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Standing Committee on Indigenous and Northern Affairs
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House of Commons
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Dear Members:

I am writing to you on behalf of the National Aboriginal Economic Development Board. As you may know, our Board is an advisory body made up of First Nations, Inuit and Métis business and community leaders from across Canada. The Board was formed in 1990 and members are appointed by Orders in Council. It is the view of the Board that a nation-to-nation relationship is only possible where Indigenous peoples reassert jurisdiction over their lands, resources and people.

On April 6, 2017, I shared the Board's thoughts on the *Default Management and Prevention Policy* with your committee. Recently, a third-party manager was accused of diverting millions from the Kashechewan First Nation, one of Canada's most impoverished First Nations. In light of this abuse, I would like to reiterate that **the existing *Default Management and Prevention Policy* hurts the communities it is supposed to help because it increases financial hardship on reserve and does nothing to build financial capacity or financial literacy.**

Third-party managers are appointed with no requirement or incentive to support a community's "ability to self-manage". In fact, the third party management is an opaque process that can sometimes go on for decades, and leaves First Nations with no more capacity at the end of the process than they had at the beginning. As a direct consequence of this lack of capacity building, there is still approximately 25% of our First Nations currently undergoing some form of the Default Management process.

Furthermore, First Nations are required to pay for a recipient-appointed advisor or third-party manager from their Band Support Funding envelope. Reallocating needed resources for third-party managers only increases the financial hardship of the community further limiting opportunities for revenue-generating opportunities. The lack of dedicated funding to assist in Default Management results in exactly the

opposite of what capacity building and support means, and works at complete cross-purposes from what the policy intends.

With these issues in mind, our Board would like to share some recommendations to ensure that the policy achieves its objective of supporting “community capacity development so that communities continue to increase their ability to self-manage and prevent default and default recurrence”.

First of all, we recommend that First Nations Institutions run the Default Management process.

These institutions, including the First Nations Financial Management Board and AFOA Canada, have the mandate to do the work. More importantly, they have the commitment to building capacity, financial management skills, and self-determination of Indigenous peoples—all elements that are lacking in the current approach.

We have our own institutions, and they should be supported in doing the work to help our own people. Third-party managers should thus be First Nations individuals who are trained and certified to do the work, and accountable to the community. Institutions such as the First Nations Financial Management Board can undertake the education of these people and provide the oversight to ensure that the work is done in a reasonable time-frame and that knowledge remains in the community.

Second, we recommend placing more emphasis on financial literacy and financial management capacity.

There is a lot of talk about the need for Indigenous education and training. It is the Board's opinion that financial literacy and management must be part of that conversation. For instance, in some remote Indigenous communities there are no banking services and poor internet connectivity, which means that people have literally no exposure or opportunity to learn even simple things like how to read a financial statement. Therefore, it is imperative for our First Nations Institutions to have the capacity to help these communities. First Nations Institutions are already doing some of the work with the means they have. Yet, with sufficient and adequate support from the government, they could do much more.

For example, AFOA Canada—a non-profit organization dedicated to enhancing Indigenous finance management practices and skills—does a lot of valuable work in Indigenous communities, including:

- Developing Indigenous financial management, accounting and reporting standards;
- Certifying Aboriginal Financial Managers;
- Certifying Aboriginal Professional Administrators;
- Encouraging Indigenous youth to enter into the finance and management professions;
- Supporting Indigenous accountability and self-determination efforts;

The excellent work of this organization, and other Indigenous Financial Institutions like it, should be strengthened and used to their full measure.

Third, we recommend increasing the financial management component of the Comprehensive Community Planning process that is part of INAC's partnership approach to community development, thus ensuring that communities have the funding they need to build their own capacity.

Comprehensive Community Plans are funded through INAC's First Nations Infrastructure Fund, the Community Economic Opportunities Program, and the Professional and Institutional Development program. These plans have been proven to build capacity, contribute to community resilience, and build long-term community success. The Board believes that placing an emphasis on financial management as part of this process will go a long way to building the literacy and capacity that is needed to create the conditions for Indigenous economic sustainability, growth, and success. As we are re-building our nations we must avoid depending on the Default Management process for years without concrete capacity building in our communities.

Finally, we would like to draw once again your attention to the fact that there are a variety of innovative approaches to financial management undertaken by our people for our people.

An example, amongst others, of an innovative approach is the First Nation Community Financial Review by the Ulnooweg Development Group. The Ulnooweg Financial Education Centre—which is the charitable arm of the Ulnooweg Development Group—designed a Community Financial Review process to help Chiefs and Councils to better use and understand their community financial information for debt planning and decision making. The process has two key elements:

1. Preparation of a reliable set of standardized and streamlined multi-year financial and performance data tailored to the specific needs and circumstances of each participating Nation.
2. An ongoing, multi-year sequence of meetings with Chiefs and Councils to review the findings of this data set and examine implications for strategic long term management of the community debt and short term options to respond to immediate challenges.

The objective of the process is not to turn Chiefs into financial experts, but to build their financial capacity to:

- Be able to identify problem areas;
- Understand financial trends;
- Compare debt and financing options;
- Know what questions to ask their internal or external advisors;
- Know how to integrate their answers into responsible long term community debt and investment decision making.

As previously mentioned, building capacity is one of the main gaps of the existing *Default Management and Prevention Policy*. Therefore, our Board believes that programs like the First Nation Community Financial Review can build the capacity, the financial literacy, and the financial management skills that we need to build our nations and ensure our future prosperity.

The Board believes that moving forward in the spirit of reconciliation, rewriting laws and policies, means making sure that we are always working together to make sure that policies are not punitive or regressive, but that they are modern, innovative, progressive, and above all, fair.

Sincerely,



Dawn Madahbee Leech
Interim Chairperson
National Aboriginal Economic Development Board