



5 May 2023

Productivity Commission  
Ngunnawal Country  
4 National Circuit  
BARTON ACT 2600  
Email: [philanthropy@pc.gov.au](mailto:philanthropy@pc.gov.au)

Dear Commissioners

### PRODUCTIVITY COMMISSION'S PHILANTHROPY INQUIRY

Indigenous Business Australia (IBA) welcomes the opportunity to provide a submission to the Productivity Commission on philanthropic giving in Australia. Our submission focusses on the potential role of blended finance and impact investing in supporting the social, cultural, and economic aspirations of Aboriginal and Torres Strait Islander people and communities.

IBA is a Corporate Commonwealth Entity (CCE) established under the *Aboriginal and Torres Strait Islander Act 2005* (the Act) to support greater economic independence and self-sufficiency of Aboriginal and Torres Strait Islander people. IBA invests in enterprises that would otherwise face structural barriers to source capital and provides loans to customers who would not be able to access finance from the commercial banking sector or broader financial services market.

IBA's products and services relate to three main program areas: home ownership; business finance and capability building; and investments and asset management. Our most recent Impact Report, launched in October 2022, explored the impact of all three IBA programs and concluded that access our products generates significant positive economic, social, and cultural impacts with Aboriginal and Torres Strait Islander peoples, their families, and their wider communities.

There is growing demand from Aboriginal and Torres Strait Islander people and communities for IBA products and services. IBA is largely funded from a combination of repayments from loans, returns on investments, and government appropriations. We reinvest returns into Aboriginal and Torres Strait Islander communities through the provision of products and services designed to meet the needs of those communities.

The government appropriations that IBA receives has decreased over time. As a result, the capacity for IBA to meet demand now and into the future is limited. This in turn poses a risk to economic self-determination and the ability for First Nations people to experience economic inclusion, empowerment, and build intergenerational wealth.

An emerging global trend is the use of blended finance and impact investing to mobilise and accelerate investment in high impact programs and initiatives targeting increased access to capital and financial inclusion. Blended finance uses a combination of public and philanthropic funding and private sector capital to balance risks and returns for projects that would otherwise be challenging to finance.

Blended finance is increasingly being used in climate-related projects, for example through the Clean Energy Finance Corporation. But it could be utilised more by governments to catalyse investment in programs and initiatives to increase the social and economic interests of Aboriginal and Torres Strait Islander people, such as through social impact bonds or housing bond aggregator loans like that offered by the National Housing Finance and Investment Corporation.

Indeed, there is strong interest from philanthropists and impact investors to invest in Aboriginal and Torres Strait Islander-led projects and commercial enterprises in partnership with IBA. Unfortunately, these partnerships are difficult for IBA to progress due to limits placed on IBA under our enabling legislation, which is now almost 20 years old.

Section 184 of the Act prevents IBA from borrowing or raising money. This restricts IBA's ability to collaborate and partner with other CCEs, non-government organisations, philanthropists, and impact investors. Borrowing and raising capital are standard practice in the investment space and are essential for blended finance arrangements. Not being able to do it limits the impact that IBA, and our partners, can have.

Modernising the Act would provide greater access for Aboriginal and Torres Strait Islander people, communities, and organisations to achieve economic independence and self-sufficiency. IBA could more quickly scale up or down across its program areas, as required, in response to demand and investment opportunities. It would unlock new opportunities for IBA to expand the number and types of blended finance arrangements, financial products, and financial services available to Aboriginal and Torres Strait Islander people and communities.

A 2021 Report on Indigenous Participation in Employment and Business (the report) from the House of Representatives Standing Committee on Indigenous Affairs agreed and included a recommendation encouraging the government to remove the legislative restrictions (Recommendation 7), as follows.

*"The committee recommends that the Australian Government remove legislative and other barriers that could impede Indigenous Business Australia from expanding its operations."*

Allowing IBA to borrow and raise capital is an important policy reform and significant opportunity to ensure more Aboriginal and Torres Strait Islander people are provided with access to finance and capital and supported into home and business ownership. The reform could enable philanthropists and impact investors to work with IBA to address the Aboriginal and Torres Strait Islander people's increasing demand for capital. It would expand our reach and ability to better support the economic independence of Aboriginal and Torres Strait Islander people and communities by facilitating new and innovative finance arrangements.

Should you have any questions about our submission, please contact IBA's Principal Advisor, Strategic Policy and Thought Leadership, Justin Vaughan

I hope this information assists you with the review. I consent to this letter being made public.

Yours sincerely

**Kirsty Moore**  
Chief Executive Officer