growth and economic independence.

We look forward to investigating the mechanisms behind these relationships in subsequent research.

Improving our understanding of the economic benefits of ILSMPs

METHOD

We set out to do two things:

1. Collate insights from relevant literature that proposes and explains what can be done to help promote economic development and/or economic independence for Indigenous businesses and economies across Northern Australia.
2. Gather and analyse data to statistically test for evidence that ILSMP expenditure generates positive spill-overs for Indigenous businesses – even those that are not engaged in land management.

We began with a comprehensive review of several related bodies of literature on economic development per se, (Australian) Indigenous economies, Northern Australian economies, Indigenous business development, and factors likely to kick-start self-sustaining development

cycles. We used insights from the literature to conceptualise the ‘development’ challenge – describing key features of northern Indigenous Australian economies and highlighting factors that differentiate them from Western urbanised economies. We also used insights from this review to identify the pre-conditions required to stimulate (short-term) development in northern Indigenous economies, and to identify factors likely to help lay the foundations for longer-term self-sustaining economic growth of Indigenous enterprises.

We then gathered data to empirically test our theory that ILSMPs can kick-start self-sustaining growth cycles in other businesses. We note here that previous work shows more than 65% of ILSMPs undertake commercial activities that generate revenue and create jobs. We used eight years of data relating to Indigenous businesses which are registered with the Office of the Registrar of Indigenous Corporations (ORIC) (a subset of all Indigenous businesses), in conjunction with data on ILSMP expenditure and on other variables identified in the literature as likely to have an influence on business activity. We grouped data at the postcode level (e.g. number of registered businesses in postcode 4812) and developed statistical models that allowed us to test if ILSMP expenditure in year one had a positive impact on Indigenous business activity in subsequent years (after controlling for confounding factors).

REFERENCES

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Further information

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This project is supported through funding from the Australian Government's National Environmental Science Program.



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May 2018