

# Indigenous Procurement Policy (IPP) reform

## ASFI Submission – March 2024

### 1. About ASFI

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ASFI welcomes the opportunity to provide feedback to the Indigenous Procurement Policy consultation review. ASFI is a not-for-profit organisation committed to aligning the Australian financial system with a sustainable, resilient, inclusive Australia. Our members are 44 of Australia's leading financial institutions – including major banks, superannuation funds, insurers, asset managers, and financial services firms. ASFI members collectively hold over AU\$ 23 trillion in assets under management and are committed to allocating capital to create positive social and environmental outcomes.

ASFI prioritises elevating First Nations' perspectives, emphasising the value of their lived experiences and First Nations knowledge across all facets of our operations. This approach ensures that these critical insights actively inform and shape the development of sustainable finance, policy, and practices in Australia.

As an organisation whose mission is to transform Australia's finance system into sustainable, resilient and inclusive, we have focused our response on those most relevant to ASFI's members and our system-changing work in the finance sector.

ASFI's focus on elevating First Nations peoples, perspectives and outcomes in finance originated in the recommendations outlined in the Australian Sustainable Finance Roadmap<sup>1</sup>. In 2023, we undertook scoping work to establish ASFI's First Nations focus area and developed our First Nations Work Program.

Our four focus areas are:

1. Elevating First Nations voices, lived experiences and perspectives into all ASFI work programs,
2. Connecting, convening and coordinating First Nations activity in the finance sector,
3. Improving First Nations disclosures and,
4. Policy and regulator engagement.

As a non-First Nations-led organisation, our **First Nations Reference Group**, a diverse and nationally represented group of First Nations Traditional Owners, First Nations finance professionals and ASFI members, is critical to ASFI's First Nations work program. The Reference Group operates consultative to ASFI, and Traditional Owners are remunerated for their knowledge, skills, and guidance. Our First Nations Reference Group members are listed on our website [here](#). We welcome the Government to consider partnering with ASFI to draw on the expertise of the First Nations Reference Group as appropriate to inform the review of the Indigenous Procurement Policy.

Further, ASFI is dedicated to learning and building partnerships with global First Nation organisations. ASFI's current global partners include The First Nations Major Project Coalition (Canada) and Centre for Sustainable Finance NZ (Aotearoa/ New Zealand). ASFI's submission to the Strategy references global best practice examples that can be adapted into the Australian context.

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<sup>1</sup> ASFI, Australian Sustainable Finance Roadmap, [The Roadmap — ASFI](#)



## 2. Recommendations on Proposed IPP reforms

ASFI is committed to elevating First Nations' voices in all aspects of our work, which informs our approach to evaluating the proposed IPP reforms. Our comments are intended to contribute insights that resonate with our overarching vision of fostering inclusivity, sustainable development, and economic self-determination for First Nations communities. Government procurement historically, and to this day, is an important lever to enhance economic participation in the Indigenous economy. However, other areas require attention and reform to ensure that procurement policy is as effective as possible. There is a need for a broader consideration to address foundational barriers, including accessing appropriate and timely capital and enhanced business support services to First Nations businesses. We aim to address these foundational challenges through our recommendations, ensuring that the IPP reforms enhance participation rates and empower First Nations businesses to thrive and grow.

This commitment guides our submission as we seek to ensure that the IPP reforms are aligned with the broader goals of facilitating meaningful pathways for First Nations businesses.

### 2.1 Response to Strengthening the Definition of First Nations Businesses

**Recommendation:** Reconsider the Ownership requirement to enable business growth.

Defining First Nations businesses by a 51% ownership structure can create barriers for First Nations businesses seeking capital to grow. Challenges exist for First Nations businesses to access mainstream capital to grow ventures; this requires businesses to explore other means of capital sourcing, such as venture capital or crowdfunding. We recommend that the Government consider the complexities around capital sourcing and the challenges for businesses seeking to grow but still retain 51% ownership. Venture capital sourcing can be crucial for business expansion and often affects (i.e., dilutes) ownership percentages.

We invite the government to explore alternative frameworks to ensure genuine Indigenous participation and control, such as:

- **Indigenous Leadership in Board Governance:** Requirements for a majority Indigenous board of directors, ensuring decision-making aligns with Indigenous priorities.
- **Indigenous CEO/Managing Partner Requirement:** Ensuring the CEO or Managing Partner is Indigenous, guiding operations and strategy from an Indigenous perspective.
- **Majority Indigenous Leadership Teams:** Mandating most Indigenous individuals in leadership or executive management positions to foster broader Indigenous influence in business decisions.
- **Reviewing Indigenous Decision-Making Matrix:** Implementing a decision-making matrix prioritises Indigenous voices in significant business decisions and strategies.

These additional measures aim to accommodate growth and external investment in Indigenous businesses while ensuring that control, leadership, and benefits remain firmly within the Indigenous community, fostering economic self-determination.

**Recommendation:** Avoid setting employment, mandated community give-back, and reporting targets that take away the self-determination of First Nations' businesses.

In considering reforms to the IPP, it is crucial to recognise the potential impact of imposing employment, mandatory give-back community, and stringent reporting targets on First Nations businesses. Although designed to foster community benefits and increase Indigenous employment, such mandates risk imposing a one-size-fits-all approach that could create significant entry and operation barriers for these businesses.

Mandating specific employment quotas, profit contributions, and detailed reporting requirements might not only add undue administrative burdens but also compromise the principle of self-determination central to First Nations enterprises' success and empowerment. The diversity and unique circumstances of First Nations

businesses mean their strategies for growth, community engagement, and hiring should be self-directed and adaptable.

Government policies should aim to support and incentivise these businesses in empowering and facilitative ways rather than be prescriptive. This could include offering incentives for voluntary community contributions and employment of First Nations people alongside capacity-building programs to enhance business skills and opportunities for Indigenous entrepreneurs. Such an approach would respect the autonomy of First Nations businesses while encouraging their sustainable growth and contribution to their communities without the imposition of potentially restrictive targets.

## 2.2 Considering the Verification Process

**Recommendation:** A verification process that does not unduly burden First Nations businesses.

Implement a business verification process tailored for First Nations businesses that minimises administrative burdens and barriers to entry, fostering an environment conducive to their growth and sustainability. Recognising these communities' unique challenges, it's crucial to adopt a verification approach that balances regulatory compliance with accessibility and practicality.

First Nations businesses often encounter systemic obstacles that impede their development, including complex regulatory environments, limited access to traditional banking services, and a need for tailored support<sup>2</sup>. These challenges underscore the need for a verification process that acknowledges and accommodates the specific circumstances of First Nations entrepreneurs and their communities.

We recommend that the Government partner with First Nations communities, economic development organisations, and other stakeholders to ensure the verification process is aligned with the broader goals of economic empowerment and self-determination. Partnerships with financial institutions and technology providers could offer additional resources and expertise.

## 3. Exploring Additional Measures Through Consultation

Acknowledging the importance of procurement reform in supporting First Nations businesses, it's critical to recognise that these actions are part of a larger approach to removing systemic barriers. The following section proposes recommendations beyond reforming the IPP, advocating for a holistic approach to foster economic empowerment for First Nations enterprises. This approach ensures that reforms optimise procurement practices and support the broader objectives of self-determination and economic sustainability for First Nations businesses.


### 3.1 Removing Barriers

**Recommendation:** The government should focus on improving and removing restrictive procurement policies to foster a more inclusive environment for First Nations businesses.

In advancing these initiatives, ASFI recommends the government adopt a common-sense approach to reform that prioritises the removal of barriers for First Nations businesses rather than introducing additional layers of complexity. All proposed changes and new measures must be evaluated to ensure they facilitate, rather than hinder, the participation of Indigenous enterprises in the broader economy. We recommend that the government, in collaboration with Indigenous stakeholders and partners like ASFI, adopt strategies that streamline access to capital and support services, making it easier for First Nations entrepreneurs to navigate the procurement landscape.

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<sup>2</sup> University of Melbourne, Indigenous Business Sector Snapshot 1.1, 2021



This approach should include a thorough review of existing procurement procedures to identify and eliminate unnecessary bureaucratic hurdles, such as exploring a digital uplift in the procurement process and reviewing the Request For Quote (RFQ) process.

Adopting digital transformation strategies from the fintech sector, such as blockchain, artificial intelligence, and data analytics, can enhance transaction integrity, automate procurement activities, and enable real-time decision-making. Integrating digital platforms for comprehensive procurement management and targeted training programs will facilitate a smooth digital transition.

By focusing on simplification and efficiency, we can ensure that the reforms truly enhance the accessibility of procurement opportunities for First Nations businesses.

### 3.2 Access to capital

**Recommendation:** Conduct a comprehensive review of First Nations businesses' capital availability and delivery methods

We acknowledge the purpose of the IPP reform as a crucial step towards enhancing the participation of First Nations businesses in Commonwealth procurement processes. While these reforms are important, it is equally important for the government to address the foundational issues that limit the ability of First Nations businesses to engage fully and benefit from the IPP. A holistic approach that recognises and addresses these underlying challenges is necessary to ensure the effectiveness and sustainability of the IPP reforms.

Access to appropriate capital remains a significant barrier for First Nations businesses, especially those looking to expand. The need for more flexible financial products and services that cater to the unique needs of these businesses inhibits their ability to grow and compete effectively in the marketplace. Furthermore, the limited availability of business acumen and support services for growth-stage businesses constrains their development and sustainability. These challenges are compounded for women-led businesses and those operating in remote areas, who also are more likely to have significant responsibilities managing community and family.

ASFI recognises the valuable efforts of Indigenous Business Australia (IBA) in fostering economic opportunities for First Nations businesses. However, there is evidence that the capital and support services available to First Nations businesses still need to be increased to fully address the comprehensive needs of the First Nations' business economy<sup>3</sup>.

ASFI recommends that the government comprehensively review First Nations businesses' capital availability and delivery methods. This review should identify gaps in the current funding landscape and propose innovative solutions to ensure First Nations entrepreneurs have access to the financial resources necessary to start, sustain, and grow their businesses.

Furthermore, ASFI would welcome the opportunity to discuss how we might partner with the government and other stakeholders to develop further and refine these proposals. By leveraging the lived experiences and technical expertise of our First Nations reference group, along with our internal expertise and partnerships with the Australian Government, institutional investors, and leading international organisations on blended finance, we are eager to explore a collaborative approach. We aim to identify the most effective delivery methods of capital and determine the most suitable financial product options to enable Indigenous businesses and communities to flourish.

### 3.3 Capability of the sector

**Recommendation:** Invest in strategic advisory services for First Nations businesses to make informed decisions about ownership structures and business growth plans.

ASFI recommends that the government invest in strategic advisory services for First Nations businesses. This

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<sup>3</sup> PwC's Indigenous Consulting, The Economic Contribution of the Indigenous business sector is growing, 2023.

investment aims to equip these businesses with the necessary tools and insights to make informed decisions about their ownership structures and strategic growth plans, moving beyond the traditional reliance on joint ventures.

Joint ventures have been instrumental in the economic development of First Nations businesses, offering paths to participate in the broader economy. Yet, for these entrepreneurs to access a wider spectrum of growth and development opportunities, there is a pressing need for government-funded capacity-building initiatives that extend well beyond the basics of business management. Capacity building services should be developed in partnership with First Nations organisations.

Focusing on strategic growth advisory services will empower First Nations businesses and communities to refine their strategic planning, market expansion, and innovation skills. Such an approach facilitates the transfer of crucial skills and knowledge and enables these enterprises to make informed choices about engaging in joint ventures or exploring other growth strategies.

#### 4. Final remarks

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In moving forward with these initiatives, ASFI believes that a key factor to success will be the continuous engagement with First Nations businesses to ensure that the developed financial solutions are responsive to their needs and aspirations. Our recommendations aim to address systemic barriers, improve the accessibility of government procurement processes and respect First Nations' right to self-determination.

By advocating for nuanced reforms—such as a more inclusive definition of First Nations businesses, a streamlined verification process, and broader systemic changes, including improved access to capital and support services—we seek to foster an environment where Indigenous enterprises can flourish. Our approach is centred around flexibility and collaboration, avoiding prescriptive mandates that could potentially stifle the growth of these businesses.

Our submission underscores the importance of partnership, dialogue, and shared learning as we strive to implement reforms that contribute to tangible, positive outcomes for First Nations businesses and communities.

