

National Aboriginal  
Economic Development Board



Conseil national de  
développement économique  
des Autochtones

## **Recommendations for the Renovation of Aboriginal Economic Development Programs**

**June 8, 2011**

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 Aboriginal 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.

The NAEDB shares this Government's view that supporting Aboriginal economic development is critical for improving the lives of Aboriginal people. The Board was instrumental in the development of the Federal Framework for Aboriginal Economic Development (the Framework) and continues to play a central role in the ongoing implementation of the Framework to support greater economic participation by First Nations, Inuit and Métis in the Canadian economy.

As part of an Action Plan to effectively implement the Framework, the government committed to renovating existing Aboriginal economic development programs to better align with the strategic priorities of the Framework. Over the past 20 years, these programs have contributed to improved economic outcomes, but have not kept pace with changing conditions or the needs of Aboriginal Canadians as they relate to economic development. Members of the NAEDB have extensive knowledge of the conditions required to drive economic development in an Aboriginal context, and are ideally positioned to assist the government in meeting this commitment.

From May to December 2010, Indian and Northern Affairs Canada (INAC) organized a series of engagement sessions with Aboriginal Canadians across Canada to discuss the challenges and opportunities of existing programs and provide recommendations on how programs may be renovated to better meet the needs of clients. The NAEDB was pleased to participate in this extensive engagement process through a specially-convened Board meeting on program renovation, as well as co-hosting the roundtables on Aboriginal women and youth.

The recommendations provided in this paper were developed in part through the NAEDB's participation in these stakeholder engagement sessions, as well as through a review of key research and discussions with subject matter experts.

## **INTRODUCTION**

Over the past twenty years there have been significant increases in Aboriginal economic development. The number of successful Aboriginal communities and businesses continues to grow, as more and more are able to realize their economic potential. The NAEDB believes that this economic development is the single most important factor to promote Aboriginal self-reliance, as well as address poverty and quality of life issues among Aboriginal peoples.

The growing success of Aboriginal communities and businesses has been partly due to the assistance provided through the existing suite of Aboriginal economic development programs. These programs have been critical to helping Aboriginal Canadians build strong, viable businesses, and to supporting communities pursuing economic development. Over time, however, most of these programs have become less relevant to the current economic conditions of Aboriginal Canadians, and thus less effective in supporting continued growth. It is therefore imperative to renovate the current suite of Aboriginal economic development programs so they can better reflect the modern needs of Aboriginal Canadians.

The Federal Framework for Aboriginal Economic Development established the guiding principles for improving Aboriginal economic development. Aboriginal Canadians often face challenges in pursuing economic development opportunities due to outdated regulations and legislative impediments, limited ability to leverage their lands and resources, slow government processes that do not correspond with the speed of business, and deficits in capacity. Addressing these priority areas must remain the central focus of government programs that support Aboriginal economic development.

Enabling federal policies and programs that support Aboriginal economic development are critical for ensuring that Aboriginal Canadians have the right tools to set the conditions necessary to attract investment and take advantage of economic opportunities. To effectively build opportunity-ready communities and support Aboriginal entrepreneurs and businesses, federal programs need to be more flexible to respond to the diverse needs of Aboriginal Canadians and changing economic conditions. Accordingly, the Board has focussed its recommendations on four main areas:

1. Building Opportunity Ready Communities
2. Supporting Viable Aboriginal Businesses
3. Supporting Diversity
4. Improving Program Administration

## 1. BUILDING OPPORTUNITY READY COMMUNITIES

Today, opportunities for Aboriginal communities have never been greater. Private investment is expanding further into every region of the country, creating significant opportunities particularly for rural, remote and northern communities. Partnerships between First Nation and Inuit communities and with neighbouring municipalities, provincial governments and the private sector offer considerable economic and employment opportunities for all Aboriginal Canadians.

The federal government can build opportunity-ready communities by enabling First Nation and Inuit communities to seize economic opportunities. Existing federal policies and programs must be re-focused to effectively support community economic development through stable funding and through the development of comprehensive community plans.

The federal government must also recognize that sustainable land and environmental management are core functions of Aboriginal governments. Aboriginal communities own and control a substantial and growing land and natural resource base. These assets will, however, remain largely idle if the status quo is maintained. 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* due to inefficiencies and a lack of capacity. Federal policies and programs need to better support First Nation communities in land and environmental management, particularly through facilitating the participation of more First Nations in the *First Nations Land Management Act* (FNLMA).

### Community Economic Development

Economic development is essential in improving the lives of Aboriginal people. To support sustainable economic development, communities require the tools and options necessary to hire qualified economic development and land management officers, identify their community's economic opportunities and plan for their development.

The existing suite of Aboriginal economic development programs delivered by INAC and the Canadian Northern Economic Development Agency (CanNor) provide funding to communities and community organizations for the development of projects and the delivery of services to community members. While existing programs are critical for supporting First Nation and Inuit communities in pursuing economic development opportunities, they do not provide adequate funding levels or capacity supports for them to achieve their full economic potential.

The current funding allocations for supporting community economic development do not consistently provide a base level of funding and are almost exclusively based on population size. Where a base level of funding is provided, it is often inadequate for a community's needs or circumstances and does not support the salary, travel and overhead expenses associated with the employment of qualified full-time economic development and lands management officers. In addition, many communities that are not covered by modern treaties do not receive funding for lands management officers and the functions of economic development and lands management are often separated. Consequently, these communities do not have enough money to support the full-time salaries of economic development and land management officers, and, too frequently, these officers are forced to divide their time between multiple jobs. They are therefore unable to focus on identifying and pursuing economic development opportunities that would benefit the community.

The government can more effectively support economic development in First Nation and Inuit communities by providing a stable and predictable base level of funding for all communities that is sufficient to support the salary, travel and overhead costs associated with employing a qualified, full-time economic development and land management officer.

Economic development is recognized as a core function of First Nation and Inuit communities however these communities are limited in fulfilling this function due to funding being allocated on an annual basis and burdensome application and reporting requirements. This annual funding allocation does not enable communities to sufficiently staff positions and properly engage in long-term planning and multi-year projects.

The government can better help communities pursue economic development by providing stable multi-year funding to enhance a community's ability to hire and retain qualified staff, to undertake economic development projects, and/or to obtain professional expertise to support their economic development progress.

A key activity of community economic development officers is developing and implementing comprehensive community plans that reflect the community's opportunities, needs and priorities. Currently, the government process for allocating economic development funding does not help communities to develop a comprehensive community plan. Instead it requires communities to complete a template to outline how the community or organization plans to spend their funding allocation for the upcoming fiscal year. The requested information, however, does not provide a complete picture of the community's economic development opportunities and does not replace the need for comprehensive community plans.

Although some communities have developed comprehensive plans, many others lack the capacity or resources to undertake the necessary comprehensive community planning required to maximize the opportunities for economic development. The government must provide funding for the development and implementation of comprehensive community plans that can be used to identify economic opportunities leading to increased self-reliance and maximizing their resources. These plans must go beyond completing the government's required template and could include community investment profiles, traditional land use plans, economic opportunity inventories, consultation protocols, land zoning, designations, ISO certification, and community economic scorecards.

Economic development projects are becoming increasingly complex and managing the variety of financial and private partners is becoming more challenging for First Nation and Inuit communities. While many communities have varying degrees of capacity, existing programs do not consider the unique needs of communities, including those situated in rural and remote areas. Communities need the capacity to engage in economic development opportunities and access to specific expertise, business advice, legal advice or support for negotiations with the private sector or other levels of government when pursuing these opportunities.

The government can continue to help support communities to plan and prepare for specific economic development projects by ensuring these elements of existing programs are continued.

**Specifically, the NAEDB recommends that the federal government:**

- Provide a sufficient base level of funding, regardless of community size, to support the salary, travel and overhead costs associated with hiring a qualified full-time economic development and lands management officers.
- Ensure that economic development funding is allocated on a multi-year basis.
- Provide adequate funding for the development and implementation of comprehensive community plans.
- Support the capacity of communities to plan and prepare for specific economic development opportunities including, but not limited to, funding to obtain professional business advice, legal advice, and negotiation services.

*Land and Environmental Management on Reserve*

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 sustainable use of these assets is critical for building partnerships with other governments and the private sector, and for maintaining strong relationships with neighbouring communities.

Aboriginal communities own and control a substantial and growing land and natural resource base. Currently, 585 First Nations hold reserve lands, distributed over 3,045 reserves, totalling approximately 3.6 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.

The majority of First Nations in Canada continue to manage their lands, with varying degrees of control and capacity, under the *Indian Act*. The land management provisions of the *Indian Act* (34 land-related sections) have not been significantly amended since 1951 and are not responsive to the complexities or the scope of modern land management opportunities. The *Indian Act* continues to be one of the greatest obstacles to wealth creation and economic development on reserve land.

The current government approval process and system for completing land transactions, such as leases and permits, are very 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 INAC. First Nations must be able to complete their land transactions efficiently in order to work at the speed of business and to pursue economic development opportunities.

The government can begin to increase the speed and effectiveness of all land transactions by setting and enforcing timelines and service standards for INAC's reserve lands management processes.

On most reserves, community votes are required for most land transactions including designations and additions to reserve. These votes are often done for individual land transactions rather than through a comprehensive community planning process, which can require communities to hold a multitude of votes per year. In addition, a successful vote can be achieved only through a majority of eligible voters participating and a majority of these eligible voters supporting the proposal. This process is time consuming, expensive and inconsistent with the processes for land-use decisions in other jurisdictions. Furthermore, the high voter threshold results in many failed votes, consultation fatigue, and general frustration among community members as potential economic development opportunities are delayed or lost.

The government can streamline this process by allowing community votes to be conducted for a number of development decisions at one time through the community's comprehensive plan. Additionally, the government must change the voting threshold for land-use decisions in First Nation communities, to a simple majority of voters.

An environmental regulatory gap exists on First Nations reserves, as provincial environmental laws do not generally apply to activities on reserve lands. As a result, Aboriginal people living on reserves do not have the same level of environmental protection as other Canadians. The federal environmental policies and laws which do apply on reserve land can be inconsistent with the provincial laws on adjacent lands. These laws can also be inconsistent with the traditional land use of First Nation communities or disregard the community's choices for environmental management. This can result in investor uncertainty and questions of liability for businesses operating on reserve land.

Economic development projects on reserve may have environmental considerations that could require project changes, further consultation, or an environmental assessment. INAC project officers who review economic development proposals do not always have sufficient capacity to identify these environmental considerations. Consequently, the projects can be delayed because the issues were not identified early in the process. Furthermore, they may not be able to identify the experts they should consult or potential mitigation measures needed.

The government must ensure economic development proposals are reviewed by officials with sufficient expertise to recognize environmental considerations so that issues can be identified early to avoid delayed or lost economic opportunities.

Current government programs do not provide funding for environmental planning for First Nation communities. This can result in communities not having environmental management plans that would offer investor certainty and ensure sustainable development for their lands.

The government must work in consultation with Aboriginal experts to develop a toolkit that will assist communities in developing environmental management plans and mitigation measures to ensure the sustainable development of their lands.

**Specifically, the NAEDB recommends that the federal government:**

- Set and enforce timelines and service standards to expedite INAC's reserve lands management processes for land surveys, lands registry, land designations and additions to reserve.
- Ensure that votes for land-use decisions are approved through a "simple majority" agreement threshold.
- Ensure that economic development proposals are reviewed by officials with sufficient expertise to identify environmental considerations.
- Provide training, adequate resources, and develop a toolkit, in consultation with communities and relevant Aboriginal organizations, for communities to establish an environmental management plan on reserve.

*Land and Environmental Management under the FNLMA*

First Nation access to, and ultimately control of, their lands and resources is an essential step to economic prosperity and self-reliance for their communities. The First Nations Land Management (FNLMA) regime, provides an alternative to the management of land and environmental management under the *Indian Act* for those First Nations who wish to manage their own affairs.

Under the FNLMA regime, First Nations are able to directly manage and control their land, environment and resources through improved law making authority and modern community planning tools (i.e. land codes, environmental protection and assessment laws, and surveys). Independent studies and program reviews have demonstrated that First Nations operating under the FNLMA regime manage their lands more competitively and transparently, thereby allowing complex commercial transactions to move at the speed of business.

Since 1996, many communities have expressed an interest in opting into the FNLMA process. Today, there are 30 operational First Nations and 11 in the developmental phase. More than 70 other First Nations are on a waiting list to enter the regime, which has been closed since 2008 to new entrants due to a lack of sustainable funding. There is also a backlog on the waiting list for new entrants due partly to a first-come-first serve approach that does not help communities assess their capacity to efficiently undergo the process; consequently, some communities enter the process needing extensive support and experience extensive delays.

Recognizing the government's recent reallocation of funds in Budget 2011 to support the FNLMA regime, the government needs to invest an additional \$55 million to support new entrants into the regime. The government should also work with communities to establish clear readiness criteria for communities to assess their capacity to efficiently undergo the process.

The FNLMA regime provides First Nations with the opportunity to develop and enact their own environmental protection laws through the negotiation of Environmental Management Agreements (EMAs) with the federal government. An EMA is a plan that outlines how a First Nation will enact environmental protection legislation that includes timing, resources, inspection, and enforcement requirements. To date, no EMAs have been signed, primarily due to insufficient financial resources to help First Nations establish environmental management regimes and a lack of coordination among federal departments.

The government must work in consultation with Aboriginal experts to develop toolkit that will assist communities in developing environmental management plans under the FNLMA and mitigation measures to ensure the sustainable development of their lands.

**Specifically, the NAEDB recommends that the federal government:**

- Invest an additional \$55 million over five years to facilitate the participation of communities seeking to enter the FNLMA.
- Establish clear readiness criteria, in consultation with communities and relevant Aboriginal organizations, for communities interested in opting into the FNLMA.
- Provide training, adequate resources, and develop a toolkit, in consultation with communities and relevant Aboriginal organizations, for communities to establish an environmental management regime under the FNLMA.

## **2. SUPPORTING VIABLE ABORIGINAL BUSINESSES**

Small and medium size enterprises (SMEs) are the engine of the Canadian economy. Prime Minister Harper has identified SMEs as “the single largest contributor to employment and job creation, in Canada and around the world” and has recognized 2011 as the Year of the Entrepreneur.

Entrepreneurship is one of the major success stories of Aboriginal economic development. In 2006, there were an estimated 34,000 Aboriginal entrepreneurs in Canada, an increase of 26% from 2002. Furthermore, Aboriginal SMEs contribute approximately one quarter of all Aboriginal jobs in Canada and are becoming increasingly prominent in the natural resource and industrial sectors.

Despite the progress achieved by Aboriginal entrepreneurs and the growing and successful Aboriginal business community, the Aboriginal private sector is underdeveloped due in part to a lack of access to capital. Access to capital, including debt and equity financing, 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.

Since the 1980s, a network of 59 independent Aboriginal Financial Institutions (AFIs) has provided over \$1.5 billion in financing across virtually all sectors of the Aboriginal economy. 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% compared to the Canadian norm of 33%. AFIs are an unprecedented success story and are ideally positioned to continue providing developmental lending, business development support and after-care services to Aboriginal communities and entrepreneurs across Canada, but can no longer meet the growing needs of their clients due to an inadequate suite of financing options and capacity challenges that impede the effective delivery of business support services.

To set the right conditions for Aboriginal entrepreneurs and businesses to grow and expand, federal policies and programs must be re-focused on increasing access to capital and programs to effectively support business development.

### *Access to Capital*

Many Aboriginal businesses are very small, with a significant proportion located in smaller rural, northern and remote communities and generally have less access to financing than business operating in a non-Aboriginal context. Given their size and location, loans to Aboriginal businesses are more costly to service and often do not fit the loan profile that mainstream financial institutions are targeting. Furthermore, loans to Aboriginal businesses are often perceived by private sector financial institutions to be of higher cost and higher risk than those to non-Aboriginal businesses. These factors are further exacerbated by the *Indian Act*, which prohibits community members from leveraging their land to secure capital on reserve.

To encourage private sector financial institutions to provide debt financing to First Nation businesses whose assets are on reserve, the government established a Loan Loss Reserve (LLR) initiative in 2008. While the Board welcomes initiatives to encourage greater financial options for Aboriginal businesses, it is concerned that the implementation of this initiative has not been as effective as possible given that AFIs have been excluded from participating in its delivery and the limited uptake for this program.

The government should evaluate the effectiveness of the LLR as a tool to encourage greater market-based lending for Aboriginal businesses and ensure that eligible AFIs can access all incentive programs designed to increase the financial options available to Aboriginal businesses.

Many Aboriginal businesses and entrepreneurs are also unable to obtain private financing for business start-ups or development because they often have lower levels of cash equity. Those who are deemed successful, might have stronger financial capacity in terms of equity, but this equity is often invested in the business and can be difficult to leverage for financing.

A sustainable AFI network, in particular, is key to building viable Aboriginal businesses. The AFI model was based on much higher interest rate yields than typically encountered in financial markets, and as such, AFIs have had to charge uncompetitive interest rates or erode their capital base in order to cover their operating costs. Furthermore, existing funding for AFIs is generally allocated on an annual basis, with unpredictable “top ups” being allocated at the end of the government’s fiscal year to address operating costs. This approach complicates long-term planning, including providing security to their employees and prevents AFIs from engaging in larger projects.

The government needs to invest an additional \$70 million over five years in order to cover the operating costs and replenish the capital bases of existing AFIs, to ensure the stable long-term operations of AFIs. This funding must be allocated on a multi-year basis with clear and transparent guidelines for the allocation of additional funding.

The National Aboriginal Capital Corporation Association (NACCA) is an important organization for providing services and developing support programs that enable AFIs to build capacity and expand their services. For example, NACCA acts as the program manager responsible for delivering a support and training program, as well as an enhanced access initiative to enable AFIs to provide services in underserved areas, and an interest rate buy-down program to allow AFIs to increase their loan capital pools by securing credit with mainstream financial institutions.

The government must provide sufficient funding for NACCA to continue to support the capacity development of AFIs through programs, training services and research.

The current government programs have been in place for many years and were developed when Aboriginal businesses had many different needs and capacities. This has resulted in some programs having limited results, Aboriginal businesses being forced to pay higher than market rate interest and lost opportunities.

The government should establish an expert panel, in partnership with NACCA on access to capital with subject matter experts from financial institutions and Aboriginal organizations and communities to develop options to guarantee and secure long-term low-cost financing for Aboriginal businesses.

**Specifically, the NAEDB recommends that the federal government:**

- Review the criteria and application of the Loan Loss Reserve (LLR) program to include eligible AFIs to facilitate access by Aboriginal businesses to larger loans.
- Invest \$70 million over 5 years to provide the required levels of funding for developmental lending by AFIs to prevent erosion of their capital base.
- Provide long-term, multi-year funding for AFIs and establish clear and transparent guidelines for the allocation of additional funding for AFIs.
- Continue funding the National Aboriginal Capital Corporation Association (NACCA) as a support organization to AFIs.
- Establish an expert advisory panel, in partnership with NACCA to strengthen access to capital by providing options to guarantee and secure long-term, low-cost financing for Aboriginal businesses.

*Business Support Services*

Since the mid 1980s, the government has provided financial contributions to Aboriginal businesses to assist with business planning, start-ups and acquisitions, marketing activities and business expansions. Business contributions act as a source of equity financing, which when combined with client equity, enable entrepreneurs to undertake small projects and access debt-financing from other sources for larger expansion activities. These federal contributions are critical to offset the higher costs associated with doing business in an Aboriginal context and to help attract commercial financing.

While existing programs are critical for supporting a range of business development activities, including developmental support, planning activities, business capitalization, operating costs, market development activities, and business innovation, a “one size fits all” approach has impeded their effectiveness in meeting the diverse capacity needs of Aboriginal businesses and entrepreneurs across Canada. A differentiated approach that better reflects the diverse needs of Aboriginal businesses can be achieved by working more with experts from private and Aboriginal financial institutions, successful Aboriginal entrepreneurs, and community leaders in the design and delivery of these programs.

The existing personal equity criteria under the Aboriginal Business Development Program evaluates need based upon a client’s financial capacity to contribute to a project, and increases the required personal equity contribution relative to this capacity. While the Board supports a differentiated approach for business financing based upon need, it is concerned that successful businesses are not receiving the support they need for business expansion under the current policy.

The government should support business development and expansion for all Aboriginal businesses by continuing to offer a variable personal equity requirement under the Aboriginal Business Development Program based on need while finding options for successful entrepreneurs to leverage the equity invested in their businesses.

There are currently four Alternative Service Delivery (ASD) agreements with AFIs that enable them to deliver funding under existing Aboriginal business development programs on behalf of the federal government. Program delivery through AFIs builds local capacity for business development and ensures programs are efficient and more responsive to local conditions. In addition, ASDs help increase the profile of AFIs within Aboriginal communities and encourage greater uptake of the services they provide.

The government should continue the momentum of successful ASD agreements and continue to establish them with AFIs that have the capacity and the desire to deliver the Aboriginal Business Development Program.

Today, opportunities for Aboriginal businesses have never been greater. The private sector is increasingly interested in partnering with Aboriginal businesses and entrepreneurs on large-scale opportunities that can deliver numerous benefits to Aboriginal communities as a whole. These opportunities, however, are becoming increasingly complex due to a variety of factors including capital mobility, advanced technologies and the globalization of financial markets. With this evolving complexity, many Aboriginal businesses do not have sufficient capacity to develop projects, procure services, negotiate financing or participate in public-private partnerships.

The government can help promote Aboriginal business development by better supporting communities to access the expertise and advice required to negotiate equity stakes and develop their capacity to manage projects with the private sector.

**The NAEDB recommends that the federal government:**

- Continue to provide Aboriginal Business Development Programs with a goal of devolving service delivery through Alternate Service Delivery agreements with Aboriginal Financial Institutions (AFIs) within 5 years.
- Continue to provide the suite of Access to Capital programs to support the capacity of AFIs to provide financial services to all Aboriginal businesses.
- Support communities in accessing advice and in developing the capacity for managing and financing projects, and for negotiating with the private sector.
- Continue to provide contributions under the Aboriginal Business Development Programs to address the need for client equity to leverage financing and in recognition of the higher cost of business in an Aboriginal community context.
- Continue the variable personal equity requirement criteria for the Aboriginal Business Development Program based on need, but provide mechanisms to support successful entrepreneurs who have their equity invested in the business.

### **3. SUPPORTING DIVERSITY**

Throughout the development of the Framework, the government recognized the importance of ensuring that economic development strategies meet the diverse needs of Aboriginal communities and individuals across Canada. Factors such as gender, age, region and urban/rural location can shape the way Aboriginal Canadians are able to access and benefit from programs. Consequently, a degree of flexibility needs to be built into all economic development programs to respond to the diversity of Aboriginal Canadians. In particular, program design and funding formulas must accommodate the unique challenges of northern and remote communities and must respond to the different needs of Aboriginal women and youth.

#### *Northern and Remote Communities*

Northern and remote communities face similar challenges in terms of isolation and limited economic opportunities, but they differ greatly in terms of governance. Modern treaties with Aboriginal groups cover most of the land across the territories and in the northern parts of Quebec and Labrador, providing certainty for investors and greater autonomy over decision-making. By contrast, most remote communities south of 60 are managed in accordance with the provisions of the *Indian Act* and have less direct control over their lands. The following recommendations were developed to reflect some of the similar economic factors impacting northern and remote communities, but must be interpreted within the context of the different governance structures and the unique circumstances of each community.

Both northern and remote communities face higher costs in business development due to a number of factors including seasonal shipping corridors, a lack of infrastructure, distance from financial and educational institutions, and limited access to markets; consequently, these communities are more affected by delays in project approvals and experience higher transportation costs. Delayed project approvals often result in missed opportunities because the seasonal shipping window closed or because the higher costs became untenable.

A government should develop a streamlined project approval process, and ensure that approval timelines are linked to a community's seasonal transportation corridor and construction period.

The services available in remote and northern communities are often limited and make accessing programs and services difficult for many communities and businesses. Program delivery is at times inconsistent throughout the different regions and many offices are understaffed with qualified individuals. The current approach can also be more costly for Aboriginal organizations and government to administer due to the duplicate need for office space and resources. A one-window service delivery approach would help overcome these challenges and will allow Aboriginal proponents to access the range of services available in an efficient and consistent manner.

The government should, where possible, develop one-window approaches to program and service delivery in northern and remote communities.

The economies of many northern and remote communities are either traditional or resourced based, and virtually all commodities used by the community must be transported over long distances by ground, sea or air. Consequently, communities face higher costs for commodities which limit the personal equity they can use for business development. Project development costs are also much higher in these communities due to their isolation and the need to import material and often labour.

The government should implement a transportation subsidy for these communities to help reduce the cost of commodities and material and increase the equity available for business development. In addition, the government can help offset the higher costs of doing business in these communities by ensuring that funding within programs is flexible enough to adapt to the circumstances of a community.

Northern and remote communities also face challenges attracting and retaining qualified economic development staff due to a lack of skills development programs within communities and insufficient financial resources to entice qualified individuals from urban centres. Many northern and remote communities face high employee turn-over rates due to isolation and often harsh living conditions. Consequently, these communities are unable to retain staff long enough to build up local capacity and remain reliant on outside expertise.

The government can help overcome this challenge by ensuring that program funding for northern and remote communities is sufficient to attract, train and support qualified economic development staff so they can pursue opportunities and build local capacity.

Finally, Aboriginal economic development programs are currently delivered in the North by the Canadian Northern Economic Development Agency (CanNor), in cooperation with INAC. Currently CanNor's mandate for program delivery extends to only two of the four regions of Inuit Nunangat.

The Inuit groups have asked that Inuit Nunangat be treated as one region from a policy perspective.

**Specifically, the NAEDB recommends that the federal government:**

- Provide financial support that fully reflects the higher costs of doing business in northern and remote communities.
- Establish a one-window approach – and strengthen existing ones – for economic development program and service delivery within existing Aboriginal institutions for northern and remote Aboriginal communities.
- Implement a subsidy for the higher transportation costs for Aboriginal businesses in northern and remote communities.
- Establish project approval processes that are adapted to the short transportation and construction periods in the North and in northern remote communities.
- Provide sufficient funding to attract, train and support qualified Aboriginal economic development staff in northern and remote communities with a goal towards building local/regional capacity.
- Ensure CanNor and INAC respect the principles set under NEDCIN, including treating Inuit Nunangat as one region from a policy perspective.
- Implement government-to-government relationship, including multi-year funding arrangements with modern treaty holders.

### Supporting Aboriginal Women

Aboriginal women are playing an increasing role in Aboriginal businesses, with 51% of Aboriginal-owned small-medium enterprises (SMEs) belonging entirely or partly to women. More and more Aboriginal women are becoming prominent business and community leaders, and they have significant potential to contribute to the economic growth and development of their communities.

Despite this potential, Aboriginal women have historically had higher unemployment rates and lower rates of self-employment than their non-Aboriginal counterparts. Programs that are opportunity driven and focus on skills development can be important tools to help increase entrepreneurship among Aboriginal women and to increase their participation in the Canadian labour market.

Aboriginal Business Development Programs currently require personal equity investment in projects irrespective of applicant gender; however, Aboriginal women are less likely to have personal equity to invest in their businesses due to lower levels of income, employment, and personal property to leverage for financing. This situation puts Aboriginal women at a disadvantage when trying to start or grow businesses.

The government needs to ensure that the personal equity requirements for Aboriginal Business Development Programs are flexible to accommodate the lower levels of personal equity available to Aboriginal women.

Currently, Aboriginal women are not making full use of economic development programs. Programs that support Aboriginal economic development could be better communicated to Aboriginal women to help them identify the options that apply to their particular needs and circumstances. An effective outreach strategy that uses appropriate communication mediums to target Aboriginal women can help to increase the uptake of these programs.

Although entrepreneurship levels among Aboriginal women have been steadily increasing, they still lag behind national levels. The 2006 self-employment rate for Aboriginal women was 5.1%, compared to 8.7% for non-Aboriginal women. The level of Aboriginal women entrepreneurship can be improved by targeting this group with specific programs that will contribute to increased entrepreneurship.

The ability to understand finances and develop a clear business plan is a requisite to developing strong businesses, and effective business plans are often required when seeking financing.

The government can promote strong businesses among Aboriginal women by making financial literacy one of the prime objectives of skills development programs for entrepreneurship.

Approximately 60% of Aboriginal women work in sales and service, business, finance, or administration; however, other industries across Canada are experiencing labour shortages that could be addressed by increased involvement by Aboriginal women. In particular, the major resource and energy sectors are sources of many well paying jobs but Aboriginal women currently only represent 14% of the Aboriginal people employed in these sectors.

The government can encourage the greater participation of Aboriginal women in non-traditional sectors through skills development programs. These programs should emphasize the mining, oil and gas, and construction sectors.

Finally, in 2009 and 2010, the NAEDB co-chaired two gender roundtables with representatives from all Aboriginal heritage groups and the federal government. These roundtables were excellent opportunities to identify emerging priorities and suggest new initiatives.

The government should continue to hold these annually in order to measure ongoing initiatives and emerging priorities.

**Specifically, the NAEDB recommends that the federal government:**

- Ensure that the personal equity requirements for Aboriginal Business Development Programs recognize and accommodate the lower levels of personal equity available to Aboriginal women.
- Develop a targeted communication plan to increase awareness of Aboriginal economic development programs available to women.
- Support entrepreneurship for Aboriginal women by establishing culturally appropriate financial literacy training programs.
- Target non-traditional sectors to increase the participation of Aboriginal women.
- Establish an annual gender roundtable to support and measure ongoing gender initiatives and identify emerging priorities.

*Supporting Aboriginal Youth*

Aboriginal Canadians are the fastest growing demographic in Canada with 400,000 Aboriginal youth poised to enter the labour market within the next 10 years. These youth will have significant potential to contribute to Canada's economy, particularly in helping to resolve the increasing labour shortage in Canada.

The government can increase the participation of Aboriginal youth in the economy by ensuring programs are accompanied with an effective outreach strategy using social media.

Aboriginal youth would also benefit from financial literacy training, but this training could go beyond skills development programs and be incorporated within a broader education program linked to economic opportunities.

Currently, education and training programs for Aboriginal youth do not necessarily correlate to identified economic development opportunities within their communities or within their region. Consequently, local businesses recruit non-Aboriginal Canadians or even people from different countries, while Aboriginal youth are forced to leave their communities and regions to find employment. Given the predicted shortage of skilled labour in Canada, Aboriginal youth should be able to find quality employment within their regions.

The government must ensure Aboriginal youth have opportunities within their communities and regions by linking education and training programs to the identified economic opportunities of a region.

**Specifically, the NAEDB recommends that the federal government:**

- Develop a targeted communication plan to increase awareness of Aboriginal economic development programs available to youth that uses social media.
- Support entrepreneurship for Aboriginal youth by establishing culturally appropriate financial literacy training programs and linking this training with the education curriculum.
- Use identified economic opportunities to link training programs and education for Aboriginal youth.

#### **4. IMPROVING PROGRAM ADMINISTRATION**

##### Program Delivery

Many Aboriginal communities and businesses have faced significant delays in pursuing economic development opportunities due in large part to the length of time required by the government to approve project applications, finalize funding allocations and process claims. Lengthy delays create uncertainty among developers and jeopardize partnerships with the private sector, particularly for those that involve major projects in and around Aboriginal communities.

The government should establish clear and measurable service standards to eliminate these lengthy delays and ensure efficiency in program delivery. These service standards should include client response time, completion of assessments and approvals.

Current programs adopt a “one size fits all” approach to funding recipients by applying the same criteria and application process regardless of financial track record or level of capacity. This lack of differentiation has led to a “risk adverse” approach to project assessment and funding that does not factor in the level of capacity and past performance of Aboriginal communities and businesses when determining funding allocations. Consequently, Aboriginal communities and businesses with a high level of capacity and/or a proven track record of successful projects are put through the same detailed application process as those who are applying for the first time or have a higher risk profile. This situation results in projects being needlessly delayed and in higher costs for both communities and the government.

The government must work with Aboriginal communities and relevant Aboriginal organizations to develop clear and transparent risk rating assessment criteria to ensure program requirements take into account the program objectives, level of funding requested and risk profile.

Changes to government programming have sometimes been made without proper engagement and implemented in a reactive manner without sufficient time to educate program delivery officers and clients about the new options, objectives, and reporting requirements. Limited engagement and an insufficient transition period limits the effectiveness of new programs and creates confusion around the new application and reporting requirements.

The government can ensure the effectiveness of programs by continuing to engage with Aboriginal people, experts and other government departments in the development and ongoing implementation of new programs and policies, and by providing an adequate implementation period to communicate programs without unnecessarily delaying the needed program changes.

**Specifically, the NAEDB recommends that INAC and CanNor:**

- Establish clear and measurable service standards for program delivery that include client response time, completion of assessments, and approvals.
- Develop, in consultation with communities and relevant Aboriginal organizations, clear and transparent risk rating assessment criteria in order to ensure that program requirements take into account the program objectives, level of funding and the risk profile of the recipient.
- Continue to engage Aboriginal Canadians when developing new policies and programs, and allocate an adequate implementation period that allows program changes to be properly communicated without unnecessarily delaying needed program changes.

## Reporting and Performance Measurement

Existing Aboriginal economic development programs delivered by INAC and CanNor require multiple reporting requirements, resulting in an unnecessarily complicated process. Consequently, Aboriginal proponents are faced with a heavy reporting burden in meeting the program requirements for the various government departments. For example, in 2006 the Auditor General of Canada estimated that First Nation communities had to file at least 168 reports annually, and that INAC alone received more than 60,000 reports a year from over 600 First Nations (data on the requirements for Inuit or Métis was not available). This requires a considerable amount of resources at both the federal and community levels that could be better used to support communities and businesses.

The government must take measures to reduce the reporting burden for Aboriginal communities and businesses by developing streamlined reporting processes that capture data relevant to both program clients and government departments.

Currently, reports submitted to various government departments can require similar data, but there is no process to prevent duplication and wasted resources for Aboriginal communities. Consequently, Aboriginal proponents must gather data to report to one department, and then gather the data again to report to another department several months later.

For efficiency and to decrease costs, the government must ensure that reports that require similar data are consolidated and reports have harmonized reporting cycles and requirements.

Programs are assessed through internal government audits which can often indicate necessary and possible changes to ensure the programs are more effective. The changes initiated in response to these audits are too often done without sufficient consultation with Aboriginal communities and relevant Aboriginal organizations; consequently, they sometimes result in a more complicated process for program applications and project approvals.

The government should continue to evaluate the effectiveness of programs in consultation with Aboriginal people before making changes to programs due to auditor evaluations. This evaluation should determine the impact of changes and, where programs have not proven effective, should determine a way to reallocate funding.

Aboriginal businesses and communities recognize the importance of reporting on programs and on measuring economic development in order to tell a compelling performance story and identify gaps. The diversity within Aboriginal economic development, however, requires that data collection be sufficiently disaggregated to capture the regional, heritage and gender diversity of Aboriginal communities

and businesses. Currently, program reporting does not sufficiently disaggregate data and thus programs are not able to identify the diverse needs of Aboriginal peoples. Consequently, programs cannot respond to issues unique to a particular context and cannot identify trends in Aboriginal economic development.

The government must ensure that reporting on programs includes the collection of disaggregated data which captures gender, region and Aboriginal heritage group.

The NAEDB is currently developing a benchmarking report to identify data gaps and establish baseline performance indicators for measuring the socio-economic development of Aboriginal peoples over time and relative to the broader population. The benchmarks established in this report will provide critical data for evaluating programs and policies and will form the statistical basis for recommendations from the Board to the government. The Board requests that this data be used to issue an annual national Aboriginal economic progress report to measure progress and effectiveness of programs.

**Specifically, the NAEDB recommends that INAC/CanNor:**

- Develop simplified and streamlined reporting processes that capture data relevant to both program clients and government departments.
- Consolidate reporting where appropriate to harmonize with the reporting cycles and requirements of other federal departments.
- Evaluate, in consultation with communities and relevant Aboriginal organizations, the effectiveness of programs and determine where changes or reallocations should occur.
- Ensure that reporting on programs includes the collection of disaggregated data, capturing gender, region and Aboriginal heritage group.
- Ensure data can be collected regularly and is used to update an annual national Aboriginal economic progress report.

*Capacity and Training*

A high turnover rate, coupled with the increasing complexity of Aboriginal economic development opportunities, has created a significant lack of capacity among INAC and CanNor staff. This lack of capacity means that communities are often interacting with different project officers who may not have sufficient knowledge of Aboriginal peoples – their history, treaties, and interests – and of the needs and challenges of Aboriginal economic development – unique opportunities, regional diversity, and the fiscal arrangements between the federal and Aboriginal governments.

The government must ensure that client service delivery staff have sufficient knowledge and understanding of Aboriginal history and culture through better staffing and training, and through the hiring of Aboriginal people. The

government must also ensure that project officers have sufficient knowledge, understanding and expertise of the needs and challenges of Aboriginal economic development.

Aboriginal organizations are an important part of Aboriginal economic development and are uniquely positioned to identify and understand the needs of Aboriginal communities. While the government currently partners with some Aboriginal organizations to deliver programs, they should be used more often. This would help build capacity by providing work experience opportunities and would strengthen their ability to serve the needs of their communities.

The government should, where appropriate, devolve more aspects of program delivery to established Aboriginal organizations.

**Specifically, the NAEDB recommends that the federal government:**

- Ensure those departments working with Aboriginal people increase their knowledge and understanding of Aboriginal people, including through the hiring of Aboriginal people.
- Provide training for federal program officers to ensure that they have the right knowledge, understanding and expertise in economic development.
- Use Aboriginal organizations, where possible, to implement and deliver programs.

## **COMPLEMENTARY MEASURES**

The Board believes that the federal government's work on program renovation will only be successful if it is complemented by a number of additional actions:

- Full implementation of the Framework: The federal government must work to fully implement the Framework without delay through a whole-of-government approach to Aboriginal economic development.
- Land claims: The federal government must accelerate the settlement of land claims which will facilitate economic development opportunities, as well as implement to the extent possible the current Comprehensive Land Claim Agreements and Self-Government Agreements.
- Environmental management: The federal government must streamline environmental assessment requirements on reserve lands, particularly by reviewing how the *Canadian and Environmental Assessment Act* and the *Species at Risk Act* are applied to reserve lands.
- Federal support for Aboriginal economic development: The federal government should provide non-discretionary, multi-year funding for economic development at a level of not less than 10% of total federal spending on Aboriginal Canadians.
- Impact assessments of policy changes: The federal government must consider the potential economic impacts of all policy changes that affect Aboriginal people and businesses when making policy and program

changes that may not appear to be directly related to economic development. This includes establishing a clear process to alert and consult when changes will be made.

- Awareness: The federal government must highlight successful Aboriginal communities and projects to encourage more private sector involvement and support from the Canadian public.

## **CONCLUSION**

The current suite of federal Aboriginal lands and economic development programs have been critical to helping Aboriginal Canadians, their businesses and their communities become more active participants in the economy over the past twenty years. However, with a rapidly expanding economic base of land and resources, a new Federal Framework for Aboriginal Economic Development, and a demonstrable interest of the non-Aboriginal private sector in investing in and working with Aboriginal communities and businesses, the time is right to modernize the supporting suite of Aboriginal economic development programs to ensure they keep pace with the changing conditions of the 21<sup>st</sup> century and respond to the challenges and opportunities facing Aboriginal Canadians.

Aboriginal Canadians need the right tools to build opportunity-ready communities and strong, viable businesses that will increase their self-reliance and bring benefits not only to their communities but also to local and regional economies. Modern, flexible programs will help create an enabling environment for economic development where communities and businesses have the capacity to identify and seize opportunities, to assume control over their lands and process transactions at the speed of business, and acquire the support needed for their businesses to grow and thrive. If the government creates a suite of program that fosters this environment, the Board is confident that Aboriginal communities, businesses and entrepreneurs will increasingly become part of a strong Canadian economy.