Productivity Commission
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Dear Commissioners,

Thank you for accepting this submission after the original due date, which fell during the busy time immediately before the crucial referendum on constitutional recognition through Voice.

ABOUT US

Empowered Communities (EC) is a leading exemplar of community-led, place-based work to improve socioeconomic development outcomes in Australia—Indigenous or non-Indigenous. EC is a collaboration of 10 important Indigenous regions—urban, regional, and remote—seeking transformational reforms to close the gap.

EC outlined a comprehensive reform agenda to close the gap over 2-3 generations in our 2015 Design Report provided to all governments. EC is the country's only Indigenous-led empowerment, development and productivity driven, partnership approach. The transformation we seek requires a wholesale shift from the top-down, government-led, one-size-fits-all, supply driven, passive welfare and service delivery focused 'spray and pray' approach, that has been a proven failure for decades.

EC emphasises Indigenous empowerment is at the very centre of the change required to turn around the situation of Indigenous people in this country. Empowerment is about our right to take responsibility for our own lives and futures from the ground up, enabled by government.

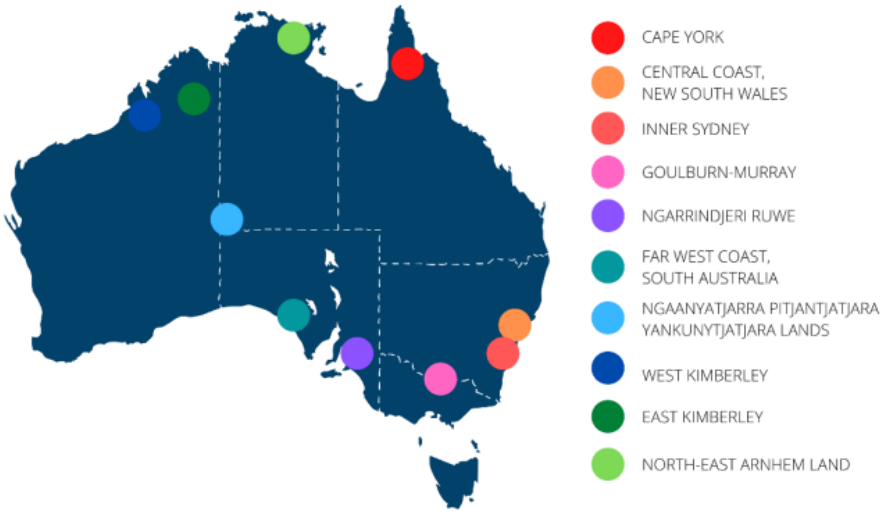
At the local and regional level, we have sought a seat at the table so we can work with governments and drive on the ground action to close the gap according to regional and local Indigenous development planning priorities. Our local and regional development plans have been developed through Indigenous-led participatory processes. This means under the overarching EC reform agenda, actions taken to build capabilities to close the gap differ in each region according to our local context and circumstances. EC regions variously have prioritised and champion different forms of welfare reform, alcohol, drugs and gambling management, real jobs reforms, education and early learning innovation, home ownership on Indigenous land, young leadership development, health, and mental health initiatives.

Joint Decision-Making—where panels of local Indigenous people provide input into government decisions about funding coming into our regions, instead of these decisions being made without any on the ground input as is usually the case—has begun the shift required to improve productivity of existing resources in the system. Joint Decision-Making is an important EC innovation. The value of the Joint Decision-Making approach has been demonstrated in each of our regions and is clear to our government partners.

EC empowerment, development and productivity reforms implemented over the past eight years have been co-designed, tried and tested. They provide 'proof of concept' to inform more effective and efficient partnership approaches across the nation. The EC reforms provide practical examples of what can be scaled and expanded further for all Indigenous places and people seeking to improve outcomes and close the gap.

Of course, what we have implemented through EC so far has only just begun to scratch the surface. A vast amount remains to be done to realise the reform vision we outlined in 2015. Ongoing policy and structural reforms are needed to support and accelerate progress.

EC's reform ideas, and our challenges and progress since 2015, are most salient to the Productivity Commission's review of the National Closing the Gap Agreement and future directions. We hope to see this reflected in the review's final report.



OUR VISION

"We want for our children the same opportunities and choices other Australians expect for their children. We want them to succeed in mainstream Australia, achieving educational success, prospering in the economy and living long, safe and healthy lives. We want them to retain their distinct cultures, languages and identities as peoples and to be recognised as Indigenous Australians."

CLOSING THE GAP WITHOUT A VOICE

We are devastated by the failure to achieve a Yes vote at the referendum and the lost opportunity this represents to shift the dial on Indigenous disadvantage. As documented in our 2015 Design Report, for many years we have invested our ultimate hope in the constitutional recognition agenda. A Yes vote for the Voice would have provided the game-changing structural reform needed to accelerate progress from the ground up to close the gap.

Working in partnership—particularly with the Australian Government—EC has made some important headway and implemented significant ground-breaking innovations since 2015. However, gains have been hard won and are only piecemeal. Governments' commitment to pursue an Indigenous empowerment, development and productivity approach remains too weak and is relatively fragile. Even with enduring, high-level bipartisan support for our approach over eight years, all progress made by EC has been highly, and unacceptably, dependent on the goodwill and commitment of individuals within the bureaucracy and at the Ministerial level—and key personnel are constantly changing.

Good intentions and good high level policy commitments are simply not enough to close the gap. There must be more done to structurally support the changes needed and put in place a cultural shift to embed partnership approaches, to shift incentives and bring about the transformation required.

The Voice's promise is now off the table. Returning to the status quo—a method with an unbroken track record of failure—is simply not an option that can be countenanced. Collectively we must now look for a new pathway to bring about the changes we know are very much needed. Regrouping will of course take some time, given that constitutional recognition through Voice was to be the keystone, and had been the subject of so much intensive work and thinking by Indigenous people over so many years.

In this context, the Productivity Commission's review of the National Closing the Gap Agreement assumes an even greater importance than was the case before the outcome of the referendum was known. The nature and content of the referendum debate has left many Australians—and perhaps some politicians—with incorrect views about why the gap exists, why it does not close, the spending of taxpayer resources, and about what is required to turn the situation around. While it is not the job of the Productivity Commission alone to chart a new way forward, it has an important role to play in rigorously examining the longstanding and ongoing failure of the Closing the Gap approach from first principles.

It is vital this Productivity Commission review helps build an accurate understanding of the position of Indigenous people in Australian society, and highlights key reforms required to achieve parity.

The final review report must address:

- **why the gap exists**
- **why it does not close**
- **details about the spending of taxpayer resources and what is required to improve productivity**
- **the scale and nature of the transformational reforms required to turn the situation around.**

EMPOWERMENT ESSENTIAL TO CLOSE THE GAP

Although well intended, the role taken by government in closing the gap is problematic. For success, Indigenous people themselves—those whose lives are directly affected—must be empowered to have greater influence and control over the decisions impacting their lives and futures. To overcome the extreme and persistent Indigenous disadvantage, a complete paradigm shift is required—one that finally abandons the objectives of protection and management that continue to dominate government's relationship with Indigenous communities, to instead enable Indigenous agency and authority to take power and to lead. It is people on the ground in our diverse communities and regions who are in it for the long haul. It is our lives and futures at stake. We want to be able to take responsibility and be held to account for learning and improving outcomes over time in a proper enduring partnership.

After 12 years of Closing the Gap failure since the initial framework was established in 2008, the 2020 new National Closing the Gap Agreement promised to make a transformational shift. Our experience is that while the four new Priority Reform Areas are sensible, discernible impact filtering down to ground level where change is needed has been slow and siloed by target. This limits the opportunity for securing the transformational reforms we need.

Under the Agreement the system remains top down. All the power remains in the hands of the state and territory jurisdictions to determine actions to be implemented to try and meet the Closing the Gap objectives. Shared decision-making is happening at the national or jurisdictional level, rather than at the local or regional level. No learning over time occurs to iteratively improve actions taken on the ground. Any learning that is to occur, is sought through ex-post impact evaluation and high-level monitoring exercises, which assume government is the only key actor and learner.

Under the Agreement there continues to be a complete absence of any system or method whatsoever for Indigenous empowerment/responsibility/self-determination from the ground up, despite near universal acknowledgement over a long period that this is a vital missing ingredient for success. The involvement of the Coalition of the Peaks (while important at the national level) provides no substitute for this kind of empowerment. Place-based Partnerships are said to provide an opportunity to trial this much needed new approach, but are slow to develop and limited in their geographical span.

Under the Agreement there is an ongoing and complete disconnect between high level policy and decision-making in Canberra, Brisbane, Darwin and Perth etc, and any changes on the ground actually impacting Indigenous families and communities. Policy partnerships are developed at the jurisdictional and national level. Pathways for providing local level input into these partnerships are unclear.

The gap will not close at the national level or at jurisdictional level. It will close in households, in our school rooms, on the tracks and streets in our communities. Reform must happen at the local and regional level if we are to see the changes we all desire.

Given success is predicated on the need to shift to Indigenous empowerment, a stronger and clearer approach to drive change is needed. Setting up another high level Closing the Gap commitment agreed by COAG (now National Cabinet)—albeit with empowerment, partnership, and shared decision making nominated as a Priority Reform area—provides no change in incentives and no 'teeth' of the kind likely to induce government from the inertia of the status quo.

EC is an Indigenous led approach that has sought to develop and put in place a method for empowerment. We believe we represent one of the most successful ground-up empowerment efforts the country has seen (and is also one of the longest lived)—and we have delivered better results than government led empowerment efforts of in the past. Indeed, it is notable that although there has been a high-level policy consensus for decades suggesting that a shift to empowerment is needed to address limited progress, government-led efforts have yielded little change. For example, in 2022, COAG announced its high-profile trials would "explore new ways for governments to work together and with communities". After COAG trials were quickly abandoned, hundreds of "Shared Responsibility Agreements" were negotiated across the country but following a change of

government in 2007 this approach was also dumped. Now we have had a top-down, government-led Closing the Gap approach since 2008, which provides only a commitment, rather than a method, for Indigenous empowerment.

We urge the Productivity Commission to strengthen its analysis and recommendations to reflect the fundamental importance of adopting of an Indigenous Empowerment Policy.

Our core proposal is that government adopt an Indigenous Empowerment Policy as its headline national reform policy.

We suggest the policy be enacted through legislation, as suggested in our 2015 Design Report, so it has the 'bite' needed to bring about systems change.

Indigenous regions and communities would opt-in to come under the reform policy, as this is fundamental to the principle of empowerment.

SHIFT TO DEVELOPMENT NEEDED

Consistent with the shift to an Indigenous Empowerment Policy that is required, EC also has strong views regarding the need for a big shift from the status quo's government-led service delivery focused approach to addressing disadvantage, to instead adopt a development approach to close the gap.

Service delivery and programmatic responses necessarily focus on delivering solutions to particular problems, when in fact the social, economic and cultural challenges faced in our communities are interconnected and cannot be adequately addressed through isolated, siloed service delivery responses targeting one issue at a time. If we continue down this path we are simply guaranteeing that some very big problems, such as the crisis in child protection, incarceration and suicide will continue to grow. The danger with the ongoing preoccupation with service delivery solutions is that it allows the need to tackle these problems from other key angles to continue to be ignored.

Reforms are needed to overcome the passive welfare and service delivery paradigm that has seen us continue to stay trapped in disadvantage. It is only by pursuing a comprehensive strategy for empowerment and development, of which service delivery reform is merely one part, that communities can achieve a functioning level of social, economic and cultural health to reverse the crises in Indigenous child protection, incarceration and suicide.

Under the EC model, Indigenous Development Plans form the basis for the long-term place-based strategy to guide action to close the gap. Development Plans of course look different in different places given our diverse communities and regions. The Development Plans underpin partnership negotiations and agreements struck with governments about priorities, policies, programs and

funding. For example, under EC the Goulburn-Murray' Development Plan is called the Goulburn Murray Prosperity Plan and is focused on Indigenous economic inclusion in the region.

Goulburn-Murray Prosperity Plan

Goulburn-Murray is home to the second largest Indigenous community in the State of Victoria after Melbourne. Historically Indigenous economic prosperity has not been a focus of government policy. The norm has been to focus on service delivery responses to single issues such as domestic violence and alcohol abuse, rather than seeking to address root causes holistically, such as through education and employment opportunities.

Goulburn Murray EC developed a comprehensive plan involving local Indigenous people and organisations, as well as all levels of government, and local business. The plan aims to shift the narrative about the 'Indigenous problem' being a cost to society relating to maintaining welfare systems, to long term economic development strategy, benefitting the entire region with Indigenous inclusion in a cyclic economy.

Implementation of the plan will contribute half a billion dollars to GRP over the 15-year course of the plan, with an additional $150m annual GRP contribution expected thereafter due to the economic divided yielded by closing the gap.

We urge the Productivity Commission to strengthen its analysis and recommendations to reflect the need to shift from a preoccupation with service delivery solutions, to a development approach.

We suggest partnership interfaces be established at the local and regional level under legislation, to ensure and oblige government and Indigenous partners to work together to agree actions and investment to close the gap, based on Indigenous Development Plans.

Partnership interfaces would provide a clear mechanism for place-based accountability and learning over time.

FOCUS ON PRODUCTIVITY REQUIRED

We want better decisions to be made about funding in our regions, including to reduce waste and duplication by ensuring existing funding is better directed to meet community needs.

How can government decision makers in Canberra know what's needed and what will work best without our input from places as diverse as Kununurra, Broome, Redfern, Aurukun, Ceduna and Shepparton? The current system is fundamentally flawed. Having decisions made in far off places by politicians and public servants is not the most effective and productive approach to bring about place-based changes. In many cases we have seen these decisions do harm and make the job of closing the gap even harder.

EC's experience demonstrates giving people with on the ground knowledge a say in funding decisions made by government, leads to better decision making about spending. It's a fact—shared decision making and working in partnership with Indigenous people can lead to more productive use of the available resources.

As EC said repeatedly during the referendum campaign: We want to take responsibility. We want to improve productivity. We are sick of blaming government for ongoing failures, waste and duplication. On the other hand, the referendum campaign showed that many Australians blame Indigenous people for the lack of effective and efficient use of the funding in the system. We say, blame us, but give us a say in the decisions made before you do.

JOINT DECISION-MAKING WITH GOVERNMENT LEADS TO BETTER, MORE EFFICIENT USE OF FUNDING

One of the reforms we originally proposed involved having panels of local people acting in the role of purchaser or co-purchaser of services, rather than far off governments always filling the roles of both funder and purchaser. We have implemented this reform proposal through EC's Joint Decision-Making innovation.

Under Joint Decision Making, panels of local people work with government to inform the funding decisions made by government, rather than decisions being made just by government in Canberra without any firsthand understanding of our communities, the gaps, and opportunities needed. Through Joint Decision-Making, activities of government funded organisations can increasingly be aligned with the priorities of the Indigenous communities of the region.

The advice of Joint Decision-Making panels is non-binding but has proven to be very valuable in helping to reduce waste and duplication and ensuring resources are better targeted to meet local needs. Joint Decision-Making has been more effective at making tough decisions to cease funding and to redirect it to local priorities, than is the case when government tries to make these decisions alone without local input. Too often public servants find it too challenging to make changes once funding has been approved, leading to a culture of 'set and forget' regardless of how effective these existing projects might be.

More than $200 million dollars' worth of funding flowing into our regions has now been considered through local Joint Decision-Making panels.

Joint Decision-Making in Inner Sydney demonstrates productivity improvements.

Inner Sydney led the development of the first Joint Decision-Making process in partnership with the then Department of the Prime Minister and Cabinet (PMC) from 2017.

In its first year more than half of the funding considered was found to be duplication and misdirection, that is, an amount of $1.01 million out of $1.98 million.

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East Kimberley demonstrates potential of a systems change approach

Under EC people have wanted to go further than simply taking a contract-by-contract approach and making incremental changes to improve productivity.

The East Kimberley sought to drive more transformational systems change, by grouping contracts by sector into a Joint Decision-Making process to take a more strategic view. All children and schooling sector IAS funding contracts administered by the NIAA were considered in a single process—totalling $3.25 million. The process was guided by community priorities set out in a local education Development Plan.

Substantial changes resulted, ensuring the better alignment of the region's child and education focused services with locally-led strategy, needs and priorities:

- funding for 'low dose' initiatives was combined to support a new intensive family support program
- local Language Nest funding was increased
- some funds were redirected to support an Early Years initiative.

Joint Decision-Making remains the exception rather than a new norm. Large proportions of funding flowing into our regions includes Indigenous funding administered by Housing, Health, Education and Social Services, for example. It is promising that the Department of Social Services has recently agreed to embark on some Joint Decision-Making processes with EC, but more funding administered by mainstream agencies must be brought into the model to continue to improve the efficiency and effectiveness of funding in our regions.

Progress remains limited as we can only work with areas of government that are willing to try this new approach. We must continue to rely on goodwill of individuals with whom we work in the government, and the approach remains vulnerable given frequent changes in personnel. Getting whole departments or multiple departments across government to work together to take a more holistic approach would yield further productivity gains. We would like to get to the point where funds administered across agencies were considered in regional pooled funding processes, as envisaged in the EC Design Report.

UNDERSTANDING INDIGENOUS EXPENDITURE

Beyond Joint Decision-Making there is great potential for other productivity improvements to be made. There are systematic problems with the way that funding is administered and reported that must be addressed. These problems should be considered by the Productivity Commission in its review, with a view to providing some guidance on productivity reforms needed to close the gap.

For example, we know a lot of funding currently said to be spent in the name of Aboriginal and Torres Strait Islander people never hits the ground to help families in the communities in our regions. We can see this firsthand in each of our regions. There are simply too many middlemen in the system between the Commonwealth Government, who is the banker, and our families, communities and organisations on the ground. These middlemen include the vast administrative

systems of the state and territory jurisdictions themselves, for example. As well the industry of service providers that exist to service Indigenous disadvantage and dysfunction.

North East Arnhem Land is an EC region, and the Yothu Yindi Foundation submission to this review highlights the depth of the productivity problem in Indigenous affairs:

> The established system of government and administration in the Northern Territory has failed Aboriginal people. The result is that Aboriginal Territorians are some of the sickest, the most incarcerated, the least educated and the most impoverished people in the western world. At the same time, non-Aboriginal Territorians enjoy some of the highest household wages and best living conditions in the western world.
>
> The Territory, despite its continuing idea of itself as a frontier place, **is now dominated by an administrative class, mostly non-Aboriginal, which is funded in the main by funding transferred from the Commonwealth to the Territory to tend to the impoverishment and needs of a disadvantaged underclass, who as a population are almost exclusively Aboriginal people.**
>
> **The current system is established to administer the disadvantage, not to address the disadvantage or its underlying causes.**

As further stated by the Yothu Yindi Foundation:

> The problem is systemic; **from the way in which funds sent for disadvantage are untied and able to be lawfully spent on the needs of wealthier citizens, to the way in which Aboriginality is used as a one-size fits all method to send funds to jurisdictions**, even when it is widely accepted that there are massive gaps in the living conditions of Aboriginal people in urban areas and Aboriginal people in remote areas. Or the way in which Western Australia has been able to carve out guaranteed funds from the GST pool when it is running enormous surpluses.

Indigenous Expenditure

The Indigenous Expenditure Report (IER) has provided estimates of the levels and patterns of Australian, State and Territory government expenditure on services relating to Aboriginal and Torres Strait Islander people. The latest IER report of 2015-16 data apportioned $33.4 billion to Aboriginal and Torres Strait Islander people. This is 6 per cent of the total expenditure spent on all Australians of $556.1 billion. Indigenous expenditure was said to include $6 billion on Indigenous specific services e.g., Abstudy, with the rest being expenditure on mainstream services including everything from schools to defence (allocated on service use or population share). The IER expenditure figures do not show what was directly received by Aboriginal and Torres Strait Islander people and communities and cannot be used to answer questions such as 'How much government expenditure on programs, services and payments goes to Aboriginal and Torres Strait Islander people?' The IER also does not:

- track which people/organisations received funding to deliver government programs, nor the location of where money was spent (other than the State or Territory)
- assess the adequacy, effectiveness, and efficiency of government expenditure.

No further IER is scheduled. The Productivity Commission has suggested the future of the IER is to be considered in the context of reporting under the National Agreement on Closing the Gap, although it has not been dealt with in this review.

During the referendum campaign the Productivity Commission's Indigenous expenditure figure and the suggestion Aboriginal and Torres Strait Islander people receive $33 billion taxpayer dollars—was weaponised against the Indigenous aspiration for a Voice.

Our experience talking to many Australians during the referendum campaign and from our social media, was that many Australians were motivated to vote No due to sentiments that Aboriginal and Torres Strait Islander people 'already get enough' and 'are doing pretty well, off taxpayer money'. A lot of Australians clearly believe that the $33 billion dollars said by the Productivity Commission to be allocated to Indigenous people, goes directly into the pockets of Aboriginal and Torres Strait Islander people and organisations, and that the lack of results in closing the gap reflects Indigenous waste, mismanagement, and corruption.

This misunderstanding is particularly galling when no one wants effective and efficient use of the money in the system more than Indigenous people themselves. It is our lives and futures that are at stake.

As a first step what is required is a transparent picture of the place-based investment hitting the ground in our communities and regions. This is a necessary starting point for taking an empowerment, development and productivity approach in partnership with government. It is a critical missing piece for improving understanding, informing place-based decision making to improve outcomes within the current funding envelop, and improving accountability.

We urge the Productivity Commission to strengthen its analysis and recommendations to reflect the need for a productivity agenda to ensure more efficient and effective use of resources allocated in the name of Indigenous people to improve outcomes. The need for funding reforms and systems change has not been dealt with in the Productivity Commission's draft review report.

We suggest embedding in legislation the policy shift to empowerment, development, and productivity, including to ensure a stronger and more systematic approach is taken to expand and scale Joint Decision-Making and other funding reforms.

PROPOSAL FOR ANOTHER BODY

We were dismayed to read the draft Productivity Commission report proposes a new idea for an organisation or entity with dedicated resourcing and staffing be appointed to play an important role in closing the gap. The report states there are many possible options for the organisation, including an independent research centre, government department, independent government agency, or a unit within a department or agency. The draft report sets out some broad responsibilities of the organisation to work with the parties to the Agreement, but we cannot see the value of this proposal. We are concerned that proceeding with this proposal would only undermine the need for a shift to Indigenous empowerment even further.

We urge the Productivity Commission to reconsider its recommendation for involving a new organisation as suggested and focus instead on the need to shift to an Indigenous Empowerment Policy.

Yours sincerely,

Ian Trust
Chair Empowered Communities Leaders Group

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