



**Australian Government**



Reference: MS21-000739

The Hon Josh Frydenberg  
Treasurer  
Parliament House  
CANBERRA ACT 2600

Dear Treasurer

We write to you, as Co-Chairs of the Joint Council on Closing the Gap (Joint Council) to seek your approval of the draft terms of reference for the Productivity Commission's Three-Yearly Review of the National Agreement on Closing the Gap (National Agreement). We also ask that you write to the Prime Minister to seek his approval of these terms of reference and agreement to commence the review.

The National Agreement stipulates new reporting requirements to ensure independent oversight and accountability of progress under the Agreement. Several key reporting obligations are specifically assigned to the Productivity Commission (PC). These include establishment of a data dashboard, publication of an annual data compilation report, and a three-yearly comprehensive review of progress. The 2020-21 Budget measure 'Closing the Gap – partnering for delivery' provided the PC with ongoing funding to conduct this work.

The National Agreement states that the Joint Council will provide advice on the terms of reference for the three-yearly review to you, the Commonwealth Treasurer. The draft terms of reference enclosed were endorsed by the Joint Council on 3 December 2021 and we provide these to you for your consideration (Enclosure 1).

The Joint Council endorsed the PC's proposal for an inquiry that finishes at the end of 2023 and runs for at least 18 months. To avoid potential disruptions from the upcoming federal election, the PC's preference is for the review to commence in early 2022 with receipt of the terms of reference before the election. The 18-month timeframe reflects the need for greater up-front work and engagement to set the review process up for the future and the availability of key data to be incorporated into the review. Also, in line with the National Agreement, new ways of working to facilitate shared decision-making will be critical to getting the best outcomes from the review. It is important that the review be completed by the end of 2023 to avoid delays to the complementary Independent Aboriginal and Torres Strait Islander led review of progress, also stipulated under the National Agreement.

In line with standard processes, the National Indigenous Australians Agency (NIAA) developed the attached draft terms of reference in consultation with your department and the Productivity Commission.

The NIAA also consulted broadly across Commonwealth departments on the draft terms of reference, and with state and territory governments, the Australian Local Government Association and the Coalition of Peaks through the Closing the Gap Partnership Working Group and the Joint Council.

Should you approve the draft terms of reference, we ask that you seek the Prime Minister, the Hon Scott Morrison MP's approval of the final terms of reference and permission to commence the review. Following the Prime Minister's final approval and permission to commence, we understand you will then sign the final terms of reference.

We look forward to receiving your response.

Yours sincerely



The Hon KEN WYATT AM MP  
Minister for Indigenous Australians  
Co-Chair Joint Council on Closing the Gap



Ms Patricia Turner AM  
CEO National Aboriginal Community  
Controlled Health Organisation  
Co-Chair Joint Council on Closing the  
Gap

10/02 / 2022

Encl (1) Draft Terms of Reference for Productivity Commission three-yearly Review of the National Agreement on Closing the Gap

cc: The Prime Minister, the Hon Scott Morrison MP, the Attorney-General, Senator the Hon Michaelia Cash, the Minister for Health, the Hon Greg Hunt, the Minister for Social Services, Senator the Hon Anne Ruston, the Minister for Employment, Workforce, Skills, Small and Family Business the Hon Stuart Robert MP, and the Minister for Education and Youth (A/g), the Hon Stuart Robert MP.

## TERMS OF REFERENCE

### REVIEW OF PROGRESS ON CLOSING THE GAP

I, Josh Frydenberg, Treasurer, pursuant to Parts 2 and 4 of the *Productivity Commission Act 1998*, hereby request the Productivity Commission undertake a review of progress on Closing the Gap.

#### Background

The goal of the National Agreement on Closing the Gap (the Agreement) is to overcome the entrenched inequality faced by too many Aboriginal and Torres Strait Islander people so that their life outcomes are equal to all Australians. The Agreement was developed in partnership between Aboriginal and Torres Strait Islander representatives and all Australian governments and commits governments to working in full and genuine partnership with Aboriginal and Torres Strait Islander people in making policies to close the gap.

The Agreement is built around four Priority Reform outcomes and 17 socioeconomic targets (and agreement to develop two additional targets, on inland waters and community infrastructure). The socio-economic outcomes focus on measuring the life experiences of Aboriginal and Torres Strait Islander people. The Priority Reform outcomes are:

- Strengthening and establishing formal partnerships and shared decision-making.
- Building the Aboriginal and Torres Strait Islander community-controlled sector.
- Transforming government organisations so they work better for Aboriginal and Torres Strait Islander people.
- Improving and sharing access to data and information to enable Aboriginal and Torres Strait Islander communities to make informed decisions.

Parties to the Agreement agreed that the Productivity Commission will undertake a comprehensive review of progress every three years. The review is to inform the ongoing implementation of the Agreement by highlighting areas of improvement and emphasising where additional effort is required to close the gap. Parties have committed to undertaking actions if the review indicates that achievement of any of the targets that are set out in the Agreement is not on track.

This review will complement the Independent Aboriginal and Torres Strait Islander led review of progress.

#### Scope of the review

In undertaking the review, the Productivity Commission should:

- analyse progress on Closing the Gap against the four Priority Reform outcome areas in the Agreement
- analyse progress against all of the socioeconomic outcome areas in the Agreement
- examine the factors affecting progress.

The Productivity Commission should provide recommendations, where relevant, to the Joint Council on Closing the Gap on potential changes to the Agreement and its targets, indicators and trajectories, and on data improvements.

In undertaking the review, the Productivity Commission should have regard to all aspects of the Agreement, consider all parties' implementation and annual reports, and draw on evaluations and other relevant evidence.

#### Process

The Productivity Commission is to consult broadly, particularly with Aboriginal and Torres Strait Islander people, communities and organisations, and should invite submissions and provide other options for people to engage with the review. The Productivity Commission should publicly release a draft report and provide its final report to the Joint Council on Closing the Gap by the end of 2023. The final report will also be published.