

National Aboriginal
Economic Development Board



Conseil national de
développement économique
des Autochtones

Recommendations

for

Aboriginal

Economic Development

February 2009

National Aboriginal Economic Development Board
Recommendations for Aboriginal Economic Development

Executive Summary

Canada is entering a dangerous period of economic uncertainty. Among the important advantages that Canada has to respond to this crisis are this country's Aboriginal people. The initiatives we have identified in this Report would both provide support for significant and sustained Aboriginal economic development and provide a real and immediate stimulus to address the current economic crisis.

The National Aboriginal Economic Development Board supports an increased investment in economic development that should result in a decrease in poverty; the current social investment formula of 96% towards social investments versus 4% in economic investment must be reversed and is not tenable if we want to attain self sufficiency.

Strengthening the economic base, including lands and natural resources, infrastructure and people, is essential to building economic potential for Aboriginal communities, businesses and people. Improving the infrastructure deficit in Aboriginal communities is a priority in order to attract businesses and investment and create jobs. The real opportunities offered by investment in and growth of the Aboriginal workforce, particularly Aboriginal youth, must also be realized through a sustained focus on education, skills training and capacity building, and the removal of labour market barriers.

Improving the economic climate will ensure that the right conditions are created for the growth of Aboriginal participation in the economy. Legal and regulatory barriers to development, particularly those affecting land management, must be systematically addressed and government regulatory and administrative services must begin to operate at the speed of business. Governance and institutional structures must be reformed to ensure that they are aligned with and support economic development, and the role of Aboriginal financial institutions must be strengthened.

In order to ensure that a strengthened economic base and an improved climate are activated, stimulus is needed in the form of capital, know-how, planning and key partnerships that will support job creation, business development and community investment. Increasing access to capital for Aboriginal businesses, through the removal of barriers and the creation of targeted business development funds is a priority. Government services for business must be streamlined and federal procurement changed to improve access and opportunities for Aboriginal businesses. The measures we have recommended will also increase the opportunities for Aboriginal businesses to become full partners in joint ventures with the non-Aboriginal private sector, facilitate participation in major projects, and stimulate community investment and development.

The National Aboriginal Economic Development Board believes 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, and urges the federal government to give serious consideration to the recommendations in this Report.

The mandate of the NAEDB is to advise the Minister of Indian Affairs and Northern Development and Ministers of other Federal departments concerning policy, programming, and program coordination relating to Aboriginal Economic Development. The objective of this report is to contribute to ensuring that Aboriginal peoples are full partners in the Canadian economy, share fully in economic opportunities, and achieve economic success that benefits Aboriginal people and all Canadians.

National Aboriginal Economic Development Board

Recommendations for Aboriginal Economic Development

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I. INTRODUCTION

National Aboriginal Economic Development Board

The National Aboriginal Economic Development Board (NAEDB) was established by Order in Council in February, 1990. The Order provides for the Governor in Council to appoint up to 20 members, including a Chairperson and up to three Vice-Chairpersons. Members may be appointed for varying terms and are selected from leaders in the Aboriginal (First Nations, Métis and Inuit) and non-Aboriginal business community across Canada. The Board currently has 13 members:

Chief Clarence Louie (Chair) – CEO, Osoyoos Indian Band Development Corporation

Pita Aatami – President, Makivik Corporation

Chief Jim Boucher – Chairman, Fort McKay Group of Companies

Barbara Bruce – Vice President, Marketing, Tribal Councils Investment Group of Manitoba

Nellie Cournoyea – Chair and CEO, Inuvialuit Regional Corporation

Richard Francis – Manager in Aboriginal economic and community development

Victor Buffalo, O.C., A.O.E., President, International Organization of Indian Resource Development (IOIRD)

Chief Joe Linklater – Chief, Vuntut Gwich'in First Nation and Chair, Gwich'in Council International

Dawn Madahbee – General Manager, Waubetek Business Development Corporation

Matthew Mukash – Grand Chief, Grand Council of the Crees

Chief Terrance Paul – Chief, Membertou First Nation

Chief Sharon Stinson-Henry – Chief, Rama Mnjikaning First Nation

Tara Tootoo-Fotheringham – Business owner, Rankin Inlet

The mandate of the NAEDB is to advise the Minister of Indian Affairs and Northern Development and Ministers of other Federal departments concerning policy, programming, and program coordination relating to Aboriginal economic development.



Context

In *Budget 2008*, the Government of Canada committed to “work with Aboriginal groups and other stakeholders to develop a framework that will be partnership-based and opportunity-driven and that will ensure that federal investments help Aboriginal Canadians benefit from viable economic opportunities”. Indian and Northern Affairs Canada is leading the process of developing this new framework on behalf of the federal government. They have taken the bold step to more closely align the Lands and Economic development functions into the same sector; recognizing the importance of the connection between the land and economic opportunities.

Shortly thereafter, the Government noted in its response to a report of the Senate Standing Committee on Aboriginal Peoples (*Sharing Canada's Prosperity – A Hand Up, Not A Handout*) that “the time has come to make Aboriginal peoples full and meaningful partners in the Canadian economy, both for the good of Aboriginal people and for the good of the country as a whole, for the economic success of Aboriginal Canadians benefits all Canadians”.

In the November, 2008 Speech from the Throne, the Government announced its intention to “take steps to ensure that Aboriginal Canadians fully share in economic opportunities, putting particular emphasis on improving education for First Nations in partnership with the provinces and First Nations communities”.

More recently, in *Budget 2009*, the Government stated that “an essential part of Canada’s training efforts is fostering partnerships with Aboriginal groups and the private and public sectors to ensure that Aboriginal Canadians get the skills and training they need to play a larger role in the labour market, and to help them make the most of employment opportunities”. *Budget 2009* committed an additional \$200 million over three years to support Aboriginal skills development and training, \$515 million to support First Nation communities with urgent on-reserve infrastructure needs and \$50 million in support of economic development in the North.

Objective of this Report

The objective of this Report is to support to the Government’s commitment to ensuring that Aboriginal peoples are full partners in the Canadian economy, share fully in economic opportunities and achieve economic success that benefits Aboriginal people and all Canadians.



The recommendations set out in the Report have been developed by the Board at a number of meetings held between January, 2008 and January, 2009. The Report addresses Aboriginal economic development in its broadest sense.

RECOMMENDATIONS

Canada is at a historic juncture regarding the prospects of connecting Aboriginal people to the Canadian and global economy. In the context of the current deepening global credit and economic crisis, Canada is entering a dangerous period of economic uncertainty during which the federal government has a leadership role to play in guiding all Canadians through this challenging period.

Among the important advantages that Canada has at its disposal to respond to this crisis are this country's Aboriginal people. As a result of an expanding land and resource base, pending and established land claims settlements, Canada's youngest and fastest growing segment of the population and an emerging job-creating business sector, Aboriginal Canadians are well-placed to participate in the development and strengthening of the Canadian economy and begin driving economic activity in many regions of the country. Hundreds of billions of dollars in potential natural resource investments are projected over the coming decade in and around Aboriginal communities. Aboriginal Canadians are also actively developing global business partnership opportunities to attract foreign investment and open up export markets for Aboriginal goods and services.

Aboriginal economic development must become an ongoing national priority to involve Aboriginal people as participants and contributors in the development and strengthening of the Canadian economy. Strategic aggregations to position communities to create efficiencies should be encouraged given the populations and capacities of smaller and more remote communities. The initiatives we have identified in this Report would both provide support for significant and sustained Aboriginal economic development and provide a real and immediate stimulus to address the current economic crisis.

Our recommendations have been organized into three broad themes: the *economic base*, the *economic climate*, and *economic activation*.



A. Economic Base

Strengthening the economic base is essential to building economic potential for Aboriginal communities, businesses and people. The key elements of the economic base include *lands and natural resources*, *infrastructure* and *people*, including notably Aboriginal youth, who make up the fastest growing segment of Canada's population.

Lands and Natural Resources

It must be recognized that an expanded land base is an essential foundation for economic development. This requires that original Aboriginal ownership be recognized and that treaty and fiduciary obligations be fully honoured. Treaty and fiduciary obligations relating to resources, including fisheries, must also be fully implemented.

Aboriginal people must be fully involved in major resource development in recognition of their title and their traditional responsibility for stewardship of the land.

To advance these objectives, the Board recommends that the federal government:

- Consider the establishment of processes involving all levels of government (federal and provincial/territorial governments and Aboriginal governments and communities) to ensure that Aboriginal people receive a fair share of the economic benefits from resource development.
- Strongly recommend streamlined Additions to reserves and Treaty Land Entitlement processes that match the speed of business, as a majority of First Nations could be able to unlock the economic potential through an increased land base.
- With the full involvement of and cooperation with Aboriginal designated representatives, create a clear legal and administrative framework for the legal duty to consult, including:
 - Establishment of a legislative and policy framework for the court-sanctioned duty.
 - Provision of resources to enable Aboriginal communities to engage professional expertise to deal with the duty to consult.

We note that tri-partite co-management regimes already exist within Inuit and some northern First Nation communities, and that Comprehensive Land Claims Agreements include a legal and administrative framework for the duty to consult.



Infrastructure

Improving the infrastructure in Aboriginal communities is a priority. The infrastructure deficit in these communities throughout Canada is a serious impediment to economic development. Infrastructure is an essential precondition for attracting businesses and investment and new infrastructure in communities would lead to procurement opportunities, business activity and job creation and provide opportunities to build partnerships with the private sector.

The Board recommends that:

- Investment in infrastructure should be informed by and build on existing economic, business and program successes.
- Where there are opportunities to service major resource development, the federal government should invest directly and support leveraged investment in improved community infrastructure to service the development.
- Investment in infrastructure development must recognize different regional needs in the North, including the existing infrastructure deficit, the additional costs of development, transportation and business and the importance of benefits flowing from support for the traditional economy.
- Individually customized approaches should be developed for providing infrastructure access to isolated communities; existing successful models should be identified and adapted.

People

Prior to the current recession, the Canadian economy expanded rapidly, outstripping the supply of skilled labour in many fields and pushing development farther into every region of the country. In order to ensure that this expansion supports a rapid exit from the recession and ensures that Canada continues to grow economically, the real opportunities offered by investment in and growth of the Aboriginal workforce must be realized; between 2001 and 2026, more than 600,000 Aboriginal youth will come of age to enter the labour market. In addition, investment in Aboriginal people will address the double digit unemployment and ever-rising social poverty spending costs that negatively impact Aboriginal people and communities and have resulted in the challenging socio-economic statistics of Canada's Aboriginal people.

It must be recognized that education and capacity building are the overriding foundations for the participation of Aboriginal people in the economy. The Board therefore recommends that:



- The federal government should foster a new partnership-based relationship between government and Aboriginal people, recognizing that government must fulfill its fiduciary responsibilities with regard to education by adapting to the needs of Aboriginal people, and that partnership will require a change of perspective and attitude on the part of both government and Aboriginal people.
- Governments should work together to communicate with the non-Aboriginal business sector to raise awareness of the existing workforce potential in Aboriginal communities.
- Labour market barriers in urban centres should be addressed, in particular by addressing the need for support mechanisms and services for Aboriginal people who move to urban centres for employment or education. Access to adequate funding for education is essential, as most students are living at poverty levels due to low family incomes.
- Governments must focus their investment in and support for education and training to ensure that:
 - It is recognized that secondary, post-secondary and trades education is paramount to Aboriginal economic development and sufficient financial resources, supports and programming must be in place.
 - Business sectors and associations are encouraged to develop programs to facilitate non-Aboriginal professionals and tradespersons in providing apprenticeship and work experience opportunities for Aboriginal professionals, apprentices and tradespersons.
 - Employment placement and internships programs are established for Aboriginal people over the age of 30, to address their high unemployment level.
- Key economic development programs focused on education and skills development are in place and provide for flexible multi-year funding and performance indicators that reflect regional needs and priorities.
- Measures to address education and capacity building take into account the impact of rapid change on traditional roles, including gender roles, and traditional economies.

Youth



As previously noted, Aboriginal youth are the fastest growing segment of Canada's population and it is essential for their own and Canada's social and economic well-being to ensure that they are prepared to become full participants in our economy. It is important to involve youth and seek their input in setting targets for youth programming and services, and in measuring progress.

The Board recommends that:

- The federal and provincial/territorial governments and Aboriginal communities should act together to urgently address the low secondary and post-secondary graduation rates of Aboriginal youth. Measures should include:
 - Ensuring that school curricula reflect Aboriginal peoples' history, language and culture and that appropriate credit is given for traditional knowledge and skills
 - Ensuring that understanding and knowledge of Aboriginal history and present-day culture is an element of mainstream school curricula
 - Establishing services for Aboriginal youth that reinforce the link between education and jobs and generally promote the importance of education
 - Supporting post-secondary institutions to establish a physical presence in Aboriginal communities
- Governments and Aboriginal and non-Aboriginal business institutions should create an entrepreneurial skills development program for Aboriginal youth
- The federal government must fully respect and implement the fiduciary obligation to provide post-secondary education

B. Economic Climate

Improving the economic climate will ensure that the right conditions are created for the growth of Aboriginal participation in the economy. Elements of the climate that must be addressed to create the right conditions include the *legal and regulatory climate, governance and institutions*, and the *fiscal capacity and fiscal arrangements* of Aboriginal governments and communities.



The National Aboriginal Economic Development Board supports an increased investment in economic development that should result in a decrease in poverty; the current social investment formula of 96% towards social investments versus 4% in economic investment must be reversed and is not tenable if we want to attain self sufficiency

Legal and Regulatory Climate

There are many legal and regulatory barriers to development that must be systematically addressed to allow and better support Aboriginal participation in the economy. In particular, land management for most First Nations is still governed by out-dated regimes characterized by centralized decision-making that considerably slows economic activity; reforming these regimes would result in significant increases in business activity, including economic activity associated with natural resources.

The Board recommends that:

- The federal government should continue to systematically address barriers to development through appropriate legislative, regulatory and administrative solutions. In particular, it should:
 - Provide additional resources to modernize land management in First Nations communities.
- Government must operate at the speed of business in order to support the realization of economic opportunities. The federal government should:
 - Review bureaucratic processes that affect economic development to reduce unnecessary processes and speed up processing time.
 - Significantly improve coordination between all departments and programs that have an impact on economic development.
 - Ensure that decisions affecting economic development are made at a level as close as possible to those affected by the decision.

Governance and Institutions

It is essential to reform and improve governance and institutional structures to ensure that they are aligned with and support economic development. The Board recommends that:

- The federal government should work together with First Nations to continue to systematically amend governance legislation and regulations to ensure they are conducive to First Nations business development.



- The federal government should establish a discrete Office within the Privy Council Office to deal with communities that have Comprehensive Land Claims Agreements (CLCAs) and ensure that the policies and programs of all federal departments and agencies reflect the underlying principles, legal provisions, division of responsibilities and governance structure of CLCAs.
- An Inuit-specific approach to economic development should be developed and implemented for all economic program development affecting Inuit Nunangat, based on priorities and recommendations established by the National Inuit Committee for Economic Development.
- The capacity of Aboriginal financial institutions (AFIs) should be strengthened and their presence enhanced to eliminate gaps in service. The National Aboriginal Capital Corporation Association should have an enhanced oversight and support role in order to:
 - Establish national best practices while recognizing the autonomy of each AFI in serving their diverse regional geographies, distinct cultural groups and diverse economies/markets.
 - Create the expertise and provide funding that will allow AFIs to negotiate large projects and build capacity.

Consideration should be given to expanding the role of AFIs to include retail banking and allow the issuance of bonds.

Fiscal Capacity and Arrangements

The fiscal capacity of Aboriginal governments and institutions must be improved to ensure that they have the ability to support economic development. The Board recommends that:

- Federal and provincial funding, royalty and tax regimes should be reviewed to ensure that they are fiscally fair and better support economic development. In particular:
 - Rents and royalties should reflect current economic values, not the value at the time the treaty or settlement was established.
 - Punitive funding formulae, such as funding reductions resulting from own-source revenue, should be eliminated.
 - The role of tax incentives for business development and community economic development should be addressed.
 - Funding formulae should specifically address the higher costs of doing business in the North.



- Intellectual and cultural property rights regimes should be amended to ensure that revenues from these rights flow to Aboriginal people and communities.
- Mechanisms should be established to flow funding directly to communities and settled land claims organizations through transfer payments or intergovernmental arrangements in order to eliminate the barriers to sustained development caused by the uncertainties associated with grant and contribution funding.

C. Economic Activation

To ensure that a strong potential economic base and the right climate are activated, stimulus is needed in the form of capital, know-how, planning and key partnerships. Activation elements that should be addressed include jobs, business development, community investment, partnerships with the private sector, and participation in major projects.

Jobs

As previously noted, Aboriginal people are one of the important advantages that Canada has to respond to the current economic crisis and ensure the future growth of the Canadian economy. In particular, Aboriginal youth constitute a very large segment of the population that will be entering the job market between now and 2026. The Board therefore recommends that:

- Priority be given to our recommendations in the section of this report dealing with youth to ensure that the demographic advantages presented by the young Aboriginal population result in the creation of a sustainable economy.

Business Development

Business development will be an important factor in ensuring that Canada successfully negotiates the current economic downturn and emerges in a strong growth position. It is more important than ever to focus investments in business development in order to combat the predominant social issues faced by many communities. Aboriginal business development can and should be an important component in strengthening Canada's economic position.



Increasing access to capital for Aboriginal businesses is a priority. On reserve First Nations businesses are often unable to access capital because on-reserve assets cannot be used as collateral; off reserve Aboriginal businesses often do not have a sufficient track record with commercial lenders. In the North, there is an absence of appropriate financial institutions.

Increasing Aboriginal procurement activity is also a priority. The current federal government approach to procurement does not sufficiently benefit Aboriginal businesses. A new comprehensive federal procurement strategy would provide more benefits to Aboriginal businesses and their employees and allow Aboriginal communities to partner effectively with provinces and territories to create new jobs and address the infrastructure deficit.

The Board recommends that:

- The federal government should establish an Aboriginal Enterprise Development Fund with at least \$100 million in annual non-discretionary funding, with a mandate to:
 - Support the establishment and growth of Aboriginal individual, corporate and community-owned businesses.
 - Support measures to stimulate the growth and capacity of AFIs, as set out in the section of this report dealing with governance and institutions.
 - Create incentives to improve access to commercial lending
- The federal government should establish specific programs for Northern business development that reflect business conditions in the North, including the creation of Inuit-specific policies and programs, inclusion of all Inuit regions in a northern development strategy, and the promotion of community driven economic development.
- The federal government should establish a new comprehensive procurement strategy that provides more access to federal procurement opportunities for Aboriginal businesses and ensures that greater benefits flow to Aboriginal businesses and their employees. The strategy should include mandatory Aboriginal procurement levels for federal departments and agencies.
- The federal government should create streamlined or single window access to business development services and pursue opportunities to cooperate with provinces/territories in providing fully-integrated services.
 - Services should include access to mentorship and internship programs, and business learning centres.



- Government services should be less risk averse and manage risk in a business context, recognizing that failure is a normal part of the business experience.
- The federal government should consider the establishment of urban reserves for Aboriginal commercial and business purposes

Community Investment

In order to support sustainable economic development, communities require the tools and supports necessary to identify their economic potential and plan for its development. Currently, there is a wide variation in the capacity of communities across the country and a significant deficit in poorer regions and communities.

The Board therefore recommends that:

- The federal government should establish an equalization formula for Aboriginal governments and communities.
- The federal government should review legislation, policies and directives across government to ensure all community investment and development programs are available to the North and the needs of Northern residents are reflected and addressed.
- The federal government should establish a Professional Advisory Services Program with at least \$10 million in annual funding to enable Aboriginal communities to have access to highly-qualified scientific, legal and financial expertise that will support development of viable economic opportunities and partnering with corporate Canada.
- The federal government should support the establishment of economic development incubator mechanisms in communities that would provide access to business operation advice and provide incentives to start businesses, including reduced rental rates and business fees and deferment of local user fees.

Private Sector Partnerships

Ensuring that Aboriginal people, communities and businesses are full participants in growing Canada's economy requires the promotion and facilitation of sustainable partnerships with the private sector.

The Board recommends that:

- The federal government should stimulate partnerships that benefit Aboriginal economic development by committing to policies that ensure Aboriginal businesses and communities are full partners in joint ventures and create and support mechanisms to leverage private sector expertise to provide advice to isolated communities.
- The federal government should, in cooperation with provinces and territories, consider the creation of tax-exempt and free-trade zones.

Our recommendation for reform of the federal procurement strategy to better support business development will also provide increased opportunities for Aboriginal businesses to become full partners in joint ventures with the non-Aboriginal private sector.

Major Project Participation

The federal government has recognized the importance of major projects to Canada's economic future, particularly in the natural resources sector, by establishing a Major Project Management Office to coordinate and streamline approval and other government processes associated with major projects. The next 20 years will see over \$140 billion in ongoing, planned and potential natural resource projects in rural and remote regions, where 50 percent of the Aboriginal population lives. For Aboriginal people, communities and businesses to realize their full potential as participants in the economy, it is essential that they be partners in these projects.

The Board therefore recommends that:

- The federal government should provide resources to Aboriginal communities and businesses to negotiate partnership relationships in major projects.

II. CONCLUSION

Aboriginal Canadians want to be full and meaningful participants in the Canadian economy. In *Budget 2008*, the November, 2008 *Speech from the Throne*, and *Budget 2009*, the federal government has expressed its commitment to ensuring that Aboriginal Canadians fully share in our country's economic opportunities.

The National Aboriginal Economic Development Board believes 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. We believe that the recommendations contained in this Report will promote and support that role and also address the social and economic condition of many Aboriginal people, as illustrated by high unemployment and social poverty costs.

The Board urges the federal government to give serious consideration to the recommendations in this Report and looks forward to continuing its work and providing advice on Aboriginal economic development.