



**National Aboriginal
Economic Development Board**
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**Conseil national de
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des Autochtones**

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February 18, 2016.

The Honourable William Francis Morneau

Department of Finance Canada
90 Elgin Street
Ottawa, Ontario K1A 0G5

Dear Minister Morneau,

I am writing to you on behalf of the National Aboriginal Economic Development Board. Established in 1990, our Board, comprised of First Nation, Inuit and Métis members, is a national, non-partisan body with a mandate to advise the Government of Canada on Indigenous economic development issues.

Your Government's commitment to renew the relationship between Canada and Indigenous Peoples gives us hope that together we can overcome the many challenges facing Indigenous Peoples and build upon the many opportunities that will help lead to better socio-economic outcomes. Your government has made its relationship with Indigenous Peoples a priority; we believe that this level of priority should also be reflected in the budget.

With this in mind, we would like to respond to your call for pre-budget submissions with the following comments and recommendations.

The Board's Aboriginal Economic Progress Report shows that, despite some gains over the decade, significant gaps in economic outcomes between Indigenous Peoples and non-Indigenous populations exist. Indigenous Peoples experience higher unemployment rates, lower household and individual income levels and fare worse on a number of indicators including community well-being.

And yet, there is cause for optimism. Indigenous young people are poised and ready to take advantage of economic opportunities and to fill a growing labour gap for Canada. And growing Indigenous communities guided by a new generation of visionary Indigenous leaders are growing their communities, economies and contributing to their regions and indeed the whole country as they seize opportunities and break barriers. Our recommendations are aimed at addressing this gap between the current reality and the significant potential for Indigenous economic growth.

First and foremost, the systemic under-investment in Indigenous economic development programming must be addressed in the upcoming budget. Despite the significant potential for growth in the Indigenous economy, the economic potential of Indigenous communities has been choked by both under-investment and by policy and program mechanisms that are neither nimble nor responsive to economic or business needs and inappropriately place control in the hands of the federal government rather than in the hands of Indigenous governments.

The amount of money currently dedicated to Indigenous economic development is inadequate. Our Board has long advocated that funding for economic development should comprise not less than 10% of total spending on Indigenous Peoples. Each dollar of spending on economic and business development programming has the potential to leverage the community and have social benefits. Without viable Indigenous economies, communities are unable to fully realize their right to self-determination. Each dollar of spending on economic development has the potential to leverage many more benefits in community and social outcomes. As it stands, 2013-2014 numbers show that economic development spending by Indigenous and Northern Affairs Canada on Indigenous business development, entrepreneurship, access to capital and financing, represents only 3.5% of the department's total spending. This must be changed.

As such, we are advocating a threefold increase in federal spending on Indigenous economic development from approximately \$278 million to approximately \$834 million.

Second, renewed investment is needed in programs that are working and have demonstrated real success in supporting Indigenous communities.

The Board believes that Aboriginal Financial Institutions are a key mechanism for supporting the growth of Indigenous economies across Canada by creating jobs and businesses, and enhancing self-sufficiency and wellness in Indigenous communities. Given the still large gap in jobs, income and economic infrastructure in the Indigenous population in comparison with the Canadian average, further support for economic development is critical. Our members who work in Aboriginal financial institutions indicate that their reach is being limited by their

available funding and that the demand for their services by eligible applications far outstrips their resources. Aboriginal Financial Institutions have leveraged significant success – to date the cumulative federal investment of \$240 million has generated over 38,000 loans to Aboriginal business owners with a total loan value of \$2 billion. However, despite their success, the AFI network does not have the financial capacity to support additional growth in Indigenous business activity. This should be addressed.

We recommend increasing funding to Aboriginal Financial Institutions by \$100 million dollars.

The *First Nations Fiscal Management Act* and its supporting First Nations led and run institutions, the First Nations Financial Management Board, First Nations Tax Commission, and First Nations Finance Authority, have delivered real success in developing jurisdiction over fiscal management and in building financial management capacity for First Nation governments. Recent bond debentures issued through the First Nations Finance Authority allowed First Nations governments, for the first time, to enter the bond market for long term borrowing on equal footing with other levels of government and access competitive borrowing rates. This supports the Government's commitment to promote economic development and create jobs for Indigenous Peoples and is a game changer for many communities who can leverage property taxation and other revenues to invest in infrastructure and economic development projects in their communities.

We recommend additional funding of \$150 million for *the First Nations Fiscal Management Act* regime and its institutions.

Third, bold new investments are needed. We welcome your government's commitment to funding a Métis economic development strategy and encourage you to move forward on this as soon as possible.

In addition, Canada's North is facing an infrastructure deficit that is a major barrier to achieving needed improvements in quality of life in Northern Indigenous Peoples and also acts as the predominant barrier to economic and business development in the region. Increasing infrastructure investment in the North would contribute to economic development and would support important social development goals in

the North. New approaches and renewed investment in infrastructure are needed across the country and particularly in the North.

The Board recommends, among other things, that a North-specific infrastructure investment fund be set up that takes into account in its funding criteria and mechanisms the unique context of the North. This fund would focus on key regional investment in the region as well as community level infrastructure and make needed improvements so that Northerners, and particularly Northern Indigenous Peoples, have the same access to health care, education, job opportunities, and telecommunications as the rest of Canadians do.

Fourth, the ability of the Indigenous Peoples to access clean drinking water has been identified by the NAEDB as an indirect measure of infrastructure. There is currently no single measure that comparatively tracks access to clean drinking water across First Nations, Inuit, and Métis communities.

Our reports have shown that 31% of Inuit and 17% of both First Nations living off reserve and Métis reported having contaminated water in 2006. Overall, 18% of the Aboriginal population in Canada during the year, excluding those on reserve, reported that their water was contaminated at certain times during the year. Access to clean drinking water must be addressed immediately in order to provide a basic foundation for Indigenous Peoples.

The Board recommends providing the necessary support that is need to address the 2011 National Assessment of First Nations Water and Wastewater Systems that estimates that \$4.7 billion worth of investments are needed over the next ten years to meet current standards and anticipated population growth.

Finally, broad and systemic changes must be made that allow for Indigenous communities to exercise jurisdiction over matters relevant to their communities. It is the strong and unanimous position of our Board that a nation-to-nation relationship will only be possible where Indigenous governments are able to assert jurisdiction over matters that affect our lands, resources, and other levers of economic development. In your work with the Honourable Carolyn Bennett, Minister of Indigenous and Northern Affairs, and your other Cabinet colleagues, to renew the fiscal relationship with Indigenous Peoples on a nation to nation basis, we encourage you to start from the premise that Indigenous governments, whether under self-government agreements or legislative regimes like the *Indian Act* and *First Nations Fiscal*

Management Act, are governments, and should be included in a re-envisioned fiscal relationship in Canada alongside and equal to other levels of government.

Your government has committed to a new relationship with Indigenous Peoples. We would like to congratulate you on the efforts you have taken to date in developing an inquiry into Missing and Murdered Indigenous Women. This is an extremely important initiative and an important step in mending relations between Indigenous Peoples and the Government of Canada. Closing the gaps in social and economic outcomes between Indigenous Peoples and other Canadians is critically important.

Thank you for considering our recommendations and comments, and please do not hesitate to contact us if we can be of assistance to you or your colleagues in Cabinet. We would also welcome the opportunity to have a dialogue with you about Indigenous economic development issues.

Sincerely,

A handwritten signature in black ink, appearing to read 'Clarence Louie', written in a cursive style.

Chief Clarence Louie

Chairperson
National Aboriginal Economic Development Board

Cc: The Honourable Carolyn Bennett