

National Aboriginal
Economic Development Board



Conseil national de
développement économique
des Autochtones

2011 PRE-BUDGET SUBMISSION

January 2011

RECOMMENDATIONS

To enable First Nations to effectively use their land base to further their economic growth and self-reliance, the NAEDB recommends that the federal government invest an additional \$50 million over 5 years in the *First Nations Lands Management Act*.

To provide Aboriginal entrepreneurs with the access to capital necessary to start, grow and sustain their businesses, the NAEDB recommends that the federal government invest \$70 million over 5 years to provide the required levels of funding for developmental lending by Aboriginal Financial Institutions.

INTRODUCTION

Established in 1990, the National Aboriginal Economic Development Board (NAEDB) is the only national, non-political Aboriginal organization mandated by Cabinet to provide strategic policy and program advice to the federal government on Aboriginal economic development. Comprised of First Nations, Inuit and Métis community and business leaders from across Canada, the Board plays an important role in helping the federal government develop economic policies and programs that are coordinated, accessible, and responsive to the unique needs and circumstances of Aboriginal Canadians. A list of the Board's members is attached under Annex A.

The Board contends that the federal government has a key role to play in educating the public about the importance of ensuring that Aboriginal people fully participate in the Canadian economy. As the original peoples of this land, Aboriginal people have a unique place in Canada, which is recognized and affirmed in Canadian law. More than that, economic participation and development among Aboriginal Canadians is crucial to the well-being of Canada as a whole—when Aboriginal economies grow, regional economies grow and all of Canada stands to benefit.

The Board strongly supports the Government's view – as stated in the last federal budget – that there needs to be a focus on jobs and growth to continue Canada's economic recovery. The Board firmly believes that economic development is the only path to self-reliance for Aboriginal Canadians. Without quality jobs and sustainable businesses, the full potential of First Nations, Inuit and Métis men and women will remain untapped. Aboriginal Canadians and their businesses also play an important role in creating a stronger economy, better jobs, and a prosperous future for all Canadians.

ABORIGINAL ECONOMIC DEVELOPMENT

The NAEDB has played a central role in the development and implementation of a new federal approach to increasing the participation of First Nations, Inuit and Métis in the Canadian economy. Released in June 2009, the Federal Framework for Aboriginal Economic Development represents a fundamental change to how the federal government supports Aboriginal economic development. To effectively implement the Framework, the federal government has taken a number of important steps, including aligning investments in training and skills development with market demand, developing a whole of government approach to advancing economic opportunities in key sectors of the economy, and improving the federal Procurement Strategy for Aboriginal Business. Furthermore, under Canada's Economic Action Plan, the federal government has made investments to strengthen economic development in the three territories and to increase health and safety in First Nations communities. These are important measures that will help improve the quality of life in Aboriginal communities across Canada.

Despite these efforts, Aboriginal Canadians have not shared in the economic successes highlighted by the Minister of Finance in his recent update on the Government's economic and fiscal projections. For example, nearly 423,000 jobs have been created in Canada since July 2009, yet Aboriginal Canadians have experienced a drop in employment rates during the same period. It is clear that Aboriginal Canadians are more vulnerable to changes in economic conditions than the general population, and require support tailored to their unique needs and conditions to recover from the recent economic crisis and develop a solid foundation for ensuring long-term and sustainable economic success.

There is a broad consensus among Aboriginal organizations, communities and business leaders on the principal barriers to economic development. Included among these barriers are limited access to lands and resources and limited financing options. Addressing these priority areas would help provide communities and entrepreneurs with the necessary conditions to attract investment and the means to leverage their resources to pursue even greater opportunities and contribute to Canada's prosperity.

The NAEDB believes that additional investments are required in the priority areas of First Nations Land Management and Access to Capital for Aboriginal Entrepreneurs.

FIRST NATIONS LAND MANAGEMENT

To enable First Nations to more effectively use their land base to further their economic growth and self-reliance, the NAEDB recommends that the federal government invest an additional \$55 million over 5 years in the *First Nations Land Management Act*.

Aboriginal communities own and control a substantial and growing land and natural resource base. Currently, 584 First Nations hold reserve lands, distributed over 3,049 reserves, totalling approximately 3.8 million hectares. Over \$315 billion in major resource development opportunities have been identified in or near Aboriginal communities, and private investment is expanding further into every region of the country. Increasingly, investors want to partner with Aboriginal Canadians on major projects. This growing economic base, if activated, will make an important contribution to national and regional economies and will generate economic and employment benefits for both Aboriginal and non-Aboriginal Canadians.

Land and resources are among the most valuable assets for First Nations and their sustainable use is critical for building partnerships with other governments and the private sector, and for maintaining strong relationships with neighbouring communities. A secure land base is an important asset and source of equity for First Nations seeking private sector investment, resource development and economic expansion.

The provisions of the *Indian Act* that govern the management of reserve lands have not kept pace with the increasing engagement of First Nations in the economy. The approval process and system for completing land transactions, such as leases and permits, are slow and can impede communities from acting on time-sensitive economic development opportunities. For example, it takes an average of 1 to 2 days to register a mortgage in British Columbia, but an average of 180 days to complete an equivalent registration under the Indian Land Registry system held by Indian and Northern Affairs Canada.

First Nations and Inuit communities under modern treaties have benefited from certainty around land ownership and the use of lands and resources, which has created an environment with clear roles and responsibilities that promote investment. These conditions allow them to attract and act on economic opportunities at the speed of business, which is not always possible for First Nation communities managing lands under the *Indian Act*.

Outside of modern treaties, the *First Nations Lands Management Act* (FNLMA) provides the only alternative to land management under the *Indian Act*. The FNLMA affords participating First Nations the ability to enact law-making powers to govern their reserve land, resources, and environment and facilitates economic development on reserve by enabling First Nations to make timely business and administrative decisions at a local level. The FNLMA is a key tool for building self-reliance among First Nations and for reducing the federal government's overall liability and expenditure on land management over the long-term.

The FNLMA regime also provides opportunities to level the playing field between on and off reserve legislative and regulatory realities. With more than 80% of the 27,000 Aboriginal businesses across Canada continuing to operate off reserve, a business climate conducive to development opportunities is essential. By enabling First Nations to assume control over environmental management on reserve, legislative gaps are addressed and development can often proceed at a much faster rate than under the *Indian Act*. Independent studies and program reviews have confirmed that First Nations under the FNLMA manage their lands more competitively and transparently, thereby allowing complex commercial transactions to move at the speed of business. Further, the FNLMA regime has been found to enhance credibility when dealing with business partners and to allow for greater ease in obtaining financing for major projects.

First Nations under the FNLMA regime are able to capitalize on economic development opportunities. For example, the T'Sou-ke First Nation in British Columbia has become one of the most solar power intensive communities in Canada and generates surplus power which is returned to the electrical grid and sold to BC Hydro. In Saskatchewan, the Whitecap Dakota First Nation has one of Canada's top-rated golf courses, a for-profit water utility, a new housing subdivision, as well as a new hotel under construction. Over the past 6 years, the community's unemployment rate has shrunk from 70 percent to less than 4 percent.

Despite the success of First Nations participating in the regime, only 30 First Nations have become fully operational under the FNLMA. At present, there is insufficient funding for additional First Nations to enter into the FNLMA regime, though 74 First Nations have expressed an interest. To offer First Nation communities the opportunity to effectively use their land base to further their economic growth and self-reliance, the federal government needs to provide additional funding to support the FNLMA regime.

ABORIGINAL ENTREPRENEURSHIP

To provide Aboriginal entrepreneurs with the access to capital necessary to start, grow and sustain their businesses, the NAEDB recommends that the federal government invest \$70 million over 5 years to provide the required levels of funding for developmental lending by Aboriginal Financial Institutions.

Access to debt and equity capital is a key driver of growth in any economy. Capital is needed for operating costs, expansion and asset purchases for all businesses. When access to capital is limited, economic growth is slowed as entrepreneurs cannot start, grow or expand their businesses.

Entrepreneurship is one of the major success stories of Aboriginal economic development. In 2002, there were an estimated 27,000 Aboriginal entrepreneurs in Canada, an increase of 30 percent from 1996. These businesses provide employment for approximately 25 to 30 percent of the country's Aboriginal labour force.

Aboriginal entrepreneurs and communities face barriers when accessing capital due to restrictions under the *Indian Act* which hinder the use of property as equity, discourage lending from mainstream financial institutions, and limit the growth of personal equity. The existing network of Aboriginal Financial Institutions (AFIs) was created to provide small business support and high risk loans, through developmental lending, to fill the gap created by mainstream lenders and to meet the needs of Aboriginal entrepreneurs. There are currently 59 AFIs across Canada which provide business support services including business loans, financial consulting services, aftercare and start-up support.

The network of AFIs across Canada is an unprecedented success story. Over the past 20 years, AFIs have provided nearly \$1.5 billion in financing to Aboriginal businesses. In 2009 alone, AFIs provided over \$100 million in loans to Aboriginal businesses. The five-year success rate of AFI-supported businesses is an impressive 58 percent compared to the Canadian norm of 33 percent.

Developmental lending, provided through AFIs, is critical for the growth and viability of Aboriginal businesses. However, the cost of developmental lending, particularly in a low interest rate environment, poses significant challenges, including the higher relative cost and lower relative return associated with small loans, and the higher operating costs of serving a client base that typically covers a large geographic area. As a result, AFIs have had to use their capital base to cover their operating costs.

To ensure AFIs are equipped to continue providing developmental lending and remain successful, they require stable funding that will cover their business costs for developmental lending.

CONCLUSION

The National Aboriginal Economic Development Board asserts that Aboriginal Canadians and their businesses can play an important role in creating a stronger economy, better jobs, and a prosperous future for all Canadians. The Board is confident that the recommendations contained in this paper will promote economic development and in turn increase self-reliance and reduce social costs, thereby decreasing the costs to the federal government overall.

Aboriginal Canadians require essential tools to build strong, viable businesses that will help their communities move towards greater self-reliance. These investments will help create an enabling environment for economic development where communities have the capacity to identify and seize business opportunities, to take control over their lands to operate at the speed of business, and to access the support required for their businesses to grow and thrive.

We look forward to continuing our work with the federal government on important issues related to Aboriginal economic and business development. We share the government's commitment to economic development as a key priority for Aboriginal people and for increasing their participation in the Canadian economy.



ANNEX A: NAEDB Membership

Chief Clarence Louie (Chair)

Chief, Osoyoos Indian Band

Dawn Madahbee

General Manager, Waubetek Business Development Corporation, Ontario

Pita Aatami

President, Makivik Corporation, Nunavik

Richard Francis

Former Director, Economic Development, Kingsclear First Nation, New Brunswick

Joe Linklater

Former Chief, Vuntut Gwitch'in First Nation, Yukon

Matthew Mukash

Former Grand Chief, Grand Council of the Crees, Quebec

Chief Sharon Stinson-Henry

Chief, Rama Mnjikaning First Nation, Ontario

Chief Terrance Paul

Chief Membertou First Nation, Nova Scotia

Tara Tootoo-Fotheringham

Youth Entrepreneur, Nunavut