

## Chapter 4. Enabling rural Indigenous entrepreneurship

*The objective of this chapter is to assess and provide recommendations to improve the policy framework for Indigenous entrepreneurship, particularly in rural areas. The chapter begins by discussing the framework conditions for Indigenous entrepreneurship with a focus on rural areas, the unique aspects of Indigenous entrepreneurship and the rights framework and regulatory environment specific to the Indian Act. Areas of competitive advantages and opportunities for Indigenous entrepreneurship are then identified. Third, the chapter assesses the main government policies at the federal and provincial levels that support Indigenous entrepreneurship and the main Indigenous organisations that are involved delivering services and providing strategic advice. The chapter ends by examining some of the key policy levers that can support Indigenous entrepreneurship.*

### Key findings and recommendations

#### Key findings

- Entrepreneurship gives Indigenous peoples the opportunity to generate own-source revenues, create jobs, and invest in communities in ways that align with their objectives for development.
- Access to cities and resource endowments or amenities, along with the quality of local institutions, shapes the development pathways and growth potential of different First Nations.
- There are many examples of First Nations mobilising local assets to develop opportunities in the tradeable sector (energy and mining, tourism, and forestry), and for meeting local demand and addressing social needs.
- The Canadian Government has made good progress in the last four decades in economic development policies, for example, by supporting the establishment of a network of Aboriginal Financial Institutions (AFIs), and implementing preferential procurement for Indigenous businesses.
- Despite this progress, market failures such as asymmetric information and the inefficient allocation of credit, when combined with legacy costs of long-term welfare dependency and poor infrastructure, result in lower levels of entrepreneurial activity.
- The enabling environment for rural Indigenous entrepreneurship can be supported by improving the access that Indigenous-owned businesses have to capital and markets (e.g. community development finance, broadband, and procurement).

#### Key recommendations

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.

## Introduction

Indigenous entrepreneurship is the creation, management and development of new ventures *by* Indigenous people *for the benefit* of Indigenous people.<sup>1</sup> This definition encompasses both profit-generating activities and those pursued for social reasons – to the benefit of the community. It may take the form of sole proprietorship, partnership, corporation or cooperative and includes community-led economic development practices that align with diverse Indigenous cultural, spiritual and environmental worldviews. The outcomes and entitlements derived from Indigenous entrepreneurship may extend to enterprise partners and non-Indigenous stakeholders.

Indigenous entrepreneurship matters because vibrant Indigenous businesses and economies are fundamental to self-determination. Rebuilding Canada's relations with Indigenous Peoples—First Nations, Métis and Inuit—requires rebalancing political and *economic* power.<sup>2</sup> Hence the emergence of the term *Economic Reconciliation*. Indigenous entrepreneurship supports self-determination by reducing dependency relationships and by

increasing decision-making autonomy. As noted in the RCAP “Self-government without a significant economic base would be an exercise in illusion and futility” (RCAP, 1996<sup>[1]</sup>).

It has been estimated that if the First Nation and Inuit economy were to operate at the same level as the Canadian economy, this could result in an additional contribution of \$3.675 billion to Canada’s GDP (NAEBD, 2017, p. 21<sup>[2]</sup>). Processes of colonisation and policies of assimilation have resulted in a lack of entrepreneurial activity and higher rates of individual dependency (in the form of welfare), and collective forms of dependency (in the form of government programs and subsidies) for Indigenous peoples in Canada and elsewhere across the OECD. Indigenous businesses can help overcome dependency by providing local employment opportunities for residents and generating own-revenue for public goods including the provision of services on traditional lands. These businesses also reduce income leakage from local communities and travel costs for residents, and if they can penetrate external markets, also generate multiplier effects. This enables Indigenous peoples to generate own-source revenues that can support community and economic development on their own terms.

This chapter focuses on Indigenous entrepreneurship in *rural areas*, which face specific challenges. Rural businesses experience greater distances to markets for goods and services, smaller labour markets, poorer access to finance and specialised services, limited infrastructure and business premises and, limited access to educational and skills training. The chapter examines the nature of rural Indigenous entrepreneurship and key factors that can help to overcome these limitations including: i) having a strong place-based vision and priorities for Indigenous economic development in order to coordinate investments and foster specialisation; ii) ensuring that there is an enabling regulatory environment governing investment and capital accumulation; and, iii) ensuring that Indigenous-owned businesses have access to capital and markets (e.g. community development finance and procurement). Throughout, these issues are examined through the lens of economic geography in order to understand how Indigenous businesses fit within the broader regional economy.

The chapter proceeds in three parts. First, it discusses framework conditions for Indigenous entrepreneurship with a focus on rural areas, the unique aspects of Indigenous entrepreneurship and the rights framework and regulatory environment specific to the *Indian Act*. Second, it explores some of the areas of competitive advantages and opportunities for Indigenous entrepreneurship across a number of areas. Third, it describes the main government policies at the federal and provincial levels that support Indigenous entrepreneurship and the main Indigenous organisations that are involved delivering services and providing strategic advice. The chapter ends by examining some of the key policy levers that can support Indigenous entrepreneurship. It offers recommendations on how to improve the current set of policies and programmes for Indigenous business development.

### Framework conditions for Indigenous entrepreneurship – people, places and institutions

Indigenous communities across Canada face vastly different development conditions. Many Indigenous communities across Canada lack access to quality infrastructure, housing and services which leads to lower quality of life and wellbeing and fundamentally inhibits their development. Gaps in community well-being between Indigenous and non-Indigenous are large (AAND, 2018<sup>[3]</sup>). In general, Indigenous people experience poorer health, social, and economic outcomes across a wide range of measures compared to

non-Indigenous Canadians (as detailed in Chapter 2). The reasons for these inequalities are many, but at the forefront lay the legacies of colonialism and government paternalism which have caused great harm to Indigenous peoples. As discussed in Chapter 3, ongoing uncertainties regarding rights over land and its development in many cases—a key community asset and much more—also hinders self-determination. Far too many Indigenous communities face these conditions and the OECD joins the voices of the many independent commissions, government reports and academic studies that have called this state of affairs unacceptable.

While the framework conditions are challenging in far too many Indigenous communities across Canada—a growing number of places are able to deliver quality of life and employment opportunities. For example, the services economy of the Milbrook First Nation, located adjacent to Truro, Nova Scotia and the natural resources activities of the Cree First Nations of James Bay, Quebec. The research underpinning this report has included field visits to diverse Indigenous communities across Canada in order to better understand these different conditions and their implications for business and community economic development and for the policies and programmes that support them. Indigenous communities that face such issues as limited accessibility, inadequate housing and infrastructure require targeted support, including funding and capacity building. In such cases, business opportunities are limited and economic development may be led more from the community level (e.g. by band management or First Nations development corporations) or entail small-scale individual ventures. In communities with favourable development conditions such as those with strong natural resource endowments or amenities or those that are urban or close to cities, there may be a much wider range of business and economic development opportunities, encompassing both community-led and individual entrepreneurship. This chapter emphasises the importance of these framework conditions, recognising that all communities should be enabled to participate in economic development *on their own terms*.

### ***Rurality and remoteness: implications for Indigenous entrepreneurship and community development***

#### *Key rural development strategies—improving accessibility and increasing activities in tradeable sectors*

A community's economic development opportunities are shaped by such factors as the size and characteristics of its population, its proximity and accessibility to other places, its resource endowments and amenities, and the strength of local institutions. For rural regions and communities, proximity to cities and the size and performance of the tradeable sector are critical (OECD, 2016<sup>[4]</sup>). As such, four main options can be pursued by rural regions to influence these drivers of productivity growth:

- Specialise in natural resource exploitation and stewardship, which includes mining, forestry, food production, renewable energy, tourism, and ecosystem services (particularly for remote areas).
- Strengthen rural-urban linkages through shared governance and policies, and better infrastructure connections.
- Be integrated in Global Value Chains (GVCs). Forward and backward linkages (re-bundling) are critical to maximise value-added of natural resource industries and foreign direct investment (FDI) through the creation of a network of local suppliers.

- Develop territorially differentiated products and services through mobilisation of local assets, and leveraging consumer preferences for local or tradeable products.

In order to foster economic development, Indigenous communities in rural areas must take advantage of context-specific assets that are immobile and that are areas of absolute advantage. Each of these strategies has different policy implications for Indigenous communities—these are elaborated as a typology in Table 4.1.

**Table 4.1. Typology of development opportunities for Indigenous communities in rural areas**

Type	Characteristics	Development Strategy
1. Indigenous communities close to cities abundant natural resources and amenities	Within a 60-minute drive of a population centre of 50 000 people or more. Sufficient land and resources available to develop commercial opportunities related to renewable energy, food production, and tourism.	A key issue for these communities is integrating with the wider urban/regional economy and governance arrangements to maximise the benefit of their resource base.
2. Indigenous communities close to cities where natural resources and amenities are limited or absent	Close to cities but do not have sufficient land size or the natural resources that enable commercial scale development opportunities.	Despite small land parcels, there may be opportunities for retail and industrial land development, and collaboration with local municipalities on planning and infrastructure is important to activating these opportunities.
3. Remote Indigenous communities with abundant natural resources and amenities	Longer than a 60-minute drive from a population centre of 50 000 people or more. Have opportunities for commercial development related to minerals, hydrocarbons, renewable energy, fishing and aquaculture, food production, and nature-based tourism.	A key issue for these communities is how to invest own-source revenues in ways that support economic value adding and diversification, and how to build/attract the necessary skills to support business growth.
4. Remote Indigenous communities where natural resources and amenities are limited or absent	Lack natural resources available for commercial use, and economic development is limited to the internal market and some tourist opportunities (e.g. handicrafts). Government transfers, subsistence hunting and fishing, and local bartering and sharing will play a greater role in supporting community well-being.	A key issue for these communities is ensuring access to public services that offer a sufficient quality of life to retain younger people.

Source: OECD (2019<sup>[5]</sup>), *Linking Indigenous Communities with Regional Development*, <https://dx.doi.org/10.1787/3203c082-en>.

Indigenous communities that are urban or close to cities tend to be better linked to infrastructure and services (e.g., health and education), have access to larger markets and have a larger labour pool to draw from. Such communities are more likely to have a services-based economy and tend to be more economically diversified. Those with natural resources and amenities are able to develop commercial opportunities in such sectors as renewable energy, food production, and tourism. For example, Millbrook First Nation which has used its prime location outside the Halifax metropolitan in Nova Scotia area to develop a fully serviced and easily accessible commercial hub for retail, recreation and leisure (Millbrook First Nation, 2018<sup>[6]</sup>). For communities that are close to cities but where natural resources and amenities are limited or absent there are fewer businesses opportunities; and yet, the benefits of proximity to a city and relative accessibility may still lend themselves to development opportunities (e.g. retail and industrial land development) and firms that provide services to nearby residents.

In contrast, communities that are rural and remote face a much more challenging set of circumstances for entrepreneurship. Greater distances to markets and the costs associated with this require that businesses focus on areas of competitive and absolute advantage. While rural firms benefit from some lower costs (e.g. greater availability and lower cost of land), they pay a distance premium in accessing markets which limits the types of activities that are undertaken. With the exception of tourism (where a market is brought to a place), remote rural entrepreneurship generally takes place outside of the services sector and it often based on natural resources including forestry, minerals, hydrocarbons, renewable energy, fishing and aquaculture. Many of these industries are capital intensive and require large long-term investments before gains are realised. This requires a great deal of capacity and capital to undertake, and as such, it is common for Indigenous communities to enter into business partnerships with established firms or to negotiate economic and community benefits. These types of economic opportunities are not without their challenges and they need to consider environmental sustainability. There is a need for better collaboration with a wider range of partners (e.g., consulting firms and contractors who conduct projects) to ensure environmental sustainability is built into proposals. There are inherent power asymmetries when Indigenous communities negotiate or form partnerships with firms involved in natural resources exploitation. Even for business endeavours that are led by communities themselves, it can be a challenge to ground business practices in community-based values and maintain sustainable practices. Some development opportunities may never be considered or supported for these reasons.

The typology in Table 4.1 presents a way in which to think about some basic conditions that shape entrepreneurship related to geography. However, it does not address three other important factors: i) the quality of the community institutions, ii) the development objectives of the community and iii) the quality of infrastructure and services. It is clear that two communities with equivalent geographic and development conditions can have very different economic outcomes. Differences in the quality of local institutions – the ability to identify and implement a development strategy, and or, differences in objectives – are an important explanatory factor for these divergences. It is equally important to recognise that the development objectives of a community may differ. Finally, it is important to highlight that basic infrastructure and services—from housing and sanitation to education and broadband—are fundamental to any community’s economic development and well-being.

The field missions to FN and Inuit communities conducted as part of this study illustrate these dynamics (see Chapter 6). For example, the Mississaugas of the Credit First Nation (MNCFN) are an example of a combination of the first and second typologies. They are a First Nations community that is located close to a city – the city of Brantford, Ontario, population around 134 000 – where on-reserve natural resources and amenities are limited beyond farmland but where there are many natural resources within the broader traditional territories. The community’s economic development strategy rests on several pillars. The compensation from the Toronto Purchase land claim has helped the MNCFN build capacity and strengthen its internal governance. The MNCFN have leveraged their proximity to the city of Brantford to develop some services (a plaza with gas bar) and most of the businesses on reserve are services oriented. The band’s newly created economic development corporation is exploring future strategies for economic development including franchises (e.g., hotel chain), building facilities, pooling capital and knowledge, developing more in urban centres (e.g., Indigenous business hub in Toronto) and focussing efforts on import

substitution. MNCFN are interested in equity partnerships and revenue sharing and are also involved in consultation and development within treaty and traditional territories.

In contrast to the above example, rural remote communities face even greater challenges for basic infrastructure provision and access to services; this presents a major hindrance to community economic development and business activities. The experiences of Neskataga First Nation illustrate these challenges. Neskataga First Nation is an Oji-Cree First Nation band government located in northern Ontario along the shores of Attawapiskat Lake, 430 kilometres northeast of Thunder Bay. It is a remote fly-in community of 300 people and is accessible by a winter road. Neskataga are Treaty 9 signatories—a territory spanning most of Northern Ontario—along with other First Nations. The right framework conditions need to be in place for economic development opportunities to proceed. Basic infrastructure and living conditions are not being met in Neskataga. The band government is focussed on addressing pressing social and health issues and infrastructure needs. Northern Ontario is rich in natural resources, including chromite and large investments are now being made to open this area to further development which impacts FNs and their treaty lands—known as the ‘Ring of Fire’ developments. These investments have the potential to bring benefits to the FNs communities in Northern Ontario such as Neskataga which are among the most socioeconomically disadvantaged in Canada. Yet at the same time, many of these communities do not have the basic framework conditions in place in order to benefit from this new activity and there are ongoing concerns about the impact of mining activity on the delicate wetlands environments in the north alongside concerns about impact on culture and community (e.g., the growth of large and predominantly male work camps in the territory).

These two examples—Mississaugas of the Credit FN and the Neskataga FN serve to illustrate how different the framework conditions are for community and economic development within the same province of Ontario. Potentials for economic development differ considerably. Programme design needs to be flexible and adaptive to these different contexts and development priorities—a point that will be returned to.

### ***The unique features of Indigenous entrepreneurship***

Indigenous entrepreneurs are represented in all sectors of the economy across Canada and reflect every business type – from small businesses based on sole proprietorship to large corporate enterprises (though the latter are less common) (CCAB, 2016<sup>[7]</sup>). While many Indigenous businesses are like any other, they can also have unique features such as an emphasis on communal goals, strong links to land, and alignment with Indigenous culture, values and worldviews (Peredo et al., 2004<sup>[8]</sup>) (Croce, 2017<sup>[9]</sup>) (Hindle and Lansdowne, 2005<sup>[10]</sup>). Recognition of these oft-present characteristics is important in order to design relevant and culturally acceptable policies and partnerships. Moreover, Indigenous peoples in Canada have specific rights to lands, resources and self-determination which impacts individual and community led business activities.

### ***Rights frameworks structure economic activity, access to resources and land***

The rights of Indigenous peoples to land and resources in Canadian law shapes Indigenous economies (and much besides). This issue has been discussed at length in Chapter 3 as regards land rights which differ considerably between the types of agreements that have been signed between Indigenous peoples and governments (past and present). For example, pre-Confederation agreements such as the Peace and Friendship Treaties 1725-1779 with the Mi’kmaq did not cede territory to the British. This stands in contrast to post



Confederation agreements with Canada where Indigenous peoples were required to cede land to the Crown and co-manage the lands that they retained with the Canadian federal government (Brown, Doucette and Tulk, 2016<sup>[11]</sup>). 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. Meanwhile in British Columbia, the treaty making process is ongoing. Finally, in Manitoba, a 2013 Supreme Court of Canada ruling on the land rights of Metis in the province has opened negotiations on what could be the second largest Indigenous land claim in Canadian history after Nunavut.

Numerous court cases over the years have added to the body of jurisprudence on the scope of these rights, particularly as regards commercialisation of natural resources. Section 35 of Canada's Constitution Act (1982) states that "the existing aboriginal and treaty rights of the aboriginal peoples of Canada are hereby recognised and affirmed." The Supreme Court of Canada has referenced the pre-contact era and traditional practices in many of its decisions regarding the rights of Indigenous peoples to the commercial use of land and related resources (e.g., fisheries). Such interpretations can make it difficult for communities to adopt contemporary practices; however the same logics have been instrumental in asserting Aboriginal title to land and resources (based on historical use). There have been a series of Supreme Court decisions in Canada since the 1990s on Indigenous rights to commercial fisheries that illustrate these dynamics. Legal interpretations have stressed that a right to commercial fisheries exists for an Indigenous group where it can be proven that this has been an integral part of their culture. In cases where this issue has not yet been settled by law, there are some examples of temporary agreements across Canada between the Department of Fisheries and Oceans and First Nations to participate in commercial fisheries (Durette, 2018<sup>[12]</sup>).

Indigenous rights in Canada are by no means fully settled for all nations and peoples, especially in British Columbia where treaties have not been signed with the majority of FNs. Rights to land and resources are the subject of ongoing discussions and across Canada new issues continuously arise, demanding reactions from governments and courts. This changing environment—wherein Indigenous rights are being recognised, reaffirmed and interpreted by policy and law on an ongoing basis—means that policies need to be flexible and adaptive to changing contexts.

### *The centrality of community and kinship*

While Indigenous entrepreneurship might entail individual, for-profit activities, there is a tenancy towards egalitarianism, sharing and communal activity (Dana, 2015<sup>[13]</sup>). Around 750 000 Indigenous people in Canada live in Indigenous settlements including First Nations reserves, Inuit communities and Métis settlements in Alberta. Such communities tend to be small; their average size is 407 people.<sup>3</sup> As such, they tend to be close-knit, with strong kinship relations. Businesses that operate in such an environment are intimately linked to the community and its members. They generally need to have community buy-in to operate and their practices should be aligned with community goals. In effect, they need a strong social licence to operate. Because Indigenous land rights (hunting, fishing, rights over traditional territories etc.) in Canada are generally held by the community and not individuals, any activities that draw on these resources must either be communal in nature, or at minimum, have been granted the permission of the community in order to be exercised (Dana, 2015<sup>[13]</sup>). This too reinforces a communal perspective.

This communalism extends to business ownership structures. Cooperatives are an increasingly important form of business organisation used by Indigenous communities to

forward social and economic development. While some argue that Indigenous cooperative development in Canada has historically been associated with colonisation policies, today they take a wide range of forms and often demonstrate an commitment to ‘Quadruple Bottom Line’ goals –i.e., financial, social, environmental and cultural goals (Sengupta, 2015<sub>[14]</sub>).<sup>4</sup> For example, Arctic Co-operatives Limited—a cooperative federation owned and controlled by 32 community-based cooperative business enterprises across northern Canada that coordinates resources, consolidates purchasing power and provides operational and technical support to its members (Arctic Co-operatives Ltd., 2019<sub>[15]</sub>).

Aboriginal economic development corporations (EDCs)—the economic and business development arm of a First Nation, Métis or Inuit government—are another such example. 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 drivers in communities and a source of local employment (CCAB, 2016<sub>[16]</sub>). There are around 260 EDCs across Canada. They use their revenues to reinvest in the community capital investments as well as education and training for members in order to ensure that they are well placed to take advantage of the community’s economic opportunities. For example, Makivik—an organisation mandated to speak on behalf of the Inuit of Nunavik—created the Nuvviti Development Corporation in 2017 to operate its subsidiary companies and joint venture partnerships. Makivik owns large business enterprises that generate jobs but also promotes social and economic development including the protection of the Inuit language and culture and the natural environment (Makivik Corporation, 2018<sub>[17]</sub>). Social enterprises are also proliferating. For example, the Indigenous-owned social enterprise energy company Aki in Manitoba that works with First Nations to start green businesses in their communities, creating local jobs and growing strong local economies.

The community embeddedness of much Indigenous entrepreneurship can bring both benefits and drawbacks. For example, businesses in small close-knit communities need to navigate internal or intra-band politics. It is important that the activities of a firm do not detract from other community members’ activities. Achieving alignment among multiple goals can be challenging, particularly when it involves natural resource exploitation. For example, in an analysis of how community values have been integrated into commercial forestry by the Tl’azt’en First Nation (British Columbia), logging activities by the First Nation-owned firm led to conflict in the community by interfering with the trapping lines of community members (Booth and Skelton, 2011<sub>[18]</sub>). Achieving “quadruple bottom line” prerogatives is not easy—in the case of the Tl’azt’en First Nation conflicts between these objectives occurred despite a commitment to sustainable forestry practices. Also, Indigenous firms (particularly those that are community-owned) may need to ensure that hiring benefits family members in the community equally, regardless of their competencies.<sup>5</sup> Community and kinship dynamics of Indigenous entrepreneurship demand a sensitivity to these types of issues and require methods to resolve conflicts among community members. New economic activities – particularly those that are land intensive or that draw on natural resources – need to develop community consensus and to proceed with caution; activities which take time.

### *Land and eco-system protection*

The spiritual beliefs and worldviews of Indigenous peoples are deeply rooted in their connection with land and to the subsistence activities of hunting, fishing and gathering (see Chapter 3 for discussion). Indigenous economies prior to colonial contact were subsistence-based, featured redistribution (a gift economy) and involved widespread trade (Natcher,

2009<sup>[19]</sup>). Subsistence and gift economies remain important to many Indigenous peoples today. As such, land rights are crucial to the maintenance of the collective identity of Indigenous groups and access to land and natural resources is fundamental for their material reproduction—be this through traditional subsistence activities or leading socioeconomic development. Subsistence activities (harvesting, processing, sharing, consuming, etc.) serve both economic, social and cultural functions. Subsistence “represents a seamless whole, where culture, economy and environment overlap, and boundaries become blurred” (Natcher, 2013<sup>[20]</sup>).

These deep-rooted connections to the land structure Indigenous entrepreneurship in a number of ways. Any activities that impact upon land (including how the community is accessed by road etc.) requires community acceptance. For example, it can be important that business activities leave an intact ecosystem such that the fish, wildlife, and plants required for spiritual/cultural maintenance and traditional practices and diet are ensured (Booth and Skelton, 2011<sup>[18]</sup>). Sacred sites require strong protection and for some communities, this may extend to the entire traditional territory. In practice, this may entail, a preference for activities that have a limited environmental impact, despite them being less lucrative. While land is a key asset for Indigenous economic development, it important to recognise that this is a western view and that land from an Indigenous perspective has a multitude of meanings. The manner in which legal frameworks recognise land rights can be poorly fit to this Indigenous view.

Because of the importance of land across its multiple dimensions—cultural, spiritual, ecological etc.—Indigenous communities are often portrayed as anti-development. However, the values of sustainable development are not necessarily anti-development values but rather a call to develop in a way that does not harm ecology or future generations and that is sensitive to culture and traditional knowledge. In the words of Chief Percy Guichon, Tsi Del Del:

“All the First Nation communities in the Tsilhqot'in are developing economic strategies and always have been. Our people have the same hopes and dreams as the Canadian society in general... But we will not create jobs at any cost to the environment. We will not create economic development at the expense of a sacred lake. We will not destroy anything valuable that relates to our teachings of our cultural and spiritual connections just for the sake of a new Dodge 4 × 4.” Alexis Creek, as quoted in the Canadian Environmental Assessment Agency (2010<sup>[21]</sup>) in (Kunkel, 2017<sup>[22]</sup>).

There is a multiplicity of Indigenous perspectives on this issue. Land is fundamentally important and this resource is treated in different ways by different Indigenous groups. There are no monolithic views, but it is notable that even those First Nations that support the resource development in Canada and that have entered into agreements with major oil firms express the importance of having a safe environment and balancing environmental and economic development objectives (CBC News, 2019<sup>[23]</sup>).

### *Culture and Traditional Knowledge*

Culture (i.e., value systems) are entwined with entrepreneurial activity. Indigenous culture tends to emphasise high collectivism/low individualism, low power distance and low uncertainty avoidance (Lindsay, 2005<sup>[24]</sup>). While this may not necessarily influence the degree to which entrepreneurial activities are undertaken, it does have a range of implications for how Indigenous entrepreneurs (individual or community-led) identify opportunities and structure their business practices.<sup>6</sup> For example, it leads to a tendency to

focus on achieving both economic and non-economic objectives in support of, for example, community development, environmental sustainability and cultural reproduction. The Huron-Wendat Nation in the Canadian province of Quebec illustrate how these multiple goals might be achieved. The Huron-Wendat Nation own a hotel and conference centre that are a source of employment for community members; skills training programmes have been adopted to support job readiness. Moreover, the premises are linked to the Huron-Wendat Nation Museum. The First Nation has combined its business venture with opportunities to teach others of its culture, language and traditions, reinforcing them in the process.

The manner in which Indigenous entrepreneurs draw on culture within their practices demands care that integrity is maintained, avoiding “stale stereotypes,” “partial realities” and “monolithic views” on Indigenous history and identity (Hollinshead, 1992<sup>[25]</sup>). It also demands recognition that culture evolves. Culture may be a part of Indigenous entrepreneurship in a variety of forms—from traditional arts and crafts to contemporary media and digital forms. As an example, the elder institution of storytelling wherein memories to knowledge are transmitted to other generations have been translated into digital storytelling through such initiatives as Aboriginal Territories in Cyberspace (AbTeC). These applications extend from digital art to gaming (Winter and Boudreau, 2018<sup>[26]</sup>).

The tradition of storytelling is one facet of Traditional Knowledge—that is, “a cumulative body of knowledge and beliefs, handed down through generations by cultural transmission, about the relationship of living beings (including humans) with one another and with their environment” (Horowitz, 2015<sup>[27]</sup>). Indigenous people living in traditional settlements tend to negotiate a balance between social and cultural obligations with business operations that will vary between individuals, kinship groups and clans (Taylor 2008). Customary activities and traditional knowledge can be understood as an area of ‘absolute advantage’ because it is embedded within a particular location and embodied within close kinship networks that is not well-understood or shared with outside groups (e.g. as demonstrated by Indigenous arts, handicrafts, and music). It is important that community members agree to the parameters of its use in commercial activities. Clan chiefs and elders who have vested with authority over intellectual, cultural and biological resources and the application and sharing of traditional knowledge for commercial purposes, including possible eco-cultural play an important role in developing guidelines for how Traditional Knowledge can be shared (Turner, Berkes and Turner, 2012<sup>[28]</sup>). For example, it can be important to develop consensus around rules and protocols to guide tourism development including areas of common-property and parameters. This includes how local and elders’ knowledge may be shared with visitors including areas that are “off-limits” such as certain domains of knowledge (e.g. medicinal plant knowledge, and particular stories and teachings) as well as access to specific physical locations and activities (e.g. some harvesting locations, sacred sites, gravesites, and certain feasts) (Turner, Berkes and Turner, 2012<sup>[28]</sup>).

The commercial applications Traditional Knowledge can struggle with being valued or recognised as legitimate in areas such as health or natural resource management. Further, because Traditional Indigenous technologies are not the property of the individual inventor, other actors (non-Indigenous entrepreneurs and corporations) can appropriate Indigenous technologies. There are growing efforts to recognise and protect Indigenous Intellectual Property (IP) rights through legal instruments regarding the use and protection of traditional knowledge, traditional cultural expressions, and biological material. Better addressing Indigenous IP issues relates to international and national legal frameworks related to trade, copyright, trademarks, and IP. Nation states and non-government organisations can also

institute programmes related to the certification of Indigenous products and services to better protect Indigenous entrepreneurs.

In Canada, some efforts to use trademark laws have met with success. For example, the "igloo tag" and the "Genuine Cowichan Approved" certification marks have been developed in order to ensure the authenticity of Aboriginal goods (Udy, 2015<sup>[29]</sup>). The "igloo tag" was developed by Indian and Northern Affairs Canada in 1959 for Inuit artists while the Cowichan Band Council of British Columbia established its certification mark to protect its traditional clothing production. As another example, the Snuneymuxw First Nation in British Columbia registered the symbols depicted in ancient petroglyphs found in the Nanaimo River Estuary; this was done in order to protect the sacred symbols from culturally inappropriate use, and to prevent their erosion (Udy, 2015<sup>[29]</sup>).

Building economically viable and profitable businesses that also fulfil the broad socio-cultural, political and ecological objectives of many Indigenous communities is neither an easy nor a straightforward proposition (Turner, Berkes and Turner, 2012<sup>[28]</sup>). Decisions about economic development and any trade-offs that that might require need to reflect the diverse perspectives of Indigenous communities and nations.

### *The hybrid economy*

The above-mentioned features—the importance and culture, connections to land and environmental stewardship—means that Indigenous economies may have hybrid characteristics combining for profit activities with a substance and sharing economy. Harvesting, processing, and distributing wild foods and resources is a central component of many Indigenous economies, and particularly the northern social economy (Natcher, 1988<sup>[30]</sup>) (Berkes et al., 1994<sup>[31]</sup>).

This social economy (and Canada's climate and ecology more generally) is under growing stress on several fronts. Canada's northern regions are at the forefront of climate change impacts. The Government of Canada's latest research alarmingly finds that Canada is warming on average at a rate twice as fast as the rest of the world and that Canada's Arctic has seen the deepest impact and will continue to warm at more than double the global rate—the report suggests that these impacts are likely irreversible (Environment and Climate Change Canada, 2019<sup>[32]</sup>). This is having and will have widespread repercussions on the life of northern peoples, their environment and ecology of the north. Some of the impacts of climate change are already being felt in Canada including rising sea levels, severe weather conditions, melting sea ice, forest fires, and flooding. Indigenous peoples in the Arctic region depend on hunting for polar bears, walrus, seals and caribou, herding reindeer, fishing and gathering, not only for food to support the local economy, but also as the basis for their cultural and social identity. At the same time, mining and oil and gas developments are expanding in the northern territories as permafrost melts and ice free channels open up across the Canadian arctic sea (Prowse et al., 2009<sup>[33]</sup>). Both trends are having a profound effect on hybrid economies and social and life more generally in the Canadian north.

### *Business regulation and taxation on reserve*

Many Indigenous businesses operate just like any other, following provincial or sometimes federal regulations and municipal bylaws depending on the nature of their activities. But there are several ways in which the regulatory environment facing businesses on a reserve (Indigenous or otherwise) are different than those elsewhere in Canada due to provisions in the Indian Act. For example:

- **Reserve land is federally administered.** Reserve land is owned by the federal government (“the Crown”), administered by Indigenous Services Canada and managed by First Nations governments. This can present a lack of clear accountability for decision-making and adds administrative and regulatory burdens compared to business development in the rest of Canada. Contracts and leases for on-reserve land are between three parties—the proponent, the Minister of INAC, the FN government, pleading to higher transaction costs. Federal regulations may span multiple departments and, depending on the business activity, approvals from multiple departments may be required. It can cost four to six times as much to put together a major investment project on reserve and it takes much longer to take a project from the proposal to operating stages (Richard, Calla and Le Dressay, 2007<sup>[34]</sup>). Consequently, even favourably located reserves have low business presence and see potential investment diverted to adjacent jurisdictions even when these alternative locations are less favourably sited. FNs who have opted out of certain portions of the Indian Act related to land management have great administrative control over these matters.
- **A Band Council Resolution (BCR) and/or a Tribal Council Resolution (TCR) is required to start a business in a First Nation community.** This is a recorded decision made by a First Nation band council which requires the support of a majority of chief and councillors at a meeting of the council (Community Futures Manitoba, 2016<sup>[35]</sup>).
- **Federal, provincial and FN government regulatory jurisdiction may be unclear.** Provincial laws of ‘general application’ are meant to apply on-reserve but only if they do not impinge upon areas of federal jurisdiction. For example, while Band owned businesses are usually regulated under the federal Canada Labour Code; most private businesses fall under the provincial Employment Standards Code. Some matters, such as building code requirements and health and safety regulations, may involve inspections from both the federal and provincial/territorial governments on reserve (as opposed to just a provincial or territorial government elsewhere). Where there are relevant regulations pertaining to two or more governments, it may be unclear which ones a business is to follow. Uncertainties lie even where section 88 is intended to apply as provinces are reluctant to enforce provincial laws on-reserve (NAEBD, 2017, p. 17<sup>[2]</sup>). Furthermore, on some issues, there are no relevant federal laws; such is the case for the resolution of landlord and tenancy disputes which instead fall to the court system. Under the First Nations Commercial and Industrial Development Act, FNs can opt in to federal or provincial legislation.
- **Commercial land zoning/designations, land leases, and land registries need to be approved by the federal government (CIRNAC).**<sup>7</sup> In some cases, FNs governments maintain their own land registry system as a replace to or in addition to the INAC registry. A 2008 comparison of these business development steps both on and off-reserve in Canada found the process on reserve to take two and a half times as long (Richard, Calla and Le Dressay, 2007<sup>[34]</sup>). Changes to land use need to be approved by FN referendum of eligible voters in which quorum is achieved. The location, zoning and land designation process can be complex and time consuming. Federal funding for new business on reserve lands cannot be accessed until the land designation process is completed (Community Futures Manitoba, 2016<sup>[35]</sup>). First Nations who have opted in to the First Nations Land Management

Act (FNLMA) have more jurisdiction over land use governance. In effect, the FNLMA removes 44 sections of the Indian Act, enabling FNs to develop their own laws about land use, the environment and natural resources and take advantage of cultural and economic development opportunities (INAC, 2018<sup>[36]</sup>).

- **Land cannot be used as collateral to raise financial capital because it is federally owned, is inalienable and cannot be seized by banks upon loan default (section 89/1, Indian Act).** This complicates access to credit such as mortgage loans, resulting in a closed market and limited access to financing to be guaranteed by the government (NAEBD, 2017, p. 16<sup>[2]</sup>) (see case of Membertou for example Box 4.1). Long term leases or on-site structures are sometimes accepted as loan collateral but challenges in accessing capital remain a significant obstacle to business development.<sup>8</sup> It is noted modern treaty signatories who own their own land are an exception to this.
- **First Nation governments have limited taxation powers; however, the First Nation Fiscal Management Act and the First Nations Goods and Services Tax Act expands these possibilities for those that opt-in.** FNs can levy property taxes (as per section 83 of Indian Act), but their taxing authority is subject to various conditions and approvals. The First Nation Fiscal Management Act (2006) expands taxation powers for sales taxes, goods and services taxes and personal income taxes and property taxes. A minority of First Nations employ these instruments presently—e.g., an estimated 30% hold property taxing powers (First Nations Tax Commission, 2019<sup>[37]</sup>). The Financing Secured by Other Revenues Regulations limits the revenues First Nations may use to leverage financing—e.g., First Nations are unable to use the First Nations Goods and Services Tax to leverage other sources of finance (NAEBD, 2017, p. 17<sup>[2]</sup>).
- **Some federal and provincial taxes may not apply to Status Indians for on-reserve income.** Under sections 87 and 90 of the *Indian Act*, Status Indians do not pay federal or provincial taxes on employment, investment and business income, as long as the revenue generating activity is located on reserve subject to tax guidelines connecting the income to a reserve (Government of Canada, 2018<sup>[38]</sup>).<sup>9</sup> The location of the income is the determinative factor; simply living on a reserve does not guarantee that income is tax exempt (e.g., investment income earned outside of a reserve is not exempt). Also, a Status Indian living off-reserve can still earn income which is situated on a reserve and thus be exempt from tax. The Supreme Court of Canada has ruled that the purpose of this exemption is to preserve the entitlements of Status Indians to their reserve lands and to ensure that the use of their property on their reserve lands is not eroded by taxes.

These form some of the ways in which First Nations reserves are a unique business environment. Some of the features of the Indian Act may provide a positive incentive for businesses such as the tax incentive for Status Indians to locate their business on a reserve (or for community-led enterprises). However, there are also a number of drawbacks, the inability to leverage land rights for capital and regulatory delays being chief among these. The Indian Act is thus a doubled-edge sword. On the one hand it is paternalist and was not designed to enable economic development and entrepreneurship. But at the same time it protects important rights like the right to land; albeit land rights are narrowly defined and in many cases by no means settled. The opt-in Framework Agreements on *First Nation Land Management* have offered a helpful workaround to these issues.

Overall, encouraging new businesses on reserve (either from within the community or without) demands the knowledge to effectively navigate regulatory issues between the appropriate levels of government, depending on the activity. This can present perceived or real risks for new businesses which discourages investment. Moreover, large business projects require infrastructures such as paved roads, fire service, healthcare facilities, and industrial-scale water system. Limited infrastructure on-reserve land creates uncertainties for potential investors.

**Box 4.1. Section 89 of the Indian Act challenges: Example of the Membertou hotel and convention centre, Nova Scotia, Canada**

The challenges faced by Membertou FN in its plans to construct a hotel that would attract more business to the community's Membertou Trade and Convention Centre (MTCC) and support future development projects highlight the practical implications of Section 89 of the Indian Act. The Chief and council had several options available to them, each with repercussions for how the project would be financed and deliver benefits to the community:

1. *Locate the hotel on reserve land a few kilometres away from the MTCC:* Locating the hotel on reserve land would be beneficial for Aboriginal employees and customers, given the tax exemptions that apply to reserve lands, but it would make it difficult, if not impossible, to obtain financing for the hotel through a traditional chartered bank.
2. *Surrender and designate reserve land a few kilometres away from the convention centre, then locate the hotel on it:* if the reserve land was surrendered and designated, it could be leased and, because the band would have given up its interest in it, it could be used as collateral to obtain financing for the development.
3. *Issue a certificate of possession for the reserve land a few kilometres away from the convention centre, then locate the hotel on it:* It was unclear to the chief and council how such an arrangement might be viewed by the banks and impact access to financing.
4. *Locate the hotel on community-owned fee simple land going through an addition to reserve (ATR) process:* The ATR process can take more than a decade and would require surrendering the land to the Crown to be administered by the Minister of INAC. When fee simple land becomes reserve land, however, it loses value (in that it can no longer be used as collateral to securitise a loan). Further, they could not guarantee that a request for ATR would be approved for economic development purposes, since it could be perceived as creating an unfair advantage given the tax exemptions that apply on reserve lands.
5. *Have community-owned fee simple land rezoned for commercial development, then locate the hotel on it (without going through the ATR process).*

Given Membertou's reluctance to surrender and designate reserve land, the second option was quickly dismissed. After weighing the options, the First Nation opted to construct the hotel on fee simple land which was rezoned by the adjoining municipality (option 5). This case study serves to illustrate some of the decisions that FNs need to make when pursuing economic development activities.

Source: Excerpted from Brown, K. and J. Tulk (2017<sup>[39]</sup>), *Case Studies in Aboriginal Business: Membertou Hotel*, <http://www.cbu.ca/crawford> (accessed on 3 May 2019).



## Competitive advantages for rural Indigenous entrepreneurship

As discussed, a lack of population density and longer distance to markets are some of the features that make entrepreneurship in a rural setting unique, and more challenging. OECD research on this topic has found the tradeable sector in rural areas to be an important competitive advantage these activities are connected with an immobile asset—e.g., primary industries like agriculture, mining, forestry, fishing and aquaculture and integrated services like energy production, services and manufacturing.

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-traded 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). This section provides an overview of some of the main industries and growth opportunities for rural Indigenous entrepreneurship in Canada. It explores both the factors for success and the main challenges faced by firms operating in these sectors.

### *Renewable energy*

Canada has vast untapped renewable energy potential that can play a key role in meeting future demand while advancing the decarbonisation of the power sector and maintaining affordable energy prices (OECD, 2017<sub>[40]</sub>). Renewable energy as a percentage of total primary energy supply in Canada is around 17%; this is above the OECD average of 10% but is significantly below northern Scandinavian countries which have a similar climate and geography to Canada (OECD, 2019<sub>[41]</sub>).<sup>10</sup> While there is no federal target for renewable energy development, most provinces have their own renewable targets that are helping to drive increased investment as are feed-in-tariff systems in the case of Ontario (OECD, 2017<sub>[40]</sub>).

Of renewable energy sources, hydroelectricity accounts for over half of Canada's renewable energy output, with Quebec having the largest share of hydro power generation of any other province in Canada. It bears noting that while Environment Canada considers hydro power to be a renewable and low-emission option for power generation, it does emit some greenhouse gases (Environment Canada, 2019<sub>[42]</sub>). Furthermore, hydro power installations and transmission lines can also negatively impact river ecology and natural environments (Couto and Olden, 2018<sub>[43]</sub>). These are complex issues for which the size of scale of the energy installation is an important consideration.<sup>11</sup>

### *Renewable energy generation is a development strategy for remote and off-grid communities*

Renewable energy businesses can provide a viable source of income and jobs for Indigenous communities. They are especially important for northern and remote communities that rely on expensive diesel generators—presenting a cleaner, cheaper and more reliable alternative. There are 366 off-grid communities in Canada of which over half are Indigenous; together these communities have a population of around 200 000 (NRCAN, 2019<sub>[44]</sub>).<sup>12</sup> Of these off-grid communities, roughly 86 per cent are primarily dependent on

diesel for generating electricity (Conference Board of Canada, 2016<sup>[45]</sup>). Costs are high: in Kugaaruk, Nunavut, for example, the un-subsidised residential electricity rate is reported to be over 9 times as high (\$1.14/kWh) as the Canadian average (\$0.12/kWh) (Conference Board of Canada, 2016<sup>[45]</sup>).

For the past decade, Indigenous businesses have successfully penetrated clean power (hydro, wind, solar power, geothermal, tidal, and/or biomass) and renewable energy markets; this includes facilities that are fully or partly owned and operated by Indigenous business-owners and communities. In 2017 there were approximately 150 renewable energy projects with Indigenous involvement compared to just 20 in 2008; between 2009 and 2017 the sector generated 15 300 direct jobs for Indigenous workers and CAN \$842 million in employment income (CBC News, 2017<sup>[46]</sup>). In 2017, the majority of the projects were hydroelectric (63%) followed by wind power (24%), with the remaining projects (13%) a mix of solar and biomass (CBC News, 2017<sup>[46]</sup>). Examples include:

- **Wind power generation:** In Northern Ontario, the Henvey Inlet First Nation has partnered with a private developer on a 300-megawatt wind farm. The project is expected to earn around CAD 10 million per year for the 900-member community as a result of a 50% equity stake in the project. It is expected to provide an average of 300 jobs during construction, as well as 20 direct permanent jobs during operation. Funding will be used for health, education and improved infrastructure in the community. Provincial price incentives have played a key role in attracting private interest. These include Ontario's feed-in-tariff for renewable energy and an "adder" for Indigenous participation that increases with the proportion of involvement (OECD, 2017<sup>[40]</sup>).
- **Bio-charcoal from wood.** The company BioChar Boréal is a partnership between Pekuakamiulnuatsh Takuhikan and the Domaine-du-Roy county municipality following the initiative of the First Nations Forestry Industry of Quebec (FFPNQ) (BioChar Boréal, 2019<sup>[47]</sup>). It is establishing a network of companies to produce and market high value-added bioproducts.
- **Hydroelectricity.** Gitchi Animki hydroelectric plant, located in White River, Ont., is a \$200-million plant that is 50 per cent owned by the Ojibwa community of Pic Mober. It was built in partnership with Regional Power Incorporated.

Land rights are fundamental to realising these projects and projects require community acceptance in order to be successful. The government of Canada has programmes to support renewable energy developments in Indigenous communities and this is also focus of some provincial programmes as well (e.g., Alberta and British Columbia). A good example is the Northern Responsible Energy Approaches for Community Heat and Electricity (REACHE) Program that provides funding for renewable energy and efficiency, and prioritises projects that demonstrate Indigenous leadership and community engagement (INAC, 2019<sup>[48]</sup>). The vast majority (86%) of all Indigenous hydro, wind and solar projects are built in three provinces: BC, Ontario and Quebec (CBC News, 2017<sup>[46]</sup>). This in part reflects the difference in energy systems and regulations for this sector across Canada. Public policies play a very important role in structuring investment incentives for renewable energy.

While there are some fully Indigenous-owned renewable energy firms, the majority are a form of joint partnership with a private energy firm. There are several reasons for this. Many renewable energy projects such as hydro power are long-term ventures and investments for which projects can take years to bring into service and a decade or longer to turn a profit. It is very useful to have an established business partner in the field with the

right technical expertise. Joint partnership projects can be structured very differently with either majority or minority Indigenous ownership, royalty agreements, and/or employment benefit agreements. The benefits of such agreements can differ and in some cases their effectiveness requires that there be complementary projects in place such as skills training and upgrading in order to take advantage of employment benefits.

Such factors as high capital investment costs, high levels of technical expertise, fluctuating energy prices, and unclear environmental impact can make these projects risky and challenging to take on. As noted by Krupa (2012<sup>[49]</sup>) both levels of government in Canada could facilitate the growth of Indigenous-owned renewable energy firms by supporting additional funding and financing bodies dedicated to Indigenous projects, continuing education programs that incentivise on-reserve First Nations peoples to build their own project development capacity and, in the case of provincial governments, including price adders for both generation and transmission. The operating environment varies considerably from province to province in renewable energy (e.g. Alberta's deregulated market vs. British Columbia's crown corporation BC Hydro). Some positive examples of mechanisms to promote Indigenous involvement in the clean energy sector in Canada are the First Nations Power Authority (<https://fnpa.ca>), established in 2011 in Saskatchewan and the BC Indigenous Clean Energy Initiative (<http://www.newrelationshiptrust.ca/initiatives/bcicej>).

Renewable energy firms need to seek consent and secure social acceptance from communities in advance. In the case of Indigenous communities, this means dealing with potential conflicts between renewable energy and traditional livelihoods. The location should also be optimal for renewable energy and mature technologies deployed to reduce cost and risk. Renewable energy should also be integrated with local supply chains related to forestry, agriculture, and fisheries and aquaculture.

### ***Forestry and fisheries***

#### *The Indigenous forestry sector faces a number of constraints that limit growth*

Over a third of Canadian territory is forested and around 70% of Indigenous communities in Canada are situated in or near forested areas (FPAC, 2019<sup>[50]</sup>). Indigenous communities and peoples have a dual relationship with the forestry sector. On the one hand they may be involved in businesses in the sector themselves; and on the other hand they have a major stake in forestry that occurs in their territories. The vast majority (90%) of Canada's forests are owned and managed by the provincial and territorial governments on behalf of Canadians; the remaining 2% of all Canadian forests are owned and managed by Indigenous peoples; 2% is owned by the federal government and 6% is private property (NRCAN, 2015<sup>[51]</sup>). While the share of land owned and managed by Indigenous peoples may be comparatively small, Indigenous interests holding Crown land tenure represents a significant share of forest volume which is growing as modern treaties are negotiated and through government-led tenure reform and joint ventures with industry (NRCAN, 2015<sup>[51]</sup>).<sup>13</sup> Indigenous peoples hold the right to harvest timber from public land under forest tenure agreements (these agreements differ by jurisdiction across Canada).

Legislative authority over forestry management is a matter of shared federal and provincial/territorial jurisdiction in Canada. The federal government has legislative authority over matters relating to the national economy, trade, international relations, federal lands and parks, and constitutional, treaty and political responsibilities for Indigenous peoples (NRCAN, 2015<sup>[51]</sup>). Provinces and territories have legislative authority

over the conservation and management of forest resources on their own public land – which is the majority of all such land in Canada. They are thus key regulatory actors in the forestry sector and provincial/territorial regulations differ across Canada.

Canada is the world's fourth-largest forest product exporter. While the export value of the sector and its contribution as a major economic driver in communities has declined in the past decade, it continues to be an important part of the Canadian economy and a major source of employment (Statistics Canada, 2018<sub>[52]</sub>). Around 2% out of total Indigenous employment is in the forestry sector (2015) and there are over 1 400 Indigenous firms within the sector (Statistics Canada, 2018<sub>[52]</sub>) (NRCAN, 2015<sub>[51]</sub>). There are three main activities within the forestry sector in Canada: i) solid wood product manufacturing which comprises almost half of the Canadian market; ii) pulp and paper product manufacturing which comprises around a third of the Canadian market and; iii) forestry and logging a fifth of Canadian market (NRCAN, 2019<sub>[53]</sub>). Business activities may be structured as joint ventures – e.g., the Waswanipi Cree First Nation in Quebec silviculture and timber harvest joint venture with Domtar.

Indigenous communities and businesses interested in timber extraction tend to desire to leave ecosystems intact and respect sacred sites; this can be poorly accommodated by industrial forestry regimes, the majority of which practice clear cutting and use herbicides for reforestation which can be contrary to the wishes of Indigenous communities (Booth and Skelton, 2011<sub>[18]</sub>; OPFA, 2018<sub>[54]</sub>). While there is growing interest in an Indigenous forestry sector within the Canadian government, few forest companies have moved to adopt its tenets encompasses sustainable forest management. There is a growing market for sustainably sourced products and Indigenous firms could successfully fill this demand. Indigenous forest companies have expressed an interest in First Nation origin product differentiation (NAFA, 2011<sub>[55]</sub>). However, several constraints limit the growth of this sector. One of the major constraints facing this sector is a lack of access to land larger tenures:

- The reserve land base is too small.
- Most Crown forest land is already allocated to non-Indigenous commercial forestry companies and FNs need to compete for forest tenures as they become available.
- A lack of Indigenous experts in non-Indigenous forestry science and practice forces a reliance upon professional outsiders with different values.
- Forestry operation and development costs are often prohibitive.
- As regulated by government, conventional forestry operations poorly accommodate Aboriginal ethics/values or constitutionally recognised rights (Booth and Skelton, 2011<sub>[18]</sub>).

The National Aboriginal Forestry Association has long advocated for a specific First Nation tenure and improved access to forest lands, and several provinces have allocated volumes of timber to First Nations (NAFA, 2019<sub>[56]</sub>). In some parts of Canada this issue may be resolved through the conclusion of modern treaties that include greater land settlements and additional access to timber rights (e.g., Nisga'a Treaty). Co-management agreements between First Nations and forest industries (i.e., shared responsibility and control over management and profits) also present an opportunity to increase land tenure. However, as noted by Booth and Skelton (2011<sub>[18]</sub>), these types of agreements may be unsuitable if they do not fit Indigenous values for land management or where they do not recognise constitutionally guaranteed title and rights.

When a large tenure is achieved, technical and developmental requirements may be prohibitive for an economically challenged First Nation (Booth and Skelton, 2011<sup>[18]</sup>). While funding is available through the federal First Nations Forestry Program, developing internal professional expertise can pose a challenge. Industrial forest operations require the oversight of Registered Professional Forester (RPF) which is an accredited profession in Canada requiring a 4-year university degree and an apprenticeship; few First Nation members hold that designation.

Enabling the growth of this sector requires actions on several fronts. Addressing forest tenure, supporting skills development, business development and access to capital for forestry businesses and potentially, support for market segmentation efforts. More generally, compatibility between Indigenous forestry practices and that of the wider industry could be improved. Internationally, this issue gained attention at the 1992 at the United Nations Conference on the Environment and Development where the state on Forest Principles recognised the importance of Indigenous peoples' rights. There are several forestry standards certifications in Canada presently, each addressing Indigenous rights and interests to varying degrees.<sup>14</sup>

*Indigenous fisheries and aquaculture are well developed in some regions—but with access limitations*

Fish and seafood is one of Canada's largest food sectors and one of its most valuable exports; in 2016 exports in this sector were valued at CAN \$6.6 billion (Fisheries and Oceans Canada, 2016<sup>[57]</sup>). Within the sector, aquaculture is one of the fastest growing activities. The federal government in Canada is responsible for the regulation and management of fisheries and aquaculture industries in Canada (through Fisheries and Oceans Canada); provinces and territories also have responsibilities for the management of this sector and these differ according to jurisdiction across Canada.<sup>15</sup>

Indigenous fisheries have expanded since the momentous Marshall decision (which established the right to 'fish for a "moderate livelihood" and as a result of modern treaties which include fisheries provisions.<sup>16</sup> Fisheries under communal licences now generate \$120 million in annual landings, and 2 800 jobs (NAFFIII, 2017<sup>[58]</sup>). There is potential for growth in the sustainable fisheries market for which Indigenous businesses could be competitive (e.g., eco-certification). Fisheries are a managed resource with many fish resources under threat. Therefore, fisheries have controlled access (commercial catches are regulated through licenses). Further, in some instances, legal framework for access to fisheries have been established, but negotiations on how to implement this in practice are ongoing (e.g., Nuu-chah-nulth, BC). There are over 50 Aboriginal communities in Canada involved in aquaculture sector as producers and service providers and it is a growing sector (Waubetek Business Development Corporation, 2016<sup>[59]</sup>).

There are a number of constraints facing the Indigenous fisheries and aquaculture industries in Canada. In the case of the fisheries, it is a regulated industry of a managed resource and as such, there are ecological constraints on the industry which are different than that of the aquaculture industry (though aquaculture does have environmental impacts as well depending on the type that is preformed—i.e., closed versus open systems). Where the two industries are similar is in the high upfront capital costs and specialised expertise. A recent analysis of Indigenous aquaculture potential finds that access to capital, limited technical and business expertise and robust business plans, and the reluctance of non-aboriginal partners to invest in business partnerships located on reserve lands or in First Nations territories are some of the major obstacles facing the industry (Waubetek Business

Development Corporation, 2016<sup>[59]</sup>). Furthermore, while numerous federal and provincial economic development programs exist, many remain under-used in support of Indigenous aquaculture development.

There are ongoing efforts to advance a more collaborative approach to the governance and management of fisheries resources and associated economic opportunities. In 2017 a Reconciliation Framework Agreement between the Government of Canada and the Coastal First Nations in British Columbia was developed to enhance the role of Coastal First Nations signatories in the planning, management, monitoring and maintenance of healthy fisheries resources within the North and Central Coast area, furthering predictability and stability in the management of fisheries resources, and enhancing the well-being of Coastal First Nations communities (Government of Canada, 2017<sup>[60]</sup>). Furthermore, the Government of Canada is presently revising the Fisheries Act which includes addressing reconciliation with Indigenous peoples.<sup>17</sup> The proposed changes that aim to help advance reconciliation with Indigenous peoples include:

- Requiring that the traditional knowledge of Indigenous peoples be considered for habitat decisions, and protecting that knowledge from being disclosed once provided to the Minister.<sup>18</sup>
- Requiring that any adverse effects on the rights of Indigenous peoples be considered when making decisions under the Fisheries Act.
- Enabling agreements with Indigenous governing bodies to carry out the purposes of the Act.
- Enabling the creation of advisory panels which may include Indigenous representation.
- Providing certainty for harvesters by enabling new regulations that would allow the issuance of leases or licences for a period greater than 9 years (Fisheries and Oceans Canada, 2019<sup>[61]</sup>).

These changes go some way to address the fact that Indigenous practices and knowledge are often not integrated into or reflected in national regulations and policies. In BC, the provincial governments adopted a policy in 2018 mandating that, come 2022, all west coast fish farms will have to have First Nations approval before their tenure is renewed.

*The Indigenous fur industry is relatively small but new technologies have potential to scale production while maintaining sustainable practices*

Trapping is a traditional subsistence activity of Indigenous peoples and was a foundation of Canada's colonial economy. Canada's fur trade today continues in both subsistence and commercial forms; on the commercial end the fur trade consists of both trapping activities and fur farms. Canada's fur trade contributes nearly \$1 billion to the Canadian economy annually and Canadian trappers and fur farm owners earn more than \$320 million annually in pelt sales (Fur Institute of Canada, 2019<sup>[62]</sup>). Canada's most important fur markets are U.S., China, Hong Kong and Europe. The trade directly employs an estimated directly 60 000 Canadians full and part-time and there are an estimated 50 000 active trappers of which half are Aboriginal people (Fur Institute of Canada). There are a number of spin off activities associated with this sector (e.g., feed and equipment suppliers, veterinary and research services, by-product production, marketers, business services, transport, crafts and design sectors).

It is extremely difficult to make a living off of trapping in Canada. The most economical businesses in this sector are those that produce furs on a large scale with fur farms and mass processing. In contrast traditional approaches to trapping and processing fur are based on sustainable practices and use every part of the wild animal which is more time consuming and costly than the industrial model. There are efforts in Canada to find some middle ground for the industry. For example, St Félicien Cegepin Quebec's, Centre for Fur Valorisation has developed eco-responsible technologies in order to increase production with as little waste as possible, respect the spirit of Indigenous traditions, and show respect for the animals as well.

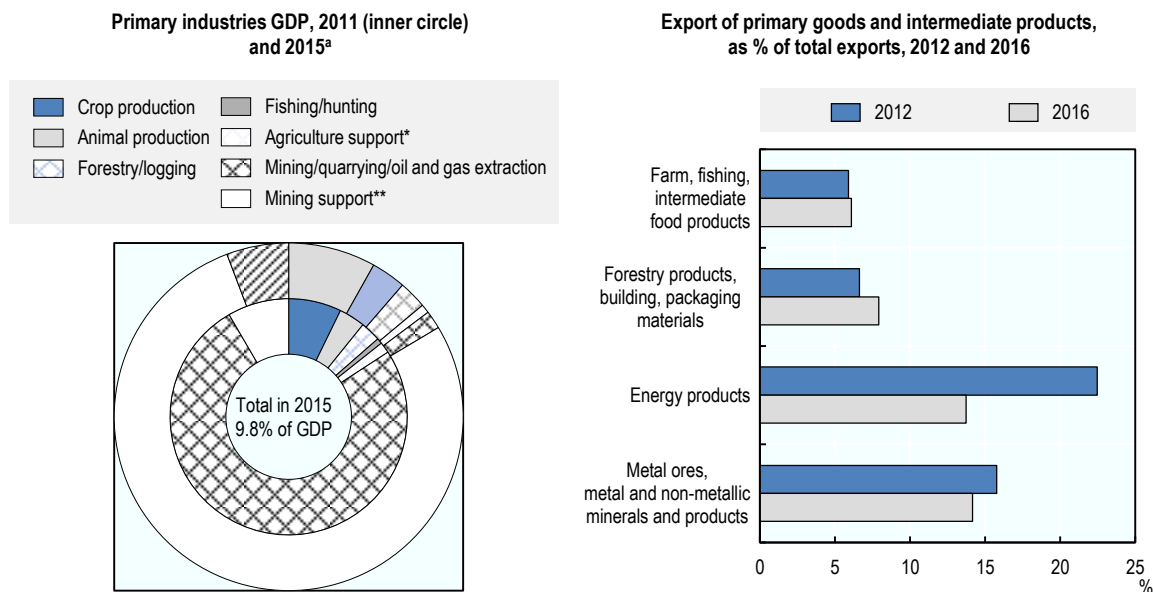
### ***Mining and extractive industries***

*The mining and extractive industries are a major share of the Canadian economy—with large scale developments across northern Canada*

Canada is one of the world's top five producers of crude oil, natural gas, primary aluminium and copper. The rise in international oil prices has shifted the country's industrial mix to become increasingly weighted towards oil and gas. Between 2000 and 2015, oil production increased by 76%, owing mainly to a threefold increase in unconventional production from oil sands in the province of Alberta (IEA, 2017<sup>[63]</sup>). While the sharp fall in oil prices since mid-2014 has depressed business investment in the mining, and oil and gas sector, it remains a part of the Canadian economy (Figure 4.1). In 2016, approximately 16 500 Indigenous persons were employed in the minerals sector and approximately 11 400 in the oil and gas sector (NRCAN, 2019<sup>[64]</sup>).

*These industries bring a combination of opportunities and threats – and need to be carefully managed*

Resource development is both an economic opportunity and a threat to Indigenous lands (both reserve and traditional territories) and peoples. Mining and extractive industries have historically been a source of conflict and dispossession for Indigenous peoples—conflicts that continue to this day (e.g., TransCanada pipeline project).<sup>19</sup> Mining and extractive industries can be highly socially disruptive and environmentally harmful, irrevocably alternating the ecosystem, landscape and way of life (Huseman and Short, 2012<sup>[65]</sup>). Activities such as fracking and mining have already, and will continue to have, negative impacts on the environment (pollution, declining populations of native species, displacement) and the communities' ability to maintain traditional activities such as hunting, trapping and fishing. It can also have impacts on sacred sites and contradicts the way nature is viewed and can create local inequalities between the mining and non-mining populations. Many reserve lands and traditional territories have natural resources that the private sector and governments would like to extract. Indigenous communities struggle to find the balance between preservation and economic growth amidst asymmetries of power –i.e., large corporations and businesses negotiating with small communities. Support for the sector varies. For some Indigenous communities, these activities have been an important source of revenue, employment and improved infrastructure, especially in remote locations where limited alternatives for economic development often force Indigenous peoples into making compromises. Communities need access to accurate information on previous and planned activities in order to have a comprehensive characterisation of the environment (i.e., cumulative effects) to support environmental protection goals.

**Figure 4.1. Mining and extractive industries dominate the Canadian economy**

Note:

\* Support activities for agriculture and forestry.

\*\* Support activities for mining and oil and gas extraction

a) According to the North American Industry Classification (NAICS) 2007 and based on data expressed at 2007 chained prices.

Sources: Statistics Canada (2018<sub>[66]</sub>), *Gross Domestic Product (GDP) at Basic Prices, by Industry, Monthly (x 1,000,000)*, Table 379-0031 and Table 228-0059, [https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610\\_043401](https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610_043401); CANSIM (database) in OECD (OECD, 2017<sub>[40]</sub>), *OECD Environmental Performance Reviews: Canada 2017*, <https://dx.doi.org/10.1787/9789264279612-en>.

Canadian legislation has increased the role of First Nations in large scale industrial developments and provides for First Nations to become trustees of oil and gas revenues, displacing the federal government.<sup>20</sup> Agreements with mining and resources companies may include a suite of monetary and non-monetary benefits such as hiring of local community members, contracting with Indigenous-owned businesses, scholarships, revenue sharing, and the payment of royalties. These agreements can facilitate the growth of Indigenous-owned businesses in areas such as construction and logistics to provide services to mining operations, and job opportunities for local people. This can be achieved through mechanisms such as companies agreeing to specific targets for Indigenous procurement, and encouraging or mandating larger companies to form joint ventures with local Indigenous owned enterprises. The federal and provincial governments encourage companies to negotiate impact-benefit agreements with Indigenous peoples to settle financial compensation, provision of jobs and eventual environmental restoration (OECD, 2017<sub>[40]</sub>). However, companies are under no obligation to do so, the government is not a party to the agreements, and the agreements seldom result in changes to the project itself.

In some cases, Indigenous communities may also take on an equity stake in mining and resources businesses by investing own-source revenues. This gives Indigenous communities decision-making power in the conduct of these operations, provides an incentive for them to grow the business, and provides a sustainable income stream. Some communities have opted to set up their own mining and resources companies. An example of this is the Frog Lake Energy Resources Corporation, which is owned by the Frog Lake First Nation in Alberta (Box 4.2).



#### Box 4.2. Frog Lake Energy Resources Corporation

Frog Lake First Nation has a population of 2 500 people and is located about 2.5 hours to the west of Edmonton in Alberta, Canada. The First Nation has a reserve of 55 000 acres which has oil and gas reserves within it. Members of the community established the Frog Lake Energy Resource Corporation (FLERC) in 2000 without any assets, cash flow or staff. The board of FLERC includes local businesspeople, and members of the Tribal Council of Frog Lake First Nation. In 2003, the Corporation formed a joint venture with other oil and gas companies (current partners include Perpetual Energy, Canadian Natural, and Petromin), and then acquired mineral leases from the First Nation. By 2008, FLERC production exceeded 1000 barrels per day, and by 2009 operations were financed by internal cash flow. In 2012, FLERC formed a joint venture to undertake production off reserve lands and by 2013 it was debt free and production was exceeding 3000 barrels per day.

FLERC is strongly linked with the community's vision for development. The operations of FLERC are based on the principle of "sustainable wealth creation" and it has developed the following vision statement: "*By 2020, we will be recognized for our ability to continuously create business opportunities and deliver long-term value for the benefit of the members of the Frog Lake First Nation and its partners.*" This includes creating opportunities for employment amongst local youth, for local businesses to participate in the value-chain, and by investing in community development and charitable activities.

FLERC is a leading example of Indigenous-led approach to mining and extractive industries. There are a number of key lessons to note. The first is the establishment and growth of a business that is integrated with the community's strategy for development. The mission and strategic priorities of FLERC are clearly linked to delivering better community outcomes, and tribal leaders are part of the governance of the enterprise. The second is how joint ventures can be utilised to access capital and expertise to grow a business opportunity. This supported the establishment and growth of FLERC and has now put it in a position to participate as an equity partner in other projects. The third is that this approach can mean Indigenous communities are genuine partners in resource developments, and indeed can drive the process.

Sources: Frog Lake Energy Resources Corp. (2018<sup>[67]</sup>), *History*, <http://www.flerc.com/history/> (accessed on 5 February 2019); Frog Lake Energy Resources Corp. (2013<sup>[68]</sup>), *Frog Lake Energy Resources Corp.*, <https://www.afn.ca/uploads/files/usb2013/2-f.pdf> (accessed on 5 February 2019).

Mining and extractive industries are capital intensive, have high start-up costs requiring major upfront investments, and are highly technical; investments are subject to a complex regulatory environment and can be risky due to the industry's cyclical nature and international market exposure. It can also be highly remunerative for both employees and firms and have long term payoffs. Another feature of the sector is that major benefits often leak out of the local community. For example, a recent of two Inuit regions of Canada (Nunavik and Nunatsiavut) has found that an estimated 70% of all local Inuit-owned businesses derive less than 10% of their overall revenues from mining in an economy with mining as the predominant sector (Belayneh, Schott and Rodon, 2018<sup>[69]</sup>). Therefore, one of the challenges going forward is to develop strategies that maximise the impacts of these revenues in the local economy.

*Indigenous communities are building capacity to effectively engage with the mining and extractive industries and ensure their concerns are addressed*

Natural resources on public lands are owned and regulated by provincial/territorial governments; meanwhile, “Indians, and lands reserved for Indians” are a federal jurisdiction. Canadian governments have a duty to consult and, where appropriate, accommodate Indigenous peoples with rights and interests over lands where development is proposed. But usually, companies involved in natural resource extraction and mining consult directly with Indigenous peoples – with no governmental intermediary. There is no consistent consultation protocol or policy on the forms of accommodation required and the constitutional duty to consult. Engagement with mining and resources sector can be complex and protracted, leading to very different outcomes of the Indigenous communities involved.

This can lead to confusion and mistrust. Experiences of the Abenaki Nation with oil and gas on their traditional territories illustrate some of the concerns with the industry and how it operates (OECD interviews). Representatives from the oil and gas industry expressed an interest in developing projects on their lands, to which the FN expressed opposition due to the activity’s increase in the salinity levels in the nearby river resulting from dumping of salt brine. A technical solution to this problem is reverse osmosis; however, this is not required under current Canadian regulations. Further, it was noted that the oil and gas companies consulted with the Chiefs, not the communities, or the Mi’kmaq Council and that the company ignored the traditional uses of land by the Mi’kmaq in their research related to the project. For these reasons, engagement with the firm was unsuccessful, despite the fact that these are surmountable challenges.

Effective engagement is bidirectional. There is a need to build capacity among Indigenous businesses and communities to be able effectively engage with the mining and extractive industries and articulate their development objectives and concerns; likewise there is a need for these firms to improve their engagement and support for the communities that they are working in. Industry practices on this front are mixed. Canadian federal and provincial/territorial governments have an important role to play as regulators of this sectors and in supporting capacity building efforts for Indigenous firms and communities.

In this regard, northern Ontario’s new Centre of Excellence for Indigenous Mineral Development is a promising undertaking (partnership with Laurentian University in Ontario to centralise data and contacts). The centre aims to enhance the participation of the Indigenous people in the mining industry, and to assist industry and government through information sharing and best practice protocols with Indigenous engagement, including understanding environmental data. The initiative received funding from the Government of Canada (through FedNor). The Canadian Aboriginal Minerals Association also plays a key role in advocating how to improve Indigenous relations with this sector, such as the requirements for Indigenous Community Consultation and the environmental impact and assessment process (Canadian Aboriginal Minerals Association, 2018<sup>[70]</sup>).

Another practice of note is the Waubetek Business Development Corporation’s work with Indigenous businesses and FNs to help communities develop strategies that define their interests and terms of engagement with mining industries. Their Aboriginal Strategy for Mining in North East Ontario focuses on four strategic areas: mining industry knowledge, awareness and capacity; mining industry relations; developing a skilled Aboriginal workforce; and developing Aboriginal businesses and partnerships (Waubetek Business Development Corporation, 2019<sup>[71]</sup>). The later includes establishing a mine supply and

service network as a not for profit organisation and maintaining a register of Aboriginal that can supply the mining sector.

#### **Box 4.3. The extractive industries and meeting the UN Sustainable Development Goals**

In September 2015, the 17 Sustainable Development Goals (SDGs) were adopted by the UN General Assembly in Resolution 70/1. They define a shared agenda for sustainable development to the year 2030. Demand for raw materials including those related to the extractive industries is expected to double by 2060 which major environmental and social consequences. Mineral and energy resources are important across all of the 17 SDGs, and they encourage an integrated view of development.

The SDGs provide a strong signal to the industry to adopt socially and environmentally sustainable practices. As summarised by Sacks and Sack in the introduction to the World Bank Group's oil gas and mining handbook (Cameron, 2017<sup>[72]</sup>):

- *Sustainable development depends on the minerals mined from the earth. The development and rapid scale-up and deployment of renewable energies will further increase demand for a variety of minerals and metals. So too will the ubiquitous mobile Internet technologies, which utilise a range of mineral products to enable our new global information society.*
- *For mineral-rich countries, the rents generated from the extraction of their resources can fund public investments in health, education, infrastructure, and other public goods that are critical for the achievement of the SDGs. Strategic linkages from the extractive sectors to other sectors of the economy can also help to advance employment and innovation.*
- *The management of the extractive sector, and the policies and practices of both governments and their private sector partners, determine the impacts of the extractive processes on air and water quality, biodiversity, gender-based and other forms of inequality, public health, and human rights. In the past, extractive industries have often damaged the environment, created social tensions, and contributed to poor governance through bribery, capital flight, and the waste of resource rents. The SDGs provide key guideposts for sustainable management of extractive resources in relation to both people (with regard to inclusive processes and access to information, for instance) and the environment.*
- *SDG 13—to take urgent action to combat climate change and its impacts—will require a deep and rapid shift in how the world approaches its hydrocarbon resources. Known reserves of coal, oil, and gas greatly exceed the levels that can be burned in line with the Paris Climate Goal (part of SDG 13) of keeping global warming “well below 2 degrees C.” The world must therefore make a quick transition to low-carbon energy and create effective and fair mechanisms to share the adjustment burden.*

The success or failure of the SDGs depends on “how individual governments, companies, and the world as a whole approach the management and governance of mineral and energy resources” (Cameron, 2017<sup>[72]</sup>). This is a complex and highly technical sector to manage which has long term and often irreversible consequences for environmental and human health. The SDGs encourage all stakeholders to think broadly about these impacts; consider

social, economic, and environmental consequences in tandem and; embrace a longer-term view of the industry and the need for more sustainable practices.

**Figure 4.2. Major issue areas for mining and SDGs**



*Note:* EIDs, emerging infectious diseases; OSH, occupational safety and health; TVET, technical, vocational and educational training; CCS, carbon capture and storage; IFF, illicit financial flows; FPIC, free, prior and informed consent; PPPs, public private partnerships.

*Sources:* Cameron, S. (2017<sup>[72]</sup>), *Oil, Gas, and Mining: A Source Book for Understanding the Extractive Industries*, <http://www.eisourcebook.org> (accessed on 3 April 2019); UNDP (2016<sup>[73]</sup>), *Mapping Mining to the SDGs: An Atlas*, <https://www.undp.org/content/undp/en/home/librarypage/poverty-reduction/mapping-mining-to-the-sdgs--an-atlas.html> (accessed on 3 April 2019).

A number of FNs have proposed the creation of an Aboriginal Resource Tax (ART) which would create a common structure for these benefits. ART would formally tax resource and resource infrastructure projects and expansions taking place on (traditional) territories—this practice would replace the present practice of negotiating unique financial arrangements every time a project infringes on First Nations title or potentially a Treaty right (Fiscal Realities, 2015<sup>[74]</sup>). The province of British Columbia addresses this issue by having revenue sharing arrangements for mining royalties, stumpage fees, and oil and gas revenues. Under such arrangement a percentage of the revenue from the resource extraction goes to the Indigenous community through a trust, which can then be invested by them in new enterprises, local infrastructure, community services etc.

### *Land management and environmental services*

Climate change is one of the top threats that Indigenous peoples face in relation to Indigenous lands. Indigenous people are among the first to face the direct consequences of climate change owing to their dependence upon and close relationship with the environment and its resources. Climate change exacerbates the difficulties already faced by vulnerable Indigenous communities, including political and economic marginalisation, loss of land and resources, human rights violations, discrimination and unemployment. Some of the concerns facing Indigenous peoples include the change in species and availability of traditional food sources, more unpredictable and extreme weather events and the safety of traveling in changing ice and weather conditions—all of which pose serious challenges to human health and food security.

### *Payments for environmental services are limited across Canada and there are few programmes directed to Indigenous communities*

Land management and environmental services present a growing opportunity in the context of policy responses to climate change and environmental degradation. [Recent research](#) indicates that about a third of the greenhouse gas reductions needed by 2030 can be provided by the restoration of natural habitats, but such solutions have attracted just [2.5% of the funding for tackling emissions](#) (Monbiot, 2019<sup>[75]</sup>). Payments for Environmental Services (PES) are being increasingly applied across the world as a response to this challenge (Wunder, 2008<sup>[76]</sup>).

PES is a market-based environmental policy instrument to achieve ecosystem services provision. The basic principle is that the user or beneficiary of the environment pays for the services provided by it (fresh water supply, storm and flood protection, pollination). These ecosystem services can be grouped into four categories:

1. Provisioning services (products such as food and fresh water).
2. Regulating services (benefits from the regulation of the ecosystem such as air quality and pollination).
3. Cultural services (non-material benefits such as recreation and aesthetic experiences).
4. Supporting services (e.g. photosynthesis and nutrient recycling) (UNDP, 2019<sup>[77]</sup>).

Indigenous communities can be paid for the provision of these services, which puts a monetary value on their expertise in land and water management practices that have accumulated over thousands of years. It bears recognition that this approach has been critiqued by some as monetising relationships to nature (Reid and Nsoh, 2018<sup>[78]</sup>).

Over the past three decades hundreds of PES schemes have been implemented around the world with varying levels of success. There are two main approaches within PES:

- The Markets for Ecosystem Services (MES – based on the polluter pays principle) that address negative environmental externalities.
- The Payments for Ecosystem Services (PES) or “steward earns principle,” based on positive environmental externalities (Grima et al., 2016<sup>[79]</sup>).

Despite the potential of PES in Canada for forestry and wetlands management, such programmes are not well developed, particularly for Indigenous communities, and very few are province/territory-wide schemes.



The longest-running PES in Canada is the “Alternative Land Use Services” (ALUS) which is run by a Canadian NGO (Kolinjivadi, Mendez and Dupras, 2019<sup>[80]</sup>). The programme currently operates in six provinces and offers annual payments to farmers and ranchers for the environmental services that they provide on agricultural landscapes. Between 2008 and 2017, the program has enrolled over 10 000 acres of wetlands and pollinator habitat respectively; reforested over 2500 acres; and, distributed \$4.3 million to 830 farmers and ranchers across Canada (ALUS Canada, 2019<sup>[81]</sup>). This programme has no specific Indigenous component. The potential of PES in Indigenous communities should be explored for a range of services – e.g., forestry management, watershed management, coastal preservation.

#### **Box 4.4. Payment for ecosystem services: Ecuador, Australia**

##### **Ecuador's SocioPáramo programme forestry conservation incentives**

The Ecuadorian Ministry of the Environment (MEA)'s SocioBosque program is designed to conserve the country's remaining privately and communally owned forests. The programme aims to protect and enhance biodiversity, carbon, and water, while also contributing to poverty alleviation through direct compensation to community and individual landowners. It provides up to \$30 USD per hectare per year for forestry conservation. The programme is open to individual or collective land title and is designed with “pro-poor” criteria such as higher payments levels for smaller enrolled land areas and inclusion of poverty levels in the official prioritisation model (Bremer, Farley and Lopez-Carr, 2014<sup>[82]</sup>).

##### **Australia's carbon credits for fire management on Aboriginal lands**

Australia's National law for a Carbon Farming Initiative (CFI) established methods for reducing volumes of greenhouse gases (nitrous oxide and methane) released in the burning of grassy fuels, leaf litter and fine woody fuels. Fire is used to maintain savanna systems and under CFI there are efforts to re-establish fire regimes closer to traditional practice. Aboriginal communities and their organisations have taken up opportunities to earn carbon credits with some enthusiasm. By the end of 2015, ten projects working over several million hectares of mostly Indigenous land had sought to deliver credits to government under formal contracts that include substantial penalties for under-delivery (Robinson, James and Whitehead, 2016<sup>[83]</sup>).

##### **New Zealand iwi rights to water**

The Freshwater Iwi Leaders Group, established in 2007, is proceeding to resolve with the Crown how to recognise iwi proprietary rights in freshwater quantity and quality. One avenue being explored by the Leaders Group to provide recognition of Māori water is to introduce a royalty regime under which Māori would be paid for the commercial use and pollution of their waters. There are already royalties applied in New Zealand, particularly in relation to the extraction of coal, precious metals, oil and gas, geothermal energy, sand and gravel, and more recently coastal space. Taxes on the commercial use of freshwater resources and allocating revenues to Māori who have proprietary interests would be one way for the Crown to meet its Treaty obligations. Alternative forms of recognition of Māori rights in freshwater bodies could be considered, such as granting legal personhood to a water body, or granting ownership of the bed and water column of a water body to Māori trust. For example, the Te Awa Tupua [River with Ancestral and Extraordinary Power]

framework for the Whanganui River affords the highest level of protection – legal personality – to Te Awa Tupua.

*Sources:* Robinson, C., G. James and P. Whitehead (2016<sup>[83]</sup>), “Negotiating Indigenous benefits from payment for ecosystem service (PES) schemes”, <http://dx.doi.org/10.1016/J.GLOENVCHA.2016.02.004>; Bremer, L., K. Farley and D. Lopez-Carr (2014<sup>[82]</sup>), “What factors influence participation in payment for ecosystem services programs? An evaluation of Ecuador’s SocioPáramo program”, <http://dx.doi.org/10.1016/J.LANDUSEPOL.2013.08.002>; OECD (2017<sup>[40]</sup>), *OECD Environmental Performance Reviews: Canada 2017*, <https://dx.doi.org/10.1787/9789264279612-en>.

### *Land management programmes are increasingly common*

While PES programmes are relatively uncommon across Canada, Indigenous land and water management is growing. As one Canadian example, in 2017 the Ahousaht First Nation took over management of Maquinna Provincial Park near Tofino, British Columbia, as part of an agreement with the provincial government. The management plan foresees the creation of between 15 to 20 jobs for the Ahousaht community associated with tourist activities at hot springs located within the park. The First Nations chiefs in the area are interested in extending the approach to the entire Clayoquot Sound region, helping them to diversify the economy, increase local employment and improve the connection of people to the land (OECD, 2017<sup>[40]</sup>).

Such stewardship can extend to the water. On the Pacific Coast, the Coastal Stewardship Network and Guardian Watchmen Programs are working to build local capacity to actively monitor environmental conditions and enforce rules and develop first responder capabilities in the case of oil spills or other disasters (Bennett et al., 2018<sup>[84]</sup>). This approach has been a success in other OECD countries as well. See for example the government of Australia’s Indigenous Protected Areas (IPA) and Ranger programs (Box 4.5). These programmes provide direct funding to Indigenous groups for land and water management, and these groups have also diversified to access private and philanthropic funding.<sup>21</sup> This can include earning revenues from carbon credits.

#### **Box 4.5. Employment opportunities through Indigenous Land Management: Australia**

The Australian Government’s Indigenous Protected Areas (IPA) programme enables land and sea country to be managed according to the wishes of the Traditional Owners. IPAs are voluntary arrangements through which Indigenous communities dedicate their lands or sea country to be set aside formally for conservation purposes. These areas are then recognised by the Australian Government as part of the National Reserve System and deliver important Indigenous land management, cultural, social, and economic and employment outcomes. There are currently 75 dedicated IPAs which contribute over 65 million hectares, or more than 44 per cent, of the National Reserve System. Most IPAs are dedicated under International Union for Conservation of Nature (IUCN) management categories V or VI.

These outcomes are also shared, and in many cases strengthened by the Government’s funding for Indigenous rangers. Through their projects, ranger groups protect, conserve and manage environmental and cultural values. Projects can include, but are not limited to, activities such as the management of threatened species, invasive weeds and feral animal control, biosecurity activities, fire management, management of coastal and marine systems, visitor and information management, community engagement and education.

These projects often contribute to economic development opportunities more broadly such as fee for service work on behalf of government agencies, research and philanthropic organisations and the private sector; tourism enterprises; and carbon initiatives. The Indigenous ranger funding supports 118 ranger groups across the country and together with IPAs, the two programmes employ over 2 900 Indigenous Australians to work on land and sea country.

*Source:* Response to OECD Survey from Australian Government (2018).

### ***Cultural industries and tourism***

#### *The Canadian Indigenous cultural industry has made its mark nationally and globally*

From the film industry, to fashion, art, books, music and traditional crafts, Indigenous Canadians have gained world-wide recognition for their creative endeavours. These take the form of large to medium sized firms, small businesses, creative collective enterprises and the works of individual artists. This is a large and dynamic sector that has been supported by a wide range of institutions such as the Aboriginal Peoples Television Network which has been in existence for over 20 years and the Canadian Council for the Arts (among many others).<sup>22</sup>

Creative and artistic endeavours are connected to social and economic development and wellbeing. For Indigenous artists, these activities may be based on traditional knowledge and customary practices, but equally so they might be entirely contemporary or bridge both perspectives. Heritage and culture have dynamic potential; it is possible to reconcile both tradition and innovation, past and present (Hindle and Lansdowne, 2005<sup>[10]</sup>). An example of some successful Indigenous businesses in this sector include:

- Manitobah Mukluks is an example of a business that produces traditional products such as leather moccasins, mukluks and fringed bags. Sales grew as Manitobah Mukluks started distributing to retailers such as Town Shoes. Kate Moss, Megan Fox and Jessica Biel became customers, which, along with global marketing and a growing social media presence, sparked overseas interest. Today, the company sells its goods in 21 countries, from Russia to Japan, and sales are five times what they were three years ago.
- Nk'Mip Cellars is North America's first Indigenous-owned and -operated winery. It overlooks the shores of Osoyoos Lake in the Okanagan Valley, and sits on natural desert land surrounded by sagebrush and vineyards. Nk'Mip Cellars is open year-round and offers special events that celebrate native traditions.
- Native Earth Performing Arts is Canada's oldest professional Indigenous theatre company, in business for over 35 years. They are dedicated to creating, developing and producing professional artistic expressions of the Indigenous experience in Canada.
- The Indigenous Performing Arts Alliance is a member-driven organisation of professional Indigenous performing artists and arts organisations. IPAA serves as a collective voice for its members and for Indigenous performing arts in Canada. IPAA provides leadership, support, representation, advocacy, and practical assistance for the national development of Indigenous performing arts.



The cultural industries in rural and remote locations need access to markets. Some in the Indigenous cultural industry in Canada have been highly successful at overcoming this limitation. For example, many Inuit artists are well represented with their artwork available in top galleries across the world. Government support has been instrumental in promoting this industry since the 1930s. But for many others, distance and access are a challenge, including access to timely and affordable postal services, access to digital technologies and artistic facilities (e.g., sound studios) and access to input materials. A key point for public policy is to recognise that cultural development is linked to economic development and well-being. It is an industry that serves multiple important functions—from traditional healing, to cultural reproduction and increasing the knowledge and visibility of Indigenous perspectives and voices.

*There is growing demand for Indigenous tourism offerings*

Tourism is a rapidly growing rural economic activity across OECD countries. Rural tourism tends to be either nature connected and/or linked to culture and experiences. Rural Indigenous communities that are in a relatively high amenity location with adequate access will have opportunities to develop tourism businesses. The key for communities is developing a package of experiences that attract people to spend more and/or stay longer. This focus can reduce overall numbers of visitors whilst also generating sufficient revenues. This tourism package can have a number of elements, such as:

- Accommodation on traditional lands close to high amenity landscapes (mountains, forests, rivers, lakes and the ocean).
- Activities linked to traditional Indigenous hunting and fishing.
- Arts and cultural activities (handicrafts, music and dance).

In combination, these assets and activities increase the attractiveness of the experience to the participant and increase income and employment opportunities for the community. The other element to consider is how Indigenous tourism ventures are developed, which is important because they directly relate to the protection and use of Indigenous lands and culture. A model which is based on outside actors coming into communities to sell experiences, build accommodation, or undertake fishing activities is unlikely to deliver long-term sustainable growth benefits for communities. Instead, Indigenous communities should take the lead in developing tourism ventures on their own terms and in a way that is linked to local business, employment and skill development opportunities (Coria and Calfucura, 2012<sup>[85]</sup>)

There is growing demand for Indigenous tourism offerings. The Conference Board of Canada estimates that the Indigenous tourism industry generated \$1.7 billion in direct economic benefits in 2017 (up from \$1.4 billion in 2014) (Conference Board of Canada, 2019<sup>[86]</sup>). Indigenous tourism is outpacing growth in the tourism industry overall (Conference Board of Canada, 2019<sup>[86]</sup>). While the Conference Board of Canada's most recent analysis shows that air transportation and resort casinos are the largest contributors in terms of employment and GDP, cultural offerings are also important. For example: guided adventures, wilderness and wildlife viewing tours complemented with cultural interpretations provided by Indigenous people; authentic, hands on interactive tourism experiences incorporating opportunities to meet Indigenous people engaged in the production of Indigenous foods and crafts; sample local foods; learning about community traditions, legends, mythology, art, culture, flora, fauna and; “tastes” of Indigenous cultures

incorporated into mainstream tours, as an enhancing of broader travel experiences (Butler and Hinch, 2007<sup>[87]</sup>).

This sector has many established businesses and a potential for further growth. But it also faces some challenges. Indigenous businesses sometimes struggle to meet the requirements to be competitive in the cultural tourism sector, to provide market ready products and services, and to have product development and marketing activities that attract mainstream travel industry partners (Butler and Hinch, 2007, p. 48<sup>[87]</sup>). Businesses may also need community buy-in—demanding discussions with community members about how to share their culture in appropriate ways.

Some of the common challenges to the development of this sector identified by Aboriginal tourism operators:

- Having tourism businesses operate in line with local capacities, cultural values, and community interests.
- Obtaining political and community consensus to undertake initiatives.
- Delivering market ready products and services.
- Meeting financial and bureaucratic requirements.
- Intra band politics (Butler and Hinch, 2007, p. 49<sup>[87]</sup>).

In order to ensure the continued growth of the Indigenous tourism sector, the Government has included Indigenous tourism as one of the key action areas in tourism strategy, with the aim to grow the number of export-ready Indigenous tourism businesses by 130, create over 40,000 new jobs in the Indigenous tourism sector, and increase Canada's annual GDP by \$300 million from Indigenous tourism by 2021 (implemented by the Indigenous Tourism Industry of Canada).<sup>23</sup> It will for example support the development of a one-stop shop for visitors to choose an immersive, authentic Indigenous experience. There are a number of other government initiatives that support the sector such as the Federal Provincial Territorial (FPT) Tourism Strategy, which was agreed to through the Nunavut Declaration in 2016 and Parks Canada's work with Indigenous partners to offer Indigenous visitor experiences and to integrate Indigenous views, history and heritage into national parks, marine conservation areas and historic sites managed by the Agency.

### ***The services sector in rural and remote regions***

#### *Linking up to local and regional markets*

The services sector is the largest share of the Canadian economy and has the largest share of businesses – Indigenous businesses are represented in all of these activities. The sector encompasses a wide range of activities including non-commercial activities, such as health and education which have the largest share of Indigenous employment by industry in Canada and retail trade, which has the second highest (see Chapter 2, Figure 1.2). It also includes commercial services, wholesale and retail trade, transportation, communications and utilities, and financial and legal services.

This sector can be challenging for rural and remote businesses and communities as it fundamentally requires access to a market. Businesses that have been successful in these regions are often fulfilling niche markets related to local demand. For example, First Air, which is now the largest airline in Canada's Arctic, with service between 30 northern communities and connections to Ottawa, Montreal, Winnipeg and Edmonton. The airline

was purchased by Makivik Corp., the organisation representing the Inuit of Northern Quebec, in 1990. The airline employs more than 1 000 employees, almost half of whom live in the Arctic. It is thus contributing to the arctic economy not just in its ownership model but in employment.

There is a huge potential to further develop Indigenous businesses in the services sector but they need the right framework conditions to be in place in order to be successful. This includes such factors as accessible and affordable postal services, high speed internet access or even such basic factors as a reliable energy supply and clean drinking water. Beyond this, there is an issue of informality and a lack of regulation for some businesses on reserves.

### *Keeping the value of economic activities in communities*

There is growing interest in how firms – both those that are private and community led – can keep their economic gains within local markets. Indigenous communities across Canada have conducted “economic leakage” studies to this effect. They document where households are spending their funds both within the community and without in order to assess local market opportunities. Even among communities in a rural region there can be low awareness of the types of businesses that exist locally – especially where there is a degree of informality to the sector. Thus, one complimentary strategy to this is to develop an up-to-date local business directory.

In regions where there are large industrial developments, there are opportunities for businesses to form part of the supply chain. An example is One Windigo Catering Ltd. Which offers camp management, catering, housekeeping and laundry services to Goldcorp’s Musselwhite mine at their fly-in camp on Opapimiskan Lake. The catering company is owned by five First Nation communities in north western Ontario and has since expanded services to Thunder Bay. An effective regional development strategy can help to foster these linkages and develop opportunities in order to ensure that industries benefit local economies as much as possible.

## **Programmes and services to support Indigenous entrepreneurship**

Across Canada there are a wide variety of programmes and services for individuals wishing to start a business. Given this, one might ask, why are specific programmes needed for Indigenous peoples? The answer to this question lay on several fronts. As outlined in Chapter 1, Indigenous peoples have faced historical and ongoing discrimination which has negatively impacted their well-being, and which has fostered economic dependence—one aspect of colonisation. Furthermore, while some Indigenous firms might look and operate like any other, many others are unique and many lack access to capital. As such, they require specific programmes and supports to overcome these challenges – particular for those operating on reserves.

Canadian federal, provincial and territorial government have developed a number of programmes in support of Indigenous entrepreneurship and there are a rich array of Indigenous organisations that provide these services across Canada as well as a growing number of National Indigenous Organisations (NIOs) that raise the profile of this sector, build expertise and champion leading practise. This section provides a brief overview of this landscape. It describes the main government programmes to support Indigenous entrepreneurship and the Indigenous organisations involved.

### *The Government of Canada's programmes for Indigenous business and community economic development*

In 2009 the Government of Canada released the Federal Framework for Aboriginal Economic Development which set a whole-of-government approach to better align federal investments, respond to new and changing economic conditions and lever partnerships with Indigenous peoples and communities for economic developed. Under the current government this approach has evolved to focus instead on key departments. Priorities for the Indigenous portfolio are articulated in departmental mandate letters and in the Department Plans (2018-19) for Indigenous Services Canada (ISC) and Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC).

Today there are hundreds of different economic programmes and services available to Indigenous entrepreneurs and communities across Canada. CIRNAC and ISC between them fund almost 50 different programmes, services and initiatives to First Nations, Inuit and Northern communities, governments and individuals and Aboriginal and Métis organisations—most of these programmes are focussed on infrastructure, health and social services, but a number also focus on Indigenous business and economic development. Of these, there are three main types of business and economic development programmes:

- **Business development, capital and support services.** In terms of the first type of programme, the federal government directly provides funding to Indigenous businesses through its programmes and has funded a range of Indigenous organisations to deliver these services as well. Some of these have been operational for decades and have built significant institutional capacity in the Indigenous business sector such as Aboriginal Entrepreneurship Programme which is delivered by Indigenous led non-profit entities (National Aboriginal Capital Corporations Association and the Aboriginal Financial Institution Network) (Box 4.6). Some AFIs are incorporated as for-profit entities but in practice operate as social purpose organisations.
- **Community economic development programmes.** These programmes encompass a range of priorities, from assisting FNs to make the most of land and environmental management to helping them grow established businesses or identify new opportunities and partner with industries.<sup>24</sup> For example, the Community Opportunity Readiness Program provides start-up funds to undertake pre-development activities and funding to develop in-house expertise and management skills related to a new economic opportunity (INAC, 2019<sub>[88]</sub>). Another programme of note is the Strategic Partnerships Initiative (SPI) which provides assistance to increase Indigenous participation in complex economic development opportunities, particularly in the natural resource sectors. The SPI is a federal horizontal initiative that coordinates federal efforts, stimulates partnerships between federal and non-federal partners and addresses funding and program gaps that are not covered by other federal programs.

- The Procurement Strategy for Aboriginal Business (PSAB).** This programme was established in 1996 as a response to the underrepresentation of Indigenous businesses in federal procurement. This policy entails: i) mandatory procurement set-asides for all federal contracts with a value greater than CAN\$5 000 for goods or services delivered to a primarily Indigenous population; ii) voluntarily procurement set asides; iii) joint ventures and partnerships with other Indigenous or non-Indigenous businesses for procurement bids; and iv) Aboriginal criteria for prime contracts (this can be a mandatory requirement or as rated evaluation criteria to ensure sufficient content from Indigenous suppliers). Note that this programme does not entail a specific funding amount for Indigenous businesses – it is an administrative policy.

In terms of portfolios among the federal family that support Indigenous-owned businesses, Innovation, Science and Industry, along with six Regional Development Agencies provide industry support and economic development programming aimed at starting up and maintaining a business.<sup>25</sup> While Canada's RDAs all report a priority to promote Indigenous businesses and economic development, this does not always take the form of specific Indigenous targeted programmes—a point that will be returned to.<sup>26</sup> The Business Development Bank of Canada offers developmental loans to support Indigenous entrepreneurs. Beyond these programmes, a number of other departments and agencies are involved in specific sectoral initiatives such as Aboriginal arts grants and supports for Indigenous businesses in the agricultural and forestry sectors.<sup>27</sup>

#### **Box 4.6. Canada's Aboriginal Entrepreneurship Program**

The Aboriginal Entrepreneurship Program (Crown Indigenous Relations and Northern Affairs) supports Indigenous business creation and growth by increasing access to equity capital. In the spirit of the reconciliation, the Department, in 2015, transferred the administration and delivery of the Aboriginal Entrepreneurship Program to the National Aboriginal Capital Corporations Association and Aboriginal Financial Institutions network. This has provided to the network more flexibility to manage the program and be more responsive to the Indigenous entrepreneur's need and reality. The National Aboriginal Capital Corporations Association and the Aboriginal Financial Institution network have built a track record of efficient service delivery, proximity with the clients and of legitimacy in the community.

In term of program design, the Aboriginal Entrepreneurship Program is the only program offering non-repayable contributions to help Indigenous entrepreneurs either start-up their business and/or leverage funding to get a loan with mainstream banks. The Aboriginal Entrepreneurship Program includes a suite of five sub-programs (Table 4.2). Canada's 2019 budget proposes to increase funding to the Aboriginal Entrepreneurship Program by providing \$17 million over three years, starting in 2020–21 (Government of Canada, 2019<sub>[89]</sub>). Some provincial programs provide grants as well. From the federal government, CanNor (The federal government's northern regional development agency), also delivers a targeted programme in this area.

**Table 4.2. Canada's Aboriginal Entrepreneurship Program**

Sub-programme	Description
Aboriginal Developmental Lending Allocation	Encourages Aboriginal Financial Institutions to make developmental loans. It compensates Aboriginal Financial Institutions for loan losses associated with developmental lending. It also provides additional compensation for costs associated with pre and post loan care which assists the entrepreneur and increases probability of repayment.
Aboriginal Capacity Development Program	Provides financial assistance to Aboriginal Financial Institutions for capacity development for core functions, governance, management and operational functions including financing assistance for loan management information systems and other information technologies as well as for strategic planning. The National Aboriginal Capital Corporations Association approves and allocates the funding to Aboriginal Financial Institutions based on the applications submitted.
Aboriginal Business Financing program	Enables Aboriginal Financial Institutions to provide needs-based financial assistance to Indigenous entrepreneurs for business start-up, acquisition and expansion. It also includes the provision of financial assistance for business planning and business advisory services for aspiring and existing Indigenous Aboriginal entrepreneurs.
Enhanced Access Program	Provides additional loan capital to an Aboriginal Financial Institution in order to support a business that is located in one of the few areas of the country in which no AFIs operate.
Interest Rate Buy-down Program	Assists the Aboriginal Financial Institutions themselves to leverage additional lending capital from commercial sources such as banks and trust companies.

Sources: Indigenous Services Canada (2018<sup>[90]</sup>), *Aboriginal Business and Entrepreneurship Development*, <https://www.aadnc-aandc.gc.ca/eng/1375201178602/1375202816581> (accessed on 10 April 2018); Government of Canada (2019<sup>[89]</sup>), *Budget 2019: Chapter 3 - Advancing Reconciliation*, <https://www.budget.gc.ca/2019/docs/plan/chap-03-en.html> (accessed on 11 April 2019).

### ***Indigenous developmental lenders: Canada's Aboriginal Financial Organisations***

*Aboriginal financial institutions have proliferated since the late 1980s—increasing access to finance for small to medium sized firms*

There are a wide range of non-governmental Indigenous organisations across Canada that provide targeted supports to Indigenous businesses or build capacity in that sector (e.g., through data or shared practices) (Table 4.3). The majority of these were first established in the late 1980s/early 1990s have strong and established relationships with community members and business owners. While these are non-governmental institutions, many of them are funded in wholly or in part by the federal government.

Some of the main Indigenous organisations focussed on financing businesses are Aboriginal Financial Institutions (AFIs) and their umbrella organisation the National Aboriginal Capital Corporations Association (NACCA). NACCA supports the mandate of AFIs and manages the network in terms of reporting authority (INAC has devolved responsibility for AFI policy to NACCA). There are 59 Aboriginal Financial Institutions across Canada; they are Indigenous-owned and controlled financial institutions which provide non-repayable contributions, developmental lending and business support to Indigenous businesses. They were established to address a lack of commercial credit due to some of the aforementioned limitations in the *Indian Act*, alongside the challenges of

remoteness and a lack of financial literacy faced by Indigenous businesses and entrepreneurs when working with mainstream banks. Over the last three decades AFIs have made an estimated 46 000 loans worth over \$2.6 billion; each year over \$100 million in new loans are made to Indigenous businesses, 500 start-ups are financed, and 750 existing businesses are financed (NACCA, 2019<sup>[91]</sup>). NACCA estimates the total direct economic impact of AFI activity at \$300 million while creating or maintaining 4 000 full-time employment jobs; each dollar invested by the Government of Canada has been recycled in new loans 8.4 times (NACCA, 2019<sup>[91]</sup>).

The pan-Canadian network of Aboriginal Financial Institutions (AFIs) fill an incredibly important role in providing access to finance for Indigenous businesses and other business support services. They serve a market that the private sector would likely not fill and mostly lend to small businesses. 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). Each serve a slightly different purpose. Community Futures (of which AFCDC are one part) are a network of 267 offices across Canada focussed on rural development that provide business financing to small local businesses (e.g., small business loans, tools, training and events for people wanting to start, expand, franchise or sell a business). They work in partnership with other business lenders, educational institutions, not-for-profits and community governments. Only a few of the Community Futures programmes are Aboriginal exclusive. Unlike most AFIs, Community Futures programmes can also deliver economic development strategies.

Canada also has Indigenous-owned banks such as the First Nations Bank of Canada and the Peace Hills Trust Bank (owned by the Samson Hills Cree) which are regulated by the Office of Superintendent of Financial Institutions and have to follow policies like all banks in Canada.<sup>28</sup> Trusts form another source of revenue that can be used for business development and generating revenues on traditional lands through taxation. For example, in Ontario there is an agreement that a percentage of the revenue from casino revenues goes to 130 FN governments. This is a public policy decision and was achieved through a negotiated process which then forms a source of capital for business development. Canada's federally owned Business Development Bank focussing on lending services for SMEs has an Indigenous Entrepreneur Loan programme, Aboriginal Business Development Fund, and Growth Capital for Aboriginal Businesses (BDC, 2019<sup>[92]</sup>).

Even with all of these initiatives, there remains unmet demand for Indigenous business investment. While there has been more than a hundred percent growth in the amount of capital at work in the First Nation and Inuit business community between 2003 and 2013—the gap between the amount of capital accessed by these groups and other Canadians has almost doubled over this period (NAEBD, 2017<sup>[2]</sup>).<sup>29</sup> As such, commercial banks also have an important role to play in lending to Indigenous businesses—all major banks in Canada have such services to some extent.<sup>30</sup> The Capital for Aboriginal Prosperity and Leadership (CAPE) Fund is another source of finance for Indigenous businesses of note – it is a \$50 million private-sector investment fund initiated by 21 of Canada's leading companies, individuals and US based Foundations. The Fund focuses on projects which are linked, either through ownership, employment or geographic proximity, to an Aboriginal group or community.

**Table 4.3. Select Indigenous-owned banks and lending institutions in Canada**

Organisation	Date established	Description
Aboriginal Financial Institutions	1980s onwards	Offer financing to First Nations, Métis, and Inuit businesses and communities. AFIs were created in the late 1980s and early 1990s by Aboriginal leaders, the Government of Canada, and a Native Economic Development Program initiative to address the lack of available capital to finance Aboriginal small-business development. AFIs are also supported by regional development agencies (RDAs).
First Nations Bank of Canada	1996	A federally chartered bank serving Indigenous and Non-Indigenous people throughout Canada. Effective Nov 1, 2009 the Bank is over 80% owned and controlled by Indigenous shareholders from Alberta, Saskatchewan, Manitoba, Yukon, Northwest Territories, Nunavut and Quebec.
First Nations Finance Authority	1992	Non-profit Aboriginal government-owned and controlled institution built to provide all First Nations and Aboriginal governments with the same finance instruments that other levels of government in Canada have at their disposal to build safe, healthy and prosperous communities.
National Aboriginal Capital Corporations Association	1997	A membership-driven national association for a network of Aboriginal Financial Institutions (AFIs).
Peace Hills Trust	1980	First Nation Financial Institute owned by the Samson Cree Nation offering financial and retail banking to First Nations and non-First Nations clients.

Sources: NACCA (2019<sup>[93]</sup>), *National Aboriginal Capital Corporations Association*, <http://nacca.ca>; FNFA (2019<sup>[94]</sup>), *First Nations Finance Authority*, <https://fnfa.ca/en>; CCAB (2019<sup>[95]</sup>), *Canadian Council for Aboriginal Business*, <https://www.ccab.com>; AFOA Canada (2019<sup>[96]</sup>), *AFOA Canada*, <http://www.foa.ca>.

### ***Indigenous-led programmes for community economic development and financial management***

While the aforementioned programmes are focussed on financial services to Indigenous businesses, there are also a number of organisations that support Indigenous community economic development and financial management. This speaks to the unique position of FNs for community-led economic development and the proliferation of economic development corporations. Three such institutions were established by the First Nations Fiscal Management Act (FNFMA) which provides First Nation governments with authority over financial management, property taxation and local revenues and financing for infrastructure and economic development: i) the First Nations Tax Commission (FNTC), ii) the First Nations Financial Management Board (FNFMB); and iii) the First Nations Finance Authority (FNFA) (Table 4.4). Also, in support of professional development, AFOA Canada focusses on financial and management skills, training and capacity building for Indigenous professionals.

A number of organisations also work on better connecting and improving relations between Indigenous communities and businesses and non-indigenous companies. For example, the Canadian Council for Aboriginal Business (CCAB) provides business development offerings, including certification for Aboriginal-owned businesses, guidance for companies in their relations with Aboriginal groups and peoples and connects Aboriginal entrepreneurs with tools, training and networks to strengthen and scale their businesses (CCAB, 2019<sup>[97]</sup>).



**Table 4.4. Select national organisations focussed on community economic development and financial management**

Organisation	Date established	Description
AFOA Canada (formerly Aboriginal Financial Officers Association of Canada)	1999	A not-for-profit association founded to help Indigenous people better manage and govern their communities and organisations through financial and management practices and skills. Focuses on the capacity development and day-to-day needs of those Indigenous professionals who are working in all areas of finance, management, band administration, leadership and program management.
Canadian Council for Aboriginal Business (CCAB)	1982	Non-profit organisation that developed business offerings, including certification for Aboriginal-owned businesses (CAB) and companies with Progressive Aboriginal Relations (PAR).
First Nations Financial Management Board	2006	A shared-governance corporation which assists First Nations in strengthening their local financial management regimes and provides independent certification to support borrowing from First Nations Finance Authority and for First Nations economic development. The FNMB was established by the First Nations Fiscal Management Act (FMA).
First Nations Tax Commission	2006	The FNTC is a shared-governance corporation that regulates and streamlines the approval of property tax and new local revenue laws of participating First Nations, builds administrative capacity through sample laws and accredited training, and reconciles First Nation government and taxpayer interests. The FNTC was established by the First Nations Fiscal Management Act (FMA).
First Nations Finance Authority	2006	A non-profit corporation that permits qualifying First Nations to work co-operatively in raising long-term private capital at preferred rates through the issuance of bonds, and also provides investment services to First Nations. The FNFA was established by the First Nations Fiscal Management Act (FMA).

Source: Justice Laws (2005<sup>[98]</sup>), *First Nations Fiscal and Statistical Management Act*, [https://laws-lois.justice.gc.ca/eng/annualstatutes/2005\\_9/FullText.html](https://laws-lois.justice.gc.ca/eng/annualstatutes/2005_9/FullText.html) (accessed on 4 February 2019).

### *A growing number of organisations provide strategic policy advice*

The aforementioned Indigenous institutions such as NACCA, the First Nation Financial Authority, the Canadian Council for Aboriginal Business and AFOA Canada, to name a few, support, promote and facilitate the innovation and growth of Indigenous businesses—but they also provide strategic advice on the needs of the sector and how to work with both public and private partners to better meet these needs. Among these, the National Indigenous Economic Development Board (NIEBD, est. 1990) is in a unique position. NIEBD is a Governor in Council appointed board—comprised of First Nations, Inuit, and Métis business and community leaders from across Canada—mandated to provide strategic policy advice to the federal government on issues related to Indigenous economic development (NAEDB, 2016<sup>[99]</sup>).

Taken together, these organisations serve to:

- Help local Indigenous financial institutions to advocate for their interests with governments.
- Give Indigenous peoples an independent voice in debates and policy processes related to economic development.
- Provide a forum to share best practices and build capacity through events and networking.

- Provide a mechanism to deliver government support and programmes to local Indigenous businesses.
- Provide a platform that enables local institutions to build scale and attract private capital.
- By building scale, can enable local institutions to attract institutional investors, which is critically important in terms of growing the overall capital base for the Indigenous economy by accessing private sector finance—an area that has not been fully exploited.

Compared to many other OECD countries with Indigenous populations, Canada has a rich landscape of institutions that are dedicated to supporting Indigenous entrepreneurship that raise the visibility of Indigenous entrepreneurship in Canada. There are also a number of Aboriginal business associations and industry-specific Indigenous organisations that serve their members' interests.

### ***Provincial and territorial programmes for Indigenous businesses and for community economic development***

Provincial and territorial governments also deliver programmes and funding for Indigenous business development (Table 4.5). The majority fund Indigenous organisations to deliver such services as opposed to offering direct service delivery.<sup>31</sup> In some cases, provincial/territorial governments also fund or directly provide services that are unique to regional conditions and the populations being served. For example, in Nunavut there is a fisheries and fur programme with eligibility for advanced payments for sealskins and small tools grants for craftspeople in the Qikiqtani region. Programmes for FN community economic development across Canada differ considerably. For example, in British Columbia, the Ministry of Indigenous Relations and Reconciliation focuses its efforts on promoting Indigenous community participation in the clean energy sector.

Aboriginal procurement is uncommon at the provincial level. Currently, only three provinces in Canada have Aboriginal Procurement initiatives: British Columbia, Manitoba and Ontario. In British Columbia these are voluntary guidelines while in Manitoba, specific contracts can include Indigenous business set asides and/or mandatory Indigenous business participation. In the case of Ontario, there are voluntary set-asides.

**Table 4.5. Main Indigenous business and community economic development programmes/funds by province and territory**

BC	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	NS	NB	NWT
Indigenous Business Advisory Centres	Urban Indigenous Initiatives Program	Clarence Campeau Development Fund*	Métis Economic Development Fund (MEDF)*	The Business and Community Fund Program	Aboriginal Initiatives Fund III	Aboriginal Community Development Fund (ACDF)	The Aboriginal Affairs Secretariat's (AAS) Grants Program	Community Economic Development (SEED)
Aboriginal Business and Entrepreneurs Training (BEST) program	Aboriginal Business Investment Fund	Saskatchewan Indian Equity Foundation Inc. (SIEF)*	First Peoples Economic Growth Fund (FPEGF)*	Economic Diversification Grants Program				Micro Business (SEED)

BC	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	NS	NB	NWT
First Citizens Fund Business Loan Program	Aboriginal Economic Partnerships Program	SaskMetis Economic Development Corporation (SMEDCO)*		Regional Partnership Grants Program				
First Nations Clean Energy Business Fund	Employment Partnerships Program							

*Note:* the provinces of Newfoundland, Prince Edward Island and the territories of Yukon and North West Territories do not have any specific Indigenous targeted programmes in these areas (business and community economic development).

*Source:* Own analysis of provincial and territorial programmes across Canada.

## Policy levers to strengthen Indigenous entrepreneurship in Canada

The preceding sections provided an overview of the framework conditions for Indigenous entrepreneurship, have outlined some of the main competitive advantages for Indigenous firms and community-led development in rural and remote regions and have described the main government programmes to support Indigenous entrepreneurship. This section offers recommendations on how to strengthen Indigenous entrepreneurship in rural areas, focusing on: i) access to finance, ii) increasing access to banking and business activities, iii) mainstreaming Aboriginal procurement strategies, iv) protecting Indigenous intellectual property; v) strengthening entrepreneurial skills and financial literacy; vi) increasing the visibility of Indigenous economies and supporting business partnerships; and, vii) strengthening the role of Canada's regional development agencies in supporting Indigenous entrepreneurship.

Access to land and related resources is also one of the most important factors that enables Indigenous entrepreneurship. This topic has been discussed at length in Chapter 3 and as such is not addressed in this section.

### *Increasing access to finance*

#### *Ongoing efforts are needed to strengthen access to finance*

Indigenous businesses, particularly those located on reserves, commonly face challenges accessing finance. Where finance is accessed, it is uneven. For example, among First Nations communities in Canada, just 15% of communities are responsible for 65% of the borrowing activity—these activities are concentrated among well-endowed communities most of which are using land and financial management powers outside of the Indian Act (NAEBD, 2017, p. 9<sub>[2]</sub>).

Canada's private banking sector is showing a growing interest in serving Indigenous business needs and managing community trusts. For example, two of the country's largest banks manage over 1 billion in First Nations trust investments (Shecter, 2015<sub>[100]</sub>). Canada also has successful private banking-Indigenous partnerships such as the First Nations Bank of Canada.<sup>32</sup> Despite these initiatives, lending gaps remain, particularly for small rural Indigenous businesses. Ongoing efforts are needed to strengthen access to finance. This section outlines three options to increase access to finance for Indigenous businesses:

- Scaling up the work of Indigenous developmental lenders in Canada and increasing their attraction of private capital.

- Expanding Indigenous owned credit unions.
- Exploring the potential of social impact investments.

*Evolving Indigenous developmental lenders—scaling up, accessing private capital and aligning services*

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 and attract more private sector capital. Increasing economies of scale can help increase the amount of finance available, reduce risk and attract the interest of institutional investors. AFIs can do this by creating common loan pools around larger scale projects within a region (or at a cross-regional and/or national scale). Making this happen may require some brokering and incentives from the government.

To date there have been some positive examples of scaling up larger investment projects and accessing private funds—e.g., attracting private sector capital through bond issuing. However, progress has been slow. Each AFI has their own board and there is a lack of incentives in place to cooperate. The federal government and NACCA could help to facilitate greater collaboration. Feedback from the finance/banking industry has indicated that there is a perception of risk with lending to this community and that there are limited vehicles by which to make private investments (e.g. debt fund that could invest in AFIs). Policies can help to address these issues by:

- Addressing risk perceptions and strengthening relations with the private banking sector.
- Working with Indigenous institutions (such as NACCA) and other social finance intermediaries to set up appropriate investment vehicles.<sup>33</sup>
- Exploring the feasibility of using the tax system to incentivise private investment (e.g., level of administrative costs).
- Facilitating collaboration among AFIs to scale up projects and attract private capital.

With the devolution of the Indigenous entrepreneurship programmes to NACCA, the organisation is now responsible for managing the reporting relationship with AFIs. A robust system of metrics on the impact of their activities and up to date reporting will help strengthen the visibility of AFIs and their attractiveness/potential as an investment vehicle. NACCA is presently working on developing an improved metrics system which will include a snapshot of AFIs on social and economic indicators.

#### Public funding remains critical to AFIs' success

While attracting private sector funding is an important strategy for AFIs, public funding remains critical to their success. AFIs do not at present generate enough returns to satisfy private sector investments—even those interested in social finance. In 1996, funding for establishing the ACCs and supporting what is now the Aboriginal Entrepreneurship Program was \$80 000 000 annually or \$122.4M in today's dollars. The total budget for these activities in 2018 was \$33.9M; 72% less than in 1996 (NACCA). The Government of Canada's 2019 budget proposes significant new investments—it proposes to create an Indigenous Growth Fund managed by NACCA that would help AFIs (including Métis Capital Corporations and others) to support more Indigenous entrepreneurs, and larger

scale projects by providing up to \$100 million. This anchor investment will help AFIs broaden their clientele and potentially lend to larger businesses which is a much-needed gap to be filled in the Indigenous finance landscape. However it is not yet clear if these will be repayable funds or a long-term concessional loan.

#### Aligning programme delivery across the AFI network

Funding sources and reporting relationships vary across the AFI network. Most AFIs are federally funded but they were originally set up by two separate departments (Indigenous Services Canada ISC and Innovation, Science and Industry, ISI) and to this day they have access to different programs due to that split. Also, the federal government supports regional economic development programming through Regional Development Agencies (e.g. CanNor, WD, FedDev, FedNor, ACOA, CEDQ).<sup>34</sup>

Each of the RDAs (with the exception of CanNor and ACOA) is responsible for a couple Indigenous CFDCs and have varying degrees of internal expertise. As a result there is a need to build knowledge and/or develop novel approaches (e.g. co-locating regional CIRNA or ISC staff at the RDAs) in order to ensure the needs of Indigenous businesses and AFIs are adequately met across the country.<sup>35</sup> It is reported that the present system can in some cases lead to a duplication of efforts wherein CFDCs have access to various loan capital pools that are underutilised (interviews). In addition to this, some AFIs have received provincial and territorial funding; while these investments are laudable, there is very little coordination to ensure policy alignment with federal initiatives. One reported outcome of this lack of coordination is that a program (whether it be provincial, RDA or even programs delivered by the CIRNAC branch) will provide capital to some AFIs; those same AFIs will then rely on the Aboriginal Entrepreneurship Programme delivered through NACCA to support the delivery of these loans, thus putting increasing pressure on shrinking budgets. Practices do differ across Canada. For example, in Atlantic Canada, ACOA capitalises the AFI's investment fund, and provides operational support to deliver those funds

In order to deliver more effective and consistent high-quality financing and business services through its AFI network, the government of Canada should:

- Develop a national policy framework for AFIs in order to improve coordination between the RDA and the AEP.
- Pool existing public capital support for AFIs into a single fund.

#### *Expanding Indigenous-owned credit unions*

Credit unions are not-for-profit organisations that serve their members. Like banks, credit unions accept deposits, make loans and provide a wide array of other financial services; but as member-owned services they are uniquely focused on their clients who have a stake in their governance. Profits made by credit unions are returned back to members through reduced fees, higher savings rates and lower loan rates. Many credit unions across Canada well connected to their communities and have a depth of knowledge of local markets and conditions. For all of these reasons they are a good fit for Indigenous businesses and support community-led economic development.

In 2011, The Supreme Court ruled that interest income earned on investments held at an on-reserve financial institution could be treated as tax exempt (Dubé v. Canada, 2011 SCC 39). As such, credit unions located on reserves can provide status Indians (either living on or off-reserve) with interest-bearing investment opportunities that have tax-exempt interest

income. This presents a considerable opportunity for credit unions to increase their presence and services in these areas. AFIs have used this strategy by attracting First Nations investors for an on-reserve vehicle that generates on reserve mortgages as a tax-free investment.

There are relatively few Indigenous-owned credit unions across Canada. One of the most well-established is the *Caisse Populaire Kahnawake* in Quebec (est. 1987). This is related to not just access to finance but access to banking serviced as well. Many Indigenous communities are ‘banking deserts’—Canada’s four largest banks collectively have less than 50 Aboriginal branches, banking outlets, or banking centres located on-reserve (NACCA, 2017<sup>[101]</sup>). Credit Unions could be one solution to help fill this void.

**The potential to expand such enterprises should be explored—e.g., resources on how to set up credit unions, share expertise, and build capacity in the sector.** There have been discussions among NACCA’s stakeholders around the possibility of transitioning AFIs into a credit union model (NACCA, 2019<sup>[91]</sup>). Though, there are a number of reported hesitations to this approach, such as the current focus on consolidating financial institutions, high start-up costs and the limitation on commercial lending capacities.

### *The potential of social impact investments*

Indigenous enterprises are uniquely placed to take advantage of social impact financing. This is a relatively new approach to investment that aims to generate measurable social and environmental benefits alongside a financial return. For example, social impact financing has been used in Australia to manage water allocations (Box 4.7). This type of investing can take a number of forms notably:

- *Social impact bonds*: contracts between the government, investors and service providers to trial innovative interventions.
- *Social impact investment funds*: larger-scale funds that invest in social impact investments.
- *Social enterprises*: businesses that aim to achieve both financial return and social outcomes (Whitbread, Susan; Linnane, Katie; Davidson, 2017<sup>[102]</sup>).

With the exception of social enterprises which are relatively common, there has been limited use of these instruments to date in Canada in Indigenous communities. One recent initiative to note is the announcement in the federal 2019 Budget that NACCA will be provided with capital from the Social Finance Fund to leverage other sources of (impact) capital. This is an example of an effort to attract social impact investors to provide loan capital for the AFIs. In that sense the Indigenous Growth Fund (IGF) is a social impact investment fund. NACCA in collaboration with its government partners is now in the process of developing the details around the capitalisation of the IGF. Another initiative of note is the creation of an ethical investment platform by the non-profit organisation SVX in 2017 which the First Nations Bank of Canada has joined with the aim of attracting social impact investors.

**More research is needed on the feasibility of this financing vehicle for Indigenous communities and businesses.** Governments play a key role in setting the framework conditions for social impact markets by for example, risk sharing and co-investing, setting and monitoring outcomes assessments. There is limited knowledge at the moment of the social impact market and its potential for Indigenous businesses and communities.

**Box 4.7. Social impact investment fund: The Australian Murray–Darling Basin Balanced Water Fund**

This water investment fund is Australia’s first to address environmental, agricultural, social and financial outcomes. The fund is a collaboration between Nature Conservancy Australia and Kilter Rural. The fund invests in water entitlements (permanent water rights) in the southern Murray–Darling Basin and generates financial return for wholesale investors through capital appreciation and annual lease of entitlements, and trade of temporary water allocations.

The fund also supports social and environmental benefits. When water is scarce and demand is higher, more water is made available to agriculture, providing water security for farmers. When water is plentiful and agricultural demand is lower, more water is made available to wetlands, targeting areas of high ecological and Indigenous cultural significance. This has benefits for wetland restoration and supporting threatened freshwater species and helping conserve sites of important cultural and spiritual significance to Indigenous people. Initial capital raised in 2015 comprised \$22 million in equity and \$5 million in debt. The second capital raising closed in March 2017.

*Source:* Australian Government Treasury (2017<sup>[103]</sup>), *Social Impact Investing*, <https://treasury.gov.au/consultation/social-impact-investing> (accessed on 10 April 2019).

***Increasing access to banking and business services***

Rural and remote communities face major barriers in access to banking and business services. Many Indigenous communities across Canada do not have branch services on or near their territories most and a lack of internet connectivity inhibits e-banking. The Territory of Nunavut serves as an illustrative example; only three communities out of a total of 25 have bank branches. There are no roads connecting the communities in Nunavut and they are only accessible by air or sea. Internet access in the territory is via satellite, resulting in high costs and limited bandwidth and limits access for Nunavummiut (residents of Nunavut) to basic services like online banking, tax filing, etc. Lack of digital access is also a challenge for Indigenous businesses situated on-reserve, especially in the Territories and Atlantic provinces (CCAB, 2016<sup>[7]</sup>).

***Canada’s rural, northern and remote communities are chronically underserved by broadband—this needs to change***

Many Indigenous communities across Canada urgently need access to high quality and reliable internet broadband. Canada declared broadband as part of its universal service frameworks in 2016 and recently set a 50 Mbps/10 Mbps goal for all households and businesses and aims to reach this target for 90% of households and businesses by end of 2021, with the remaining 10% to achieve them within 10 to 15 years (OECD, 2018<sup>[104]</sup>). Internet service providers must also offer the option of unlimited data for fixed broadband services. Canada’s national goal also includes a mobile component, which calls for the latest mobile wireless technology to be available not only to all homes and businesses, but also along major Canadian roads.

It is positive that Canada has set these goals for broadband and has set up a broadband fund for underserved areas.<sup>36</sup> However, its impacts in Indigenous communities needs to be monitored. 10-15 years (the goal for the remaining 10% of communities) is a very long

time for access to these technologies given their critical functions in remote communities. Furthermore, while it is positive that carriers are required to contribute towards a universal service framework to support service expansion, they are still not mandated to provide services. Instead, they can access these funds through a competitive process. There has been some success with using public-private partnerships to connect Indigenous communities with broadband. For example, in Ontario, a non-profit broadband corporation (SWIFT) has worked with the private sector to provide broadband in rural and urban areas through a P3 that included the federal government, Indigenous communities and University of Guelph through their Regional and Rural Broadband project (R2B2). A 2016 study of federal funding for Indigenous broadband points to a number of inadequacies – commenting that the current suite of measures are “complex”, “in flux” and “inadequate” (Blake, McMahon and Williams, 2016<sup>[105]</sup>)

Much more needs to be done to connect rural communities, particularly in Canada’s vast north.

- **Broadband funding through ISC’s infrastructure fund does not enable co-funding and partnerships, particularly with the provincial departments of infrastructure (interviews).** These requirements should be revisited.
- **The Government of Canada should provide yearly reporting on the quality of broadband in Indigenous communities and report on its progress in meeting its connectivity goals.**
- **The CRTC’s mapping of underserved communities should be used to assess the share of Indigenous communities that remain poorly connected.**<sup>37</sup> This indicator should form one part of Community wellbeing indicators.

Beyond e-services, the potential of the Canadian postal services to act as banking branches in rural communities should be explored

Canada has a crown corporation for postal services which have a presence in small towns across Canada and also serve rural and remote Indigenous communities. Having a well-functioning postal service is critical for rural businesses. In some countries—e.g., UK, France, Switzerland, New Zealand, Brazil and Italy—the national postal service serves are more than a mail carrier but also delivers postal banking services. The expansion of such services in Canadian rural area should be explored. They are beneficial for rural Indigenous and non-Indigenous communities alike.

Not only do these services increase access to banking, but they are lucrative for the postal companies involved. For example, PostFinance in Switzerland represents over half of the Group’s operating profits, while in France, the contribution of the postal bank to La Poste Group’s overall operating profit is around a quarter, roughly the same as that of the parcels business (Universal Postal Union, 2016<sup>[106]</sup>).

*Navigating access to business programmes and services for Indigenous peoples—improving web platforms*

There are many online business planning services and online resources available for new entrepreneurs in Canada – but many are not well suited to the needs of Indigenous entrepreneurs. The government of Canada’s main online business portal is a hub for accessing such services in Canada; however, it does not mention business development on reserve lands and the unique regulatory issues therein.<sup>38</sup> Mainstreaming this content would



help mainstream Indigenous business development. There is no one-stop-shop to understand the complex regulatory environment for business development on reserves. This content needs to be strengthened. It is important not just for Indigenous businesses but for business partnerships and the broader public as well.

There are a wide range of programmes and services accessible to Indigenous businesses across Canada that are delivered by different organisations including some provincial/territorial programmes. The federal government's main websites for services for Indigenous peoples should be more client focussed—oriented around the types of services that individuals need to access based on who they are as opposed the current sites which are often focused on programme structure. In effect, the web content presumes knowledge of government programmes in order to access services. This same critique applies to many provincial and territorial governments across Canada as well. Individuals are interested in accessing the right programmes for their business needs regardless of the government providing it. Single window services are a leading practice in this regard (Box 4.8).

Furthermore, as a result of the 2017 decision to split the department of Indigenous and Northern Affairs Canada into two new departments, many websites refer to the old departmental interface and it is not clear if this information therefore out of date and the assignment of competencies across the two departments is unclear.

The Government of Canada should strengthen its web-platforms for accessing online business services and programmes by:

- Reorienting websites to reflect the types of services that individuals need to access (instead of the programmes that are being delivered).
- Working with provincial and territorial governments to better inform individuals of the suite of programmes and services available to them across Canada, including provincial and territorial initiatives.
- Including Indigenous programmes on the government's business services portal for all Canadians (as opposed to segmenting the content only within CIRNAC).
- Complete the migration of web-content from the Government of Canada's previous department for Indigenous affairs to the new one (CIRNAC and ISC).

**Box 4.8. Access to government programs and services through Single Window Service Centres: The North West Territories**

In 2010 the Government of the Northwest Territories (GNWT) initiated a pilot project establishing Single Window Service Centres. Each office is staffed with a Government Service Officer, many of which, who speak an Aboriginal language and provide assistance to residents in small communities in accessing GNWT and Government of Canada programs and services.

In 2014, the Single Window Service Centre model was recognised for its innovative management and received the bronze medal for the Institute of Public Administration /Deloitte Public Sector Leadership Award. This model is unique to the Northwest Territories with its success being rooted in respecting the traditional and cultural needs of residents. Since the program was launched in 2010 it has grown across the Northwest Territories from 8 to 20 single window service centres.

### *Access to business services navigators—the importance of person-to-person relationships*

Even where business services and access to funding programmes are made more user friendly, there is no replacement for person-to-person assistance navigating services. Indigenous businesses need client focussed and individualised business support. For example, only around a third of Indigenous entrepreneurs have a formal business plan (CCAB, 2016<sup>[7]</sup>). Individualised support can help to structure an effective business strategy and help ideas come to fruition.

The devolution of many Indigenous business services to third party providers alongside the variety of federal, provincial/territorial programmes can make it very difficult for an individual to know if they are accessing the correct services for their business needs. Professionals who are well trained in the suite of services and programmes available and who can help individuals navigate these in terms of eligibility and requirements are critical. For example, AFIs are a main point for contact for accessing a range of federal and provincial programmes and as developmental lenders they offer a range of business supports. Many of their clientele may be in hard to reach territories and as such, it can be difficult to have in person contact. In some cases, AFIs representatives will travel to communities to provide supports in person (e.g., mentorship and business support programmes), but these travel costs can be prohibitively expensive. Presently AFIs fund these services from funds for every loan made through the aboriginal development lending allocation programme they are using this to offset the cost of business development.

In-person services should be considered an essential part of providing business services to Indigenous communities. The Government of Canada should:

- Provide increased funding support to AFIs and other relevant Indigenous service providers for capacity building activities (e.g. entrepreneurial and procurement coaching, financial literacy, private sector matching, participation in local chambers of commerce).

### ***Mainstreaming Aboriginal Procurement strategies in the federal government***

Preferential public procurement (adjusting policies regarding the purchase of goods, services and works by governments and state-owned enterprises to meet social objectives) has been used as a lever in some countries to expand access to markets for Indigenous-owned businesses. These schemes have been critiqued on the basis that they distort markets and increase costs, which outweighs the benefit of achieving their secondary objectives. However, preferential treatment and targets can help overcome barriers to market access by providing strong and predictable increases in demand for goods and services for disadvantaged population groups.

The United States has the longest-running programme to support public procurement from Indigenous businesses through the Small Business 8(a) Program, which was established in 1978 (U.S. Small Business Administration, 2018<sup>[107]</sup>). The Australian Government established its Indigenous Procurement Policy (IPP) in 2015 (Department of the Prime Minister and Cabinet, 2018<sup>[108]</sup>). In Canada, the Federal government began a specific focus on Indigenous businesses in its public procurement through its *Procurement Strategy for Aboriginal Businesses* (PSAB) in 1996 (INAC, 2018<sup>[109]</sup>).

### *Mainstreaming Aboriginal procurement*

The federal government spends some \$23 billion on goods and services; the Procurement Strategy for Aboriginal Business (PSAB) has been instrumental in opening access for Indigenous businesses (PSWC, 2018<sub>[110]</sub>).<sup>39</sup> Since its inception the programme has been refined several times and new targets have been added. Federal Ministries have been mandated to increase procurement, but this does not entail binding procurement targets. The existing targets are related to, for example, the percentage increase in participation to procurement processes by businesses owned by Indigenous peoples.<sup>40</sup> Beyond PSAB, the majority (80%) of modern treaties have some specific and legally binding procurement obligations tied to comprehensive land claim agreements (areas within the Yukon, British Columbia, the Northwest Territories, Nunavut, northern Quebec and northern Labrador). All government procurements are first reviewed against modern treaties before other considerations such as the Procurement Strategy for Aboriginal Business are applied.

CIRNAC is responsible for the Procurement Strategy for Aboriginal Business and serves to provide advice and guidance to federal departments and agencies on its application. There is a national coordinators network with over 100 members to help implement this and the Aboriginal Business Directory is a key tool used to identify and register Indigenous businesses.

The highest-value contracts under the PSAB are typically in health services, construction, accommodation, office supplies, information technology equipment and software, and informatics professional services (Liao, Orser and Riding, 2018<sub>[111]</sub>). Most Canadian small firms do not participate in federal procurement. It is more burdensome for procurement contracts to be awarded to multiple smaller firms than to a larger firm. Beyond the preference of the purchasers, many smaller firms find it challenging to both meet procurement requirements and go through what are often administratively demanding requests for proposals involving up front investments. These are universal challenges – Indigenous or otherwise. Those SME suppliers that are successful in federal procurement tend to be on average, larger and older, and disproportionately concentrated in the knowledge- and technology-based sectors, and in construction (Liao, Orser and Riding, 2018<sub>[111]</sub>). An internal review of the programme has expressed concerns that PSAB might “act as a mechanism to support already well-established Aboriginal businesses, and may have less relevance to smaller and newer businesses or budding entrepreneurs” (INAC, 2014<sub>[112]</sub>).

Proximity also matters to programme access. While federal departments operate across Canada, there is a concentration of procurement in the capital city of Ottawa, and firms located there have greater opportunities (depending on the goods and services being offered). Access can also be limited by a lack of digital access; the federal procurement system only accepting electronic bids limits the participation of some smaller businesses located in remote areas that do not have access to broadband Internet.

Some steps that can be taken to improve Indigenous procurement are to:

- **Increase programme access by making the process more supplier-oriented in terms of simplifying the amount of information needed.** Provide requests in plain language form and accept paper bids where applicable/possible, and consider breaking down larger RFPs into smaller contracts.
- **Develop targeted training initiatives to help match businesses with procurement contracts.** For example, training on how to design effective bids; how to take better advantage of regional opportunities; offer training to support

newer and smaller Aboriginal firms to navigate the procurement environment). Another strategy to consider is to develop and implement an independent network of professional procurement advisors/coaches to assist Indigenous entrepreneurs navigate the procurement supply chain and assist procurement agents and organisation meet and exceed their Indigenous procurement targets

- **Align procurement policies, processes, procedures, and practices in order to ensure ease and consistency of experiences for suppliers across all federal government departments and agencies.**
- **Develop a list of commodities and services that Indigenous businesses can supply to be shared across all federal departments.** The current database of Aboriginal businesses has a limited search function by key word and geography which limits its use.
- **Require large-scale contractors to advertise subcontracting opportunities on the government’s procurement website to attract small to medium-sized businesses.**
- **Consider establishing binding procurement targets and set asides for Federal government procurement.** Presently departments that purchase more than \$1 million worth of goods, services, and construction each year are responsible for setting their own performance targets (except in the case of land claims agreements where there are binding targets).
- **Consider mainstreaming PSAB with a whole of government approach. Presently CIRNAC is in charge of the PSAB while the Public Services and Procurement Canada department is the central purchasing agent for government.** As noted by NIOs, this would raise the visibility of the programme across all departments and help develop more consistent targets across departments (Liao, Orser and Riding, 2018<sub>[111]</sub>). Presently, successful programme implementation targets set by individual departments; as such, “PSPC has no point of reference for what the targets are, how close departments are to meeting them, and, therefore, are limited in how much they can intervene or suggest doing voluntary set-asides” (Gagné, 2018<sub>[113]</sub>).
- **Strengthen how procurement targets are being used and reported on.** It is reported that PSAB targets are “not being shared with those doing procurement, are not being assessed against performance in reports, and are not providing feedback until two to three years after the fact” (Gagné, 2018<sub>[113]</sub>). This data should be more rigorously used and reported on in departmental performance evaluations.
- **Provide annual government-wide reporting on PSAB contracts and their value.**
- **Consider the use of procurement loans for Indigenous business as part of its business development, capital and support services.** In the Australian context, Indigenous Business Australia (IBA) provides a number of different loan facilities to Indigenous entrepreneurs. Business loans of AUD 10 000 to AUD 5 000 000 are provided for working capital requirements, purchase of existing businesses, plant and equipment, and other commercial assets. Flexible provisions are provided in these loans, for example, a procurement loan (up to 2 years) is provided to cover initial capital costs related to the awarding of a contract through the Indigenous

Procurement Policy (IPP) or another government programme (Indigenous Business Australia, 2019<sup>[114]</sup>).

The Government of Canada is reviewing the federal approach to Indigenous procurement including the Procurement Strategy for Aboriginal Business and a discussion paper prepared for this expertise has identified several of the above-noted recommendations including mandatory set asides.<sup>41</sup>

The above-noted recommendations are directed towards the federal government which has a well-established Aboriginal procurement strategy. But provincial/territorial and municipal governments are equally important actors in this regard and is the private sector. Only three provinces in Canada have explicit Aboriginal Procurement initiatives and they are largely voluntary. The federal government has a lot of knowledge to share about how these strategies could be strengthened by other levels of government and how to design effective policies and work with Aboriginal businesses. A federal/provincial/territorial working group or some over vertical mechanism to share policy learning could provide the needed nudge to strengthen these policies for governments across Canada.

#### **Box 4.9. Private sector Indigenous procurement strategies**

Multi-national firms are increasingly adopting preferences for minority groups in their tendering processes, even where they are not required, as a corporate social responsibility measure. There is also an economic rationale for Indigenous procurement, for example by minimising transportation costs and building stable relationships with suppliers (CCAB, 2016<sup>[115]</sup>). Large-scale mining and extractive and energy projects generate economic impacts for local economies in terms of backward linkages (use of machinery and logistics to extract resources), forward linkages (processing and services) and final demand (expenditure of income from resource extraction). Evidence suggests these impacts are limited in the case of Indigenous businesses in a mining context with most benefits flowing in terms of direct employment. This is consistent with other research showing that local linkages are difficult to develop, particularly in rural remote regions. Often local Indigenous communities can miss the benefits due to unequal relationships in the negotiation process and lack of capacity to capture supply chain opportunities. Barriers to Indigenous businesses realising these opportunities can include limited experience and skill development, complexity and size of contracts, inadequate access to information and limited capital.

In recent years, there has been significant growth in benefit-sharing agreements in Australia and Canada as corporations have adjusted their procurement policies and benefit agreements have sought to address these barriers. This can include setting specific target in the proportion of the mining operation's goods and services being provided by Indigenous businesses, setting up local Indigenous business registries, and a greater focus by corporates on relationship building with local Indigenous communities. These "wrap around" supports are a key success factor and can extend to the provision of low-interest loans, onsite training and health services, structuring procurement to incentivise joint ventures between local Indigenous firms and large contractors.

Source: OECD (2019<sup>[5]</sup>), *Linking Indigenous Communities with Regional Development*, <https://dx.doi.org/10.1787/3203c082-en>.

### *A user-friendly database of Indigenous businesses could help to mainstream Indigenous procurement*

Research interviews with a wide range of Indigenous communities and organisations conducted as part of this study have highlighted the need for a user-friendly database of Indigenous businesses. Presently such content is held across a number of different web platforms, but none is comprehensive or easily searchable by geography. Even adjacent Indigenous communities can have low knowledge of the types of services and businesses provided in the other despite an interest in local procurement (research interviews). This would facilitate Indigenous procurement strategies more broadly across the public and private sectors—e.g., a mining firm that is interested in accessing services for local Indigenous communities.

To address this, the government of Canada could:

- Support the creation of a well-designed and comprehensive database of Indigenous businesses.

Such data could be drawn from the PSAB list but would also be complemented by the type of data held by AFIs, NIOs and Indigenous industry and business associations as well as provincial and territorial databases where they exist. In developing such a system, it is important that there be some checks to ensure that eligible businesses are Indigenous owned and operated. There is a balance to be struck in terms of the rigour of these checks and their administrative costs and level of intrusiveness. This work could be undertaken either by a government department or agency, or it could be administered by a professional Indigenous institution.

### ***Protecting Indigenous intellectual property***

Indigenous forms of knowledge and cultural expression challenge western rule frameworks and programmes that are designed to protect intellectual property (IP). Patents, copyrights and trademarks enable people to benefit from technologies and products they create. In the case of Indigenous people's technologies and products are based on tacit knowledge that has been handed down orally across generations. Because they are not the result of scientific discovery or have not been scientifically tested, they may not be valued or recognised as legitimate in areas such as health or natural resource management. Traditional Indigenous products and technologies are also not the property of the individual inventor. As a result, there is a risk that other actors (non-Indigenous entrepreneurs and corporations) may appropriate Indigenous products and technologies.

There is a growing need to develop legal instruments regarding the use and protection of traditional knowledge, traditional cultural expressions and biological material (Drahos and Frankel, 2012<sup>[116]</sup>). As noted in the UNDRIP, noting in particular Article 31, which provides that:

- “Indigenous peoples have the right to maintain, control, protect and develop their cultural heritage, traditional knowledge and traditional cultural expressions, as well as the manifestations of their sciences, technologies and cultures, including human and genetic resources, seeds, medicines, knowledge of the properties of fauna and flora, oral traditions, literatures, designs, sports and traditional games and visual and performing arts. They also have the right to maintain, control, protect and develop their intellectual property over such cultural heritage, traditional knowledge, and traditional cultural expressions.

- In conjunction with Indigenous peoples, States shall take effective measures to recognise and protect the exercise of these rights.”

The World Intellectual Property Organization’s Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore is currently working on this issue. The goal is to create an international legal instrument that can protect traditional knowledge, cultural expressions and genetic resources (WIPO, n.d.<sup>[117]</sup>). In lieu of this process, nation states and non-governmental organisations can also institute programmes related to the certification of Indigenous products and services to protect Indigenous entrepreneurs, traditional knowledge and cultural expressions. For example, in Sweden, Sámi handcrafters have developed a system to signify authenticity of their products (Box 4.10). Canada has similar systems. For example, there is a certification of Inuit art which was recently taken over by the Inuit art foundation from the Canadian government.

**Box 4.10. Certification of Indigenous products and Intellectual Property: The case of the Sámi in Sweden**

How Indigenous methods, techniques and products be protected is an ongoing issue for Sámi peoples who have seen their knowledge and knowledge used for commercialisation without consent. Sámi handcrafters on the Swedish side hold the *duodji* mark (which is owned by the Sámi cultural organisation). Individuals who wish to have their products included under the Sámi *duodji* mark need to submit them to the group to review in order to ensure that they are produced with authentic traditional techniques and materials in order to guarantee their quality and authenticity as a Sámi *duodji* product. While consumers who are knowledgeable can seek out this mark in order to ensure that they have purchased an authentic product, this does not address the mass replication and use of Sámi designs and technologies by non-Sámi firms.

There are ongoing efforts by groups such as Sámi *Duodji* Foundation to secure intellectual copyrights and there is a growing need to address this. The Sámi *Duodji* Foundation seeks to build the case for this and to potentially pursue litigation against cultural appropriation. These issues are common to many Indigenous peoples. The United Nations Declaration on the Rights of Indigenous Peoples (2007) provides a broad recognition of Indigenous intellectual property rights and stipulates that, in conjunction with Indigenous peoples, states should take effective measures to recognise and protect the exercise of these rights (Rimmer, 2015<sup>[90]</sup>). At present, Sámi organisations are not sufficiently resourced to pursue these matters through judicial processes.

Source: OECD (2019<sup>[118]</sup>), *Linking the Indigenous Sami People with Regional Development in Sweden*, <https://dx.doi.org/10.1787/9789264310544-en>.

Certification systems are important and offer knowledge for buyers; however they do not address the appropriation and commercialisation of Indigenous knowledge and cultural expression. This concept has not been mainstreamed into Canada’s core legislation protecting intellectual and cultural property. For example, Canada’s Copyright Act does not currently include protection of Indigenous knowledge and languages (CFLA-FCAB, 2018<sup>[119]</sup>). There are debates in Canada and other countries with Indigenous populations about whether Indigenous intellectual property can be accommodated by existing legislative frameworks or whether these are antithetical to Indigenous knowledge creation

and would be better accommodated by a separate guiding protocols (Oguamanam, 2017<sub>[120]</sub>). However, the latter would however would have limited legal enforcement. Therefore, it is recommended that the Government of Canada:

- **Amend Canada’s Copyright Act to protect Indigenous knowledge from unauthorised use and to ensure that Indigenous concepts of ownership are respected, while enabling the originating community to actively exploit the knowledge, as recommended by the Canadian Federation of Library Scientists (CFLA-FCAB, 2018<sub>[119]</sub>).** Doing so would strengthen the protection of Indigenous intellectual property in Canada.

### *Strengthening entrepreneurial skills and financial literacy*

Entrepreneurial skills cover both cognitive and non-cognitive skills required to start and operate a business, which can include creativity, strategic planning, financial literacy, mobilising resources, managing uncertainty and teamwork (OECD, 2019<sub>[121]</sub>). The skills can be developed across the spectrum of lifelong learning starting with the primary and secondary school system through to the postsecondary education system, business development programmes, training and support. This is a multi-faceted issue that is being tackled in a number of ways across Canada:

- *Primary and secondary school system.* In Canada, the 13 provinces and territories are responsible for education, while the federal government is responsible for the education of First Nation students who attend on-reserve schools. For some remote rural FNs, only primary education is offered and children need to complete their education as boarding students in another community. Education on reserves has been chronically underfunded.<sup>42</sup> There are ongoing efforts across Canada that aim to deliver culturally relevant programming to Indigenous students. For a review of promising practices in supporting success for Indigenous students see OECD (2017<sub>[122]</sub>).
- *Tertiary education* (Universities, community colleges). There are efforts across Canada to recruit and support Indigenous students, to develop culturally relevant programmes and to develop flexible programmes that can meet labour market needs and expand opportunities (e.g., the Northern Ontario Internship Program that removes the requirement that applicants be recent university or college graduates). There are also a number of Indigenous colleges and universities in Canada, which aim to promote Indigenous leadership in education and training.<sup>43</sup>
- *Skills and employment training.* The federal government (through Employment and Social Development Canada) provides funding for a network of organisations across Canada that provide skills and employment training for Indigenous peoples (Box 4.11) and there are a number of joint federal-provincial-territorial funded programmes as well.<sup>44</sup> See OECD (2018<sub>[123]</sub>) for a review of Indigenous employment and skills strategies in Canada with a focus on the ISET programme.
- *Entrepreneurial coaching and financial literacy.* Aboriginal Financial Institutions support entrepreneurial coaching and financial literacy.

It is more difficult for Indigenous entrepreneurs in remote and rural communities to access business training skills programs, such as bookkeeping, basic accounting, marketing, recruitment, intellectual property, human resources planning, business plan and project management. While free online business skills training is widely available, poor internet



connectivity hinders its use. Moreover, the job-readiness of residents of Indigenous communities is a pressing issue particularly in remote communities where there is less access to basic education, higher education and business advisory services (accounting, tax, legal, etc.). There is a need for improved financial literacy and essential skills development as well as industry-specific job training responsive to the needs of the private sector.

For rural and remote communities, targeted programmes that are delivered to a group of individuals related to emerging opportunities are particularly important. These needs might arise due to the presence of new industries in a region or the growing role of Indigenous administration and community-led enterprises. Over the course of fieldwork conducted for this study, several communities were not able to take advantage of new employment in the community because of a lack of training – sometimes basic training such as high school completion. Up-front planning on projects and early discussions on how to help individuals get job ready for specific opportunities where they live are critical. How this is achieved will differ depending on the community and type of credentials needed. It is equally the case that new industries can lead to demand for new businesses, which require entrepreneurial skills to develop (e.g., forming part of supply chains).

Delivering on this requires dedicated relationship building with community members in order to adopt place-based solutions that can help to overcome unique challenges. This is much more than delivering a programme – it often entails ‘wrap-around’ supports so that individuals who receive training are able to be successful in their communities. These efforts can be time consuming and require a combination of individualised and community-based supports such as housing. Interviewees report that such wrap around supports are worth investing in and can lead to long term change in rural communities. This is the basic premise of the community wellbeing approach discussed in Chapter 5, which is a leading practice. It has also been described as an informal way of delivering skills training in rural areas by federal and provincial partners; an approach that is found to be very effective, but that is not necessarily reported on or evaluated due to confidentiality requirements.

Access to education, skills, training and business mentorship are an essential component of community-led development (discussed Chapter 5). Rural and rural remote communities face unique barriers to accessing such programmes and need unique and targeted solutions to overcome them. Many skills and employment training programmes are focussed on delivering services in urban areas. New strategies are needed to reach Indigenous rural dwellers.

**Box 4.11. The Government of Canada’s skills and employment training programmes for Indigenous peoples**

The department Employment and Social Development Canada (ESDC) has had skills and employment training programmes for Indigenous peoples since the 1990s. Presently, the two programmes focussed on these issues are:

1. The new Indigenous Skills and Employment Training (ISET) programme which offers training for skills development; training for employment; mentoring for high-demand jobs; targeted job coaching to Indigenous people, including Indigenous people with disabilities; and childcare support.<sup>45</sup>

2. The Skills and Partnership Fund which is a project-based, time limited program to support Indigenous peoples to develop the skills and training to secure jobs in emerging or untapped economic development opportunities.

These are delivered through a devolved model wherein Indigenous organisations design and deliver labour market programs to clients. In some cases, training and employment support to Indigenous clients is delivered through sub-projects or agreements with third parties. See OECD (2018<sub>[123]</sub>) for a review of Indigenous employment and skills strategies in Canada with a focus on the ISET programme.

#### **Are skills and employment training programmes reaching rural communities?**

Canada's Indigenous Skills and Employment Training (ISET) Program is delivered through 82 agreement holder organisations across the country as well as two national organisations. The number of ISET service delivery organisations across Canada differs by province (Table 4.6). Ontario, which has the largest share of the Indigenous population in Canada at 22%, also has the largest share of service providers at 18. This translates to one service providing organisation per 20 800 Indigenous people in Ontario. In contrast, the province of Saskatchewan has one service provider per 87 510 Indigenous persons. Thus, one Indigenous organisation delivering skills and employment training programmes in Saskatchewan needs to serve four times more people than in the province of Ontario and around 8 times more than in New Brunswick. This raises the questions as to whether rural dwellers in particular are adequately being served.

**Table 4.6. Indigenous skills and employment services providers, Canada**

Province	No of ISET service delivery organisations	Service provision per capita for Indigenous population	Share of Indigenous population out of total Indigenous population (%)
Prince Edward Island	1	2 730	0.2
Yukon	2	4 098	0.5
Northwest Territories	7	2 980	1.2
New Brunswick	4	7 346	1.8
Nunavut	3	10 182	1.8
Newfoundland and Labrador	6	7 622	2.7
Nova Scotia	2	25 743	3.1
Saskatchewan	2	87 510	10.5
Quebec	5	36 568	10.9
Manitoba	4	55 828	13.3
Alberta	13	19 896	15.5
British Columbia	15	18 039	16.2
Ontario	18	20 800	22.4

Sources: ESDC (2019<sub>[124]</sub>), *Aboriginal Agreement Holders*, <https://www.canada.ca/en/employment-social-development/services/indigenous/agreement-holders.html> (accessed on 21 April 2019); OECD (2018<sub>[123]</sub>), *Indigenous Employment and Skills Strategies in Canada*, <https://dx.doi.org/10.1787/9789264300477-en>.

### *The potential of Social Impact Bonds for employment and training*

Friendship Centres are a hub for innovation within urban Aboriginal communities. In British Columbia, together with government and private sector partners, Friendship Centres are experimenting with Social Impact Bonds, a relatively new method of funding and delivering social services. Using Social Impact Bonds, the BC Association of Aboriginal Friendship Centres (BCAAFC) is testing the success of culture-based employment programs in a specified number of BC Friendship Centres (National Association of Friendship Centres, 2013<sub>[125]</sub>). The replicability of this model in rural areas should be explored.

### *Support for community-owned enterprises*

The Canadian Government provides the greatest level of support for community-owned enterprises, compared to other countries through its Community Opportunity Readiness Program (INAC, 2018<sub>[126]</sub>). This includes contributions for capacity building and technical expertise, along with funding for equity and community economic infrastructure. Equity funding provides for some of the costs associated with establishing, acquiring or expanding a community-owned business whilst economic infrastructure includes contributions to improving local roads, energy, and water and waste systems. This programme also provides support through direct contributions for feasibility studies, impact assessments, promotional strategies and commercial advisory services. Also, the Aboriginal Entrepreneurship Program supports a sizable number of community owned businesses as well through, with a contribution limit \$250,000 for community-owned businesses.

The government of Canada has also supported the development industry-specific resource ‘hubs’ that provide guidance on how to work with onsite staff, recruit experts, consult with technical experts, and negotiate with corporations and governments and build connections between stakeholders (Cafley and McLean, 2016<sub>[127]</sub>). For example, northern Ontario’s new Centre of Excellence for Indigenous Mineral Development. This fill a critical need for effective and well-informed community development involving natural resources industries.

In northern Canada (Yukon, Northwest Territories, Nunavut), CanNor delivers a number of programmes, including the Northern Aboriginal Economic Opportunities Programme (NAEOP). NAEOP’s projects falls into two streams - the Community and Opportunities Planning (CROP) stream and the Entrepreneurship and Business Development (EBD) stream. The program is intended to increase the participation of northern Indigenous communities and businesses in a wide variety of economic opportunities.

Taken together, these are important programmes; however they tend to be focussed on natural resources development. Community-led development can take a number of forms and the government of Canada should consider loosening eligibility to capture a broader range of economic activities.

### *Increasing the visibility of Indigenous economies and supporting business partnerships*

#### *Increasing the visibility of Indigenous economies*

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 as a

consequence they miss out on access to associated programs and activities. For FNs 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.

Indigenous economic development should be everyone's business. Already in the last decade the visibility of Indigenous economies in Canada has strengthened. Canadian NIOs have been highly instrumental in shifting these narratives which has been reflected in Canadian media. Actions on this front take many forms and are not just the purview of governments. Within the Canadian public service, the Government of Canada can strengthen the visibility and awareness of Indigenous economies by:

- Ensuring that an understanding of Indigenous economies is part of the cultural sensitivity training received by public servants.
- Championing successes and sharing expertise on leading practices of engagement.
- Including the participation of Indigenous businesses in trade missions.
- Reducing barriers/increasing flexibility for Indigenous businesses to access programs and finance.

#### *Promoting Indigenous-non-Indigenous businesses partnerships*

Among the industries profiled earlier in the chapter, many Indigenous businesses are comprised of Indigenous-non-Indigenous partnerships. Many communities are increasing expressing that they wish to have an ownership stake in firms operating on their lands as opposed to an IBA because it provides them with more control and long-term benefits. This is particularly important rural areas where industries may be highly technical and require intensive up-front capital investments that partnerships with other established firms can help overcome. While rural Indigenous community may have unique assets that lends themselves to business development, they may need an established partner to realise them and strengthen access markets. Hence, there is a need to match businesses to opportunities (see for example Box 4.12). One of the main limitations to equity partnerships is access to capital. The Government of Canada could help strengthening the position of FNs as equity partners by:

- **Developing a loan guarantee instrument to facilitate equity participation in natural resource projects.**

#### **Box 4.12. Business matching for Indigenous-non-Indigenous businesses partnerships**

This is the basic premise of Advanced Business Match—forums held across Canada (and the United States) that connect Indigenous and non-Indigenous entrepreneurs, businesses and government agencies (ABM, 2019<sub>[128]</sub>). Across Canada municipal governments have also attended these events. The business matching events are supported by several provincial and territorial governments across Canada along with AFIs. Using an electronic matching system they serve to connect those with similar interests in order to develop business opportunities. These events have taken place in cities across Canada with a wide range of businesses participating. This type of model could be strengthened by increasing the access of rural Indigenous communities and business in order to increase their participation.

Source: ABM (2019<sub>[128]</sub>), *About*, <https://advancedbusinessmatch.com/about/> (accessed on 11 April 2019).

### ***Enhancing the role of Canada's Regional Development Agencies in supporting Indigenous entrepreneurship***

#### *Linking Indigenous peoples with regional development requires a depth of understanding of Indigenous development objectives and worldviews*

The government of Canada's main business and economic development programmes since the 1990s have come into maturity and are implemented by a pan-Canadian network of Indigenous and community-based organisations. The role of Canada's regional development agencies in delivering support for Indigenous entrepreneurship is less established and as such, there is an opportunity to strengthen its scope and focus its efforts.

Canada's regional development agencies were first established in the late 1980s and today cover all provinces and territories.<sup>46</sup> They bring a regional lens to federal economic development policy and translate national goals to the regional and local level. They are generally focussed business innovation (60%) and to a lesser extent, community economic development (35%) and policy advocacy (5%) (Box 4.13). RDAs, together with local and provincial/territorial governments and businesses, help entrepreneurs access capital and provide business support and support infrastructure investments important for economic development.

All RDAs across Canada also have a mandate to support Indigenous entrepreneurship. The Government of Canada's inclusive growth agenda, and more specifically its Innovation and Skills Plan and Investing in Regional Innovation and Development framework, have provided new direction for the country's six RDAs. These new priorities include a focus on Indigenous economic development with the RDAs tasked to collectively support at least 250 Indigenous projects over five years with an aim to develop assets and diversify the economies of Indigenous communities. CanNor is unique as it was mandated at the time of its creation and has targeted Indigenous programs including the Northern Aboriginal Economic Opportunities Program (NAEOP) which includes two streams - the Community and Opportunities Planning (CROP) stream and the Entrepreneurship and Business Development (EBD) stream.

This does not generally take the form of specific programmes, but rather is a part of their regular programming which can often be a poor fit for Indigenous businesses because of its emphasis on innovation and commercialisation.<sup>47</sup> 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. It is also reported that they tend to be poorly connected with the work of the lead departments for Indigenous affairs: ISC and most importantly for economic development, CIRNAC (interviews). 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. Those interviewed for this study have emphasised this point and report that existing programmes are often a poor fit.

For Canada's RDAs to be successful in meeting their priorities for Indigenous economic development, they will need to develop strong relations with Indigenous communities and leaders and adopt a flexible approach to programme delivery. Presently, the shared Terms and Conditions for the RDA's Regional Economic Growth through Innovation (REGI) does allow for some flexibility in funding Indigenous businesses. Further, the end beneficiaries of the RDA's ecosystem funding to business supports or business serving organisations can support Indigenous businesses and entrepreneurs, and ecosystem projects

that target underrepresented groups are prioritised for their inclusive benefits. Many recent targeted national initiatives such as the Women Entrepreneurship Strategy and Canadian Experiences Fund also have funding prioritised for Indigenous clients. RDAs should work to better communicate the flexibility of their programming to their Indigenous stakeholders. Other options include allocating a pool of funding for Indigenous entrepreneurs and businesses and applying innovative means of bringing in these stakeholders into the innovation economy (e.g. linking our funding to innovation ecosystem players to required partnership, inclusion or engagement with Indigenous entrepreneurs, businesses or communities).

As one positive example, Canada's Quebec Economic Development Program (QEDP) CED has eased restrictions for Indigenous-controlled NPOs and SMEs. The design of these more flexible intervention parameters resulted from engagement sessions with various Indigenous representatives and are aligned with government priorities. They allow for an intervention with Indigenous communities and beneficiaries that is more tailored to their needs.

#### **Box 4.13. Policy priorities and policy instruments of Canada's Regional Development Agencies**

RDAs operate with an approximately CAD 1 billion budget. CanNor is a unique case. Through its Northern Project Management Office, the Agency coordinates federal participation in the territorial environmental review processes and maintains the Crown consultation record for major projects. South of 60th parallel, this responsibility is held by Natural Resources Canada. CanNor also delivers Indigenous-targeted economic development programming through contribution programs.

RDAs divide their spending across three core priorities: i) business innovation (60%); ii) community development (35%); and iii) knowledge mobilisation/policy advocacy (5%) (Bradford, 2017<sub>[129]</sub>). With these three activities, the RDAs deliver numerous programmes and services. Programming can be grouped into four main policy instruments: financial assistance, knowledge mobilisation, and community-based development.

1. *Financial assistance*: RDAs use transfer payments to provide assistance for economic and community development to private businesses, non-profit organisations, and other levels of government. Such contributions and grants are delivered through various mechanisms, including inter-governmental partnership agreements and contribution agreements with local organisations. The guiding principles of RDA investments are: first, that they are targeted to finance commercial and non-commercial development initiatives that would otherwise have been postponed or abandoned if left solely to market criteria; and second, all payments to other orders of government must respect jurisdictional responsibilities while ensuring accountability to citizens for expenditures and results.
2. *Knowledge mobilisation*: The RDAs have been active in policy research and advocacy. This has taken various forms, including partnerships with prominent think tanks to report on region-specific trends and priorities, working with educational institutions to promote youth entrepreneurship and scientific learning, and positioning regional firms in the global marketplace through the development of community-based strategic plans and international benchmarking of economic performance. Increasingly, the RDAs are undertaking regional risk analysis in

consultation with local stakeholders and funding partners as a means to calibrate programming, channel expenditures and implement temporary, targeted initiatives responding to problems or pressures specific to the region or a sub-region within.

3. *Community-based development*: The RDAs support the local activities of the community futures organisations (CFOs). Dating back to the mid-1980s, the CFOs bring together volunteer boards and RDA staff to plan and deliver business services, investment funds and community strategies. Decision making takes place at a local level through a board of directors, involving local volunteers and community organisations. The federal government contributes through the RDAs nearly CAD 100 million to support 257 CFOs located outside major metropolitan areas. Funding can be used to provide repayable financing to local businesses, training for small and medium-sized enterprises, strategic community planning, and support for community-based projects. This includes funding for Aboriginal Community Futures Development Corporations (ACFDC).

*Source*: Excerpt summarised from: Bradford, N. (2017<sup>[129]</sup>), “Canadian regional development policy: Flexible governance and adaptive implementation”, [https://www.oecd.org/cfe/regional-policy/Bradford\\_Canadian-Regional-Development-Policy.pdf](https://www.oecd.org/cfe/regional-policy/Bradford_Canadian-Regional-Development-Policy.pdf) (accessed on 23 April 2019).

### *RDA performance indicators should incentivise Indigenous engagement*

How support for Indigenous entrepreneurship is reflected in departmental plans differs by RDA. In some cases, Indigenous entrepreneurship is framed as an objective of economic diversification (e.g., WD, FedDev), while in others it is addressed from the perspective that Indigenous peoples (along with women and persons with disabilities) are economically disadvantaged (Table 4.7). The main departmental results indicator for all RDAs is the percentage of SMEs that are majority owned by Indigenous people in the province/territory. This is a general indicator which is not directly related to the work of the RDA in its respective province or territory. Moreover, in a number of cases, RDAs report having met their targets (e.g., FedDev, FedNor, WD) which calls into question if the correct percentages have been set in the first instance.

Canada Economic Development for Quebec Regions (CED) has taken a different approach in its strategic plan. It notes that success in this area is defined on:

- The number of informal dialogue mechanisms between CED representatives and Indigenous community representatives or businesspeople with a goal of one mechanism per region, based on the interest of the Indigenous communities concerned.
- The number of new projects supporting the economic growth of an Indigenous community or business with a goal of 40 new economic development projects approved within the next 5 years (Canada Economic Development for Quebec Regions, 2017<sup>[130]</sup>).

This type of performance indicator should be mimicked by other RDAs. It incentivises the RDAs to invest in relationship building with Indigenous entrepreneurs and communities and to work with them on an ongoing basis. RDAs should also report on their programme funding to Indigenous businesses and Indigenous communities in the case of infrastructure investments.



**Table 4.7. Canadian federal Regional Development Agencies' performance measures for Indigenous entrepreneurship**

	Priority	Results indicator	Measurement	Priority industries identified	Major regional initiatives
Atlantic Canada Opportunities Agency (ACOA)	Support economic growth in Indigenous communities	Percentage of SMEs that are majority-owned by Indigenous people	1.3% of Indigenous ownership of SMEs	Tourism, fisheries and aquaculture, arts and culture, business and community development.	Atlantic Growth Strategy
Canada Economic Development for Quebec Regions (CED)	Foster the participation of Indigenous peoples contributing to the economic growth of Quebec by encouraging entrepreneurship and social innovation	Number of informal dialogue mechanisms between CED representatives and Indigenous community representatives or businesspeople.*	1 mechanism per region, based on the interest of the Indigenous communities concerned.	Clean technology commercialisation, funding and adoption; Natural resource operations and related goods and services; tourism.	
		Number of new projects supporting the economic growth of an Indigenous community or business.*	40 new economic development projects approved within the next 5 years.		
		Percentage of SMEs that are majority-owned by Indigenous people.	0.5% of Indigenous ownership of SMEs		
Canadian Northern Economic Development Agency (CanNor)	Whole-of-government priority to create job opportunities and economic growth for Indigenous people	The percentage of northern and Indigenous firms supported by the Agency still operating after three years	Target of 38%; results 2018 86%.	Natural resources development, tourism, fisheries, mining, arts and culture, industry community and business development	Arctic Policy Framework (September 2019)
		The proportion of Indigenous economic development community planning investments relative to business investments	Year-over-year increase in business investments relative to community planning investments.		
Federal Economic Development Agency for Southern Ontario (FedDev Ontario)	Inclusive growth for Indigenous economic development; Communities are economically diversified in southern Ontario	Percentage of SMEs that are majority-owned by women, Indigenous people, youth, visible minorities and persons with disabilities in southern Ontario	At least 0.8% of SMEs are majority-owned by Indigenous people		Southern Ontario Growth Strategy (Summer 2019)



	Priority	Results indicator	Measurement	Priority industries identified	Major regional initiatives
Federal Economic Development Initiative for Northern Ontario (FedNor)	Identify and resolve barriers to Indigenous participation in the economy	Percentage of SMEs that are majority-owned by women, Indigenous people, youth, visible minorities and persons with disabilities in southern Ontario	At least 1.0% of SMEs are majority-owned by Indigenous people	Technologies for health and well-being of rural and remote Indigenous communities; micro-grids and green/clean energy generation; tourism, mining.	
Western Economic Diversification Canada (WD)	Communities are economically diversified in western Canada	Percentage of SMEs that are majority-owned by Indigenous people in western Canada	At least 2.2% Indigenous owned SMEs		

Note: \*As reported in the Strategic Plan.

Sources: ACOA (2018<sup>[131]</sup>), *Atlantic Canada Opportunities Agency Departmental Plan 2018-2019*, [http://www.acoa-apeca.gc.ca/eng/publications/ParliamentaryReports/Documents/DP/2019%20DP%20-%20MAIN%20DOCUMENT\\_EN%20108%20\(002\).pdf](http://www.acoa-apeca.gc.ca/eng/publications/ParliamentaryReports/Documents/DP/2019%20DP%20-%20MAIN%20DOCUMENT_EN%20108%20(002).pdf) (accessed on 1 April 2019); Canada Economic Development for Quebec Regions (2017<sup>[130]</sup>), *Strategic Plan 2021 - For a More Innovative, Clean and Inclusive Quebec Economy*, <http://www.dec-ced.gc.ca> (accessed on 1 April 2019); Canada Economic Development for Quebec Regions (2018<sup>[132]</sup>), *2018-19 Departmental Plan*, Canada Economic Development for Quebec Regions, <https://www.dec-ced.gc.ca/eng/resources/publications/dp/2018-2019/373/index.html> (accessed on 1 April 2019); CanNor (2018<sup>[133]</sup>), *2017-18 Departmental Results Report*, Canadian Northern Economic Development Agency, <http://www.cannor.gc.ca/eng/1539370322363/1539370386301> (accessed on 1 April 2019); FedDev Ontario (2018<sup>[134]</sup>), *2018-19 Departmental Plan*, [http://www.feddevontario.gc.ca/eic/site/723.nsf/eng/h\\_02426.html?OpenDocument](http://www.feddevontario.gc.ca/eic/site/723.nsf/eng/h_02426.html?OpenDocument) (accessed on 23 April 2019); FedDev Ontario (2019<sup>[135]</sup>), *2019-20 Departmental Plan*, [http://www.feddevontario.gc.ca/eic/site/723.nsf/eng/h\\_02484.html?OpenDocument](http://www.feddevontario.gc.ca/eic/site/723.nsf/eng/h_02484.html?OpenDocument) (accessed on 23 April 2019).

### *Staff composition should be reflective of the population it serves*

Having Indigenous staff is important to serving Indigenous populations and is a priority of the Government of Canada's diversity and equity policies. The proportion of Indigenous staff varies greatly across RDAs. They are greatest in the north where Aboriginal employees form a quarter of CanNor's staff; meanwhile in Ontario their small numbers have been suppressed in reporting. Staff diversity should be considered alongside efforts at improving Indigenous engagement.

One of the reasons for CanNor's higher level of Indigenous employment is that the department is required to meet federal obligations established under Article 23 of the Nunavut Land Claims Agreement, which establishes a level of Inuit representation in government employment in the Nunavut Settlement Area. CanNor also serves as the "central coordinating office" to implement the Pilimmaksaivik initiative (through the Federal Center of Excellence for Inuit Employment in Nunavut).

**Table 4.8. Employment Equity in RDAs, 2016-2017**

Regional Development Agency	Percentage of Aboriginal employees out of total employees
Atlantic Canada Opportunities Agency (ACOA)	2.7
Canada Economic Development for Quebec Regions (CED)	Information for small numbers has been suppressed in reporting
Canadian Northern Economic Development Agency (CanNor)	25
Federal Economic Development Agency for Southern Ontario (FedDev Ontario)	1
Federal Economic Development Initiative for Northern Ontario (FedNor)	N/A
Western Economic Diversification Canada (WD)	5

*Source:* Government of Canada (2018<sup>[136]</sup>), *Employment Equity in the Public Service of Canada for the Fiscal Year 2016 to 2017: Statistical Tables*, <https://www.canada.ca/en/treasury-board-secretariat/services/values-ethics/diversity-equity/employment-equity-annual-reports/employment-equity-public-service-canada-2016-2017-statistical-tables.html#toc1> (accessed on 31 March 2019).

### *Flexible programming and stronger Indigenous engagement*

The different RDAs across Canada have varying relationships with Indigenous businesses and communities. These practices are not generally institutionalised (with the exception of CanNor) and as such, their success depends in large measure on working relationships in the regions between the RDA, subnational governments, and Indigenous communities. RDAs could be much more active as an interface with Indigenous communities in support of economic and community development and entrepreneurship. As the face of the federal government in the regions they play an important role in delivering place-based policies, adapting flexible solutions where there are gaps in access to finance for firms, community economic development and infrastructure. The connections between the RDAs (which fall under the Department of Innovation, Science and Economic Development) and that of ISC and CIRNAC should be strengthened in order to better connect Indigenous communities with regional development.

Overall, the Government of Canada's Regional Development Agencies can strengthen their programming and relevance for Indigenous entrepreneurs and businesses by:

- **Strengthening their knowledge of and relationship with Indigenous communities in the regions.** This involves taking the time to travel to communities to understand their needs as opposed to expecting individuals to seek support and access the existing suit of programmes. RDAs should increase understanding and awareness of local Indigenous economies; their knowledge mobilisation activities can support this objective. This could serve to increase the visibility of Indigenous development interests and firms and could help to better connect Indigenous communities with regional and local economies. The extent to which these activities are already taking place across Canada's RDAs differs – some RDAs have established collaboration with regional Indigenous organisations and have adopted a proactive community capacity-building approach. In other cases such actions are nascent.
- **Ensuring that staff have regionally specific cultural competency training and that there is recruitment and mentoring Indigenous staff.** Furthermore,

secondment opportunities between the RDAs, CIRNAC and ISC would help to strengthen connections between the work of the departments on Indigenous issues.

- **Developing opportunities to connect local entrepreneurs with Indigenous entrepreneurs and communities in the regions.** These actions can take a number of forms including business matching (Box 4.12), facilitating business and community partnerships, including Indigenous perspectives and communities in joint strategies etc. These actions require strong working relationships with Indigenous forms and communities and a knowledge of their development interests.
- **Actively communicating with Indigenous communities and organisations and share leading practices of engagement and programme design across RDAs.** Some RDAs such as CanNor have a greater expertise in delivering programmes that are relevant to Indigenous communities particularly in a rural and remote context. These experiences should be shared across the network in terms of how to work better with Indigenous communities and how to adapt programmes to meet their needs.
- **Developing programmes with the flexibility to meet Indigenous business and infrastructure needs.** Many programmes under the RDAs are presently not a good fit for Indigenous entrepreneurs or community led development. There is administrative burden across the various funding programmes and these could be better aligned to streamline applications and programs need to be better aligned. RDAs staff report working individually to help individuals navigate this system more efficiently; but these processes could be improved for the general framework.
- **Updating performance measures to reflect success for Indigenous businesses and effective engagement with Indigenous communities.** The current suite of departmental performance indicators based on the number of Indigenous owners of SMEs in provinces and territories is poorly related to the work of RDAs. These performance indicators should be updated to reflect how RDAs work with Indigenous entrepreneurs and communities, how they communicate with them and, the types of funding and services offered and the outcomes of these specific initiatives.

This chapter has focused on landscape of Indigenous entrepreneurship in Canada including the programmes that support the sector and the main competitive advantages of rural Indigenous firms.

Underlying the success of Indigenous entrepreneurship is effective governance. That is, effective relations and engagement between governments and industries and Indigenous organisations and communities; effective governance and coordination across departments within a government; and the strategic capacity of communities themselves. This issue forms the subject of Chapter 5.

## Notes

<sup>1</sup> The definition of Indigenous entrepreneurship is contested in the literature both in terms of how it is defined as a concept as well as the potential to reconcile western entrepreneurship with Indigenous culture (see (James et al., 2018<sub>[142]</sub>) for discussion). Broadly defined, it is simply entrepreneurship undertaken by Indigenous people. A more nuanced view is that entrepreneurship is embedded in a particular territorial and institutional context, and social forms of organisation based around kinship embedded in particular places have an important influence in shaping Indigenous businesses and economies. This report recognises both types and their relative importance depending on where a community is located and its potential for a services versus natural resources based economy.

<sup>2</sup> This sentiment was expressed, for example in Canada's *Royal Commission on Aboriginal Peoples* (1996<sub>[146]</sub>); it was viewed as the core element underpinning the hundreds of recommendations contained in the report.

<sup>3</sup> Based on data from the community well-being index 2011 (INAC, 2019<sub>[153]</sub>)

<sup>4</sup> Cooperatives were utilized by successive British, Canadian, and provincial governments as a policy tool to increase European settler control over land, permanent settlement of Indigenous communities to limit their use of land, and to secure Arctic Sovereignty (see (Sengupta, 2015<sub>[14]</sub>)).

<sup>5</sup> These types of dynamics were documented in the case of Tanizul Timber Company which was established by the Tl'azt'en First Nation (British Columbia). See (Booth and Skelton, 2011<sub>[18]</sub>).

<sup>6</sup> While the literature on this subject has often presumed that individualism is positively correlated with entrepreneurial activity, a comprehensive analysis by Pinillos and Reyes (2011<sub>[145]</sub>) based on Global Entrepreneurship Monitor data indicates that this relationship is modified by the level of economic development.

<sup>7</sup> INAC maintains three types of land registry systems.

<sup>8</sup> Houses in reserve land may be owned, but if the land is not under full ownership, the value of what can be put for equity is significantly lower. It would be only the value of the materials used to build the house, not the value of the house plus the land it sits on. To circumvent this restriction, some First Nations use machinery and equipment as collateral for loans. Even then, the level of credit that Indigenous peoples can access, based on the property on reserve lands, ranks far below those of non-Indigenous people, in what is a clear position of disadvantage.

<sup>9</sup> Businesses on a reserve need to collect the federal Goods and Services Tax (GST) of 5% that is charged on most goods and services in Canada but GST does not apply to goods bought on a reserve by Indians, Indian bands, and unincorporated band-empowered entities. Records of sales made to a Status Indian, including their name, band, and treaty number (Community Futures Manitoba, 2016<sub>[35]</sub>). Certain provincial taxes may apply on other business activities (e.g., electricity, tobacco).

<sup>10</sup> In 2015 it stood at 18.2% in 2015 (OECD, 2017<sub>[40]</sub>).

<sup>11</sup> For example, BC Utilities Commission assessment of British Columbia's Site C hydro power project found that this form of energy production generates significantly fewer jobs, produces energy at a higher cost and entails significantly higher risks of future costs than alternatives such as (UBC Programme on Water Governance, 2019<sub>[149]</sub>). In the case of site C, BC Hydro has as a result of this installation stopped taking any applications for new renewable projects that would sell power to the grid; this has reportedly reduced the economic viability of some FN's renewable energy projects (The Narwhal, 2018<sub>[148]</sub>).

<sup>12</sup> Of the off grid remote Indigenous communities, the majority are located in the province of British Columbia (18%) followed by the North West Territories (15%) and Nunavut (15%) (NRCAN, 2019<sub>[44]</sub>).

<sup>13</sup> For example, in 2013, Indigenous interests held more than 13% of Crown forest harvest volume (NRCAN, 2015<sub>[51]</sub>).

<sup>14</sup> The National Aboriginal Forestry Association has assessed the Forest Stewardship Council's certification system to be the most robust in meeting Indigenous rights and interests across a wide range of criteria (Smith and Perreault, 2017<sub>[137]</sub>).

<sup>15</sup> For a summary of the responsibilities of fisheries and ocean management by province and territories see (Canada Oceans Directorate, 2009<sub>[140]</sub>).

<sup>16</sup> For a list of applicable modern treaties see (Fisheries and Oceans Canada, 2019<sub>[141]</sub>).

<sup>17</sup> Fisheries Act – provides for regional regulation by provinces to ensure sustainable commercial harvests. Proposed amendments introduced in Parliament in 2018 (Feb 8th, Bill C-68) will require the Minister of Fisheries and Oceans, when making decisions, to consider any adverse effects that the decision may have on the rights of Indigenous peoples of Canada.

<sup>18</sup> As per the proposed Indigenous Traditional Knowledge Policy Framework, confidential Indigenous knowledge would not be disclosed without written consent. Should Bills C-68 and C-69 receive royal assent, consequential amendments may be proposed to the Access to Information Act.

<sup>19</sup> Many of the modern land claims treaties have been signed in large measure so that major energy projects could go ahead such as the first modern Canadian land claims settlement, the JBNQA (Rodon, 2018<sub>[147]</sub>).

<sup>20</sup> See the First Nations Oil and Gas and Moneys Management Act which provides for First Nations to become trustees of oil and gas revenues, displacing the federal government (federal financial administration) to allow for more diversified investment of revenues.

<sup>21</sup> A good example in Australia is Indigenous fire management practices that have shown to reduce the intensity of bushfires and therefore reduce the amount of carbon released into the atmosphere. These land management practices have also been driven by, and enabled, technological innovations. For example, the Yarwu Indigenous community in Western Australia is developing capability in GIS mapping to support their land and water management practices. This also supports sustainable development objectives by identifying the best places for water extraction and use, clarifying sites of social and cultural significance, and places where commercial development is not appropriate.

<sup>22</sup> For example, the Canadian Council for the Arts "Creating, Knowing and Sharing" program provides funding to support the creative capacity and professional development of First Nations, Inuit and Métis artists and arts organizations; the reclamation, retention, renewal and transmission their cultural knowledge and creative practice; the exploration, creation and production of customary and contemporary arts practice; the presentation, exhibition, and sharing of works in Canada and internationally; and strengthens and supports the presence of First Nations, Inuit and Métis arts in communities.

<sup>23</sup> See Indigenous Tourism Association of Canada (2019), Accelerating Indigenous Tourism Growth in Canada, <https://indigenoustourism.ca/corporate/wp-content/uploads/2019/03/18-10-Accelerating-Tourism-Growth-Booklet-v7.pdf>.

<sup>24</sup> Community economic development services for land and environmental management are related to the Reserve Land and Environment Management Program (RLEMP), First Nations Land Management (FNLM). These stem from opt-out provisions under the Indian Act (i.e., First Nations Land Management Act and Addition of Land to Reserves and Reserve Creation Act).

<sup>25</sup> Canada's Regional Development Agencies are: the Atlantic Canada Opportunities Agency (ACOA); Canada Economic Development for Quebec Regions (CED); Canadian Northern Economic Development Agency (CanNor); the Federal Economic Development Agency for Southern Ontario (FedDev Ontario); the Federal Economic Development Initiative for Northern Ontario (FedNor) and; Western Economic Diversification Canada (WD). Although FedNor operates out of Innovation Science and Economic Development (ISED) it is still counted as one of the RDAs.

<sup>26</sup> As reported in Departmental Plans 2018-2019 and Strategic plans (where applicable). Some RDAs have specific Indigenous targeted programmes such as CanNor’s Northern Aboriginal Economic Opportunities Program (NAEOP); in other cases, RDAs state a mandate to support Indigenous businesses but no targeted programmes exist (there are however basic performance measures).

<sup>27</sup> The Canada Council for the Arts provides grants for Aboriginal artists; Agriculture and Agri-Food Canada’s Indigenous Agriculture and Food Systems Initiative supports agriculture businesses and; Natural Resources Canada’s Indigenous Forestry Initiative (IFI) provides funding to support Indigenous-led economic development in Canada’s forest sector (Canada Council for the Arts, 2019<sup>[139]</sup>; AAFC, 2019<sup>[138]</sup>; NRCAN, 2019<sup>[143]</sup>).

<sup>28</sup> As of 2009, the First Nations Bank of Canada became more than 80 per cent aboriginal-owned and controlled. Its assets have grown every year for 14 years.

<sup>29</sup> “The growth of capital at work in the First Nation and Inuit business community has increased from \$2.8 billion in 2003 to \$5.9 billion in 2013; the share of market capital as a proportion of total business financing capital increased to 53.8% in 2013 from 39.4% in 2003. Despite the overall increase in capital at work in Canada during this period, the gap between mainstream and the First Nation/Inuit on a population adjusted basis almost doubled from \$41.8 billion in 2003 to \$83.3 billion in 2013.” (NAEDB, 2017<sup>[151]</sup>).

<sup>30</sup> This is a growing market. For example, in 2018, the Royal Bank of Canada completed a C\$545 million bond issue for the Fort McKay and Mikisew Cree bands - the largest ever private investment by a First Nation –for a 49% stake in a Suncor Energy storage facility.

<sup>31</sup> In some cases, this entails joint federal/provincial/territorial funding. For example both the government of Canada and the Government of New Brunswick are a funding partner of the Joint Economic Development Initiative (JEDI) which provides Indigenous business services.

<sup>32</sup> The First Nations Bank in Saskatchewan which was established in 1996 as a partnership between the Federation of Saskatchewan Indian Nations and the large commercial TD Bank. It is now a chartered bank with over CAD 440 million in assets and is over 80% owned and controlled by Aboriginal shareholders from Alberta, Manitoba, Northwest Territories, Nunavut, Quebec, Saskatchewan and Yukon. The capacity for 74 First Nations to pool resources and develop a partnership with a mainstream bank was instrumental in creating this larger scale institution. Intermediary institutions provide a matchmaking function by linking different actors in the market and creating liquidity. The development of effective intermediaries together with other reforms (data, support for Indigenous enterprises, regulatory reform) could potentially have a transformative effect on Indigenous economic development—expanding this model.

<sup>33</sup> It is noted that a 2016 evaluation of CIRNAC’s business capital and support services programme recommended that the department “establish incentives to attract interest and investment from the private and other sectors to leverage additional capital and diversify the portfolios of AFIs” (INAC, 2016<sup>[152]</sup>). Since this evaluation NACCA has developed the Indigenous Growth Fund in consultation with an internal AFI working group.

<sup>34</sup> Note that, when created, CanNor was given the mandate for IED in territory. As a result, many of ISC programming no longer applies there.

<sup>35</sup> Note: Community futures in the territories was devolved to the territorial government. As a result, CanNor has never been responsible for CFDCs unlike the other RDAs.

<sup>36</sup> The Canadian Radio-television and Telecommunications Commission established a CAN \$750 million fund to improve broadband Internet access services in underserved areas in 2019.

<sup>37</sup> See: [https://crtc.gc.ca/cartovista/fixedbroadbandandtransport\\_en/](https://crtc.gc.ca/cartovista/fixedbroadbandandtransport_en/).

<sup>38</sup> See: <https://www.canada.ca/en/services/business/start/register-with-gov.html>.



<sup>39</sup> The qualifying criteria are Indigenous peoples who live in Canada, own at least 51% of their business, and have their business registered in the Aboriginal Business Directory.

<sup>40</sup> This includes measuring the proportion of procurements that are awarded to different types of SMEs and gathering gender-based data and industry-specific data. It has been reported that communicating these goals to procurement officers and to potential suppliers is critical (questionnaire).

<sup>41</sup> See Indigenous and Northern Affairs Canada (2019), Modernization of Indigenous participation in procurement: discussion paper, <https://www.aadnc-aandc.gc.ca/eng/1554219055004/1554219078355#chp1>.

<sup>42</sup> For example, a 2016 report by Canada's Parliamentary Budget Officers indicates that education on reserves has been underfunded by as much as 50% compared to provincially delivered education (Parliamentary Budget Officer, 2016<sub>[144]</sub>).

<sup>43</sup> For example, the First Nations University of Canada and the Saskatchewan Indian Institute of Technologies.

<sup>44</sup> For example, the BC Ministry of Advanced Education, Skills and Training with additional funding from the Canada-BC Labour Market Agreement and the Vancity Credit Union funds the Aboriginal BEST program which provides support for job creation and skills training.

<sup>45</sup> The Indigenous Skills and Employment Training (ISET) Program replaced the Aboriginal Skills and Employment Training Strategy (ASETS) April 2019. The new ISET Program includes four distinct labour market strategies for First Nations, Inuit, Métis and Urban/Non-affiliated persons.

<sup>46</sup> The government of Canada created the first regional development agencies with separate departmental structures and ministers of state for Atlantic Canada and Western Canada in 1987: the Atlantic Canada Opportunities Agency (ACOA) and the Western Economic Diversification Canada (WED) respectively. A few years later, similar agencies emerged for Quebec regions (CEDQ) and in Northern Ontario, an entity located within Industry Canada, FedNor. In 2009, two new agencies were established, the Federal Development Agency for Southern Ontario (FedDev) and the Canadian Northern Development Agency (CanNor), completing a pan-Canadian regional development policy framework. See Bradford (2017<sub>[129]</sub>) for an overview of RDAs and Canadian regional development policy.

<sup>47</sup> Exceptions include RDA funding to Community Futures AFIs and CanNor's NAEOP programme.

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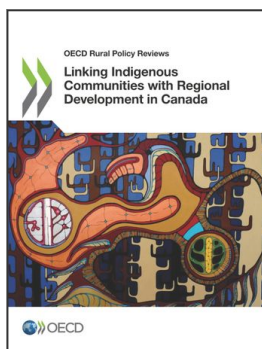


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