

Can Indigenous Land & Sea Management Programs promote regional development and help 'Close the Gap'?¹



Northern Australia
Environmental
Resources
Hub

National Environmental Science Programme

World class research to support sustainable
development in northern Australia

Policy note

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Project 5.3 of the Northern Australia Environmental Resources Hub of the National Environmental Science Program aims to improve our understanding of the economic benefits of Indigenous Land and Sea Management Programs (ILSMPs), with four related objectives. The first objective, on which this brief focuses, is to learn more about the regional economic impact of ILSMP expenditure. The project commenced in early 2016, with final outputs from all components due to be completed in early 2019.

ILSMPs have a vitally important contribution to make to northern Australia economic development

FINDINGS

► **FIRST**, we found that ILSMPs make a significant contribution to the Kimberley, NT and FNQ economies. During 2014–15, the \$79.6m of ILSMP expenditure (70% from federal government) generated an additional \$106m of indirect or 'knock-on' benefits over and above the initial expenditure. The total economic impact of ILSMP expenditure was thus \$185.6m: 2.33 times the initial expenditure. Additional impact is part of the multiplier effect, which occurs when businesses and households who receive money from ILSMPs re-spend some of their additional income locally (e.g. when those employed to work on ILSMPs spend some of their wages at a local store). In non-urban areas, multipliers are invariably highest for labour-intensive businesses, whereas businesses that use significant amounts of capital equipment generally need to import it from elsewhere, so their expenditure benefits businesses in other parts of the country or world.

Across all our focal regions, we estimate that the multiplier associated with ILSMPs is 2.33. Region-specific ILSMP multipliers were 1.8, 2.4 and 2.5 in the Kimberley, NT and FNQ, respectively. These were 13–60% higher than estimated agricultural multipliers (depending on type of agriculture and region) and 20–29% higher than mining multipliers

Summary

Our research highlights that ILSMPs make a significant contribution to the incomes of both Indigenous and non-Indigenous households and businesses. Far from there being a trade-off between socio-ecological and financial/economic goals, our results strongly suggest that ILSMPs, known for their ecological importance, also have a vitally important contribution to make to the economic development of northern Australia.

(depending on region). This evidence shows that ILSMPs have an important role to play in the economic development of Northern Australia – a result likely transferrable to other Australian non-metropolitan regions with similar economic structures.

ILSMPs generally require more government and NGO funds than mining or agricultural ventures. But in exchange (and in addition to generating economic benefits), ILSMPs also provide biodiversity conservation and ecological services which are of national significance. Moreover, the positive social-cultural impacts of ILSMPs (well documented in the Social Return on Investment analysis undertaken by Social Ventures Australia [SVA] in 2016) may help lay the foundations for Indigenous communities to leverage future business and/or development opportunities, thus leading to longer term gains for all. So the long-term benefits of ILSMPs, which include social, ecological and economic impacts, are larger than those estimated here.

► **SECOND**, our analysis highlights the contribution that ILSMPs make to Australia's *Indigenous Advancement Strategy*, and to the government's stated goal of *closing the gap*. Across our focal regions, the total regional economic impact (including multiplier effects) of ILSMP expenditure is distributed as follows: \$33.3m to Indigenous households (as wages/salary); \$35.8m to non-Indigenous households (as wages/salary when the businesses they work for supply goods and services for ILSMPs) and \$116.5m to local businesses (we do not have enough information to distinguish

1. This policy note is based on Jarvis et al., in press.

between Indigenous and non-Indigenous owned businesses). Across all three regions, the total benefits flowing to non-Indigenous households was marginally higher than that flowing to Indigenous households, although there are fewer Indigenous people in these regions, so the per-capita story is one of Indigenous advancement. Our analysis suggests that ILSMPs will continue to contribute to the Indigenous Advancement Strategy, as long as the share of total ILSMP expenditure going to Indigenous households (as wages / salaries) does not fall below (about) 46.1% in Kimberley, 31.6% in NT, and 18.7% in FNQ. If Indigenous households receive less, then the total benefits of ILSMP expenditure flowing to non-Indigenous people would exceed that of Indigenous people, and the programs would widen, rather than close the gap.

► **THIRD**, our analysis shows that the structure of the ILSMP expenditure does, indeed, influence the size and distribution of benefits between Indigenous and non-Indigenous people. These vary according to: (a) total spend; (b) the distribution of initial spend (e.g. mostly on wages, or a split between wages, operational costs and equipment; and (c) regional procurement preferences and policies. This has several related policy implications:

- if seeking to increase the regional economic impact of ILSMPs, then one should encourage ILSMP managers to purchase required goods and services (business supplies) from 'local' (regional) businesses (rather than importing goods and services from outside the region)
- if seeking to increase the share of benefits accruing to Indigenous people, then one should encourage ILSMP managers to hire Indigenous people at all levels, and to purchase business supplies from other businesses that are owned by, or at minimum, employ many Indigenous people.

METHOD

We set out to answer three questions:

1. How do ILSMPs contribute to northern economies? How does that contribution

compare to the stimulus provided by other industries (e.g. mining, agriculture) that are important to Northern Australia?

2. Is ILSMP expenditure helping to *close the (income) gap* between the Indigenous and non-Indigenous people?
3. How does the structure of ILSMP expenditure influence the size and distribution of benefits between Indigenous and non-Indigenous people? Which types of expenditure work best to help *close the gap*?

We did this by first collating data on total ILSMP expenditure (by philanthropic organisations [NGOs] plus state, territory and federal governments) within the Kimberley (WA), the Northern Territory, and Far North Queensland (FNQ) (from Hill et al., 2013). We then looked at data from the federal Department of Prime Minister and Cabinet for the projects which they had funded (about 70% of all ILSMP expenditure). That helped us estimate the share of ILSMP money that was spent on different categories of goods and services (e.g. wages, equipment) in each of our case study regions. We then analysed that data in three publically available input-output models (adapted for our specific purposes), to find answers to our questions.

REFERENCES

Jarvis D, Stoeckl N, Hill R & Pert P. In press. *Indigenous Land and Sea Management Programmes: Can they promote regional development and help 'Close the (income) Gap'?* Australian Journal of Social Issues.

Hill, R., Pert, P., Davies, J., Robinson, C., Walsh, F., & Falco-Mammone, F. 2013. *Indigenous land management in Australia: extent, scope, diversity, barriers and success factors*. Cairns: CSIRO Ecosystem Services.

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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December 2017