This paper establishes an analytical framework for understanding and assessing Indigenous economic development and well-being in a place-based context. It identifies the importance of flexibility in geographic scale for organising policies for Indigenous communities, development objectives that reflect the self-determined and informed choices of Indigenous peoples, and implementing strategies for development based on the identification of local assets.

Key words: Indigenous peoples, multi-level governance, cultural match, capacity building, regional development

JEL codes: R58
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Table of contents

Acknowledgements .................................................................................................................. 3

1. Executive Summary ............................................................................................................. 5

2. Introduction .......................................................................................................................... 6

3. OECD approach to the governance of regional and rural development ............................. 7

4. Why this approach is relevant to Indigenous Economic Development ............................. 11

5. Strengthening community capacity ................................................................................... 14

6. Multi-level governance arrangements to enable self-governance ..................................... 19

7. Summary ............................................................................................................................. 22

8. References .......................................................................................................................... 23

Tables

Table 3.1. Policy complementarities for rural remote regions .................................................. 8
Table 3.2. Common gaps in multi-level governance coordination and capacity ....................... 9
Table 6.1. Adapting the OECD principles for public investment to Indigenous economic development ................................................................. 21

Figures

Figure 3.1. The paradigm shift in regional policy .................................................................. 7

Boxes

Box 3.1. OECD Principles on Effective Public Investment Across Levels of Government ........ 10
Box 6.1. COAG Trials: place-based approach to Indigenous wellbeing ................................. 20
1. Executive Summary

- The OECD approach to regional and rural development emphasises the importance of community-led development, and the need for alignment and coordination between levels of government to better match policies and investment to the needs and circumstances of different places.

- This approach corresponds to the literature that finds increasing decision-making responsibilities for Indigenous communities is associated with better economic performance and higher levels of wellbeing.

- Indigenous-led governance of place-based economic development can be achieved if two conditions are met: (i) match between how governance arrangements are organised and the culture and values of Indigenous communities; and, (ii) effective Indigenous governing institutions.

- Such cultural match can be achieved through inter-cultural dialogue with Indigenous communities when designing governance arrangements, which includes flexibility about the scale of governance (tribe, local community, aggregation of communities, nations).

- The development of effective governing institutions has two key dimensions:
  
  o *Strengthening the capacity of Indigenous community and economic development organisations* (skills and capabilities such as financial management, structural design issues including separation of political representation and business operations, and the importance of community brokers who can build relationships with non-Indigenous organisations)

  o *Multi-level governance arrangements that facilitate alignment and coordination between levels of government* (overcoming challenges such as overlap and misalignment in programmes and services, administrative burdens, and lack of integration with mainstream economic development strategies).

- The *OECD Principles for Public Investment Across Levels of Government* – particularly those related to coordinating mechanisms - can provide a framework to help assess and identify ways to address multi-level governance challenges associated with place-based Indigenous economic development.
2. Introduction

The objective of this paper is to identify challenges and lessons related to the governance of Indigenous economic development at a regional and local level. It will provide a framework for subsequent empirical analysis in the Linking Indigenous Communities with Regional Development Project. The paper begins with an overview of the OECD approach to the governance of regional and rural development, which emphasises the importance of community-led development, and the alignment and coordination between levels of government to better match policies and investment to the needs and circumstances of different places. This approach is captured by the *OECD Principles on Effective Public Investment across Levels of Government* that identifies principles to improve coordination, capabilities and framework conditions. The second part of the paper argues that this approach is relevant to Indigenous economic development because it is consistent with the idea of self-determination and can provide a way to identify key governance challenges and ways to address them. The first challenge relates to strengthening capacity and in particular building forms of governance that match with Indigenous culture and values, and the skills and capabilities of Indigenous community organisations. The second challenge relates to the coordination of governance and fiscal arrangements between levels of government to implement a coherent approach to Indigenous economic development at a regional and local level. Strategies to address each of these challenges are also discussed.
3. OECD approach to the governance of regional and rural development

There is recognition that persistent and increasing inequalities within and between regions, cities and rural areas result in under-used economic potential and weakened social cohesion. Each of these sub-national regions has different drivers of growth depending on their population density, size, scale or proximity of cities, resource endowments, and level of development (OECD, 2009; 2012, 2016). Economy-wide, one size fits all policies are not enough to address the challenge of persistent regional inequalities in productivity, employment and growth. The OECD has developed a programme of work with countries that identifies a set of principles and good practices to address this challenge (OECD 2016). The OECD promotes place-based policies that have the following features:

- Use of **regional specific assets** (or create absolute advantages to stimulate competition and experimentation across regions);
- Create **complementarities** among sector policies at the regional (or local) level; and,
- Use of **multi-level governance mechanisms** for aligning objectives and implementation.

Over past decades there has been shift in how OECD countries approach regional and rural development policies. An approach developed in the post-World War 2 period that was based upon addressing disparities between regions through the provision of subsidies to compensating them for lower incomes. Policies were designed by central governments through departments of state that delivered narrowly defined programs with support for individual firms, incentives for inward investment, and a focus on infrastructure investment. Over time this approach has been seen as increasingly ineffective because it creates dependency relationships and is not sustainable from a fiscal point of view. The new approach to regional policies emphasise a focus on competitiveness and working with cities and regions to unlock growth potential based on their unique assets and local conditions (across policy areas influencing human capital development, innovation, and infrastructure) (Figure 3.1. The paradigm shift in regional policy).

**Figure 3.1. The paradigm shift in regional policy**

![Figure 3.1. The paradigm shift in regional policy](http://dx.doi.org/10.1787/9789264076525-en)
This place-based approach to regional development has significant important implications for how government works. Policies should be adapted to the needs and circumstances (social, economic, cultural, geographic, environmental, etc.) of different regions. This requires the development of feedback loops and coordinating mechanisms between different levels of government to ensure policies and programmes are better matched to regional and local conditions. Policies should also be integrated horizontally to help realise complementarities between them. The concept of policy complementarity refers to the mutually reinforcing impact of different actions on a given policy outcome. Policies can be complementary because they support the achievement of a given target from different angles. Examples of policy complementarities for rural remote outcome. Policies can be complementary because they support the achievement of a given target from different angles. Examples of policy complementarities for rural remote outcomes are provided in Table 3.1. Policy complementarities for rural remote regions.

<table>
<thead>
<tr>
<th>Land use</th>
<th>Integrating economic development strategies with land use planning to better manage potential conflicts (e.g. tourism and renewable energy).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure/accessibility</td>
<td>Increasing broadband in rural areas along with policies that focus on the accessibility and diffusion of these services to the population.</td>
</tr>
<tr>
<td>Public services</td>
<td>Co-location of public service providers e.g. “one-stop shop”.</td>
</tr>
<tr>
<td>Employment</td>
<td>Align local skills and training initiatives with programmes supporting business expansion and new market penetration.</td>
</tr>
</tbody>
</table>

*Source: Adapted from OECD (2016)*

OECD member countries have put in different reforms to help facilitate this place-based approach to rural and regional development. However, challenges to integration of regional and rural development policies across levels of government remain. OECD governments have reported that some of the greatest challenges to vertical coordination are: A lack of private sector participation in public investments, regulatory and administrative obstacles, and a lack of subnational government understanding of central government priorities and vice versa (OECD, 2014). Horizontal coordination is also a challenge and can be facilitated by strategic frameworks that align objectives between ministries, linking infrastructure funding to cooperative governance arrangements, increasing the flexibility of programme rules, inter-ministerial committees and working groups, and pooled and block funding arrangements (OECD, 2016). A number of common gaps can occur in terms of multi-level governance arrangements which are summarised in Table 3.2. Common gaps in multi-level governance coordination and capacity.
To help countries address these gaps and challenges, the OECD has developed the *Principles on Effective Public Investment Across Levels of Government*. The purpose of the OECD Principles is to help governments at all levels assess the strengths and weaknesses of their public investment capacity, using a whole-of-government approach, and set priorities for improvement (OECD, 2014). The OECD has also developed multi-level governance indicators identified in connection with some of these principles (Annex A). These indicators provide a systemic approach and focus on the different facets of multi-level governance (institutional, fiscal, regulatory and planning) both vertically and horizontally. The Principles are grouped into three pillars, which represent systemic multi-level governance challenges for public investment:

- **Co-ordination challenges**: Cross-sector, cross-jurisdictional, and intergovernmental co-ordination are necessary - but difficult in practice. Moreover, the constellation of actors involved in public investment is large and their interests may need to be aligned.

- **Capacity challenges**: Where the capacities to design and implement investment strategies are weak, policies may fail to achieve their objectives. Evidence suggests public investment and growth outcomes are correlated to the quality of government, including at the subnational level.

- **Challenges in framework conditions**: Good practices in budgeting, procurement, and regulatory quality are integral to successful investment, but not always robust or consistent across levels of government.
Box 3.1. OECD Principles on Effective Public Investment Across Levels of Government

The OECD Instrument groups 12 principles under three pillars: co-ordination, capacities and framework conditions.

- **Pillar 1: Co-ordinate across governments and policy areas**
  1. Invest using an integrated strategy tailored to different places
  2. Adopt effective co-ordination instruments across levels of government
  3. Co-ordinate across subnational governments to invest at the relevant scale

- **Pillar 2: Strengthen capacities and promote policy learning across levels of government**
  4. Assess upfront long term impacts and risks
  5. Encourage stakeholder involvement throughout investment cycle
  6. Mobilise private actors and financing institutions
  7. Reinforce the expertise of public officials & institutions
  8. Focus on results and promote learning

- **Pillar 3: Ensure sound framework conditions at all levels of government**
  9. Develop a fiscal framework adapted to the objectives pursued
  10. Require sound, transparent financial management
  11. Promote transparency and strategic use of procurement
  12. Strive for quality and consistency in regulatory systems across levels of government

*Source: OECD (2014).*
4. Why this approach is relevant to Indigenous Economic Development


Over recent decades, across OECD member countries, there has been a shift toward self-determination (the right for indigenous communities to govern their own affairs and shape relations with institutions with the framework of the nation state) (Daes, 2008). These shifts have occurred over a long period time but gained strong momentum across a number of different countries from the 1960s and 1970s. The movement toward self-determination was essentially a bottom-up process led by community leaders and arose out of legal battles related to land rights. In parallel, there were increasing critiques of a long term approach characterised by policies of state and religious institutions aimed at assimilating indigenous peoples, and imposing ‘one-size-fits-all’ solutions which did not engage Indigenous communities in decision-making processes (Cornell and Kalt, 2003). This previous approach had led to the dispossession of land and the loss of identity and culture, erosion of social capital and leadership capabilities, and policies and programmes that did not match the needs of Indigenous peoples (Dodson and Smith, 2003). This previous approach contributed to the poorer socio-economic outcomes and dependency relationships experienced by many Indigenous communities.

Self-determination is now generally accepted across many countries as a key principle in Indigenous policy to break these dependency relationships, and is reflected in the institutional arrangements which have been established within their policy frameworks for Indigenous affairs. This policy shift has resulted in greater decision-making authority invested in institutions that enable Indigenous peoples to make decisions about their land and resources, and the delivery of public services (Dodson and Smith, 2003). Self-governance relates to a number of dimensions including the degree to which Indigenous people determine issues such as the scope of competencies they are responsible for, scale (e.g. tribe, groups of tribes, regions), who makes decisions about land and resources, and how decisions are enforced (Cornell and Kalt, 2003; Tsey et al., 2012). However, these trajectories of Indigenous self-governance are uneven between and within countries and what constitutes good governance for Indigenous peoples is a contested concept (Tsey et al., 2012).

In a North American context increasing decision-making responsibility in the hands of Indigenous peoples has been shown to be associated with reduced welfare dependency and the emergence of economic activity, higher levels of multi-dimensional wellbeing, improved resource use, and increases in the contribution to regional non-Indigenous economies (Cornell and Kalt, 2003, Vining and Richards, 2016). These findings are consistent with a wider literature that examines the association between the quality of institutions and regional economic performance (Morgan, 1997; Wood and Valler, 2004; Rodriguez-Pose, 2013). Cornell and Kalt (2003) and Cornell (2006) propose three key reasons why self-governance results in better long-term outcomes for Indigenous peoples: (i) It promotes the engagement of citizens in collective efforts to improve community wellbeing; (ii) There is greater likelihood of policy choices reflecting the interests, needs and aspirations of Indigenous peoples; and, (iii) It increases transparency and accountability with local leaders, and also builds their capacity to become better decision-makers. However, a number of key conditions need to be in place for this to be effective
particularly capable governing institutions that are matched to the social and cultural characteristics of Indigenous groups which avoid pitfalls such as corruption, nepotism, confusion about roles and responsibilities, and lack of accountability (Cornell, 2006; Tsey et al., 2012).

There are many different examples of where self-determination has been applied to give Indigenous peoples greater decision making responsibility and accountability. For example, the Canadian Nunavut Land Claims Agreement Act (1993) establishes a legislative framework to give the Inuit peoples in the north-western territories clarity over the right to use the land for traditional purposes, to participate in decision making about future land use, and to negotiate the economic and social benefits of resource extraction on the territory. Self-determination has also informed decisions to decentralisation competences, for example, giving Indigenous peoples control in terms of the governance of municipal, education and health services (Cornell and Kalt, 2003; NSW Ombudsman 2016).

Self-determination is also embodied in international agreements and covenants, which strengthens the legal basis for a new and more equitable relationship with national and subnational governments (Daes, 2008). The Indigenous and Tribal Peoples Convention (1989) of the International Labour Organisation is based on principles of self-determination and sets out rights in relation to land, employment, education and training, and social security. The UN Declaration on the Rights of Indigenous Peoples was adopted by most member countries in 2007. The Declaration establishes a universal framework of minimum standards for the survival, dignity, well-being and rights of indigenous peoples. Rights are defined at an individual and collective level and include cultural rights and identity, and rights to education, health, employment and language. It outlaws discrimination against indigenous peoples, promotes their full and effective participation in all matters that concern them, and their right to remain distinct and to pursue their own priorities in economic, social and cultural development (UN, 2008).

4.2. Addressing governance failures and linking Indigenous peoples to markets

Across advanced OECD member countries such as Canada, Australia, and New Zealand indigenous communities are increasingly recognised as an important part of the dynamics of rural and regional development (Beer et al., 2003; OECD, 2016). Indigenous peoples generally have legal recognition of their rights to land, sea and resources which mean they need to be included in regional development. This is particularly important for rural areas with comparative advantages in agriculture, tourism, and mining. Some Indigenous communities earn revenues from these natural resources and it is important to ensure these resources maximise community wellbeing (Vining and Richards, 2016). In some countries Indigenous communities are younger and grow more strongly than the non-indigenous populations (OECD 2016). These communities are particularly affected by issues related to employment and skills mismatches, while these young indigenous people also represent an important labour resource. These issues are also apparent in an urban context where indigenous land can be within urban boundaries or adjacent to them, and/or indigenous communities live in close proximity to community institutions and schools.

An initial review of the literature suggests that there are two key governance failures that reduce the capacity to mobilise place-based Indigenous community assets and integrate them effectively into regional, national and global markets. These will be discussed further in the proceedings sections of this paper and they are:
• **Community capacity**: Variability in the capacity of Indigenous organisations to manage their own affairs, which is an essential precondition to self-determined economic development.

• **Multi-level governance**: Lack of effective mechanisms and incentives to implement coherent policies that are matched to socio-cultural conditions as well as place-based development objectives of Indigenous communities.

The first issue about capacity captures a number of elements that are embedded in Indigenous organisations and community contexts which include the quality of leadership, corporate governance, financial sustainability, and access to local area data and data sovereignty. It also relates to how much autonomy Indigenous organisations are given to exercise authority. In many cases there are significant asymmetries in power with government agencies that determine the development agenda and community governance exists to implement or respond to it (Curry and Donker 2010, Tsey et al. 2012). This reduces the incentive to increase capacity, participate in decision-making and improve the quality of institutions over time. The second can be understood in a number of ways. For example, gaps and lack of coordination in the planning and delivery of services and programmes targeted to Indigenous peoples (Dodson and Smith, 2003; NSW Ombudsman, 2016; OECD forthcoming), and the lack of coordination between Indigenous affairs policies with mainstream policy and service delivery areas (Dodson and Smith, 2003; Williams, 2010; NSW Ombudsman, 2016). These governance failures contribute to a lack of effectiveness in policies to promote Indigenous economic development because it means they do not necessarily match community needs, they are not properly sequenced, and policy complementarities are not realised. In a cumulative sense these governance failures can further erode the trust and confidence Indigenous peoples have in public institutions (Statistics Canada, 2015).

The regional and rural development policy framework developed by the OECD has the potential to prioritise actions that can address these governance failures in a way which is consistent with the idea of self-determination. The OECD regional and rural development framework emphasises an approach that shifts away from subsidies toward one about bottom-up initiative and the mobilisation of local assets and resources to unlock growth potential (OECD, 2016). Policies should be designed in a way that recognise the drivers of growth in rural areas, and deliver better economic, social and environmental outcomes for citizens. There are number of incentive structures and governance lessons that can help change the focus from top-down to bottom-up initiatives that deliver sustainable growth in communities and regions. The *Principles on Effective Public Investment Across Levels of Government* provides a coherent way of assessing coordination gaps and bottlenecks between levels of government, and identifying ways to address them. The OECD framework also emphasises the importance of place-based policies which can also be an effective tool to better adapt policy instruments to the needs and potential of communities. There is no one-size-fits all approach that can be applied across the different cases, but rather it necessitates the adaptation of the different assets and conditions of communities.
5. Strengthening community capacity

5.1. A framework to understand community capacity

Community capacity relates to how local actors – residents, businesses, faith groups, non-profit organisations, industry/business associations – work together to make collaborative decisions and develop a common vision for their community’s future development (OECD 2016a). Community capacity can be understood through the concept of social capital. Since the mid-1990s there has been growing interest in public policy in the concept and benefits of social capital. Although the conceptual literature is still evolving social capital is defined by the OECD as “networks together with shared norms, values and understandings that facilitate co-operation within or among groups” (Keeley, 2007, p.103). Generally three types of networks are identified:

- “Bonds – links to people based on a sense of common identity (“people like us”) – such as family, close friends and people who share our culture or ethnicity.
- Bridges – links that stretch beyond a shared sense of identity, for example to distant friends, colleagues and associates; and
- Linkages – Links to people or groups further up or lower down the social ladder.” (Keeley, 2007, p.103).

A balance of these different types of networks is important in determining the capacity of a community to work effectively with public or private sector actors. Bonding networks are important because it means there are people you who can rely on to get practical help and material resources. Kinship ties embedded within Indigenous communities are a form of strong bonding networks (O’Brien et al., 2005). However, bonding networks without other types of networks can have negative effects, for example in terms of normalising criminal behaviour, and the exclusion of other groups (Lincoln, 2000). Bridging networks can be formed through participation in community activities and events, and are important in terms of the transmission of information and knowledge, and also to the functioning of labour markets in terms of the job search process (Ziersch and Arthurson, 2005). Linking networks are important because they connect individuals and organisations to institutions that make decisions about the management and distribution of resources (Woolcock 1998). This is particularly important for Indigenous communities in terms of accessing resources and resolving collective action problems (O’Brien et al. 2005). Linking networks help build collective efficacy - the confidence that a diverse group of organisations and interests has to achieve common goals there thereby strengthening mechanisms to plan, prioritise and allocate resources (Sampson, Morenoff and Earls 1999, DPCD 2011, McDonald et. al. 2013).

5.2. Social unit of organisation for Indigenous communities is not always straightforward

Community can generally be defined as a group of people who share a sense of identity and belonging. Community has three elements: territory or place, social organisations or institutions that provide regular interaction amongst residents, and social interaction on matters concerning a common interest (Green and Haines, 2008). For Indigenous people’s language and kinship groups were the basis of pre-settler forms of social organisation (Bern
Community decision-making is still primarily organised through family and clan groups and this is generally not well understood by outsiders (O’Brien, 2005; Tsey et al., 2012). Indigenous communities can also self-organise at different scales, for example, nations combining common language groups, groups of clans sharing kinship ties, and Indigenous organisations with membership based on common cultural and historical affiliations and issues of shared political interest (Hunt et al., 2008). Decision-making about property rights and resource allocation can also operate at different scales: households, local communities and wider territories, and if institutions are weak or are captured by particular groups then it can result in conflicts or exclusion (Bennett and Sierra, 2014).

The other complexity with Indigenous communities is the impact of colonisation, imposed population movements, and assimilation policies through state or religious institutions. These processes meant that social forms of organisations based on language and kinship groups that existed before colonial settlement was significant disrupted and in many cases extinguished. Some of the place-based Indigenous communities which exist today do reflect pre-settlement patterns whilst others reflect new or mix pre-settler forms of social organisation (Cornell, 2006). Many place-based Indigenous communities have been constructed through government and religious institutions, and lack the scale and cohesiveness that enable effective self-governance (Bern and Dodds, 2000). In the Canadian context one solution that has been proposed is to enable Indigenous place-based communities to link together and organise as nations. The effectiveness of these reconstituted nations will rest on whether they are seen as legitimate by Indigenous people and also provide an effective foundation for governance (Cornell, 2006). Linking individual communities in this way may also provide for the scale, expertise and resources required to effectively participate in regional economic development (Dodson and Smith, 2003). However, regional consolidation and administrative structures that are imposed from the outside can also generate resistance from Indigenous communities (Tsey et al., 2012). Given this complexity, cultural match in Indigenous governance and economic development policies are very important.

Culture – understood as shared values, meanings, ways of understanding the world, and beliefs of a group that inform their everyday practice – is very important to the effectiveness of governance for Indigenous peoples (Tsey et al., 2012). Indigenous cultures have in cases existed and evolved for many thousands of years in a different context to modern capitalist societies which have evolved over the past 500 years in a European context. Pre-contact forms of social organisation for Indigenous peoples ranged from settled cities and forms of agriculture to nomadic societies. As mentioned above tightly bonded kinship networks and language groups are important social institutions for Indigenous peoples (O’Brien, 2005). The relationships with land is also different based on a custodial relationship for subsistence, trade and spirituality reasons with rights handed down in perpetuity through stories, arts and handicrafts, symbols and cultural practices. These cultural norms have been seen as counterproductive or as an impediment to administrative decision-making and economic development (Curry and Donker, 2010). Governance solutions were imposed from the outside which did not match Indigenous cultural values and norms, and as a result were not effective and contributed to the development of dependency relationships (Cornell and Kalt, 2003; Curry and Donker, 2010; Tsey et. al, 2012).

‘Cultural match’ is an important factor in building effective governance arrangements for Indigenous communities (Dodson and Smith, 2003; Tsey et al., 2012). Governance arrangements should be tailored to the historical and cultural characteristics of communities, integrate with their conceptions of how authority should be exercised, and...
developed in a way that builds trust and respect between government agencies and these communities (Tsey et al., 2012). This means that spaces and opportunities need to be provided Indigenous communities to make decisions on:

- Group membership and identity (who is the ‘self’ in their governance);
- Who has authority within the group, and over what;
- Agreed rules to ensure authority is exercised properly and how decision-makers are held accountable;
- How decisions are made (consensus vs majority etc.);
- How decisions are enforced;
- How rights and interests are negotiated with others; and
- What arrangements will best enable them to achieve their goals (Hunt et al., 2008).

Following, negotiations about governance models can help facilitate cross-cultural learning and exchange, and build trust between Indigenous communities and public institutions (Tsey et al., 2012).

5.3. Indigenous community organisations have a key role in governance arrangements

Along with cultural match, the other factor that is important to Indigenous governance is capable governing institutions (Cornell, 2003). These institutions might include Indigenous community service organisations and economic development entities, and administrative structures such as land councils linked to legislative frameworks governing land use (Hunt et al., 2008; Tsey et al., 2012; Vining and Richards, 2016). There are a number of capability gaps which have been identified in these institutions including relating to financial management, human resources, commercial negotiations, leadership skills and project management (Dodson and Smith, 2003; Williams, 2010; Tsey et al., 2012). Structural and organisational issues also play a role. A common problem is the relationship between tribal political decision-making and the boards of Indigenous owned enterprises (Williams 2010). This can affect business performance if political members of the community become involved in day to day decision-making rather than providing a strategic or steering role (Cornell and Kalt, 2003; Williams, 2010). Small-scale Indigenous organisations can also lack the skills and administrative capacities to effectively govern, compete for resources and staff, and are more exposed to factionalism within communities that undermines performance (Dodson and Smith, 2003).

Structural reforms and capability building have been shown to address these challenges. While acknowledging that there is no single model of good-governance for Indigenous communities depending on local structures and needs, certain practices have been evaluated positively across locations in Indigenous communities. This includes, for example, audits and self-assessment to ensure decision-making boards follow good governance principles such as clarity in roles and responsibilities between board and management, fair procedures regarding decision-making, a code of conduct, linking board size and composition to functions, review mechanisms, and transparent performance and remuneration arrangements (Dodson and Smith, 2003). Indigenous owned enterprises benefit from structures that separate them from day-to-day political decision-making, and setting business transparent business objectives (e.g. balance between profit and growth, and local
Another structural solution is for Indigenous owned organisations to form partnerships and joint ventures as a means to access or expand decision-making authority, markets, different forms of technical expertise, and capital. For example, this might include participation in authorities to manage land and water resources, centres that support Indigenous arts and music, and joint commercial ventures associated with resource extraction (Altman, 2004; Vining and Richards, 2016). At the same time any such solutions need to be preceded by community consideration on what kind of economic development system they want to pursue and which activities and structures they want to engaged with (Dodson and Smith, 2003).

In this context ‘informal’ coordination mechanisms are likely to be important in terms of improving efficacy of these partnerships and joint ventures, which enable Indigenous communities to build linking social capital. Informal coordination can be strengthened by ‘brokers’ who work across different sectors to help develop relationships, set behaviours, and blend different groups that may have various goals, interest, and norms (Sullivan and Skelcher, 2002; Pope and Lewis 2008). Indigenous brokers who can strengthen connections between different community members and organisations are likely to be very important in this context. The skills and competencies of these brokers might include: talking the right language and having networking skills, leadership and organisational skills, capacity to act effectively in different organisational settings, trusted by key actors, and have the capacity to articulate how these actors contribute to a broader strategy or vision (Sullivan and Skelcher, 2002). Further work in this area should focus on the role of these brokers and social entrepreneurs who can work across sectors and build linkages with political institutions and markets for indigenous communities.

5.4. Engagement with Indigenous Communities

Strengthening community capacity also depends on how governments and corporations engage with Indigenous communities and governance institutions. The United Nations Declaration on the Rights of Indigenous Peoples calls upon states to consult and cooperate with indigenous peoples and their representative institutions through free, prior and informed consent before adopting legislative or administrative measures that would affect them. This requires engagement with indigenous communities and coordination and whole-of-government approaches working for engagement (Hunt, 2013).

Historically, citizen engagement can be characterised along the ‘ladder of citizen participation’ develop by Arnstein (1969). The ladder specifies eight different rungs indicating the degree of participation from non-participation to some degree of participation for instance though information or consultation to opportunities for exert agency though making decisions in partnerships, delegated power or citizen control (Arnstien 1969).

In the context of indigenous peoples, Hunt (2013) high levels of participation work better than lower levels when problems are complex. Hunt (2013) stresses that effective engagement means providing Indigenous people with the opportunity to make decisions in the policy making process, including the definition of the problem, the development of policies, as well as implementation and evaluation of outcomes. Turi (2016) invokes that even with indigenous participation in governance institutions this does not, in itself, provide a shift in decision-making powers but that this also involves a critical restructuring of institutions. This requires capacities for effective governance on both sides, including the cultural match mentioned above. This also entails forming long-term relationships that build trust though ongoing communication and information as well as clarity of purpose
and scale of engagement, including, for instance, agreement on outcomes, roles and responsibilities (Hunt, 2013). Further, engagement with indigenous peoples should always consider the colonial past and possible disruption if trust in government structures due to oppressing historical events. In that sense before meaningful relationships can be established and maintained between indigenous peoples and governments need to examine violent conflict, forced disposition, displacement and discrimination during colonialism and engage in repatriation and reconciliation actions in order to re-establish trust and resolve historical tensions (Hunt, 2013).
6. Multi-level governance arrangements to enable self-governance

The capacity to achieve effective forms of self-governance is shaped by the framework conditions within which Indigenous communities and organisations operate. This includes legislative statutes, roles and responsibilities between levels of government and different portfolios, the administrative practices of different state agencies, and programme rules and fiscal arrangements. The literature on this topic mainly relates to Australia, Canada and the United States and a number of common themes emerge:

- Programmes and initiatives for Indigenous peoples are mainly delivered in a top-down way through sectoral ministries;
- Lack of coordination between different services and programmes at a local level;
- Funding is delivered in a ‘drop feed’ manner, is short term, with different administrative burdens and reporting arrangements; and,
- Lack of policy continuity with frequent changes in governance, programmes and funding (Curry and Donker, 2010; Dodson and Smith, 2003; Cornell 2006; and Tyrel et al., 2012).

These themes correspond to some of the multi-level governance gaps identified in Table 3.2. Common gaps in multi-level governance coordination and capacity. This includes policy and objective gaps caused by sectoral approaches and policy changes, and funding and capability gaps caused by lack of capacity and insufficient or poorly design funding. Further investigation in this work will focus on understanding the nature of these gaps, and practices to overcome them.

The result of these multi-level governance gaps and bottlenecks can be a lack of coherence in policies at a local and regional level, competition for funding between Indigenous organisations, and a focus on short-term funding opportunities and crisis response rather than a long-term development strategy. Addressing these challenges requires flexible approaches to governance that are developed in collaboration with Indigenous communities. In a broad sense it means shifting from a ‘one-size-fits-all’ model to a more asymmetric approach to community governance, which is more aligned with Indigenous values and cultural systems (Cornell, 2006; Tsey, 2012). This dialogue also needs to include working with Indigenous organisations on matters such as the clarification of roles and responsibilities, competencies and operational autonomy, and performance and accountability mechanisms. This may result in different forms of governance and funding models for Indigenous peoples.

One governance strategy is to give the option for local Indigenous community organisations to delegate decision-making responsibility to regional representative bodies. These region-wide institutions can help local communities generate economies of scale and give coherence to regional development and governance strategies (Cornell, 2006). Another is dedicated agencies within government to enhance coordination at a central and regional level. For example, in 2004, the Australian Government established an Office of Indigenous Policy Coordination and a national network of Indigenous Coordinating Centres to work with communities and help facilitate a coordinated approach across portfolios (Tsey, 2012). Funding arrangements also provide incentives for short-term project activities. A proposal raised by Reconciliation Australia (2002) to overcome the problem of fragmentation is a shift toward block funding, which is more flexible, and applied over a longer-term period. Another governance strategy is using pilots to test new
ways of working at a local level. One such example was the place-based trials for Indigenous communities through the Council of Australian Governments (COAG) (Box 6.1).

**Box 6.1. COAG Trials: place-based approach to Indigenous wellbeing**

COAG trials aimed to explore new place-based ways for governments to work together and with communities to address the needs of Indigenous Australians. The initiative was established in 8 place-based Indigenous communities across Australia in partnership with State and Territory Governments with the following objectives:

- Tailor government action to identified community needs and aspirations,
- Coordinate government programmes and services where this will improve service delivery outcomes,
- Encourage innovative approaches traversing new territory,
- Cut through blockages and red tape to resolve issues quickly,
- Work with Indigenous communities to build the capacity of people in those communities to negotiate as genuine partners with government,
- Negotiate agreed outcomes, benchmarks for measuring progress and management of responsibilities for achieving those outcomes with the relevant people in Indigenous communities, and
- Build the capacity of government employees to be able to meet the challenges of working in this new way with Indigenous communities.

A synopsis review of the COAG trials by Morgan Disney and Associates in 2006 found that each focused on different priorities and were very different in how they were implemented. Key lessons included a need for:

- Respectful interaction between governments and Indigenous communities,
- A focus on shared responsibility, locally responsive solutions,
- Systemic changes in coordination and decision-making mechanisms for whole-of-government practice,
- Training across all levels of government and community organisations in how to do whole-of-government work.

Evidence from two Commonwealth program evaluations showed that in spite of whole-of-government goals, implementation of programs and policy on the ground was affected by the fragmentation of government policy, service delivery and funding processes across agencies and jurisdictions, counter-productive statutory and program frameworks, and poor engagement at the local level.


Overall, there is a strong emphasis in the research literature on local capacity issues and inter-cultural dialogue to support Indigenous community and economic development.
Although this is important it can underplay the significance of the framework conditions in governance and fiscal systems and how this influences the development of policies for Indigenous peoples at a regional and local level. This includes identifying ways to overcome challenges such as overlap and misalignment in programmes and services, administrative burdens, and lack of integration with mainstream economic development strategies. This can be exacerbated because Indigenous communities tend to have a strong bilateral relationship with a national agency responsible for Indigenous affairs and links to sub-national governments and other sectoral ministries can be weaker (OECD 2016). The *OECD Principles for Public Investment Across Levels of Government* – particularly those related to coordinating mechanisms - can provide a framework to help assess and identify ways to address multi-level governance challenges associated with place-based Indigenous economic development. The relevant principles for Indigenous economic development and a summary of the adaptations are outlined in Table 6.1. These dimensions and indicators will be further developed in the *Linking Indigenous Communities with Regional Development Project*.

**Table 6.1. Adapting the OECD principles for public investment to Indigenous economic development**

<table>
<thead>
<tr>
<th>Principle</th>
<th>Self-assessment indicators and key adaptations</th>
</tr>
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<tbody>
<tr>
<td>Invest using an integrated strategy tailored to different places</td>
<td>Indicators relate to alignment in planning and prioritisation for Indigenous communities across levels of government, and the use of data to inform planning and decision-making.</td>
</tr>
<tr>
<td>Adopt effective co-ordination instruments across levels of government</td>
<td>Indicators relate to the mechanisms established to coordinate national investments for Indigenous communities.</td>
</tr>
<tr>
<td>Co-ordinate across subnational governments to invest at the relevant scale</td>
<td>Indicators relate to cooperation at a sub-national level (e.g. between Indigenous communities and surrounding municipalities), and how questions of spatial scale are resolved.</td>
</tr>
<tr>
<td>Encourage stakeholder involvement throughout investment cycle</td>
<td>Indicators relate to the inclusion of Indigenous communities in the policy and investment cycle.</td>
</tr>
<tr>
<td>Focus on results and promote learning</td>
<td>Indicators relate to evaluation frameworks and how they are used in the policy and investment cycle.</td>
</tr>
</tbody>
</table>

*Source: OECD 2014*
The objective of this paper was to identify the key challenges and opportunities related to the governance of Indigenous economic development at a regional and local level. The OECD approach to regional and rural development emphasises the importance of community-led development, and the alignment and coordination between levels of government to better match policies and investment to the needs and circumstances of different places. This approach has strong alignment with the research literature that finds increasing decision-making responsibilities for Indigenous communities is associated with better economic performance and higher levels of wellbeing. Indigenous-led governance of economic development can be achieved if two conditions are met: (i) Match between how governance arrangements are organised and the culture and values of Indigenous communities; and, (ii) Effective Indigenous governing institutions. Cultural match can be achieved if governments engage in inter-cultural dialogue with Indigenous communities to design governance arrangements, which includes flexibility about the scale of governance (tribe, local community, aggregation of communities, nations). Questions of capacity relate to factors such as sustainable financing, leadership, transparency and legitimacy, and internal governance structures. In addition to these issues related to local capacity and cultural dialogue, multi-level governance and fiscal arrangements are also important for the efficacy of place-based approaches to Indigenous economic development. This includes identifying ways to overcome challenges such as overlap and misalignment in programmes and services, administrative burdens, and lack of integration with mainstream economic development strategies. The OECD Principles for Public Investment Across Levels of Government – particularly those related to coordinating mechanisms - can provide a framework to help assess and identify ways to address multi-level governance and fiscal challenges associated with place-based Indigenous economic development.
8. References


