

Assessment and recommendations

The purpose of this study is to provide recommendations to the Canadian Government about how to improve economic development outcomes for Indigenous peoples at a local and regional level. There is no simple way to summarise the colonial history and contemporary economic circumstances of Indigenous peoples in Canada. ‘Indigenous people’ is a heterogeneous term that refers to the original nations and peoples of what is now called Canada. In Canada today, the Constitution Act (1982) recognizes three groups: Indians (now referred to as First Nations), Inuit and Métis. This report mainly engages with economic development issues for First Nations and Inuit. Further work is needed to address the particular circumstances of the Métis. In past decades, the Canadian Government has made significant progress in recognising the right of Indigenous peoples to self-determination. Treaty rights were affirmed in the Constitution Act (1982) and the Canadian Government has committed to a nation-to-nation relationship with Indigenous peoples. This study, and its recommendations, are within the framework of this overarching commitment.

Assessment 1: Indigenous Peoples in Canada – trends and data needs

Indigenous peoples are more likely to live in rural areas and experience poorer socio-economic outcomes

Canada has a diverse and growing Indigenous population that is distributed unevenly across the national territory. Around 1 670 000 individuals in Canada self-identify as Indigenous people, corresponding to 4.9% of the total population in 2016. Among the three groups, First Nations are the largest (at 60% out of total), followed by Métis (36%) and the Inuit population (4%). Indigenous populations are experiencing a greater pace of demographic change than that of non-Indigenous populations in Canada. From 2006 to 2016, the Indigenous population increased at twice the rate of the non-Indigenous population. This is the result of higher fertility rates and increasing propensity to self-identify as Indigenous. The Indigenous population is concentrated in certain provinces and territories across Canada ranging from as little as 2% of the population in Prince Edward Island (2 730 persons) to as much as 86% in Nunavut (30 545 persons) in 2016. The largest Indigenous population resides in Ontario (374 000 or 3% of the province’s total population); however, within the northern part of the province, the Indigenous population comprised 17% out of total in 2016.

The Indigenous population is younger and is concentrated in rural areas compared to the non-Indigenous population. The average age of the Indigenous population was 32.1 years in 2016 while the average age of non-Indigenous population was 40.9 years. The share of working age (15-64) Indigenous peoples is the same as that of non-Indigenous peoples. Compared with the non-Indigenous population, there are more children aged 14 and under (+11%) and less people aged 65 and over (-9%). Approximately 60% of Indigenous peoples lived in predominantly rural areas in 2016, which is 33% more than the share of non-Indigenous peoples living in predominantly rural areas (the corresponding

difference for urban regions is -30%). The share of Indigenous peoples living in remote rural areas is declining (from 63.8% in 2001 to 58.8% in 2016), and is rising in urban areas (from 24.1% in 2001 to 27.4% in 2016). The increasing propensity to self-identify as Indigenous has played a key role in these changes.

The well-being of Indigenous peoples is a key inclusive growth challenge for Canada.

Indigenous Services Canada (ISC) has developed a Community Well-Being Index that measures the well-being of Indigenous (namely First Nations and Inuit) and non-Indigenous communities across Canada. Over the past three decades, the well-being of Indigenous peoples in Canada has improved. However, gaps with the non-Indigenous population have not narrowed because the well-being of the non-Indigenous population is increasing at a faster rate. On average, results from the community well-being index demonstrate that Indigenous communities have systematically lower scores than non-Indigenous peoples with respect to income, education, housing and labour market outcomes. In 2016, the average Indigenous communities index score (the average of First Nation and Inuit communities' score) was 58.6; this is 18.9 lower than the index of non-Indigenous communities. At the national level, the greatest differences are found in the indicator for housing where the difference between Indigenous and non-Indigenous communities is 27.1 percentage points. Differences in income are also large (21.9). Indigenous communities have the smallest difference relative to non-Indigenous communities in terms of labour force participation (15.9). Of the 100 lowest ranking communities in the Community Wellbeing Index, 98 are First Nations communities.

Gaps in socio-economic outcomes between Indigenous and non-Indigenous populations are higher in rural areas. Indigenous communities with closer access to centres of economic activity and lower transport costs have higher levels of well-being. This is evident when looking at different components of well-being. For example, in 2016, the difference in the unemployment rate between Indigenous and non-Indigenous peoples is the largest in rural remote areas, where the unemployment rate of Indigenous peoples was 19% and the unemployment rate of non-Indigenous peoples was 9% (gap of 10 percentage points). The smallest gap was in urban regions, where the unemployment rate of Indigenous peoples was 12% and non-Indigenous peoples was 7% (gap of 5 percentage points). Similarly, educational attainment is lowest in rural remote regions (43%) with a gap of -14 percentage points compared to the non-Indigenous population in these regions. In rural regions close to cities, the rate of educational attainment of Indigenous persons is higher (at 51%) and the gap between Indigenous and non-Indigenous peers is less (-1 percentage points).

Indigenous communities, particularly those in rural remote areas, face significant challenges related to infrastructure. Rural areas face structural disadvantages associated with higher transport costs, thin markets, and lower levels of human capital. Infrastructure—transportation, energy, telecommunications, housing, health and education infrastructure and vital amenities like sewage and water—are fundamental to a community's well-being and its prospects for economic development. This is compounded in Canada with its large land mass and cold winters. In the case of Indigenous communities, some of these infrastructure deficit issues include that:

- 70% of Indigenous communities rely on Diesel fuel generation which is unpredictable and expensive.
- First Nations communities are 90 times more likely to be without piped water and it is estimated half of the water systems on First Nations reserves pose a medium or high health risk to their users.

- A reported 40% Indigenous peoples living in Canada's far north reside in overcrowded households and mould is a frequent problem.
- 8% of adults living on-reserve in 2008–2010 lacked any type of sanitation system.

The overall quality of data in Canada is high in an international context – but there are opportunities for improvement

The data framework for Indigenous peoples in Canada is relatively advanced. The quality and reliability of data related to the Indigenous population is generally high in Canada compared to other OECD countries with Indigenous populations and draws on consistent and therefore comparable definitions of Indigenous groups. Data collection is embedded in the national census and specific population-based surveys. Despite this, data gaps remain and the need for improved data is well recognised. This includes:

- Data about entrepreneurship and business. Current survey instruments are limited in sample size, focus on self-employment, and do not survey on-reserve businesses, including community owned social and economic enterprises.
- The Community well-being index is an important tool but the range of indicators are limited and could be extended to cover issues such as housing, infrastructure, training and health.
- There is a need to include Indigenous communities and institutions in data governance covering issues such as the choice of indicators and sample frames to produce sufficiently disaggregated data to inform decision-making.
- Better efforts are needed to empower local Indigenous institutions to collect local area data about population, businesses, lands and resources.

There are ongoing efforts by the government of Canada to enhance both the quality and timeliness of Indigenous related data. This includes supporting and partnering with Indigenous-led organisations in order to enhance their own data collection efforts. There are also a variety of Indigenous organisations in Canada that collect and disseminate statistical information. Statistics Canada has a consultation mechanism at a working level in place through Aboriginal Liaison Advisers. However, there is a need to include Indigenous representative organisations at a higher level to provide strategic advice on setting directions for Indigenous related data collection. Data collection practices related to Indigenous peoples are also fragmented within the Federal Government. There is a need to improve the coordination of this data collection, and to identify opportunities to improve the sharing and use of Indigenous data.

Recommendation 1: Indigenous Canada – trends and data needs

Improve the **quality of data about Indigenous businesses and entrepreneurship** by:

- Establishing an agreed national definition of an Indigenous business.
- Producing an annual state of the Indigenous economy report, highlighting progress and leading practices.
- Supporting the establishment of a common registry of Indigenous-owned businesses.

- Supporting Indigenous organisations to develop a typology of community-led business entities.

Improve **Indigenous community well-being data** by:

- working across the Federal Government in collaboration with Indigenous organisations to expand the range indicators and incorporate other data sources.
- Including or expanding community capacity building and training activities in federal funding for Indigenous organisations.
- Developing user-friendly data portals designed for local decision makers.

Strengthen **engagement with Indigenous organisations regarding data collection** by:

- Developing a multi department strategy to coordinate on Indigenous statistics and data and work with Indigenous communities and organisations on an ongoing basis.
- Establish more formalised governance arrangements for the inclusion Indigenous peoples and organisations in the work of Statistics Canada through an advisory body.
- Increase the recruitment of Indigenous persons in Statistics Canada.

Assessment 2: The importance of land for Indigenous economic development

Since colonisation, the British Crown and the Canadian Government have established policies and legal mechanisms for Indigenous peoples to access, protect and use land in Canada. To different degrees, these policies and legal mechanisms recognise the right to protect and use lands and waters for traditional livelihoods, knowledge and culture. The British Crown and Canadian Government agreed to historical treaties with First Nations, which included these land rights in the form of protected First Nation Reserves. Within the framework of a treaty, First Nations can increase their land base through two mechanisms - the “Specific Claims Process” and the “Treaty Land Entitlement Claim”. First Nations can also acquire land and have it converted to reserve status through an “Addition to Reserve” procedure. In 1973, the Canadian Government adopted the Land Claims Policy or “modern treaties” that provides a contemporary legal framework for comprehensive land claim agreements. This study examines and recommends how to improve the efficiency and effectiveness of this legal framework and associated procedures. Once land is secured, there is a need for mechanisms and tools to use it for community and economic development, and negotiate benefits with project proponents. The study also includes recommendations about how to improve land use planning, environmental management, leasing, and benefit-sharing agreements on Indigenous lands.

Land is fundamental to Indigenous community and economic development – but these opportunities are limited by historical and institutional factors

Land is a fundamental asset for sustainable economic development and land rights are critical for self-determination. Rights to land can increase autonomy, generate revenues and create economic opportunities. Access to land puts Indigenous people in a stronger negotiation position to leverage and protect their interests. However, land is not just an economic asset for Indigenous peoples. Land provides sustenance for current and future generations; it is connected to spiritual beliefs, traditional knowledge and teachings; it is fundamental to cultural reproduction; moreover, commonly held land rights reinforce

nationhood. Indigenous peoples ought to reconcile these goals, depending on how they relate to and connect with land. Understood in these terms, the right to land ought to be collective and indivisible. Within this framework, interests to land may be allocated, without disrupting the collective nature of the land title. Internal sub-divisions of land may facilitate housing construction and maintenance, propel business development and create bankable interests on land, e.g. via leasing.

Access to land and resources is limited and uneven for Indigenous peoples across Canada. The delimitation, access and right to land and waters by Indigenous peoples is one of the most contentious political issues in Canada. Not every Indigenous group has this right assured, up to today. For instance, non-Status Indians are not considered members of reserves and cannot claim lands and for the Métis, who are one of the three Indigenous peoples of Canada, the very existence of land rights remains disputed. Some of the Indigenous groups who have had the right to land recognised are renegotiating their treaties and other groups are currently negotiating them (70 as of September 2019). Historically, land allocation policies assigned Indigenous peoples to confined and isolated tracts of land. Indigenous peoples in Canada disproportionately continue to have a small, fragmented land base, with limited commercial and residential use, limited natural resources, far from access centres and with limited ability to expand. For example, 80 per cent of First Nations reserves are below 500 hectares in size, which makes it harder to establish infrastructure, development projects and viable businesses. These arrangements are one of the factors contributing to the relatively poorer socio-economic outcomes experienced by Indigenous peoples in Canada.

Treaties are currently a key mechanism for First Nations and Inuit to secure land tenure and there are opportunities to improve the fairness, efficiency, transparency of these processes

Treaties provide a secure and effective way for Indigenous groups to augment their land base through tenure recognition. Between 1701 and 1923, the Government of Canada signed historic treaties with Indigenous communities, which included rights to land. In 1973, the Government of Canada adopted Comprehensive *Land Claims Policy* in 1973 and updated it in 1986. It sets the legal framework for Indigenous groups, the Government of Canada and the appropriate Territory or Province to negotiate agreements - called modern treaties. An agreement can relate to issues such as transfers of land ownership; environment and wildlife management; financial compensation; a self-governance agreement (since 1995); and the sharing of resource revenue. Since 1973, 25 comprehensive land claims have been signed and are in effect, whereas at least other 28 are being negotiated as of November of 2018. Although this represents enormous progress, some challenges remain. This includes an inconsistency between the UNDRIP and the requirement that Indigenous groups extinguish certain rights as a prerequisite of an agreement, the financial risks for Indigenous groups resulting from the cost of negotiation, and the lack of clear monitoring and accountability arrangements related to implementation.

There are two main mechanisms for First Nations to address past wrongs in historic treaties. The first is a specific claims process that revises an existing treaty due to breaches or lack of implementation of a treaty by the government. Specific claims often cover land related issues such as insufficient provision of reserve land as was promised in a treaty. The Government of Canada has negotiated 460 specific claims as of March 2018, and hundreds are outstanding. Specific claims settlements have successfully generated opportunities for development in some Indigenous communities. The second is a Treaty Land Entitlement

Claim that only relates to land issues. The Federal Government negotiates with a First Nation (and often a provincial government) to receive land specified in a historic treaty (through either buying land, or selecting from a sample of unoccupied Crown Land). These processes take a significant amount of time and there is a need to improve the transparency and accountability related to implementation at different steps, create opportunities for knowledge sharing amongst First Nations to help them assess and make claims, and address the lack of technical expertise and capacity of First Nations to implement their obligations.

There are also mechanisms for First Nations to acquire land that require some procedural improvements

First Nations can also acquire outside of treaty processes, and this can bring significant benefits. Expansion of the land base can be undertaken through purchases in the free market, additions to reserve, facilitated acquisition via state-sponsored purchases, or priority in the purchase of state-owned lands. Land acquisition enables the development of infrastructure or energy projects, creating economic zones, investing in residential property or establishing nature conservation areas. Band councils can purchase freehold (fee simple) land in the market and hold it collectively in their name. Purchases are made at market prices and depend on own-source revenues. The federal policy of Additions to Reserve (ATR) is an instrument to confer reserve status to land owned by an Indigenous group. It can be applied when the government is committed to reserve creation, when there is compensation for land acquisition, and a First Nation needs additional land for community purposes. First Nations have often regarded the ATR process as lengthy and opaque. For example, a study on urban ATRs conducted by the National Aboriginal Economic Development Board finds that the average length of time to complete an urban ATR is 4.2 years compared to the six months to a year required for a municipal council to approve a boundary extension.

Addressing technical and financial capabilities and cost issues will enable First Nations to take advantage of greater control over land management

Land use planning serves the critical roles of balancing public and private interests, reducing any potential for conflict between uses, and ensuring environmental quality and sustainability. How land is used in a community both now and in the future is linked to broader strategic goals of community development. The default position is for First Nations to abide by the Indian Act whereby the government is in charge of land and natural resources administration in reserves. Considering the restrictions imposed by the Indian Act, the government has created policies to progressively transfer land management responsibility to First Nations. The First Nations Land Management Act (FNLMA), enacted in 1999, allows First Nations to take responsibility for land use, develop land codes, and environmental management and enforcement laws. This enables First Nations to align land management practices to community objectives, increase own source revenues, and create development opportunities. On the downside, there is insufficient recognition of how land use disputes can be resolved using traditional mechanisms of consensus building, and considerable set up and operational costs. Some modern treaties include the establishment of co-management boards that support land use planning. Similar issues exist in terms of technical and financial capacity, and also having data available to understand and map land use.

Indigenous land is indivisible and without the right tools and incentives it cannot be transferred or use as security for loans – this creates barriers to economic development

Indigenous groups hold land collectively in Canada and this can create barriers to economic development. Indigenous groups cannot transfer land to others, not even to band members – the Crown retains the ownership. The ultimate indivisibility and inalienability of Indigenous lands are important to avoid the fragmentation and loss of reserve lands. The features of indivisibility and inalienability can coexist with individual interests in land. An Indigenous band can lease lands to third parties, who will enjoy the same attributes. In addition, they can issue certificates of possession to band members, who can use, access and enjoy the fruits of land. To make land available for leasing, a band council has to receive approval to designate land and surrender it for a period of time (under lease). Leasing enables land parcels to be used as security for a loan. Similarly, band councils can issue certificates of possession to an individual member, which can then be used a loan guarantee. These instruments enable First Nations to use land to gain access to credit and create opportunities to invest in assets, attract investment and create jobs. A key for First Nations is ensuring these instruments are linked to objectives in a broader community plan that is based on a dialogue with community members.

Inconsistencies and gaps in land and environmental regulation impacts negatively on First Nations

Land and environmental management issues vary according to the level of legal jurisdiction and administrative control over land (federal, provincial, municipal and First Nations). Traditional lands that are outside of reserves and treaties will be under provincial or territorial authority and hence regulated by different land use and environmental planning regimes. This creates regulatory gaps that often impede land development on reserve lands, contribute to land use conflicts, and result in lower infrastructure and service standards (for example water and sanitation). Provinces and First Nations can address this challenge in two ways. First Nations can adhere to provincial regulations for specific projects on reserve lands, under the First Nations Commercial and Industrial Development Act (FNCIDA). The other way is for Provinces and Territories to improve collaboration with Indigenous groups. This includes clarifying consultation protocols to engage Indigenous representatives in policy-making processes, including land use regional planning and local environmental assessment, and creating co-management arrangements related to public land.

Indigenous peoples need to have an effective say over natural resource projects on their lands

In Canada, benefit-sharing agreements enable Indigenous communities to negotiate monetary and non-monetary benefits with project proponents for developments on their lands. Non-monetary compensation can range from employment opportunities, training and business development to infrastructure construction and provision of services. Financial compensation can take the form of royalties (based on the value of mineral output), tax on profits, single up-front payments, annual fixed payments, equity participation or shareholding. The efficacy of these benefit-sharing agreements can be improved with dialogue and agreement up-front regarding procedural rules, Indigenous communities having a proactive strategy to link the project with their development objectives and an agreed mechanism to monitor and enforce the agreement. Governments

can play a value-adding role in supporting benefit-sharing agreements by providing guidance about the negotiating process, template agreements, data and by registering agreements.

Indigenous peoples should have a say in the assessment of projects that affect their lands, traditional activities, livelihoods and commercial interests. Consultation in environmental decision-making has been in the spotlight in recent years. On the one hand, the international principle of Free, Prior and Informed Consent has generated debates among international organisations, academics and social movements. On the other hand, natural resource development projects that affect Indigenous territories and livelihoods have been a major source of controversy. Governments can improve inclusion in these decision-making processes by agreeing with Indigenous peoples on how to operationalise the principle of FPIC, and by better coordinating permitting processes at a federal and provincial level.

Recommendation 2: The importance of land for Indigenous economic development

Improve the framework for Indigenous peoples to secure land through the **comprehensive land claims policy** by:

- Ending the practice of requiring that Indigenous rights holders extinguish their inherent and/or treaty rights as a prerequisite for an agreement.
- Supporting Indigenous groups with the capacity to effectively undertake negotiations.
- Developing independent and ongoing monitoring mechanisms in order to ensure that the commitments made by the Government of Canada in comprehensive land claim agreements are met in a timely and effective manner.

Develop better procedures for First Nations to increase existing reserve land through the **Treaty Land Entitlements and State-assisted land acquisition processes** by:

- Tracking the overall time it takes to convert lands to reserve status and demonstrate progress periodically—report publicly and include in departmental performance indicators.
- Working closely with First Nations to assist them in their efforts to resolve third-party interests.
- Undertaking a national audit of surplus government land to identify opportunities for set asides.
- Establishing a portfolio of land to be made available for future land claim settlements.
- Establishing a shared national/provincial programme of land purchase.

Develop **better tools for Indigenous groups to use land** by:

- Providing legal templates for opting First Nations to start building their land codes and associated regulations in order to facilitate the law enactment, reduce the need to resort to external consulting, and avoid the proliferation of unique property rights regimes (within the framework of the FNLM Act).

- Ensuring community plans detail which land can be available for leasing and land codes regulate intended use and accepted levels of nuisance.
- Ensuring there are mechanisms in place for Indigenous communities to have meaningful consultation with regards to the land use planning of municipal and other authorities that have jurisdiction on or near their traditional territories.

Strengthen the negotiating power of Indigenous groups in the context of **impact-benefit agreements (IBA)** by:

- Providing all the necessary information on environmental conditions, sub-surface resources, land uses, competing economic interests and other elements that Indigenous groups may not be aware of.
- Referring companies to a legitimate regional or national Indigenous organisation that can serve as the contact point with local groups.
- Elaborating a common set of tools and templates from which Indigenous groups can draw to start negotiations.
- Facilitating workshops among Indigenous negotiators and leaders to share experiences and good practices in agreement-making.

Assessment 3: Enabling Indigenous entrepreneurship and community economic development

Indigenous entrepreneurship, particularly in rural areas, has some unique characteristics that require specific policy and program responses

Indigenous-owned businesses are embedded in a unique cultural context, often shaped by traditional knowledge and connected with natural resources. Indigenous entrepreneurship also exists in an institutional context that emphasises the importance of kinship relations, the reproduction of traditional knowledge, language and culture, and linking business to community economic development. Key factors that make Indigenous entrepreneurship and business distinct are:

- Rights to land and resources - for example, the co-management agreements in the North West Territories, Yukon and Nunavut signed in the 1990s give rights over minerals developments to Indigenous peoples there.
- Close kinship relations - around 750 000 Indigenous people in Canada live in Indigenous settlements and their average size is 407 people. Businesses that operate in such an environment are intimately linked to the community and its members.
- Traditional knowledge and cultural practices – including an emphasis on collectivism and balancing business activities with culture.
- Hybrid economies – combining business activities with harvesting, processing, and distributing wild foods and resources.
- Unique regulatory and taxation arrangements – lack of transferability of land, lack of clarity about regulatory frameworks, and tax exemptions for economic activities on reserve land.

Specific policies and programmes are required to address these differences, and improve the business environment for Indigenous entrepreneurs.

Business and entrepreneurship are important to creating opportunities for Indigenous peoples but there are barriers to growth and innovation

Entrepreneurship and business growth are fundamental to creating opportunities for Indigenous peoples. Entrepreneurship presents Indigenous peoples the opportunity to use assets and resources in ways that align with their objectives for development and can generate opportunities for own-source revenues. However, Indigenous peoples have lower rates of entrepreneurship than non-Indigenous populations. Typical market failures such as asymmetric information and the inefficient allocation of credit are often more pronounced in the Indigenous small business sector. Almost two-thirds of Indigenous business owners rely on personal savings as their main source of finance and over half report accessing finance as “very” or “somewhat” difficult. This is due to the indivisible nature of Indigenous lands (often held collectively in trust), discrimination and poor credit histories.

Indigenous businesses demonstrate innovation and – while generally small – they have a higher propensity to export. Indigenous entrepreneurship is difficult to profile due to a lack of national data, particularly for businesses on reserves. One of the best sources for Indigenous business data is the National Aboriginal Business Survey (2016) conducted by the Canadian Council for Aboriginal Business. Based on this survey, the majority of Indigenous businesses are male owned (63%) and had no employees (64%), and approximately a third (27%) were registered on a reserve. A higher share of Aboriginal businesses introduces new products/services, or new production/delivery processes relative to the broader Canadian small business sector—thus implying a higher propensity to innovate, particularly in manufacturing industries. Among small businesses, aboriginal businesses are more than twice as likely as all small businesses to export and sending their products to a broader geographic base than other small exporters. Indigenous businesses are more likely to sell their goods and/or services outside Canada (to US or other countries) if they are in the arts/entertainment or accommodation and food services industries. This may be related to their location. Firms in more rural or remote areas need to seek larger markets for their services and products.

The Indigenous business sector is characterised by micro-enterprises and this constrains growth opportunities and access to markets. Poor access to finance impairs businesses growth and development opportunities. This may contribute to the high number of Indigenous businesses that are sole proprietors (61%) and unincorporated (73%). Sole proprietorship—where the business and the operator are the same—is the most common structure for new business across Canada because it is relatively informal and easy to create. Tax law treats a sole proprietorship business as an income source for the proprietor; consequently, the proprietor is personally liable for all functions and debts of the business. Related to this point, only three Indigenous entrepreneurs out of ten report having a formal business plan. This is reflected in the characteristics of business registered under the Procurement Strategy for Aboriginal Business where close to 80% are micro-enterprises.

Indigenous groups can build scale in economic development by setting up community owned corporations

Aboriginal economic development corporations (EDCs) are the economic and business development arm of a First Nation, Métis or Inuit government. These community-owned businesses invest in, own and/or manage subsidiary businesses with the goal of benefiting the Indigenous citizens that they represent and are a major economic driver in communities and a source of local employment. There are many examples across Canada of EDCs using their revenues to reinvest in their communities and to support

education and training for members in order to ensure that they are well placed to take advantage of the community's economic opportunities. The majority of EDCs (72%) been operational for over a decade; the average length of operation is 18 years. Four in ten (38%) EDCs report being a major employer in their community and the majority of employees (72%) are Aboriginal peoples. First Nations communities pursue a variety of businesses such as natural resources (oil and gas, minerals, agriculture, fishing and forest products), land development (shopping centres, industrial parks and residential housing) and entertainment and hospitality (casinos, hotels and restaurants).

Geography shapes the resources and markets available to Indigenous entrepreneurs and a range of opportunities exist across different parts of Canada

Geography is fundamental to understanding the Indigenous business sector. Rural areas with a large Indigenous population have a very different economy than the average region within a country due to very small and remote settlements, traditional culture and livelihoods, and greater reliance on primary industries (forestry, minerals, hydrocarbons, renewable energy, fishing and aquaculture). Accessibility to cities, natural resources and amenities shapes the potential resources and markets available to Indigenous entrepreneurs. The following typology is used to help understand potential development trajectories for Indigenous economies in rural areas: rural areas close to cities (with or without natural resources and amenities) and rural remote areas (with or without natural resources and amenities). Indigenous communities in each of these types of regions pursue different economic development strategies, for example, those close to cities focus on integrating with a larger metropolitan area, whilst those in remote areas specialise in the tradeable sector.

Across different types of rural regions, Indigenous peoples are developing businesses in the tradeable sector and meeting local needs. Indigenous entrepreneurs have a higher presence in specialised in primary industries (food and agriculture, forestry, and mining) and construction which can be vulnerable to economic and commodity fluctuations. In terms of the non-tradable sector, business opportunities exist in terms of meeting local demand (e.g. retail, cleaning and house maintenance, health and well-being, and the provision of public services)—however these are based on very small markets. There are also opportunities in the management and use of natural resources such as parks management and tourism. Generally, Indigenous firms tend to have a lower presence in producer services (firms with high knowledge content and that sell services to other businesses).

Over recent decades, Indigenous groups and the Canadian Government have developed a strong institutional framework to support Indigenous business and economic development

The Canadian Government has a range of business programmes targeted for Indigenous peoples that aim to build capability and grow markets. These aim to address historical and ongoing discrimination, and issues related to accessing capital, particularly those operating on reserves. The Canadian Government provides targeted support in three areas. The first is business development, capital and support services, which focuses on Indigenous-owned businesses and includes support to a network of Aboriginal Financial Institutions (AFIs). The second is community economic development programmes that provides funding to First Nations to mobilise land assets, establish businesses and develop partnerships with industry. The third is the procurement strategy

for Aboriginal businesses that includes mandatory set asides, inclusion of Aboriginal participation criteria in contracts, and incentives for joint ventures between Indigenous and non-Indigenous businesses. In addition, there are a range of programmes provided at the provincial and territorial level.

Indigenous groups and government have supported the development of a network of organisations to promote economic development. Over the past four decades, the Government of Canada has provided support to AFIs that provide financial services and business support to Indigenous-owned businesses and local communities. There are three types of AFIs across Canada: i) the Aboriginal Capital Corporations (ACC), ii) Aboriginal Community Futures Development Corporations (ACFDC) and iii) Aboriginal Developmental Lenders (ADL). The National Aboriginal Capital Corporations Association (NACCA) supports the work of these AFIs. Over the last three decades AFIs have made an estimated 46 000 loans worth over CAN\$ 2.6 billion. There is also support organisations for First Nations for fiscal issues and financing infrastructure and regional development such as the First Nations Finance Authority (FNFA). The National Aboriginal Capital Corporations Association (NACCA) supports the work of these AFIs. There are also a range of different Indigenous business associations including the Canadian Council of Aboriginal Businesses (CCAB). Besides, providing practical support for business and economic development this network of organisations generates a range of positive outcomes related to advocacy, sharing knowledge, and generating economies of scale.

Within this framework, there are a number of supply and demand side measures that would support growth in the Indigenous business sector

On the supply-side, key constraints for Indigenous businesses and community owned enterprises relate to accessing finance, entrepreneurial skills, and digital connectivity. AFIs are presently undercapitalised to support medium-sized companies and demand from small businesses in their regions. The next steps in the Indigenous developmental lenders' evolution is to pool their resources to increase economies of scale to increase the amount of finance available, reduce risk and attract the interest of institutional investors. A coherent policy for the future of AFIs is also lacking which can prioritise the development of public funding mechanisms and facilitation support from government to achieve this outcome. Indigenous entrepreneurs in remote and rural communities also face difficulty in accessing business training skills programs, such as book keeping, basic accounting, marketing, recruitment, intellectual property, human resources planning, business plan and project management. Remote communities also face difficulties in terms of accessing banking and financial services (for example in the Territory of Nunavut only three communities out of a total of 25 have bank branches). This is compounded by the relative lack of high quality and reliable broadband for Indigenous peoples, particularly in rural remote areas. In Canada, broadband is now considered a universal service with a commitment to have 100% of households and businesses at 50 Mbps/10 Mbps by 2036. However, 10-15 years is a long-time considering trends in the digitalisation of business activities and public services.

On the demand-side, governments can take additional steps to increase market access for Indigenous businesses. The federal government spends some \$23 billion on goods and services and the Procurement Strategy for Aboriginal Businesses (PSAB) has been instrumental in increasing demand for goods and services from Indigenous businesses. However, current arrangements are difficult for small businesses to access. It is more burdensome for procurement contracts to be awarded to multiple smaller firms than to a larger firm, and the PSAB tends to support well-established Aboriginal businesses, rather than smaller and newer businesses. The Indigenous economy is often not well understood

and lacks visibility. This takes a number of forms. Indigenous communities are often not visible in mainstream industry and economic development policies (at a national, provincial or municipal level) and consequently they miss access to associated programs and activities. For First Nations on reserves, there can be a lack of knowledge about how regulations and business investments work on reserve land which can limit their attractiveness for investments or business development.

In addition, Canada's RDAs can also play a stronger role and need to be better connected to Indigenous communities

Canada's Regional Development Agencies (RDAs) can also play a stronger role in promoting Indigenous entrepreneurship and business development. Canada's RDAs were first established in the late 1980s and today cover all provinces and territories. They bring a regional lens to federal economic development policy and translate national goals to the regional and local level. They focus on innovation, community economic development, and policy and advocacy. The regular programming of RDAs can often be a poor fit for Indigenous businesses because of its emphasis on innovation and commercialisation. RDAs play an important role in terms of business acumen and business contacts (facilitating and relationship building) and access to expertise; however, in many cases, the RDAs are not very well connected to Indigenous communities, or to the work of lead departments for Indigenous affairs. Efforts to better connect Indigenous communities with regional development will fail unless they come from an understanding of what Indigenous communities want for their own development.

Recommendation 3: Enabling Indigenous entrepreneurship and community economic development

Strengthen **support to the Aboriginal Financial Institutions (AFI) sector** to provide assistance to Indigenous businesses by:

- Incentivising private investment and facilitating collaboration among AFIs to scale up projects.
- Increasing support for AFIs and other relevant Indigenous service providers to provide capacity building activities (e.g. entrepreneurial and procurement coaching, financial literacy, private sector matching, participation in local chambers of commerce).

Improve **accessibility to broadband** for rural Indigenous communities by:

- Enabling co-funding and partnerships between Federal and provincial governments to provide broadband for Indigenous communities in rural and remote areas.
- Providing yearly reporting on the quality of broadband in Indigenous communities and report on progress in meeting connectivity goals.

Strengthen the **Federal Governments Procurement Strategy for Aboriginal Business (PSAB)** by:

- Expanding the existing database of Aboriginal businesses to include a goods and services search function (along with key word and geography).
- Requiring large-scale contractors to advertise subcontracting opportunities on the government's procurement website to attract small to medium-sized businesses.

- Establishing binding procurement targets and set asides for Federal government procurement.
- Reporting on and providing annual government-wide reporting on PSAB contracts and their value.
- Considering the use of procurement loans for Indigenous business as part of its business development, capital and support services.

Enhancing the role of Canada's **Regional Development Agencies (RDAs)** in supporting Indigenous entrepreneurship by:

- Ensuring that staff have regionally specific cultural competency training and that there is recruitment and mentoring Indigenous staff.
- Developing opportunities to connect local entrepreneurs with Indigenous entrepreneurs and communities in the regions.
- Actively communicating with Indigenous communities and organisations and share leading practices of engagement and programme design across RDAs.
- Developing programmes with the flexibility to meet Indigenous business and infrastructure needs.
- Updating performance measures to reflect success for Indigenous businesses and effective engagement with Indigenous communities.

Assessment 4: Improving governance and policies for place-based Indigenous economic development

A place-based approach to Indigenous economic development requires changes in how government works and relates to Indigenous peoples

Historically in Canada, Indigenous policies were government led, directed at Indigenous peoples, and did not support self-determination. There has been progress in shifting toward a partnership approach that empowers Indigenous peoples. Further efforts are needed to implement policies in way that is tailored to different places, empowers Indigenous communities to deliver on their objectives for development, and contributes to stronger regional economies. A place-based approach to Indigenous economic development succeeds where there is a strong vision for community economic development with mechanisms to prioritise and sequence investment in framework conditions – from infrastructure and services to skills development, mentorship and access to finance. Effective multi-level governance is central to operationalising this approach. Four key elements are identified for the effective governance of place-based Indigenous development:

- Development of an opportunity-oriented national policy framework for economic development that incorporates Indigenous values and perspectives, is adapted to characteristics of different places, encourages community-led development and defines measurable outcomes.
- Designing effective co-ordination mechanisms between different levels of government and with Indigenous peoples that result in alignment of policies, the realisation of synergies and fosters local and regional partnerships to support Indigenous communities achieve their development objectives.

- Collaboration with Indigenous peoples through high levels of participation and engagement, which includes Indigenous peoples in decision-making processes and policymaking as partners recognising the need to share power.
- Empowering Indigenous communities by strengthening governance capacities (e.g. strategic planning and regional alliances) and improving fiscal relations.

A national policy framework for Indigenous economic development would help clarify policy priorities, roles and responsibilities, and coherence across and between levels of government

Canada does not presently have an overarching national strategy for Indigenous economic development but instead delivers a range of programmes directed to Indigenous communities or individuals. The Canadian Government had a *Federal Framework for Aboriginal Economic Development* (2008) that focused on entrepreneurship, human capital, community assets, and partnerships. Although it acknowledged the importance of inter-governmental co-ordination, there were no systemic measures to align federal, provincial and municipal planning and resource allocation decisions, or a framework for monitoring the achievement of outcomes. Priorities for the Indigenous portfolio are currently articulated in Department Plans (2018-19) for Indigenous Services Canada (ISC) and Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC). The Government of Canada has 200 departments and agencies; of these, around a third have some direct relationship with Indigenous peoples. Canadian departments dealing with Indigenous affairs at present coordinate their work in a number of ways—from informal meetings, to working groups and more formalised place-based initiatives. However, there is not a genuine whole of government perspective. National strategies in Australia and New Zealand provide some lessons on how to improve policy coherence by:

- Encouraging the alignment of objectives across levels of government and sectors.
- Incentivising policies to adjust to local needs, characteristics and aspirations.
- Valorising Indigenous perspectives on economic development, including cultural assets and aspirations.
- Defining short-, medium- and long-term measurable outcomes and evaluating progress on that basis.

Canada's federal system of government presents challenges in terms of implementing a place-based approach to Indigenous economic development. Indigenous self-government is part of Canada's system of cooperative federalism and forms a distinct order of government. Some of the features of this system include the role of Indigenous organisations as intergovernmental partners in provincial-federal negotiations, formalised agreements between First Nations and municipalities to govern land use, infrastructure and service delivery issues, and separate policy frameworks, programmes and consultation arrangements for Indigenous peoples at the provincial and territorial level. The federal government has a direct relationship with Indigenous peoples who fall under the *Indian Act* for the delivery of healthcare, education and all forms of social provision; for everyone else, provincial and territorial governments deliver these services. Inuit and Metis peoples do not fall under the Indian Act and as a result, there are different Federal and provincial programs and services for them. Consequently, multi-level governance gaps affecting

Indigenous peoples and communities are common. Four key governance challenges are identified:

- Lack of cooperation between First Nations and provinces in infrastructure and service delivery issues.
- Indigenous economies and development ambitions are often absent from provincial and territorial economic development strategies.
- National guidelines and standards for engagement with Indigenous communities on environmental licensing are not always met by provinces and are poorly coordinated between departments.
- Provincial and municipal infrastructure land use planning frequently bypasses First Nations as a matter of jurisdiction—treating these areas as a ‘blank space’ and leading to very different levels of investments in adjacent communities.

Improvements to engagement and consultation practices and strengthening local capacities is essential to implementing a place-based approach to Indigenous economic development

Effective practices of engagement between federal, provincial and municipal governments, industry/businesses and Indigenous communities are critical for implementing place-based policies in support of economic development. Indigenous communities are not just stakeholders, but are rights holders and as such, engagement practices need to be structured to meet these obligations. Aboriginal and treaty rights are recognised in Canada’s *Constitution Act*, and this has evolved through a series of Supreme Court of Canada decisions. Different forms of engagement are needed for different purposes. In some cases, informing or consulting is appropriate where the issues or impacts on an Indigenous community are minor. For substantive projects or changes to policies and legislation, co-development or empowerment is appropriate. CIRNAC plays a central role within the Government of Canada in terms of consultation by developing guidelines on duty to consult, training to federal departments, and coordinating federal agencies on consultation with Indigenous peoples. Further improvements to this framework can be achieved by reducing turnover amongst staff working with Indigenous communities, establishing co-operation with sub-national governments, and addressing capability gaps across Federal departments and agencies.

Community capacity is fundamental to self-determination and to a renewed Nation-to-Nation relationship in Canada. Indigenous communities across Canada are overcoming legacies of colonisation by developing quality leadership, strong corporate governance, and sound financial management and sustainable practices. The Canadian Government is also shifting from a centralised to a more decentralised approach to governance and fiscal relations that empowers Indigenous communities. A good example of this is the Comprehensive Community Planning Program (CCPP) that provides frameworks, guidance and tools to support local community planning. However, further funding and support is needed for First Nations to improve local planning frameworks and support collaboration with other First Nations, municipalities and provinces on areas of common interest. The Government is also committed to working toward a new fiscal relationship with First Nations that is more long-term, flexible and outcomes-based. Government fiscal transfers that cover areas such as support for governance and administration, infrastructure and housing, and strategic planning are critical for First Nations. Funding is currently provided on a short-term, project-by-project basis, and this

creates administrative burdens for First Nations and reduces their capacity to undertake longer term planning.

Recommendation 4: Improving governance and policies for place-based Indigenous economic development

Consider the development of a **national Indigenous economic development strategy** that:

- Supports the alignment of policy objectives across levels of government and sectors.
- Incentivises the adjustment of policies to local needs, characteristics and aspirations.
- Includes Indigenous perspectives on development, including cultural assets and aspirations.
- Clarifies roles and responsibilities (across levels of government and sectors).
- Defines short/medium and long-term measurable outcomes.

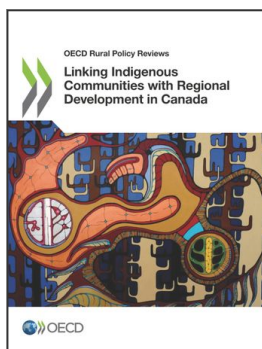
Improve **coordination across levels of government** to implement a place-based approach to Indigenous economic development by:

- Strengthening engagement with provinces to coordinate investments and realise economies of scale in the provision of infrastructure and services.
- Using formalised agreements between levels of governments and Indigenous communities to address issues of strategic importance and monitor their implementation.
- Advancing a new fiscal relationship with First Nations along the lines of the agreement between the Canadian Government and the Assembly of First Nations (more funding flexibility, supporting capacity development, and an advisory committee to monitor implementation and provide advice).

Improve **engagement practices with Indigenous communities** across all levels of government by:

- Establishing cooperation regarding the Duty to Consult MOUs with all provinces and territories.
- Acting as a broker and to encourage provinces and municipalities to set up MOUs with First Nation, Inuit and Métis communities.

Strengthen capacities by supporting the **implementation of the Indigenous Community Development National Strategy** that delivers appropriate support for community planning, and strengthening incentives for collaboration between First Nation communities and between municipalities/provinces.



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