

To: sustainablefinanceconsultation@treasury.gov.au

Submission in Response to the Australian Treasury's Sustainable Finance Strategy

Organisation: First Australians Capital

Person: Leah Armstrong, Chairperson

Overview of the Organisation:

First Australians Capital was founded in 2016 as an Indigenous-led financial services organisation, created to promote, and support Indigenous business and enterprise as a way for Indigenous people to become economically independent.

FAC is an Indigenous-led and controlled organisation that partners with Indigenous business and is a unique proposition in the Australian economy. The success of First Australians Capital is measured by the success of Indigenous businesses – defined by each business on their own self-determined terms.

Introduction

Throughout Australia's history, Indigenous peoples were systematically locked out of meaningful participation in the economy. This legacy of exclusion has created barriers leading to a significant wealth divide between Indigenous and non-Indigenous people.

To disrupt the inequity and financial exclusion, a re-evaluation of traditional capital delivery approaches is essential.

Priority recommendations

This submission prioritises the importance of recognising Aboriginal and Torres Strait Islander peoples as key stakeholders, leveraging their knowledge, and actively involving them in the development and implementation of the sustainable finance strategy.

This approach aligns with global principles and rights under UNDRIP in respecting Indigenous communities' unique cultural and ecological contributions, ensuring that the Sustainable Finance Strategy aligns with the values and aspirations of Aboriginal and Torres Strait Islander communities.

Feedback on the Strategy:

- We advocate for the prioritisation of First Nations inclusion and participation in the Sustainable Finance Strategy. First Nations representation and inclusion in decision-making is critical for achieving Net Zero and a just Sustainable Finance Strategy.
- Achieving Net Zero target will require access to land, accessible through the Indigenous estate through engagement and appropriate support structures. The Indigenous estate comprises approximately 50% of Australia's landmass, with an estimated 80% of Northern Australian under Aboriginal and Torres Strait Islander title.
- Modelling by Net Zero Australia (NZA) estimates 43 per cent of all clean energy infrastructure required to get Australia to net zero emissions by 2060 will need to be sited on the Indigenous Estate.
- Alignment with UNDRIP – FPIC and self-determination is necessary to reduce risks and inform the opportunity and true collaboration with Aboriginal and Torres Strait Islander peoples.

- Access to Sustainable Finance for Indigenous equity and inclusion in renewable energy projects is necessary for informing future economic opportunity for all Australians and ensuring Indigenous knowledges and assets are utilised in the development of a Net Zero economy.
- Blended Finance and Catalytic Capital models are proven vehicles for addressing market failure in access to finance for emerging markets and would be necessary for Indigenous economic self-determination.

Recommendations for the Key Principles and Priorities of the Sustainable Finance Strategy:

- Stakeholder Participation:
 - Acknowledge Aboriginal and Torres Strait Islander peoples as integral partners.
 - Incorporate Indigenous Stakeholders as a recognised group of stakeholders in the Sustainable Finance Strategy and
 - Engage Indigenous representatives in designing and implementing sustainable finance frameworks.
 - Collaborate with Indigenous representatives to tailor regulatory frameworks, ensuring alignment with Indigenous governance structures and economic contexts.
- Embed Indigenous Knowledges into the taxonomy:
 - Recognize and incorporate traditional ecological knowledge into sustainability-related financial disclosures for a comprehensive environmental understanding. [OBJ]
 - Develop a Sustainable Finance Taxonomy with Indigenous perspectives, prioritizing engagement with Indigenous experts and aligning with cultural values.
 - Ensure a culturally sensitive labelling system, acknowledging Indigenous contributions. Establish mechanisms for consultation to validate sustainable investments aligned with Indigenous values.
- Leadership and Advocacy
 - Acknowledge and support Indigenous-led projects for sustainable land management and renewable energy, integrating traditional knowledge into net-zero transition policies.
 - Integrate Indigenous Knowledges by ensuring Aboriginal and Torres Strait Islander representatives are included in strategic developments and by utilising Indigenous knowledges on the ecosystems and living standards required for Community.
 - Create incentives for private sector development into Community-led and place-based initiatives.
 - Encourage Indigenous-led initiatives in renewable energy and sustainable practices for both emissions' reduction and economic empowerment.
 - Support Indigenous entrepreneurs and enterprises through dedicated funds and incentives, stimulating sustainable finance flows into Indigenous-led initiatives.
 - Advocate for the recognition of Indigenous perspectives in international sustainability discussions, emphasizing diverse cultural approaches and positioning Australia as a leader.
 - Demonstrate Australia's commitment to sustainability by showcasing Indigenous-led initiatives. Elevate Indigenous voices in international forums, highlighting unique contributions to global sustainable development.
- Communication and Accessibility

- Communicate reforms clearly, recognizing the urgency in Indigenous contexts.
- Tailor frameworks to reflect Indigenous perspectives, promoting easier reporting and fostering Indigenous-led investments.
- Engage Indigenous financial experts for identifying risks in Indigenous economic activities.
- Prioritize incorporating First Nations perspectives as the strategy progresses and maintain Current Free, Prior and Informed Consent throughout the process of collaboration and informing stakeholders.

Advancing Indigenous Equity through Sustainable Finance models

An important additional recommendation would be to develop sustainable finance models and vehicles to advance Indigenous equity and participation in the net zero economy. Finance models and vehicles must be structured to address a market failure in Indigenous economic self-determination. This failure is evident with lack of Collateral, Credit, Capital, and Capacity.

To overcome this failure the responsibility lies not only with the Indigenous communities to build capacity, but also with the government and financial sector adopting market building approaches to shifting capital to Indigenous investments.

Blended Finance and Catalytic Capital Finance models are needed. **Catalytic Capital** plays a critical role in filling financing gaps for impact enterprises that conventional capital cannot.

Without Catalytic Capital to seed new impact enterprises, develop market infrastructure and support the entry of new investors through blended finance, the flow of capital may take much longer, or not happen at all.

We see investors providing Catalytic Capital in neighbouring economies in Southeast Asia and the Pacific, **why not for Australian Indigenous economies?**

Governments traditionally have had the greatest degree of patience and the highest risk appetite but not all these investment approaches are enabling the market building approach for Indigenous businesses and enterprises.

More can be done to facilitate purpose-specific pools of public-backed impact capital, and to create new pools of capital, structured in ways that deliver Indigenous economic self-determination.