

Specific Claims Compensation and Economic Reconciliation

Preliminary Estimates of Potential Economic Impacts from First Nations Expenditures of Specific Claims Compensation

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This paper reflects the views of the authors only and not necessarily those of the Specific Claims Branch

Specific Claims Compensation and Economic Reconciliation – Executive Summary

The Specific Claims Policy and Process is a way for First Nations to seek redress from the federal government for historical injustices related to treaties, lands, or assets. It provides First Nations with a voluntary process to present historical evidence and legal arguments, engage in negotiations with Canada, and ultimately seek resolution through monetary settlement and redress of land outside of the courts. The process is administered by the Specific Claims Branch (SCB) of Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC). First Nations who cannot reach a resolution through direct negotiation with Canada can file their claims with the independent Specific Claims Tribunal (SCT). Although the current specific claims policy has been in place since 2007 and more than 450 claims have been settled, little is known about the economic impacts of settling claims for First Nations across Canada.

Fiscal Realities was contracted by the SCB to carry out research on the economic impacts of specific claims settlements to address this gap. This research report begins this critical work by addressing three policy questions:

1. What are the potential economic benefits associated with the expenditures by First Nations using specific claims settlements?
2. What is the possible magnitude of those potential economic benefits?
3. What data, resources, and services would assist First Nations seeking to maximize the potential economic benefits associated with expenditures of financial compensation from specific claims settlements?

These policy questions were addressed by examining past studies in the field, the audited financial statements of settlement-receiving First Nations, reported trust fund objectives, and the outcomes of in-depth interviews with three First Nations.

We generated a sample of the 20 First Nations from the 131 settlement-receiving First Nations who (a) received a specific claims settlement in the sample period, and (b) reported on expenditures in annual audited financial statements, to a standard which allows for analysis. This sample was selected based on data quality and was a non-random sample. From this sample, we aggregated expenditures from claims settlements using published Statistics Canada Industry Classifications and estimated economic impacts using 2019 Statistics Canada Input-Output multipliers.

The purpose of this process was to generate a complete picture of aggregate claims expenditures according to the selected categories. However, detailed analysis of audited financial statements of sample First Nations did not provide sufficient information.

To provide a reasonable estimate of the potential economic impacts from expenditures of settlement monies by First Nations, we constructed a representative expenditure profile to estimate potential impacts. This was based on existing audited financial statements, trust fund objectives, and interviews with three First Nations in the sample. While this estimate is not



statistically generalizable, it is reflective of how First Nations in the sample spent their settlement monies. This representative expenditure profile resulted in the following estimates of potential economic impacts, per settlement size:

- If Canada provides \$1 million in specific claims settlement compensation; and if 50% of received settlement compensation is saved or invested in financial instruments by First Nations; and if the other 50% is expended by First Nations; and if the expended portion is spent in a manner consistent with the categories and percentages described in the expenditure scenario, then we estimate the potential economic impacts associated with the \$500,000 increase in output to include:
 - \$424,180 in gross domestic product (at basic prices), including \$279,153 in direct GDP and \$145,028 in indirect GDP;
 - \$268,666 in labour income, including \$179,576 in direct labour income and \$89,091 in indirect labour income; and
 - 4.1 jobs, including 2.7 direct jobs and 1.4 indirect jobs.

In the last 7 years, SCB has settled an average of \$1.7B in claims per year with First Nations across Canada. If we apply the representative expenditure approach to this average, the annual economic impacts associated with specific claims settlements would be 6,924 jobs, including 4,548 direct jobs and 2,376 indirect jobs:

- 6,924 jobs, including 4,548 direct jobs and 2,376 indirect jobs.
- \$454.7 million in labour income, including \$303.9 million in direct labour income and \$150.8 million in indirect labour income.
- \$717.9 million in gross domestic product (GDP) at basic prices, including \$472.4 million in direct GDP and \$245.5 million in indirect GDP.

In-depth interviews with three selected First Nations from the sample produced the following additional findings, relevant to federal policies and programs:

1. First Nations are interested in realizing greater economic benefits from specific claims settlements.
2. First Nations are specifically interested in re-acquiring lost lands, a process that under the Additions to Reserve (ATR) process can take years and is costly. However, claims settlement amounts do not account for real estate inflation, which can make purchase of lost lands prohibitive.
3. At least one First Nation significantly increased economic benefits to members by permanently raising the incomes of elders.
4. Interest from settlement trusts is important for First Nation operations, in all three cases.
5. Interviewed sample First Nations would be interested in a formal case study comparing their potential from their actual economic impacts.

Based on the empirical findings, developed with the described expenditure scenario, and results from the interview process, we conclude that there are significant economic impacts from the



expenditures of settlement monies. Furthermore, there is a potential and interest among First Nations to increase these impacts. To support an estimate of actual economic impacts, and to potentially increase these impacts, we recommend the following further research and policy considerations for SCB:

1. Support interested First Nations to develop case study estimates of economic impacts from actual expenditures from specific claims settlement monies.
2. Use the methods developed in this paper to calculate the economic value of accelerating the resolution of specific claims.
3. Work with all relevant partners and institutions to develop and implement First Nations led reforms, to accelerate the specific claims settlement and ATR processes, allowing First Nations to receive settlement monies sooner and realize greater returns from investing and expending settlement funds.
4. Include real estate value inflation adjustments to determine settlement claim offers, considering the period between agreement and future opportunities to purchase lands.
5. Share the results of this report with interested First Nations, to support their allocation of expenditures related to specific claims settlement monies.
6. Work with interested First Nations and First Nation institutions, to increase the economic impact from specific claims settlements and to determine accounting and auditing standard requirements that would facilitate future economic impact assessments for specific claims and other settlements. These initiatives should be First Nations led.



Specific Claims Compensation and Economic Reconciliation – Final Report

I. Introduction

The specific claims process was established by Canada with a national mandate to address historic grievances by First Nations against the federal government. This includes Canada's failure to fulfill legal obligations related to historic treaties and the management of First Nations lands and assets. The process provides First Nations with compensation in the form of direct payment-based settlements and when possible restitution in the form of Crown land. The specific claims process is distinct from nationwide modern treaty settlement processes and the ongoing BC Treaty Process.

The specific claims process is administered by the Specific Claims Branch (SCB) of Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC). When necessary, arbitration is provided by the independent Specific Claims Tribunal (SCT). First Nations who cannot reach a resolution through direct negotiation with Canada can file their claims with the SCT.

Between 2014/15 and 2023/24, Canada settled over 300 specific claims and provided over \$10.6 billion in compensation to First Nations.¹ For 16 of the 20 First Nations included in this research, specific claims settlement exceeds typical annual revenues.

Despite the relative size of settlements, the direct impact of these settlement monies on economic impacts for First Nations is not well understood. The scarcity of research on this topic is in part because the primary objective of the specific claims policy is to discharge Canada's lawful obligation, not promote economic development. Moreover, self-determining First Nations governments are accountable to their members, not Canada, for how settlement funds are invested.

Understanding the economic impacts of these considerable, untied, revenue injections could benefit First Nations managing untied revenues. It could identify opportunities for First Nations fiscal and financial institutions to provide services to support First Nations in investing their settlements. It could also inform the design of related government policies and services to advance Canada's economic reconciliation agenda.

This research is an effort to advance understanding of the economic benefits generated from specific claims settlements. It uses publicly available expenditure information from a sample of First Nations to find common uses of settlement monies. Based on this, it estimates potential economic impacts that may be generated from specific claims settlements.

This report addresses the following policy questions:

1. What are the potential economic benefits associated with the expenditures by First Nations supported by specific claims settlement compensation?

¹ Settlement Report on Specific Claims from the Reporting Centre on Specific Claims [here](#).

2. What is the possible magnitude of those potential economic benefits?
3. What data and optional services would assist First Nations seeking to maximize the potential economic benefits associated with expenditures of financial compensation from specific claims settlements?

In seeking to answer these policy questions, we assembled a non-random sample of 20 First Nations with specific claims settlements and made use of publicly available financial information to examine relevant expenditures. This included the Reporting Centre on Specific Claims tool and financial statements posted to the First Nations Profiles website under the First Nations Financial Transparency Act. In preparing estimates of potential economic impacts, we used economic multipliers from Statistics Canada. Due to data limitations, we modified our experimental methodology to inform results and subsequent policy recommendations.

We also conducted in-depth interviews about their specific claim settlements with three First Nations in this sample. These interviews provided insight into what First Nations are trying to achieve from their claim settlements and some of the challenges they are facing in realizing the potential of their settlements.

Contents

This report begins by describing current scholarship on the economic and community impacts of specific claims settlements in Section II, identifying common conclusions and relevant knowledge gaps. Sections III and IV describe the sample formation process and the common expenditure categories we observed. Section V reports preliminary expenditure analysis and identifies challenges with data availability. We describe our modified estimation methodology in Section VI before presenting estimates of potential economic impacts in Section VII. This is followed in Section VIII by a discussion of our findings' limitations. Section IX summarizes what we learned in our interviews with three selected settlement-receiving First Nations. Section X presents opportunities to support the maximization of economic benefits by First Nations. Section XI identifies areas of possible further research. Section XII concludes with policy recommendations.

II. Background

Available literature on the impacts of specific claims settlement funds, including studies and lists of community development outcomes and related expenditures, is sparse. How First Nations expend their settlement funds is not tracked. First Nations are accountable to their members, not Canada, for this revenue. As a result, it is difficult to determine how these settlements have been allocated by First Nations, and how they have impacted economic development. Broadly, this report seeks to fill an information gap regarding economic impacts from the expenditure of specific claims settlement funds. This section first summarizes findings from this small body of research on the usage and impact of specific claims settlement funds in Canada. It examines associated recommendations for better supporting the efficient allocation of specific claims settlements to advance economic development in affected communities.



The second part of this section summarizes considerations from conventional economics and research relevant to optimizing the economic impacts of specific claims settlement funds. This includes considerations concerning 1) regulatory and institutional conditions and 2) the time value of money as well as research on 3) conditional and unconditional cash transfers that may be relevant to First Nations using settlement monies to provide per capita payments to their members.

Economic Impacts of Specific Claims Settlements

There are few published studies that examine the outcomes of the specific claims process with respect to economic and social development.

Flanagan² and Maxim et al.³ both examine the specific claims process and its impact on Community Well-Being (CWB)⁴. These two studies draw three general conclusions, relevant to our report. First they both conclude that settlements have not shown a measurable positive impact using the average well-being of recipient First Nations. Specifically, settlements have not led to improvements in the First Nation's CWB index score. Second, they criticize the slow pace of the process, with delays reducing the potential benefits of settlements. Third, they note the limitations of the CWB index approach because it is dependent on a single point in time every five years – the data from the CWB is not granular, and masks smaller data trends. Their results demonstrate the need for additional data on specific claims, to form reliable conclusions regarding the economic consequences of claims settlements.

More recently, Micheels et al.⁵ examined the Little Red River Cree Nation as a case study for the economic impacts of specific claims settlement in Canada. The authors sought to identify external explanatory factors reducing economic impacts realized by capital from specific claims settlement across Canada and determine why previous scholarship has demonstrated minimal impacts on the well-being of First Nations communities. This study conducted analysis using household expenditure surveys. It calculated the economic leakage and impact of the Little Red River Cree Nation settlement. The study used input-output models to estimate the economic impacts at distinct levels (household, business, and administration) and considered lower and upper bounds of multiplier effects to account for underestimation and overestimation. The authors found that leakage rates from the Little Red River Cree Nation settlement are high: for every dollar coming to the Little Red River Cree Nation community, 83.5 cents are spent off

² Flanagan, Tom. 2018. "Specific Claims and the Well-Being of First Nations." *Fraser Institute*. www.fraserinstitute.org. The Fraser Institute is a Canadian public policy think tank that advocates for free-market economic policies, limited government intervention, and individual freedom. It conducts research and publishes reports on various policy issues, including taxation, healthcare, education, and economics.

³ Maxim, Paul, Nicholas Spence, and Jerry White. "Assessing the Net Effects of Specific Claims Settlements in First Nations Communities in the Context of Community Well-Being." *Aboriginal Wellbeing: Canada's Continuing Challenge* (2008).

⁴ Both papers make use of the [Community Wellbeing Index](#) as a primary data source

⁵ Eric Micheels, Omid Mirzaei, and David Natcher, "Estimating the Economic Impacts of Specific Claims Settlements in Canada: The Case of Little Red River Cree Nation," *Canadian Public Policy* (2021): 47. 10.3138/cpp.2020-118.



reserve. They found that the impacts of the settlement on the regional economy are high, and that this holds for other claims settlements where leakage is high. Here, we see that much of this settlement benefits adjacent off-reserve economies, which are likely to house stronger investment climates. This paper recommends greater support for the development of robust investment climates on reserve lands, allowing specific claims funding to be better spent, and invested, in First Nations economies.

The external validity of the Micheels et al. study may prove to be low, with varying economic and geographic conditions present on the reserve lands of First Nations in Canada that have settled specific claims. However, the authors employ a novel model that is highly repeatable, and with similar data collection across a larger group of First Nations, results may be more significant.

The qualitative case study of Kitigan Zibi Anishinabeg by Hafez ⁶ avoids examining the nature of connections between specific claims settlement and economic impacts directly. However, resultant policy observations and recommendations are relevant to this report. Hafez finds that prior to the Global Settlement Claim, the community held settlement claim monies in a band trust, generating interest for community use. These funds were used for various purposes, including elders' winter living allowance, funeral cost subsidies, and infrastructure support for community service buildings. The study highlights a clear disconnect between the objectives of settling specific claims, as stated by Canada, and the reported experiences of the community of Kitigan Zibi Anishinabeg. The case concludes with several recommendations, based on analysis of interview findings. These recommendations include implementing standardized community reporting, developing a comprehensive community plan for the use of settlement claim monies and initiating a consultation process with the community regarding land purchases and additions to the reserve. Although the methodology differs from this paper, and previous scholarship, this case study forms a basis for our interview process and supports policy recommendations relating to reforms of the current claims process.

Our report builds on the above body of scholarship by adding two new data sources: the audited financial statements, self-reported by First Nations participating in the First Nations Fiscal Management Act (FNFMA) and settlement revenue community objectives in First Nation trust fund documents. Despite significant data completeness and consistency concerns, these new sources begin to support a better understanding of the economic potential of First Nation settlement fund expenditures, the reality of those expenditures and opportunities to potentially close these gaps. This report uses these data sources to demonstrate there is considerable potential economic benefit from settling specific claims. The report also uses data from interviews from a smaller sample of First Nations to identify a possible gap between potential and economic gaps for future research.

⁶ Hafez, Shady. "The Uses and Impacts of Specific Claims Settlements: Kitigan Zibi Anishinabeg Case Study" (Conseils Stratéjuste, 2021)



Optimizing the Potential Economic Impacts of Specific Claims Settlement Funds

As demonstrated in Micheels et al.,⁷ the on-reserve economic effects of specific claims settlements can be left unrealized if the regulatory and institutional conditions of on-reserve economies are poor. If investments are not made in improving the institutional support for investment, related infrastructure, and in complementary areas, transfers resulting from the specific claims process, other programs, and treaties, will be less effective at improving the well-being of First Nations. This is supported in conventional economics literature regarding institutional support and property rights for governments and individuals.⁸

Consistent with this literature, Canada has supported First Nations economic infrastructure, seeking to build robust investment climates on reserves. The FMA and related FNFMA institutions are tools to achieve this. The FNFMA allows First Nations communities to manage their own finances independently. It provides a framework for participating First Nations to establish their own property tax and local revenue systems, supporting fiscal autonomy. Through the FNFMA, First Nations gain the tools and authority to make decisions about economic development, taxation, and financial management on their lands. These tools may help First Nations receiving specific claims settlements with effectively allocating and investing funds in their communities.

Another consideration from conventional economics literature is the time value of money: the value of money today is inherently different from its future value due to factors such as inflation and opportunity costs.⁹ Recognizing this principle is crucial for policymakers and investors in local development initiatives, as it underscores the importance of considering the timing of investments and the potential impact of delaying or accelerating projects on overall economic development outcomes.

Current literature, both from the United States and low- and middle-income countries, on per capita transfers has found links between Conditional Cash Transfers (CCTs) or Unconditional Cash Transfers (UCTs) and improved economic outcomes on the individual and community level. Randomized Controlled Trials conducted by economists evaluating programs delivered by international aid organizations have found improvements in literacy, child welfare, income, and other metrics during trial periods, and after transfers ended. This was found in both CCT and UCT programs, and comparatively with random selection from a broader sample. That said, these overall results cannot be generalized to First Nations employing per-capita distributions

⁷ Ibid.

⁸ Daron Acemoglu, Simon Johnson, and James A. Robinson, "Institutions as the Fundamental Cause of Long-Run Growth," *Quarterly Journal of Economics* 119, no. 4 (2005): 1263–1309.

Hernando de Soto, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else* (New York: Basic Books, 2000).

Douglass C. North, "The Role of Property Rights in Economic Development," in *The New Institutional Economics and Third World Development*, ed. John Harris, J. Hunter, and Colin M. Lewis (London: Routledge, 1995), 37–53.

Ronald Coase, "Property Rights and the Nature of the Firm," *Journal of Law and Economics* 20 (1967): 111–147.

⁹ N. Gregory Mankiw, David Romer, and David N. Weil, "A Contribution to the Empirics of Economic Growth," *The Quarterly Journal of Economics* 107, no. 2 (1992): 407–437.



from specific claims settlement monies, as the purpose of these programs are not aligned, and trial conditions differ.

The specific economic impacts of the establishment of community trusts By First Nations are not well-understood and could be a focus of future quantitative research on First Nations policy tools supported by specific claims settlement monies.

III. Sample Formation

In seeking to address the policy and research objectives of this report, we assembled a non-random sample of 20 First Nations from 131 settlement-receiving First Nations in the sample period.¹⁰ To be included in the sample, a First Nation must have (i) received financial compensation from the settlement of a specific claim and (ii) provided relevant information about expenditures sourced from that settlement within their publicly available financial statements.¹²

Utilizing information from the Reporting Centre on Specific Claims tool,¹³ we identified those First Nations that have received financial compensation of any value as part of a settlement of a specific claim. Utilizing publicly available information posted to First Nations Profiles under the

¹⁰ In accordance with the approved research proposal, the sample period was April 1, 2014, to March 31, 2021. The overarching goal was to form a sample with the best available information to inform the study. Utilizing information from the Reporting Centre on Specific Claims tool, we identified 131 First Nations that received financial compensation of any value as part of a settlement of 189 specific claims during this time period. We found that some First Nations expecting to receive financial compensation from a specific claim settlement borrow against that future revenue in order to fund expenditures in the year prior to the year in which the settlement payment is received. Therefore, the methodology included the year prior to the settlement, to ensure no potential expenditures were missed. The earliest audited consolidated financial statements available publicly on First Nations Profiles are currently for 2013/14. Therefore, claims settled in 2014/15 were the earliest considered in the formation of the sample. In addition, the methodology examined expenditures in the year the settlement payment was received, the year after the settlement payment was received, and the second year after the settlement payment was received. Currently, 2022/23 is the most recent year for which audited consolidated financial statements are publicly available on First Nations Profiles. Therefore, claims settled in 2020/21 are the last year considered in the sample formation process.

¹¹ Some of the sample First Nations are urban (>20 km from a major centre), and others are remote. However, inclusion in the sample is based on data availability. First Nations are not selected for variation in location.

¹² In forming the sample, we checked for publicly available financial information posted to First Nations Profiles under the First Nations Financial Transparency Act, looking for the availability of audited consolidated financial statements for the year prior to the settlement, the year of the settlement, the year after the settlement, and the second year after the settlement for each of the First Nations identified in the previous step. First Nations for which the four-year series of financial information could not be obtained were removed from consideration. The audited consolidated financial statements for the remaining First Nations were downloaded, then first electronically, and later manually, scanned for at least one mention of certain keywords, such as "settlement," "claim," or "trust" and those financial statements with at least one mention were flagged. First Nations for which the four-year series of financial statements included no mention of the settlement, specific claims compensation, or a related trust, were removed from consideration. A preliminary expenditure analysis was conducted using the audited consolidated financial statements for the remaining First Nations seeking to connect the settlement specific expenditures. The approved research proposal required a sample of at least 20 First Nations. Based on the preliminary expenditure analysis, the 20 First Nations for which the most complete settlement expenditure information was available were selected for the sample. Unfortunately, we were unable, to connect every dollar of settlement monies to specific expenditures in all 20 First Nations in the sample. As such, a more complete and thorough expenditure analysis was not possible.

¹³ Specific Claims Branch, Reporting Centre on Specific Claims at [this link](#).



First Nations Financial Transparency Act,¹⁴ we checked for the availability of audited consolidated financial statements for the year prior to the settlement, the year of the settlement, the year after the settlement, and the second year after the settlement for each of the settlement receiving First Nations identified in the previous step. The four-year series of publicly available financial statements were reviewed electronically and manually to find all available instances in which the financial statements cited or connected the settlement to specific expenditures.

The sample is comprised of 20 First Nations with settled specific claims for which at least some relevant expenditure information is publicly available within the audited consolidated financial statements posted on First Nations Profiles. The First Nations comprising the sample are not identified in this report, but Appendix II provides an anonymous description of important characteristics of the sample.

This study relies on a non-random sample. First Nations in the sample were not randomly selected from a larger population, rather selected based on whether sufficient information was reported in publicly available financial data needed to conduct the analysis. Therefore, the sample is not necessarily representative of the larger population of settlement receiving First Nations and thus limits the use of any results in generalizations.¹⁵

IV. First Nations Expenditures of Settlement Compensation

A key objective of this study was to estimate the potential economic impacts that could be generated by the expenditure of settlement compensation. To accomplish this, an understanding of how settlement monies are spent by First Nations is required. This is necessary because the potential economic impacts associated with a dollar spent on increasing water treatment capacity, for example, are different than those associated with a dollar spent on the provision of employment training. Therefore, a review of expenditures linked to settlement monies among the sample of 20 First Nations was conducted to support the estimation process.

Common Expenditure Categories

Financial information contained in the publicly available audited consolidated financial statements for the First Nations within the sample informed the list of common expenditure

¹⁴ The First Nations Financial Transparency Act (FNFTA) requires First Nations (to whom the Act applies) to publish their audited consolidated financial statements available to a website. ISC/CIRNAC are also required to publish these documents on the department's website, which it does [here](#).

¹⁵ The First Nations in the sample cannot be assumed to accurately reflect or represent the larger group of settlement-receiving First Nations, First Nations that may receive compensation under a specific claims settlement in the future, including those currently pursuing specific claims, or First Nations in general.



categories presented below.¹⁶ In addition, we learned that most of the First Nations in the sample established trusts to manage settlement funds.

In some of these cases, agreements governing the establishment and management of these trusts were also publicly available. Eligible expenditures and authorized investments specified in these trust agreements have also informed the list of common expenditure categories presented below.

Common Expenditure Categories Among Sample First Nations:

1. Per capita distribution programs
2. Loan payments/repayments; loan retirement
3. Fees for professional services furthering specific claims
4. Land purchase; land acquisition
5. Education; training
6. Mortgage guarantee program; mortgage support program
7. Economic development purposes
8. Initiatives identified in the Comprehensive Community Plan
9. Support for startup of member businesses
10. Housing
11. Cultural development and events; heritage and language initiatives
12. Environmental stewardship; environmental protection and management initiatives
13. Healthcare services
14. Police and fire protection services
15. Sports and recreation purposes
16. Insurance
17. Infrastructure

Economic Multipliers

To estimate potential economic impacts from settlements, multipliers have been utilized. Economic multipliers describe the magnitude of changes in certain economic variables (such as employment, labour income, and gross domestic product) associated with a given shock or change in output of a given industry (such as construction, retail trade, and transportation).¹⁷

¹⁶ The listed common expenditure categories were observed in the sample. Based on the financial statements, it is clear that not all sample First Nations spent their settlement monies within the same expenditure categories. The list includes those categories that appeared as a settlement-linked expenditure by more than one First Nation. Even in cases of similar types of expenditures, the terminology in financial statements is not standardized. The list identifies expenditure categories, while the financial statement are an accounting of specific expenditures. As an example, some First Nations used settlement monies to fund the provision of a specific training program component, and others reported more generally, an education and training expenditure. The common category we've included is the more general, education and training. Those expenditures on specific educational programs, or specific training programs were all collected into the more general common expenditure category.

¹⁷ The potential economic impact associated with a change in output in one industry is not that same as the potential impact associated with an equal change in output in another industry. For example, using national, summary level



Statistics Canada's input-output accounts are the best available framework for measuring the productive structure of the Canadian economy. The supply and use tables trace production of commodities by domestic industries, combined with imports, through their use as intermediate inputs or as final consumption, investment, or exports. They also provide the basic information to derive industry-by-industry input-output tables, or simply I-O tables. The StatsCan Input-Output Model uses these tables to track and quantify the economic activity generated by changes in consumption or production and simulate economic impacts in one or more industries resulting from a shock. This allows analysts to investigate "what if" questions, exploring the impact of exogenous changes in final demand while accounting for the interdependencies between different industries. The I-O Model also enables the calculation of corresponding economic multipliers, enabling analysts to estimate changes in a variety of economic variables associated with a change in output of a specific industry. Statistics Canada's supply and use tables, input-output tables and economic multipliers represent the most complete and detailed accounting framework of the Canadian economy available.

Because expenditures have been identified for First Nations in the sample collectively, national multipliers, rather than provincial / territorial multipliers, are utilized.¹⁸ A combination of summary level and detailed level multiplier data is utilized, as appropriate, for potential impacts on three economic variables, including employment, labour income, and gross domestic product (GDP).

V. Preliminary Expenditure Analysis

To use the economic multipliers as described above to support the estimation process, those industries in which a change in output would be expected, associated with spending in each of the common expenditure categories, were first identified. We then sought to identify magnitudes for each of those changes in output using data from the sample First Nations. In this second step, we encountered data availability and consistency challenges.

Linking Industries with the Common Expenditure Categories

One or more industries that could be expected to see a change in output from spending in each of the common expenditure categories was identified.¹⁹ In the estimation model, the shock is the expenditure of settlement monies, which occurs within the identified common expenditure categories. Our approach assumed a given expenditure translates into an equivalent increase in

multipliers, for 2019, the direct GDP (at basic prices) multiplier for the Residential building construction industry is 0.439. This means that for a \$1.00 increase in output of the Residential building construction industry, an increase in direct GDP of 43.9¢ can be anticipated. But the direct GDP (at basic prices) multiplier for the Government health services industry is 0.668, which means for a \$1.00 increase in output of the Government health services industry, a 66.8¢ increase in direct GDP can be anticipated.

¹⁸ The most recently available multiplier data is for 2020. However, the economy's structure was greatly altered by the COVID-19 pandemic in 2020. Statistics Canada states that 2020 multipliers should only be used for analysis of economic impacts in 2020 and recommends the use of 2019 multipliers instead, as they are more reflective of current economic structures. Please see the daily Statistics Canada release notice for 2020 multipliers [here](#).

¹⁹ This is necessary because Statistics Canada provides economic multipliers by industry. There are no economic multipliers for the list of commonly observed expenditure categories.



output of a certain industry or industries. These are shown in Table A1 in Appendix III. Descriptions of each identified industry are also provided below the table in the appendix.

Economic multiplier data available from Statistics Canada is organized within the Input-Output Industry Classification (IOIC) system, which includes 32 industries at the summary level (excluding fictive industries) and 238 industries at the detailed level (excluding fictive industries). To facilitate the estimation of potential economic impacts, IOIC industries associated with each of the common expenditure categories in this study are identified.

Challenges Conducting Preliminary Expenditure Analysis

Among the initial goals for this project, given sufficient data, was to complete an analysis of expenditures funded by settlement monies, collectively for the sample of 20 First Nations as a whole. Unfortunately, due to expenditure data constraints, we have been unable to complete this analysis. Some of the required expenditure data is publicly available and has been collected. But there is insufficient publicly available expenditure data, focused specifically on settlement monies, to support a more thorough expenditure analysis:

1. In 9 of the 20 sample First Nations, we were unable to identify expenditures that sum to the total settlement amount received.
2. In 17 cases, First Nations established trusts, or added to existing trusts, to manage settlement monies.
 - a. In 7 of those 17 cases, trust agreements were found that identified eligible types of expenditures, but not all reported expenditure amounts.
 - b. In the other 10 cases, we were unable to find any public reporting of expenditures or purposes of the trust.
3. In some cases, interest revenue earned on the trust balance is transferred back to the First Nation's general revenues. Despite all expenditures being reported in the financial statements, it's impossible to know, based on the publicly available audited consolidated financial statements alone, if any given expenditure was funded solely by settlement monies, funded by other revenues of the First Nation, including Indigenous Services Canada funding, or a combination of sources.

These limitations do not suggest any type of financial mismanagement or lack of transparency by any of the First Nations in the sample.²⁰ Rather, the type of financial reporting made publicly available was not designed or intended to support the type of expenditure analysis we hoped to conduct.

Despite limiting the application of this data source to this study, these findings are valuable to future research for at least three reasons. First, they support the value of using a case study analysis to assess the economic value of claims settlement. In this regard, it is encouraging that some of the First Nations interviewed in this study are supportive of the case study approach,

²⁰ Several First Nations in the sample have published thorough reports on their use and management of settlement funds, making detailed financial information readily available to anyone interested in how trusts are being managed, when and how settlement monies were expended, current remaining balances, and other relevant information.



and would be willing to participate in future studies. Second, the analysis of this data source suggests a potential opportunity for interested First Nations to work with the First Nations Financial Management Board (FNMB) to develop more consistent, standardized, and robust claims settlement financial reports to their members and potentially the public. Finally, in the absence of an identifiable sample of standardized financial reports, empirical studies that generalize from this data source should be treated with caution.

VI. Designing the Expenditure Scenario

Owing to data availability and robustness challenges described above, we were unable to complete the intended expenditure analysis. However, we were able to use the collected data to construct a possible expenditure scenario to support the estimation process. The collected expenditure data provided valuable insight, partially answered our research questions, and formed the basis of the expenditure scenario described below. The expenditure scenario was developed to facilitate estimates of potential economic impacts associated with the expenditure of settlement monies. The expenditure scenario is intended to support the formation of an if-then statement, such as the following: *If* actual settlement-linked expenditures are consistent with the expenditure scenario, *then* the estimated potential economic impacts may be generated.²¹

A combination of the audited consolidated financial statements and trust agreements were used to build the expenditure scenario. Each First Nation in the sample has not influenced the expenditure scenario equally. Those First Nations for which more complete settlement-linked expenditure information was available have more heavily influenced the design of the expenditure scenario. Ideally, settlement-linked expenditures, by category, as a portion of received settlement monies would be known for each First Nation in the sample. This was not the case, and for some first Nations adjustments were made to use settlement-linked expenditures, by category, as a portion of only known settlement-linked expenditures, rather than received settlement monies. In some cases, known expenditures were only a small portion of the settlement monies received. As a result, for some in the sample, expenditures in one or two expenditure categories appeared very large, while expenditures equal to zero in all other categories. These were believed to be inaccurate representations of actual settlement-linked expenditures in these cases, and adjustments were made to the expenditure scenario to reduce their influence on the overall design.

The expenditure data we obtained demonstrates that First Nations in the sample save a sizable portion of settlement monies, which are held in trust, stored in interest bearing accounts, invested in financial instruments for the purpose of revenue generation, or other similar mechanisms. Interest income increases the settlement trust or account balance or is transferred

²¹ To directly link a given level of paid settlement monies to estimates of potential economic impacts (the “then” portion of the if-then statement), without the qualifier requiring expenditures to be consistent with the expenditure scenario (the “if” portion of the if-then statement) would be an inappropriate application of the expenditure scenario and the estimates in this report.



back to the First Nation's general revenues annually or periodically. In either case, the interest income is utilized to support various expenditures of the First Nation. For estimating potential economic impacts that might be generated by expenditures of settlement monies, we are interested only in the portion of settlement monies that is expended by the First Nation, and not the portion that is saved or invested.²²

The expenditure scenario is described in Table 1 below, where each common expenditure category is assigned a percentage value. For these values, the numerator is the value of expenditures for the category, while the denominator is total expenditures funded by settlement monies. The denominator is not the value of the entire settlement. It is only the expended portion of the settlement (i.e. the non-invested, non-saved portion). This is the portion that will generate potential economic impacts that we are attempting to estimate.

Table 1: Expenditure Scenario

Common Expenditure Category	%
Per capita distributions	30%
Loan payments / repayments; loan retirement	10%
Fees for professional services furthering specific claims	4%
Land purchase; land acquisition	6%
Education; training	5%
Mortgage guarantee program; mortgage support program	2%
Economic development purposes	9%
Support for start-up of member businesses	3%
Housing	7%
Cultural development and events; heritage and language initiatives	2%
Environmental stewardship; environmental protection and management initiatives	3%
Healthcare services	6%
Police and fire protection services	2%
Sports and recreation purposes	2%
Insurance	2%
Infrastructure	7%

Table 1 provides the percentages of total expenditures funded by settlement monies for the previously identified common expenditure categories. Expenditures in these common categories

²² This does not suggest that the invested portion of settlement monies does not lead to economic impacts. Further, this approach has not ignored this portion of the potential impact from expenditures of settlement monies. It is believed that, in many cases, the interest revenue generated from financial investments is utilized to fund many of the same types of expenditures shown in Table 1. In this way, the types of impacts are captured by this approach. However, the magnitude is not known. Without a clear understanding of the interest revenue earned on the invested portion of settlement monies, the potential economic impacts cannot be estimated whilst ensuring impacts have not been double counted. Rather than assume about interest revenue, we felt it was prudent to leave this portion out of the estimate and to simply include a note as to why.

are assumed to result in equivalent increases in output within the previously identified IOIC industries. These are provided in detail in Table A2 in Appendix III.

VII. Estimates of Potential Economic Impacts

This section completes the estimation process by providing (i) the magnitude of recent settlement compensation, annually; (ii) assumptions around the values of changes in output for the expenditure scenario; and (iii) estimates of potential economic impacts associated in those changes in output by applying economic multipliers from Statistics Canada.

Recent History of Settlement Compensation

Over the last five years, Canada has provided financial compensation under negotiated specific claims settlements averaging about \$1.7 billion annually. Table 2 provides compensation amounts by fiscal year, as reported by the Specific Claims Branch Reporting Centre.

Table 2: Specific Claim Settlement Amounts by Fiscal Year

Year	Amount
2023/24*	\$2,191,463,108
2022/23	\$3,515,647,357
2021/22	\$218,364,238
2020/21	\$1,737,572,115
2019/20	\$798,773,023
Avg	\$1,692,363,968

*Partial Year – Note the report was generated in February 2024, prior to the end of the fiscal year.

Changes in Output for the Expenditure Scenario

The estimates presented later in this section are a preliminary attempt to understand the magnitude of potential economic impacts that could be generated by \$1.7 billion in settlement monies.

Our methodology assumes some portion of settlement monies are saved by First Nations and invested in financial instruments for revenue generation purposes. For the sake of this estimate, we have assumed that half (50%) of settlement monies is invested. We have further assumed the other half (50%) is expended in accordance with the categories and percentages described in the expenditure scenario.²³ It is the potential benefits generated by these expenditures that we are seeking to understand.

Table 3, below, provides assumed expenditure amounts for the common expenditure categories and assumed changes in output for the associated industries.²⁴ As shown in the bottom row,

²³ This assumption is based on sample observations, as well as interview results from selected sample First Nations.

²⁴ One row is described below to assist with interpretation of the table:

The fifth row of Table 3 identifies Education; training as a common expenditure category. As previously shown, the expenditure scenario assumes that 5% of expenditures funded by settlement monies is spent in this category. In this



total expenditures are \$846.2 million, or half of the average annual specific claims settlement compensation paid. Table 3 also provides the change in output of the various industries associated with common expenditures categories. The bottom row shows the total assumed change in output of all industries in the expenditure scenario is \$846.2 million.

case, total expenditures are \$846.2 million. Therefore, the expenditure in the Education; training category is calculated to be \$42.3 million. This is shown in on the left side of the table. Appendix III provides a description of why expenditures in this category are believed to increase output within three industries, including educational services [BS610], Educational services [NP610000], and Government educational services [GS610]. Table 3 showed the assumed change in output was equally distributed among the three industries, with 33.3% each. The table above shows the calculated \$14.1 million change in output in each of the three industries on the right side of Table 3.



Table 3: Expenditure Scenario – Assumed Expenditures & Changes in Output

Common Expenditure Category		Industry (IOIC)	
\$253,854,595	Per Capita Distribution	Total Industries	\$253,854,595
\$84,618,198	Loan payments / repayments; loan retirement	Banking and other depository credit intermediation [BS5221A0]	\$84,618,198
\$33,847,279	Fees for professional services furthering Specific Claims	Legal services [BS541100]	\$25,385,460
		Professional, scientific and technical services [BS540]	\$8,461,820
\$50,770,919	Land purchase; land acquisition	Legal services [BS541100]	\$5,077,092
		Offices of real estate agents and brokers and activities related to real estate [BS531A00]	\$43,155,281
		Architectural, engineering and related services [BS541300]	\$2,538,546
\$42,309,099	Education; training	Educational services [BS610]	\$14,103,033
		Educational services [NP610000]	\$14,103,033
		Government educational services [GS 610]	\$14,103,033
\$16,923,640	Mortgage guarantee program; mortgage support program	Activities related to credit intermediation [BS522300]	\$16,923,640
\$76,156,379	Economic development purposes	Non-residential building construction [BS23B]	\$38,078,189
		Engineering construction [BS23C]	\$38,078,189
\$25,385,460	Support for startup of member businesses	Activities related to credit intermediation [BS522300]	\$25,385,460
\$59,232,739	Housing	Engineering construction [BS23C]	\$14,808,185
		Residential building construction [BS23A]	\$35,539,643
		Repair construction [BS23D]	\$2,961,637
		Services to buildings and dwellings [BS561700]	\$5,923,274
\$16,923,640	Cultural development and events; heritage and language initiatives	Performing arts, spectator sports and related industries, and heritage institutions [BS71A000]	\$8,461,820
		Information and cultural industries [BS510]	\$8,461,820
\$25,385,460	Environmental stewardship; environmental protection and management initiatives	Other Aboriginal government services [GS914]	\$19,039,095
		Management, scientific and technical consulting services [BS541600]	\$6,346,365
\$50,770,919	Healthcare services	Government health services [GS620]	\$50,770,919
\$16,923,640	Police and fire protection services	Other municipal government services [GS913]	\$16,923,640
\$16,923,640	Sports and recreation purposes	Non-residential building construction [BS23B]	\$8,461,820
		Engineering construction [BS23C]	\$3,384,728
		Arts, entertainment, and recreation [NP710000]	\$2,538,546
		Arts, entertainment, and recreation [BS710]	\$2,538,546
\$16,923,640	Insurance	Agencies, brokerages, and other insurance related activities [BS524200]	\$16,923,640
\$59,232,739	Infrastructure	Engineering construction [BS23C]	\$44,424,554
		Water, sewage and other systems [BS 221300]	\$14,808,185



\$846,181,984	TOTAL	\$846,181,984
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Estimates of Potential Economic Impacts Associated with the Expenditure Scenario

Using Statistics Canada economic multipliers for 2019, we estimate the expenditure scenario described in Table 3 above could potentially generate the following economic impacts:

- 6,924 jobs, including 4,548 direct jobs and 2,376 indirect jobs;
- \$454.7 million in labour income, including \$303.9 million in direct labour income and \$150.8 million in indirect labour income; and
- \$717.9 million in gross domestic product (GDP) at basic prices, including \$472.4 million in direct GDP and \$245.5 million in indirect GDP.

The estimates above are based on an average annual settlement amount of about \$1.7 billion, of which \$846.2 million (or 50%) is spent in accordance with the expenditure scenario described in Table 3.²⁵

Estimates of Potential Economic Impacts per \$1 Million of Settlement Compensation

If Canada provides \$1 million in specific claims settlement compensation; and if 50% of received settlement compensation is saved or invested in financial instruments by First Nations; and if the other 50% is expended by First Nations; and if the expended portion is spent in manner consistent with the categories and percentages described in the expenditure scenario, then we estimate the potential economic impacts associated with the \$500,000 increase in output to include:

- 4.1 jobs, including 2.7 direct jobs and 1.4 indirect jobs;
- \$268,666 in labour income, including \$179,576 in direct labour income and \$89,091 in indirect labour income; and
- \$424,180 in gross domestic product (at basic prices), including \$279,153 in direct GDP and \$145,028 in indirect GDP.

It is important to note that these are estimates of potential impacts, not actual impacts. Many factors²⁶ can influence whether potential impacts are realized, and the magnitude of realized impacts.

It is equally important to understand that these are preliminary estimates of potential total benefits, and that the portion that may be captured by the First Nation labour force (in the case of jobs and labour income) or contributed by First Nation businesses and labour (in the case of gross domestic product) has not been estimated.²⁷

²⁵ The series of tables in Appendix IV provides the calculations.

²⁶ Appendix I of this paper examines economic growth, including the factors that may determine the magnitude of potential impacts of investment on First Nations economies.

²⁷ This was highlighted by Micheels et al. in their case study examining the economic impacts of the Little Red River Cree Nation specific claims settlement, in which the authors calculated a very high rate of economic leakage (i.e. for every dollar coming to the Little Red River Cree Nation community, 83.5 cents are spent off reserve).



VIII. Limitations

The data availability constraints described in Section V prompted the use of a possible expenditure scenario. This approach allowed us to construct a generalized picture of how claims settlement expenditure decisions by First Nations might impact economic outcomes. However, the results of this report are limited by several factors. First, while the construction of an expenditure scenario helps demonstrate the relative significance of different investments, the results of this report do not reflect the actual economic impacts realized by First Nations in the selected sample. Using estimates based on the expenditure scenario, these general economic impacts are estimated with the use of economic multipliers published by Statistics Canada.²⁸ As a result, results are not generalized with respect to the sample of 20 First Nations described in the sampling section of this report.

Expenditure data collected for the sample First Nations, from publicly available audited financial statements, was not verified with the sample First Nations directly. This data can provide important insights into the revenues and expenditures of First Nations. However, audited financial statements are not intended to support the detailed expenditure analysis this report initially sought to conduct. These statements lack the requisite level of detail upon which to conduct a complete, informative analysis regarding expenditures by First Nations.

The sample of 20 First Nations selected for this report was chosen based on data availability. It was not randomly selected from a broader group of First Nations who (i) received a specific claims settlement, and (ii) published comprehensive annual data on expenditures in the form of audited consolidated financial statements.

We employed the sample selection method described above solely because of data availability constraints – it is not the preferred approach in econometrics. Random sampling would be preferable and may be possible in future research, subject to access to relevant financial information. Random sampling helps to ensure the representativeness of the population under investigation, reducing the risk of bias and enhancing the validity of statistical inference. By randomly selecting First Nations from the broader group of First Nations receiving specific claims settlements, it would be possible to make more reliable generalizations and draw accurate conclusions about the broader group. Random sampling also allows for the application of probability theory, quantifying the uncertainty associated with resulting estimates. In the future, employing random sampling may allow for more meaningful comparisons across First Nations or time periods. The external validity and repeatability of all results examining the sample directly is limited by the non-random sampling process.

²⁸ As noted in Section IV, this study uses economic multipliers from Statistics Canada, which represents the best available framework measuring and predicting changes in economic variables generated by changes in economic output. Although the methodology in this study is consistent with industry best practices, readers should note the study uses national economic multipliers, which are not specific to First Nation economies. We understand that Indigenous Services Canada is currently working on a tool to incorporate First Nation specificity along with Statistics Canada economic multipliers to better estimate the economic impacts realized or captured by the First Nation labour force generated by projects on First Nation lands. Use of this future tool may be able to improve this report.



IX. Selected First Nations Interview Cases

Three First Nations from the sample of 20 were selected for further study to help inform the policy recommendations in this report. The three were selected based on interviewee availability. Interview questions, listed fully in Appendix V, focused on determining community intentions for the specific claims process and settlement monies, as well as settlement outcomes and economic impacts. This section summarizes the results of those interviews, highlighting selected community experiences with the specific claims process, community interactions, local economic development, and the SCB. It also notes certain policy recommendations made by the selected First Nations.

In these interviews, several common themes arose. First, all three First Nations want to use specific claims settlements, or portions of specific claims settlements, to support restitutions for the motivating event in the claim, typically lost lands. They are interested in repurchasing lands to add to their reserves or purchasing urban lands to grow revenues away from the original reserve land base. They want to add their lands back to their reserve land base to support economic growth and generate community revenues. Two of the three have been unable to add back any lands since settlement, and all three feel that the reason they have not successfully added lands back, because of their settlement, is that the Additions to Reserve (ATR) process is too long, and too costly.

Increasing land values compound this problem. The time between settlement and options to purchase former lands had resulted in increased land values in all cases, meaning that the original intended areas of land could no longer be purchased with the settlement amount, even after trust investment gains were realized. One First Nation has made land purchases since, resulting from multiple external funding sources and the settlement, and these lands have not yet been converted to reserve lands through ATR. This First Nation is seeking out additional opportunities to extend their land base across their province.

All three First Nations have established community trusts to invest and save the settlement monies. One First Nation has established an ATR-specific trust, focused on funding the conversion of purchased lands to reserve lands.

The First Nations provided per capita distributions to members, between 18 percent and 33 percent of the total settlement amount. Along these lines, one of the First Nations used the settlement to increase the basic monthly income of elders in the community.

All the First Nations have used a portion of settlement monies to support infrastructure on reserves and deliver improved community services. One had to deplete initial settlement capital to support ongoing benefits²⁹ to members, and the remaining two are using interest from their settlement to support improvements to services and community infrastructure.

²⁹ Ongoing benefits refers to support for pre-existing social programs, including housing or income support for elders and at-risk community members. This also includes more targeted programs, including education and cultural maintenance initiatives.



Community processes were followed, engagement was extensive, and the chosen expenditure priorities were strongly supported by members, across the selected First Nations.

First Nations were unable to realize all potential benefits from these settlements and support extensive recommendations for process improvement.

One or more of the First Nations interviewed directly made the following recommendations:

- The First Nations are not interested in SCB involvement, or broader involvement by Canada, in advising on expenditure decisions related to specific claims settlement monies. Settlements are intended to right past wrongs on behalf of Canada, and expenditure decisions rest solely in the hands of First Nations. The selected First Nations would be supportive of efforts, among First Nations, to improve communication between communities on best practices when using settlement monies to support development.
- The First Nations believe that faster claim resolutions would improve program outcomes and would improve the ability of First Nation governments to direct settlement funds into economic development programs.
- Settlements intended to support the reacquisition of previously held lands through market purchases should include a real estate value escalator amount, to support land purchases within 3-5 years of a specific claim being settled.
- The ATR process must be sped up, with the SCB coordinating work with First Nations institutions to support faster ATRs. Proposals from the LABRC and FA to speed up ATR should be tested using specific claims funding, with interested First Nations.
- Two of the First Nations felt greater institutional support from FA-FNFMA and Tulo could help First Nations grow the benefits from specific claims settlements by supporting faster ATRs and greater economic growth on reserve lands, reducing leakage to adjacent economies.

Some of these recommendations have been integrated into the broader policy recommendations section of this report. These, and the remainder of the recommendations, can be seen as avenues for further study by Canada, as it works with First Nations and all stakeholders to improve the specific claims process.

X. Maximizing Potential Economic Benefits

In Section VIII, we reported estimates for an expenditure scenario, examining how the application of an assumed expenditure model might impact economic outcomes. Based on the scenario, it becomes clear, as anticipated, that increased First Nations expenditures in the identified common categories, increases potential employment, labour income and GDP impacts. These results also suggest that specific claims compensation has benefited the economic conditions of sample First Nations, where settlement monies have been effectively invested.



Despite this, a sudden increase in funds resulting from specific claims settlements does not inherently lead to economic growth, and when settlements contribute to economic growth, the potential of this contribution may not be fully realized.

The potential benefits of additional revenues, whether from specific claims settlement compensation, other federal sources, independent revenue streams resulting from assertion of First Nations fiscal jurisdiction, net income from First Nation-owned businesses or partnerships, or other First Nation own sources, cannot be fully realized without complementary investment strategies. This gap, between capital injection and greatest impact, requires strategies that seek to maximize realized returns and optimize the portion of economic benefits from settlements that are captured by the First Nation labour force in local economies on First Nations lands.

How Economies Grow

Understanding how First Nations economies can grow faster, and more sustainably, begins with institutional economics. The growth of local economies is complex, answers are continuously refined and debated by academic and applied economists globally. There is no universal approach to fostering growth and supporting economic development, on First Nations lands or around the world. However, some First Nation governments have chosen to pursue the advancement of their vision of economic self-determination by facilitating investment more efficiently. In their view, economic self-determination is a virtuous cycle where First Nations generate fiscal means from investment on their lands and use their revenues to efficiently implement jurisdictions, public services, and infrastructure to make their investment climates more attractive, facilitate more investment, and generate more fiscal means.

A possible pathway to economic growth for First Nations starts with recognizing local advantages or profitable opportunities, relative to other jurisdictions. These are called comparative advantages. They can include things like proximity to markets, suitability for tourism, resource abundance, skilled workforce, clean energy potential, or access to capital and technology. Comparative advantages can attract investment, but they are not guaranteed to do so. Economies rely on institutions for stability and function. Essential institutional ingredients include clear property rights, efficient legal frameworks, responsive governance, reliable administration, efficient fiscal relationships, and robust economic infrastructure. These factors, which together form the investment climate, turn comparative advantages into competitive advantages. Competitive advantages attract investment, leading to revenue growth, job creation, increased housing demand, and the renewed need for infrastructure and public services.

The institutions established under the Framework Agreement on First Nation Land Management Act (FA) and under the First Nations Fiscal Management Act (FNFMA), and the Tulo Centre of Indigenous Economics (Tulo) have established an institutional economics strategy to reduce high transaction and switching costs sooner to support faster economic self-determination for interested First Nations. Stated more directly, the purpose of the optional FA-FNFMA-Tulo strategy is to restore Indigenous prosperity through efficiency.



For a more complete picture of how economic growth is advanced by fostering strong investment climates, the figures contained in Appendix IV describe investment climate elements, with reference to selected concepts in new institutional economics.

Applied Institutional Economics and Specific Claims

In Section II of this report, Micheels et al.³⁰ use the case of Little Red River Cree Nation to describe how specific claims settlement funds are being invested off-reserve, in communities adjacent to reserve lands. In simple terms, investment, and thus much of the realized economic impacts from new capital, is occurring off-reserve despite on-reserve injections of capital directly to First Nations governments, and often to community members through per-capita transfers. Efforts to maximize the potential benefits of specific claims settlements, and advance economic reconciliation, should seek to reduce leakage from reserve economies.

With this case study, Micheels et al. show that the on-reserve economic effects of specific claims settlements can be left unrealized if the regulatory and institutional conditions of on-reserve economies are poor. If investments are not made in improving the institutional support for investment, related infrastructure, and in complementary areas, transfers resulting from the specific claims process, other programs, and treaties, will be less effective at improving the well-being of First Nations. The benefits of new capital injection are lost.

Reducing leakage from reserve economies means making on-reserve economies more attractive to investment, by community members and by other parties. To do this, Canada should work with interested First Nations governments, and institutional partners, to support economic infrastructure and foster independent First Nation economies with jurisdiction over fiscal and economic affairs, that can develop robust investment climates on reserve lands. The FNFMA institutions, including the First Nations Tax Commission (FNTC) and the newly established First Nations Infrastructure Institute (FNII) are potential partners to achieve these goals. The FNFMA supports First Nations to manage their fiscal matters independently. Among other things, it enables the FNTC to support First Nations in independently collecting property taxes, and property transfer taxes, from leaseholders on reserve lands. These measures support fiscal autonomy, and thus economic self-determination. Through the FNFMA, First Nations gain the tools and authority to make decisions about economic development, fiscal power, and financial management on their lands.

Additionally, the Framework Agreement on First Nations Lands Management (FA), supported by the First Nations Lands Management Resource Centre (RC), is a legal framework established in Canada that enables First Nations communities to assume greater control over their lands and resources. Under this agreement, participating First Nations gain the authority to manage their reserve lands, resources, and environment, free from many of the constraints imposed by the Indian Act. This autonomy allows them to develop and implement their own land codes and

³⁰ Eric Micheels, Omid Mirzaei, and David Natcher, "Estimating the Economic Impacts of Specific Claims Settlements in Canada: The Case of Little Red River Cree Nation," *Canadian Public Policy* (2021): 47. 10.3138/cpp.2020-118.



laws, tailored to their specific community needs. Together, these elements form the FA-FNFMA-Tulo approach to economic development for First Nations.

By providing opt-in, independent systems that supplant the management frameworks present in the Indian Act, the FA-FNFMA-Tulo approach seeks to support a virtuous circle of First Nations growth. This is a cycle that starts with investment, which can be capitalized upon because of existing institutional frameworks. In the virtuous circle, investment leads to employment, which leads to housing, creating the need for infrastructure and public services. When First Nations have implemented their fiscal jurisdiction, investment provides tax revenues for infrastructure, and for better services, so that the cycle can continue. If effective institutional supports which support fiscal jurisdiction are missing, First Nations cannot improve infrastructure and services to attract investment. In this case, the cycle is broken, and leakage to off-reserve economies will occur. By collaborating with the FNTC and other FA-FNFMA-Tulo institutions to advance First Nations economic and fiscal jurisdiction, Canada can ensure that future specific claims settlements are fully realized within more prosperous reserve economies.

In addition to these efforts, Canada should seek to reduce the processing time for specific claims and other programs. As demonstrated by the results of the expenditure scenario, and with respect to the time value of money discussed in Section II of this report, it is evident that faster settlement administration increases the economic development potential of specific claims settlements. When First Nations wait many years for settlement resolution, opportunity costs rise, and the expected value of the returns on investment decrease.

If these steps are pursued by Canada, working with First Nations and First Nations-led institutions, the positive impacts of specific claims settlements on First Nations economies, and thus First Nations well-being and community growth, will be greater. Supporting First Nations investment climates and institutions will advance economic reconciliation and improve the working relationship between Canada and First Nations.

XI. Recommendations for Further Research

Based on the findings in this report, we make the following recommendations for further research on the economic impacts of specific claims settlements:

1. Replicate Micheels et al.'s research with the Little Red River Cree Nation settlement across a wider sample of interested First Nations. This would improve understanding of how Canada can support the investment of specific claims settlement funds into reserve economies.
2. Demonstrate the economic impact of speeding up settlement of specific claims. This research could have two phases. The first phase could estimate the average amount of time it took to receive a specific claims settlement from 2008-2015, the first half of the sample period, compared to the average from 2016-2023. The second phase could estimate the economic impact of this saved time in settling specific claims.
3. Conduct case studies with interested First Nations about actual claims revenue expenditures and potential claims revenue expenditure, working principally with First



Nations who have received settlements in the preceding five years. In this regard, the literature research on the elements in Section X examining the framework for maximizing realized economic benefits identified a wide variety of factors that can influence whether potential impacts are realized and the magnitude of them. In fact, the approach utilized here could facilitate a valuable impact maximization exercise, whereby the proportions for each of the common expenditure categories could be manipulated while monitoring the resulting increase or decrease in estimated potential economic impacts. Such an exercise could help to inform First Nations' expenditure decision-making processes, when the generation of greater potential economic benefits is the objective, or among the objectives. For example, based on the results of our interviews, a good candidate for an initial potential economic impact study from settlement revenues would be land acquisition that is added to First Nation jurisdiction and used for economic purposes.

4. CIRNAC, and the SCB directly, should work with interested First Nations, and First Nations institutions, to conduct a study or develop a broader process which identifies opportunities to streamline the specific claims process.
5. Compare financial returns from investment of settlement monies in financial instruments with economic and fiscal returns from investments in common expenditure categories (or, more specifically, investment in the investment climate / success factors noted in Section X).
6. Draft a study examining the specific, quantitative economic impacts of the establishment of community trusts by First Nations, in relation to specific claims settlement monies.
7. To support these processes, determine the accounting and audit standard requirements to support the use of First Nation audited financial statements in future economic impact assessments for specific claims settlements and other possible assessments.

Based on the review of research on this topic, as well as challenges and opportunities we encountered while conducting this research, the following can be recommended to those designing further research on this topic:

- The Community Wellbeing Index is an unreliable data source for assessing the economic value of specific claims settlements.
- When used independently, and in their current form, First Nation published audited financial statements are not a good data source to assess the economic value of specific claims settlements, owing to issues associated with standards, consistency, and robustness.
- First Nation published audited financial statements, when observed together with trust fund objective statements and case study interviews are good sources of information to assess potential economic benefits from specific claims settlements on a case-by-case basis. Variability between First Nations data collection in a selected sample means that results remain difficult to generalize.
- Trust fund objective statements and case study interviews suggest First Nations are interested in realizing greater economic impacts from specific claims settlements, but



that First Nations may not want Canada to establish an advisory role with respect to claims-derived expenditures by First Nations.

- First Nations interested in realizing greater economic impacts from specific claims settlements may be willing to work with Fiscal Realities to provide relevant data, including trust fund objective statements and reports, or further interview data.

Future research initiatives would benefit greatly from partnerships with institutions in the FA-FNFMA-Tulo Centre framework. These institutions have the capacity, mandate and First Nation contacts and support to facilitate completion of these proposed research projects on their own or with Fiscal Realities or another contractor. Specifically, projects two and three of the above list could involve a Tulo Centre partnership and projects four and five could involve an FMB partnership. Fiscal Realities or another primary contractor could complete project two on the above list in partnership with the SCB, and with participation by interested First Nations.

XII. Policy Recommendations

The estimates associated with the expenditure scenario presented in this report provide important insights into how Canada can best support a path towards economic reconciliation and support First Nations governments as they seek to maximize the economic benefits of funds resulting from the settlement of specific claims. Relevant policy recommendations, designed to support the maximization of economic impacts as outlined in Section X, are not solely targeted at the SCB or the specific claims process. Efforts by Canada to support independent First Nations jurisdiction and institutions will enhance First Nations economic growth on and off reserve, furthering economic reconciliation. These efforts should include:

1. Working with all relevant partners to accelerate the specific claims settlement process, allowing First Nations to receive settlement monies sooner, and realize greater returns from investing and expending settlement funds.
 - a. The value of SCB speeding up claims resolution could be demonstrated by completing research project 2.
2. Including real estate value inflation adjustments to determine compensation for land. All case study interviews recommended this. This adjustment factor would consider the period between agreement, and future opportunities to purchase lands, typically at least 2 years in the future.
3. Making the key findings of this report, with specific reference to the conclusions drawn from interviews with selected First Nations, and the outcomes of the expenditure scenario, available to interested First Nations. These results will inform interested First Nations on how their expenditure decisions related to specific claims settlement monies might impact economic and community outcomes.
4. Supporting interested First Nations and First Nation institutions to increase the potential economic impact from specific claims settlements. Efforts could include the following partnerships and projects:



- a. Work with the Tulo Centre of Indigenous Economics to (i) support the completion of research projects 1 and 3, (ii) develop workshops for interested First Nations about realizing the potential of specific claims settlements (iii) develop curriculum for a possible accredited applied economics course in raising the economic potential of specific claims settlements.
- b. Develop a partnership with the FA-FMA-Tulo Centre institutions to (a) support joint presentations at First Nations Leading the Way about the potential impact of claims settlement revenues and (b) develop innovations to improve the SCB settlement negotiations process and innovations to support increased benefits from specific claims settlements.
- c. Work with the FMB to (i) support research projects 4 and 5 (ii) develop and implement the necessary audit reporting standards for future economic impact assessments from claims settlements and (iii) help interested First Nations realize more economic benefits from their settlement revenues trust accounts.
- d. As suggested in case study interviews, work with the Lands Advisory Board Resource Centre (RC) to support faster additions to reserves so that greater economic impacts are realized from claims settlements.
- e. Work with the First Nations Infrastructure Institute to implement infrastructure investments from settlement revenues that generate greater economic impacts for interested First Nations.



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Appendix I: Per-Capita Transfer Programs in Contemporary Economic Development Scholarship

Several studies examine the quantitative and qualitative impacts of policy tools on wellbeing and community development on Indian Reservations in the United States.

The first, Edwards and Dewees,³¹ is written from the perspective of a US-based First Nations organization mandated to assist tribal governments in their economic development. This paper does not examine the impacts of a particular policy tool on well-being or economic development. Instead, it draws upon economics literature to stress the centrality of sound and transparent government finances to growth. It also focusses on community wealth. Relevant to this report is Edwards and Dewees' support for per capita distribution payments, which they argue can improve standards of living on reservations and reduce the need for tribal governments to provide a wide range of social services relative to off-reservation governments. The paper progresses to outline solutions identified by the First Nations Development Institute to develop effective per capita payment programs and minor's trusts, ranging from financial education and counselling prior to the implementation of transfers, to the use of a high school completion prerequisite. This paper supports per-capita transfer payments, which often result in Canada from specific claims funds. It does not highlight institutional and investment barriers to the benefits of specific claims settlements being realized on First Nation lands.

Cornell, S. et. al.³² makes direct policy recommendations for First Nation governments on per capita distributions of discretionary funds, primarily from casino revenues. It sets out broad policy tools to improve the outcomes of such transfer programs. They call for complementary investments into financial management education for tribal members, the placement of conditions on transfers depending on circumstance, and other common mechanisms cited in the first paper. In essence, both studies give background support to the implementation of lump sum transfers to First Nations resulting from specific claims settlements. They do not relate strongly to the more controlled investment of specific claims funds into community programs, or into fostering stronger on-reserve investment climates.

Pivoting to the international development economics literature, two approaches to the provision of per-capita transfers are evident. Conditional cash transfers (CCTs) and unconditional cash transfers (UCTs) are both widely used in poverty alleviation and social assistance initiatives internationally. There is considerable debate in the current scholarly conversation as to the relative efficacy of the two approaches to per-capita transfers.

CCTs are cash transfers provided to individuals or families contingent upon fulfilling certain conditions. These are typically related to behaviors such as sending children to school, attending health check-ups, or participating in nutrition programs. The conditions aim to

³¹ Edwards, K & Dewees, S, "Developing Innovations in Tribal Per Capita Distribution Payment Programs: Promoting Education, Savings, and Investments for the Future." *First Nations Development Institute* (2011).

³² Cornell, S. et. al., *Per Capita Distributions of American Indian Tribal Revenues: A Preliminary Discussion of Policy Considerations*, University of Arizona Press, 2017.



promote specific behaviors and investments in human capital. Studies have shown that CCTs can lead to improvements in health and education outcomes among recipients, as well as reduced poverty levels.³³ In general, they also may encourage investment in education and health, leading to improved human capital outcomes, which are crucial for long-term economic development.

UCTs provide regular cash transfers to individuals or households without any specific conditions attached. Recipients are free to use the funds as they see fit, whether it's for consumption, investment, or savings. UCTs are often advocated for their simplicity and effectiveness in reducing poverty and providing economic security. Current scholarship suggests that UCTs can lead to improvements in household welfare, increased consumption, and better mental health outcomes.³⁴ UCTs, by providing unconditional cash to individuals, can stimulate local economies through increased consumption, thereby boosting economic activity and creating employment opportunities.

At a basic level, both types of cash transfers have been effective in reducing poverty levels by providing households with additional income, enabling them to meet their basic needs and invest in productive activities.³⁵

CCTs focus on specific behavioral changes and investments in human capital, UCTs provide flexibility and autonomy to recipients in utilizing cash transfers. Both types of programs have demonstrated positive impacts on economic development outcomes, in certain cases. In the context of specific claims settlements, a different and untested concern arises. These transfer programs, examined through many randomized controlled trials (RCTs) in the papers cited, provide small regular payments designed to supplement existing income, replacing it entirely only in a few studies. Existing per-capita payments resulting from specific claims often administer lump-sum one-time transfers to eligible members of First Nations receiving claims settlements. No study has, to date, sought to determine how the economic impacts of cash transfers might change between small regular payments and one-time settlement payments.

The use of per-capita transfers by First Nations governments may benefit First Nations well-being if implemented effectively. This holds whether these programs are introduced because of novel funding sources, including from tribal gaming initiatives in the United States, or because of specific claims settlements in Canada. Per-capita transfers may also improve health and education outcomes at a community level, especially if First Nations governments impose conditions on settlement administration. For First Nations governments seeking to exert their

³³ Santiago Levy et al., "Conditional Cash Transfers, Public Goods, and Educational Attainment: Evidence from a Randomized Experiment in Mexico," *The World Bank Economic Review* 22, no. 2 (2008): 1-28.

Paul Gertler, "Do Conditional Cash Transfers Improve Child Health? Evidence from PROGRESA's Control Randomized Experiment," *American Economic Review* 94, no. 2 (2004): 336-341.

³⁴ Benjamin A. Olken and V. Fiala, "Cash Transfers and Temptation Goods: A Review of Global Evidence" (2013).
John Giles et al., "Unconditional Cash Transfers in China: Who Benefits from the Rural Minimum Living Standard Guarantee (Dibao) Program?" (2007).

³⁵ Further studies, listed in the references section of this report, describe applications of both UCT and CCT programs internationally. They may inform First Nations seeking to design gradual payment programs for cash transfers resulting from land claims settlements.



jurisdiction and independently implement effective per-capita transfer programs funded by specific claims settlement monies, there are important lessons in the economics literature that may inform future policy decisions. First, the conditionality of transfer programs should be considered, despite political challenges at a local level. If programs such as financial literacy education can become conditions of transfer receipt, outcomes may improve. Additionally, the spacing of transfer monies into monthly payments to members may improve program efficacy. Finally, it is important to note that per-capita transfers cannot be disqualified as tools, alongside relevant conventional expenditures, and investments, for First Nations to grow their economies. Current scholarship on economics is split on this issue, but many Randomized Controlled Trials suggest overwhelmingly positive economic effects to regular payments that decrease individual financial burdens across communities.



Appendix II: Description of Sample

The sample includes 20 First Nations. It will remain anonymous, but the bullets below are an attempt to describe the sample across several characteristics (region, population, reserve size, etc.). These characteristics were chosen simply to describe the sample. For this study, no analysis has been conducted to measure the influence any of these characteristics on the types of expenditures made by settlement receiving First Nations or the potential economic impacts that might be generated by the expenditure of settlement monies.

- Region: The sample includes four First Nations in BC, eight in Alberta, four in Saskatchewan, one in Ontario, one in Quebec, and two in Atlantic Canada.
- Population: The sample includes five First Nations with registered populations under 1,000 members, seven First Nations with between 1,000 and 3,000 members, and eight with more than 3,000 members.
- Portion Residing on Reserve: The sample includes six First Nations with less than 30% of the registered population living on reserve, eight with between 30% and 50% living on reserve, and six with more than 50% of members residing on reserve.
- Reserve Size: The sample includes six First Nations with reserve area³⁶ totalling less than 3,000 ha, seven with more than 3,000 ha but less than 10,000 ha, and seven First Nations with reserve lands exceeding 10,000 ha in size.
- Governance: The sample includes 13 First Nations using a custom electoral system, four using the election system under the Indian Act, and three that have opted into the First Nations Elections Act.
- Settlement Size: The sample includes four First Nations with settlements of less than \$20 million, five First Nations with settlements between \$20 million and \$50 million, three with settlements of more than \$50 million but less than \$100 million, and eight with settlements exceeding \$100 million.
- Typical Annual Revenues: The sample includes four First Nations with typical annual revenues, excluding the settlement, of less than \$10 million, six with typical annual revenues in the \$10 million to \$20 million range, eight with \$20 million to \$65 million in typical annual revenues and two with annual revenues exceeding \$130 million.
- Size of Settlement, Relative to Typical Annual Revenues: The sample includes four First Nations for which the amount of the settlement was less than typical annual revenues, and sixteen First Nations for which the settlement exceeded typical annual revenues.
- Claim Duration: The sample includes five First Nations that were able to settle their specific claim in less than 5 years, from initiation³⁷ to receipt of settlement, as reported by Canada, five with specific claims that took between 5 and 10 years to settle, six that took between 10 and 20 years to settle and four that took longer than 20 years to settle.

³⁶ This includes shared reserves.

³⁷ For this purpose, the date of initiation was the earliest key date noted by the Specific Claims Branch's Status Report on Specific Claims, typically either the "Research Start Date" or the "Date Claim Filed."



- First Nations Fiscal Management Act (FMA): The sample includes twelve First Nations that are scheduled to the FMA. Eleven of the twelve have enacted their own Financial Administration Law under the Act while ten have received Financial Performance certification from the First Nations Financial Management Board (FMB). Four have also earned Financial Management System certification. Five of the twelve First Nations are exercising their fiscal power under the Act with the support of the First Nations Tax Commission (FNTC). Five of the twelve are borrowing members with the First Nations Finance Authority (FNFA) as well.
- Framework Agreement on First Nations Land Management Act (FA): The sample includes two First Nations that have ratified land codes under the Framework Agreement on First Nations Land Management Act and four more that are in the development phase.



Appendix III: Linking IOIC Industries with Expenditure Categories

Industry Identification

Table A1, below, identifies the IOIC industries associated with each of the previously identified common expenditure categories. In Table A1, the column on the left identifies common expenditure categories. The column on the right identifies the industry or industries in which an increase in output might be expected, within the IOIC classification structure, associated with expenditures of settlement monies in each category.

Table A1: Common Expenditure Categories and Associated Industries

Common Expenditure Category	Associated Industry
Per capita distributions	<ul style="list-style-type: none"> Total Industries
Loan payments / repayments; loan retirement	<ul style="list-style-type: none"> Banking and other depository credit intermediation [BS5221A0]
Fees for professional services furthering specific claims	<ul style="list-style-type: none"> Legal services [BS541100] Professional, scientific, and technical services [BS540]
Land purchase; land acquisition	<ul style="list-style-type: none"> Legal services [BS541100] Offices of real estate agents and brokers and activities related to real estate [BS531A00] Architectural, engineering, and related services [BS541300]
Education; training	<ul style="list-style-type: none"> Educational services [BS610] Educational services [NP610000] Government educational services [GS610]
Mortgage guarantee program; mortgage support program	<ul style="list-style-type: none"> Activities related to credit intermediation [BS522300]
Economic development purposes	<ul style="list-style-type: none"> Non-residential building construction [BS23B] Engineering construction [BS23C]
Initiatives identified in the Comprehensive Community Plan	<ul style="list-style-type: none"> N/A, expenditures redistributed amongst other relevant categories
Support for start-up of member businesses	<ul style="list-style-type: none"> Activities related to credit intermediation [BS522300]
Housing	<ul style="list-style-type: none"> Engineering construction [BS23C] Residential building construction [BS23A] Repair Construction [BS23D] Services to buildings and dwellings [BS561700]
Cultural development and events; heritage and language initiatives	<ul style="list-style-type: none"> Performing arts, spectator sports and related industries, and heritage institutions [BS71A000] Information and cultural industries [BS510]
Environmental stewardship; environmental protection and management initiatives	<ul style="list-style-type: none"> Other Aboriginal government services [GS914] Management, scientific and technical consulting services [BS541600]
Healthcare services	<ul style="list-style-type: none"> Government health services [GS620]
Police and fire protection services	<ul style="list-style-type: none"> Other municipal government services [GS913]
Sports and recreation purposes	<ul style="list-style-type: none"> Non-residential building construction [BS23B] Engineering construction [BS23C] Arts, entertainment, and recreation [NP710000] Arts, entertainment, and recreation [BS710]



Insurance	<ul style="list-style-type: none"> • Agencies, brokerages, and other insurance related activities [BS524200]
Infrastructure	<ul style="list-style-type: none"> • Engineering construction [BS23C] • Water, sewage, and other systems [BS221300]

Industry Descriptions

Those IOIC industries chosen for each of the common expenditure categories are described below:

Per capita distributions – How individuals or households choose to save or spend their per capita distributions is not known. It is therefore impossible to identify a specific IOIC industry or industries with reasonable confidence. Many scenarios could be constructed to facilitate the estimate, but there are infinitely many plausible scenarios. For simplification purposes, economic multipliers for Total Industries are used. This captures all IOIC industries. This is a reasonable approach for this common expenditure category.

Loan payments / repayments; loan retirement – Expenditures in this category are assumed to be increases in output within the Banking and other depository credit intermediation [BS5221A0] industry. By using the StatsCan concordance table,³⁸ definitions for similarly number coded NAICS industries were used, including 52211 Banking (comprised of establishments primarily engaged in accepting deposits and issuing loans, including examples like chartered banks) and 52219 Other depository credit intermediations (comprised of establishments primarily engaged in accepting deposits and making loans). Repayment of loans (i.e. expenditures in this common category) are believed to be consistent with activity in this industry.

Fees for professional services furthering specific claims – Expenditures in this category are assumed to be increases in output within Legal services [BS541100] specifically, and within Professional, scientific, and technical services [BS540] more generally. The Legal services industry includes establishments primarily engaged in providing legal services (including practitioners, known as lawyers, barristers, and solicitors, primarily engaged in the practice of law) and paralegal services. A broader range of other professional services are also required during the negotiation of a specific claims settlement. The summary level Professional, technical and scientific services industry is comprised of establishments primarily engaged in activities in which human capital is the major input. These establishments make available the knowledge and skills of their employees, often on an assignment basis. The distinguishing feature of this sector is the fact that most of the industries grouped in it have production processes that are almost wholly dependent on worker skills. The establishments classified in this sector sell expertise. Expenditures in this common category are believed to be consistent with the activities in these two industries.

³⁸ Table located at this [link](#).



Land purchase, land acquisition – Expenditures in this category are assumed to increase in output within the Legal services [BS54100] industry, related to the transaction, registration of the interest in land, and support through the Additions-to-Reserve (ATR) process. Expenditures in this category are also assumed to increase output within the Architectural, engineering, and related services [BS541300] industry, related to land survey work often required. This industry comprises many sub-industries, including architectural services, landscape architectural services, engineering services, drafting services, building inspection services, and surveying and mapping services, among others. Multipliers are not available for 54137 Surveying and mapping services, so multipliers for the broader Architectural, engineering, and related services [BS541300] industry are utilized. Expenditures are also assumed to increase output within the Offices of real estate agents and brokers and activities related to real estate [BS531A00] industry. Using the concordance table and the description for the similarly number coded NAICS industry, 5312 Offices of real estate agents and brokers, the industry is comprised of establishments primarily engaged in renting, buying, and selling real estate for others, on a fee or commission basis, including assisting buyers by selecting, visiting and making purchase offers. For the economic impact estimation, expenditures in this category are assumed to be consistent with activities in these industries.

Education, training – Expenditures in this category are assumed to be increases of output within the educational services [BS610] industry, the educational services [NP610000] industry, and the Government educational services [GS610] industry. It is not known how First Nations in the sample have implemented educational and training services, either through utilization of providers in the business sector (BS), non-profit sector (NP), or through more direct delivery in the government services sector (GS). Therefore, educational services multipliers from all three sectors will be utilized. In all cases, definitions include specialized establishments primarily engaged in providing instruction and training in a wide variety of subjects, delivered by teachers who explain, tell, demonstrate, supervise, and direct self-learning. Instruction is imparted in diverse settings, such as educational institutions, the workplace, or the home (through correspondence, television, or other means). Expenditures in this common category are believed to be consistent with activity in these three industries.

Mortgage guarantee program, mortgage support program – Expenditures in this category are not necessarily assumed to be increases of output within the Activities related to credit intermediation [BS522300] industry, but the economic impacts that may potentially be generated by these expenditures is believed to be largely consistent with the impacts that might be generated in this industry. The industry includes establishments primarily engaged in providing services closely related to credit intermediation. Within the NAICS structure, the 5223 Activities related to credit intermediation industry include three components. The first is 52231 Mortgage and non-mortgage loan brokers. Multiplier data is not provided at this level of break down; therefore, economic multipliers for the Activities related to credit intermediation [BS522300] industry are used to support the estimation process.

Economic development purposes – This is a very board expenditure category that shows up numerous times in the audited consolidated financial statements and trust agreements of First



Nations in the sample. Expenditures in this category can be incredibly varied. To facilitate the estimation process, a significant simplifying assumption is required. It is assumed that supporting economic development purposes can typically involve the construction of non-residential buildings and the installation of infrastructure to support service to those buildings. Therefore, economic multipliers for the Non-residential building construction [BS23B] industry and the Engineering construction [BS23C] industry are used. The concordance table does not specify a NAICS code for either industry. However, it is believed that 2362 Non-residential building construction and 237 Heavy and civil engineering construction are largely consistent with the identified IOIC industries. 2362 Non-residential building is comprised of establishments mainly engaged in industrial, commercial, and institutional building construction. This includes non-residential general contractors, non-residential operative builders, non-residential design-build firms, and non-residential construction management firms. And 237 Heavy and civil engineering construction is comprised of establishments whose primary activity is the construction of entire engineering projects, and specialty trade contractors, whose primary activity is the production of a specific component for such projects. Sub-industries include utility system construction; land subdivision; highway, street, and bridge construction; and other heavy and civil engineering construction.

Initiatives identified in the Comprehensive Community Plan (CCP) – This is also a broad expenditure category, encompassing any initiative included in a First Nation’s CCP. Such initiatives might include many of the other categories already identified, such as infrastructure, housing, environmental management, sports and recreation, economic development, education and training, etc. Therefore, the approach taken to facilitate the estimation of potential economic impacts is to redistribute expenditures in this category among the other commonly identified expenditure categories, excluding Per capita distributions; Loan payments; and Fees for professional services furthering specific claims. These exclusions have been made as they are more specifically related to specific claim settlements and less likely to be identified as typical initiatives in a CCP.

Support for startup of member businesses – Expenditures in this category are assumed to be primarily in the form of business startup loans or grants, or low interest or forgivable loans. Therefore, a similar approach to the Mortgage guarantee program; mortgage support program expenditure category is taken here. Again, expenditures in this category are not necessarily assumed to be increases of output within the Activities related to credit intermediation [BS522300] industry, but the economic impacts that may potentially be generated by these expenditures are believed to be consistent with the impacts that might be generated within it.

Housing – Expenditures in this category are assumed to include site prep and subdivision of land, construction of new housing units, renovation, and repair of existing housing units, and building maintenance services for housing. With respect to site prep and subdivision of land, multipliers for the broad Engineering construction [BS23C] industry are utilized. As previously stated, the concordance table does not provide a NAICS code, but it is believed that 237 Heavy and civil engineering construction is consistent with Engineering construction [BS23C]. As previously noted in the common Economic development expenditure category, 237 Heavy and



civil engineering construction includes 2372 Land subdivision. Unfortunately, multiplier data is not available for 2372 Land subdivision specifically. Multipliers for the broad Engineering construction [BS23C] are used. With respect to construction of new housing units, multipliers for the Residential building construction [BS23A] industry are used. The definition of this industry is believed to be consistent with the definition for the NAICS industry 2361 Residential building construction, which includes establishments primarily engaged in the construction of single-family and multi-family residential buildings. The NAICS industry also includes renovation and remodeling of residential buildings. Therefore, multipliers for Repair construction [BS23D] are also utilized. Although this industry is not specific to residential structures, it is still believed to be applicable here. With respect to building maintenance and services for housing, multipliers for the Services to buildings and dwellings [BS561700] industry are used, which includes establishments engaged in care and maintenance of buildings, cleaning building interiors and windows, landscaping installation, and other services. Expenditures in the common category of Housing are assumed to be consistent with the activities in these four IOIC industries.

Cultural development and events; heritage and language initiatives – Expenditures in this category are assumed to increase output within Performing arts, spectator sports and related industries, and heritage institutions [BS71A000] and Information and cultural industries [BS510]. Using the concordance table and similarly number coded NAICS industry descriptions, the 712 Heritage institutions industry is comprised of establishments primarily engaged in preserving and exhibiting objects, sites, and natural wonders of historical, cultural and educational value. Unfortunately, multiplier data is not available at this level, and the more board Performing arts, spectator sports and related industries, and heritage institutions [BS71A000] must be used instead. With respect to cultural industries, the description for 51 Information and cultural industries includes establishments primarily engaged in producing and distributing information and cultural products, noting the intangible nature of the content of information and cultural products allows for their distribution in various forms. Expenditure in this common category is assumed to be consistent with changes in output in these two industries.

Environmental stewardship, environmental protection, and management initiatives – Expenditures in this category can be very broad. To facilitate the estimate of potential economic impacts, a simplifying assumption is required. A portion of expenditures in this category are assumed to increase output of Other Aboriginal government services [GS914] within the government sector, and a portion is assumed to increase output of the Management, scientific and technical consulting services [BS541600] industry. The 54162 Environmental consulting services industry is comprised of establishments primarily engaged in providing advice and assistance to other organizations on environmental issues, such as the control of environmental contamination from pollutants, toxic substances, and hazardous materials. These establishments identify problems, measure, and evaluate risks, and recommend solutions. They employ a multi-disciplined staff of scientists, engineers, and other technicians, with expertise in areas such as air and water quality, asbestos contamination, remediation, and environmental law. Unfortunately, multiplier data is not available at this level. Multiplier data for the



Management, scientific and technical consulting services [BS541600] industry is used. Within the NAICS structure, 5416 Management, scientific and technical consulting services includes 54162 Environmental consulting services, but also 54161 Management consulting services and 54169 Other scientific and technical consulting services.

Healthcare services – Expenditures in this category are assumed to increase output within Government health services [GS620]. Using the concordance table and descriptions for similarly number coded NAICS industries, this includes establishments primarily engaged in providing health care by diagnosis and treatment, providing residential care for medical and social reasons. This includes providing health care services, directly or indirectly, to ambulatory patients (includes office of physicians, offices of dentists, offices of other health practitioners, out-patient care centres, medical and diagnostic labs, home health care services, and other ambulatory care services), hospitals, and providing residential care combined with either nursing, supervisory or other types of care as required by the residents. Expenditures in this category are believed to be consistent with activity in this industry.

Police and fire protection services – These services can be provided directly or via a service agreement. In either case, it is assumed that potential economic impacts would be consistent with those associated with changes in output within Other municipal government services [GS913]. Using the concordance table, the associated NAICS industry is 913 Local, municipal, and regional public administration. This includes local governments engaged in governmental activities, including public order and safety, among others noted in the description. Sub-industries include 9131 Municipal protective services, which includes 91313 Municipal police services and 91314 Municipal fire-fighting services, among others. Unfortunately, multipliers at the 5-digit level of detail are not available. Therefore, multipliers for the broader Other municipal government services [GS913] are utilized.

Sports and recreation purposes – Expenditures in this category are assumed to be related to the construction of sports and recreation facilities or associated with sports and recreation services and programming. With respect to construction of facilities, it is assumed that expenditures will increase output within the Non-residential building construction [BS23B] industry and will also imply increases in output within the Engineering construction [BS23C] industry, associated with site prep and / or infrastructure required to support newly constructed sports and recreation facilities. Language from corresponding NAICS descriptions was previously provided in common Economic development expenditure category. With respect to sports and recreation services and programming, it is assumed that expenditures will increase output within the Arts, entertainment, and recreation industry, both within the non-profit sector [NP710000] and within the business sector [BS710]. The 713940 Fitness and recreational sports centres industry includes establishments engaged in operating facilities for health, recreational sports, and similar activities, including physical fitness facilities, skating rinks, swimming pools, wave pools, racquet courts, gymnasiums, weight training centres, etc. Unfortunately, multipliers at this level of detail are not available. Therefore, multipliers for the broader Arts, entertainment and recreation industry are used. Multipliers for both the non-profit sector and the business sector are used because the expenditure break down is not known.



Insurance – Expenditures in this category are assumed to be increases in output within the Agencies, brokerages, and other insurance related activities [BS524200] industry. This industry comprises establishments engaged in selling or providing insurance services. Expenditures in the Insurance category is assumed to be consistent with activity in this industry.

Infrastructure – Expenditures in this category can be broad. But, for simplification purposes, it is assumed that a portion of expenditures are related to the construction, installation, or acquisition of new infrastructure and a portion of expenditures are related to ongoing operations and maintenance of infrastructure assets. With respect to the construction of infrastructure, expenditures are assumed to increase output within the Engineering construction [BS23C] industry. Again, the concordance table does not provide an exact NAICS industry associated with Engineering construction [BS23C], but it is believed that 237 Heavy and civil engineering construction is remarkably similar. From the NAICS description, this industry includes establishments whose primary activity is the construction of entire engineering projects, and specialty trade contractors, whose primary activity is the production of a specific component for such projects, this may involve new construction, or additions, alterations, or maintenance and repairs to existing structures and works. Sub-industries, for which multiplier data is not available, include 2371 Utility system construction (including water and sewer lines and related structures and power and communications lines and related structure, among others), 2372 Land subdivision (preceding building activity), 2373 Highway, street and bridge construction (including public sidewalks, paving and road resurfacing, culverts, signage, among many others), and 2379 Other heavy and civil engineering construction (including similar establishments not classified into another industry, with dredging, land drainage, parks and trails, earth retention, and flood control, among many noted examples). And with respect to the operation of infrastructure assets and facilities, expenditures are assumed to increase output within the Water, sewage, and other systems [BS221300] industry, comprised of establishments primarily engaged in operating water, sewage, and related systems, including water supply, treatment and distribution and sewer collection and treatment. Expenditures in this category are assumed to be consistent with activities in these industries.

Industry Output Changes for Expenditure Scenario

Expenditures within the common categories are assumed to result in equivalent increases in output within the previously identified IOIC industries. These are provided in the table below.



Table A2: Assumed Changes in Output for the Expenditure Scenario (%)

Common Expenditure Category		Industry (IOIC)	
30%	Per Capita Distribution	Total Industries	100%
10%	Loan payments / repayments; loan retirement	Banking and other depository credit intermediation [BS5221A0]	100%
4%	Fees for professional services furthering Specific Claims	Legal Services [BS541100]	75%
		Professional, scientific and technical services [BS540]	25%
6%	Land purchase; land acquisition	Legal services [BS541100]	10%
		Offices of real estate agents and brokers and activities related to real estate [BS531A00]	85%
		Architectural, engineering and related services [BS541300]	5%
5%	Education; training	Educational services [BS610]	33%
		Educational services [NP610000]	33%
		Government educational services [GS 610]	33%
2%	Mortgage guarantee program; mortgage support program	Activities related to credit intermediation [BS522300]	100%
9%	Economic development purposes	Non-residential building construction [BS23B]	50%
		Engineering construction [BS23C]	50%
3%	Support for startup of member businesses	Activities related to credit intermediation [BS522300]	100%
7%	Housing	Engineering construction [BS23C]	25%
		Residential building construction [BS23A]	60%
		Repair Construction [BS23D]	5%
		Services to buildings and dwellings [BS561700]	10%
2%	Cultural development and events; heritage and language initiatives	Performing arts, spectator sports and related industries, and heritage institutions [BS71A000]	50%
		Information and cultural industries [BS510]	50%
3%	Environmental stewardship; environmental protection and management initiatives	Other Aboriginal government services [GS914]	75%
		Management, scientific and technical consulting services [BS541600]	25%
6%	Healthcare services	Government health services [GS620]	100%
2%	Police and fire protection services	Other municipal government services [GS913]	100%
2%	Sports and recreation purposes	Non-residential building construction [BS23B]	50%
		Engineering construction [BS23C]	20%
		Arts, entertainment, and recreation [NP710000]	15%
		Arts, entertainment, and recreation [BS710]	15%
2%	Insurance	Agencies, brokerages, and other insurance related activities [BS524200]	100%
7%	Infrastructure	Engineering construction [BS23C]	75%
		Water, sewage and other systems [BS 221300]	25%



100%	TOTAL		
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The left-hand side of the above table identifies the common expenditure categories (second column) and the assumed expenditure amount, as a percentage of all expenditures funded by settlement monies (first column). The righthand side of the table identifies the industries in which a change in output is anticipated (third column) and breaks down the portion of that change in output in cases in which output is expected in change in more than one industry.³⁹

³⁹ Two rows are described below, to assist in interpretation of the table.

The sixth row of Table 3 identifies Mortgage guarantee program; mortgage support program as a common expenditure category. In the expenditure scenario, 2% of expenditures funded by settlement monies is spent on this category. This value is shown on the left side of the table. Appendix III describes why expenditures in this category are believed to increase output within the industry called Activities related to credit intermediation with IOIC number code BS522300. This is indicated in the third column. In this case, there is only one industry identified for this expenditure category. Therefore, the entire Mortgage guarantee program; mortgage support program expenditure is assumed to increase output within the Activities related to credit intermediation [BS522300] industry. As such, 100% is noted as the expected change in output on the right side of the table.

The seventh row of Table 3 identifies Economic development purposes as a common expenditure category, noted in the second column. In the expenditure scenario, 9% of expenditures funded by settlement monies is spent on this category. This value is noted in the first column of the table. Appendix III describes why it is believed this expenditure will increase output in two industries, including Non-residential building construction [BS23B] and Engineering construction [BS23C]. These industries are identified in the third column. More than one industry has been identified, so expenditures must be distributed between two industries. In this case, the distribution is half and half. These values (50% and 50%) are noted in the fourth column on the right side of the table.



Appendix IV: How Economies Grow – Investment Climate Factors and New Institutional Economics

These figures, provided by the Tulo Centre of Indigenous Economics, help to illustrate the factors that support strong investment climates on First Nations lands:

Figure A1: A General Competitive Investment Climate



Figure A2: The Investment Climate Checklist

<p>The investment climate checklist is a guide to understanding the strength of the investment climate for an economy. It includes five main components: land, public services, legal framework, regulatory framework and administrative framework. The sub-elements of each component can either be present, in-progress or not present.</p>	<p>LAND</p> <ul style="list-style-type: none"> <input type="checkbox"/> Available Lands <input type="checkbox"/> Public Facilities (i.e. sewer treatment, etc.) <input type="checkbox"/> Infrastructure 	<p>REGULATORY FRAMEWORK</p> <ul style="list-style-type: none"> <input type="checkbox"/> Land Tenure Rules <input type="checkbox"/> Investor Codes (Investor process and procedures) <input type="checkbox"/> Development Approval <input type="checkbox"/> Governance and Decisions
	<p>PUBLIC SERVICES</p> <ul style="list-style-type: none"> <input type="checkbox"/> Water Service <input type="checkbox"/> Sewer Service <input type="checkbox"/> Other Local Services <input type="checkbox"/> Fiscal Framework 	<p>ADMINISTRATIVE FRAMEWORK</p> <ul style="list-style-type: none"> <input type="checkbox"/> Reliable Investor Information <input type="checkbox"/> Economic Strategy <input type="checkbox"/> Land and infrastructure plans <input type="checkbox"/> Land Registry efficiencies <input type="checkbox"/> Investment Facilitation Support
	<p>LEGAL FRAMEWORK</p> <ul style="list-style-type: none"> <input type="checkbox"/> Lease Agreements <input type="checkbox"/> Land Management <input type="checkbox"/> Fiscal and Fin. Management <input type="checkbox"/> Infrastructure and Environment 	

The work that FA-FMA-Tulo institutions do to support investment climate improvements on First Nations lands is rooted principally in an approach to economic development called new institutional economics. This is a theoretical framework that examines how institutions, such as laws, regulations, and social norms, shape economic behavior and outcomes. New institutional

economics posits that institutions are essential for reducing uncertainty and transaction costs in economic interactions. It emphasizes the role of institutions in facilitating or impeding economic efficiency and growth. Scholars of institutional economics argue that economic actors, whether individuals or firms, respond not only to market forces but also to the institutional environment in which they operate. Therefore, understanding the interplay between institutions and economic behaviour is crucial for analyzing economic phenomena. It is also crucial for fostering growth in areas where institutional development has been limited because of colonialism and the Indian Act.

This framework highlights the importance of institutional change over time, as societies and economies evolve, necessitating adjustments in institutional arrangements to address new challenges and opportunities. New institutional economics provides a comprehensive framework for understanding the role of institutions in shaping economic behavior and outcomes, and as a result it has directly informed the work of FA-FMA-Tulo institutions in addressing historical wrongs, developing better economic systems for First Nations, and supporting economic reconciliation.

The current development strategy being led by the national FA-FMA-Tulo institutions represents a successful exercise in institutional economics. Their strategy draws from the analysis of applied economics research that explores the systematic causes of the high investment facilitation transaction costs facing First Nations, much of which is available from Tulo. The goal of their strategy is to speed up economic self-determination. Their approach is to efficiently lower switching costs to implement governmental jurisdictions, which contributes to lowering transaction costs of improving First Nation investment climates, helping First Nations to leverage their existing advantages.

The FA-FMA-Tulo strategy starts with an investment, which generates fiscal means for a First Nation government. These fiscal means can be used to implement independent First Nations jurisdictions with a supportive fiscal relationship that facilitates the association of independent revenues and jurisdictions. First Nations can then choose to implement jurisdictions that support their location advantage. The jurisdictions most likely to support a location advantage are lands, infrastructure, service, and investment facilitation related. If the switching costs are low enough, First Nations can efficiently occupy these jurisdictions in a manner that reduces transaction costs. These lower transaction costs can facilitate more investment and the cycle can then repeat itself to increase economic self-determination fiscal means and jurisdiction.

There can be high switching costs to move from the fiscal powers and jurisdictions of other governments to the fiscal powers and jurisdictions of First Nations. In the FA-FMA-Tulo strategy, the First Nation-led institutions focus on lowering switching costs, while participating First Nations focus on lowering transaction costs. The economic rationale is that by reducing high First Nation transaction and jurisdictional switching costs, First Nation prosperity can be increased sooner, and perhaps economic disparities can also be reduced.

The architects of the FA-FMA-Tulo framework maintain that these gaps will start to close when First Nation investment facilitation transaction costs fall and switching costs decrease to



implement First Nation fiscal powers and jurisdictions in a manner that improves their investment climates. The purpose of the FA-FMA-Tulo framework is to help interested First Nations achieve both transaction costs and switching costs efficiencies.

It is important to note this represents one possible path, but there are other options to implement a First Nations self-determination strategy, such as land claims, comprehensive settlements, and modern treaties; but so far, the FA-FMA-Tulo strategy has been an effective and efficient strategy in reducing transaction and switching costs.

The FA-FMA-Tulo Model to Reduce Transaction Costs

The private and public sectors are symbiotic within an investment climate. The private sector generates economic activity to support the public sector’s fiscal requirements. And the public sector creates a competitive framework for private sector investment. The success of the public and private sector working relationship is found in two measurements – transaction costs and credit ratings. The table below summarizes some transaction cost measurements and the work of the FA-FMA-Tulo framework to reduce them.

Table A3: The FA-FMA-Tulo Approach to Reduce High Transaction Costs

Source of Cost	Preliminary Research	FA-FMA-Tulo Strategy
Land Administration and Tenure	<ul style="list-style-type: none"> • Federal administration takes longer and too risk averse • Instrument registration takes longer 	<ul style="list-style-type: none"> • FA land management frameworks • FA proposed land registry • RC and Tulo Programs
Legal Framework	<ul style="list-style-type: none"> • Fewer laws and certainty • Higher search costs 	<ul style="list-style-type: none"> • FA-FMA sample laws • First Nations Gazette • Tulo Centre certificates
Infrastructure	<ul style="list-style-type: none"> • Longer processes and higher costs • Less durable infrastructure • Less access to long-term financing 	<ul style="list-style-type: none"> • FNII standards and laws • FNII certification • FMA, FNFA and FNII • FNII-Tulo program
Administration	<ul style="list-style-type: none"> • 4 to 6 times longer • Little financial and statistical information 	<ul style="list-style-type: none"> • FA-FMA framework • FMB and FMA amendments • Tulo Centre applied economics certificate
Fiscal Tools	<ul style="list-style-type: none"> • Much more transfer dependent • Large fiscal tools gap • Lower credit rating and less access to finance and financial services 	<ul style="list-style-type: none"> • FMA and FNTC framework • FMA fiscal powers and relationship • FMA, FMB and FNFA
Environmental Risks	<ul style="list-style-type: none"> • Few environmental laws • Few environmental review processes 	<ul style="list-style-type: none"> • FA legal templates • FA templates and training • RC-Tulo programs

The FA-FMA-Tulo strategy has helped to reduce transaction costs and in some First Nations has led to higher rates of investment and reduction of inequities. This is positive but that is only one of the inefficiency constraints facing First Nations – the other are high switching costs to design and implement First Nation jurisdictions.

The FA-FMA-Tulo Model to Reduce Jurisdictional Switching Costs

The FA-FMA-Tulo approach focuses on two general sources of high jurisdiction switching costs facing First Nations. First, federal and provincial governments need to accommodate First Nation government fiscal powers and jurisdictions in their federation. Second, First Nations governments must have the ability to implement those fiscal powers and jurisdictions in a manner that can reduce transaction costs.

The 1988 Kamloops Amendment to the Indian Act established a three-part precedent to address these switching costs that was subsequently used and expanded by the FA (1996) and the FMA (2005).

1. Pass federal, and where necessary provincial, legislation that cedes fiscal and jurisdictional space to First Nations in an optional manner, subject to part 2.
2. First Nations occupy that space with their own laws in accordance with their own community processes.
3. Provide institutional support to help First Nations to implement and protect their jurisdictions in a manner that supports economic growth through lower transaction costs.

This approach has created an orderly process for the FA and FMA to effectively carve out fiscal and jurisdictional space for interested First Nations within Canada. It also provides a method to reduce some of the significant jurisdictional switching costs faced by First Nations, which include at least: (a) developing fiscal and jurisdictional proposals, (b) generating sufficient First Nation political support for a proposed First Nation fiscal, financial, infrastructure or lands jurisdiction, (c) developing federal, and as necessary, provincial legislation proposals to create space for First Nations, (d) generating sufficient other government political support to pass the proposed legislation, (e) implementing legal frameworks for interested First Nations to assume jurisdictional space, (f) implementing administrative frameworks for First Nation jurisdictions, (g) creating a fiscal relationship framework to sustain First Nation jurisdictions, and (h) evaluating and improving all these First Nation frameworks to continually support a competitive investment climate.

The table below summarizes the FA-FMA-Tulo approach to reduce each of these jurisdictional switching costs.



Table A4: FA-FMA-Tulo Approach to Reduce First Nation Jurisdictional Switching Costs

Switching Cost	Causes	FA-FMA-Tulo Approach
First Nation Support	<ul style="list-style-type: none"> • Mistrust • Fiscal framework • Time and distance 	<ul style="list-style-type: none"> • First Nation led (FMA-FA) • First Nation institutions (FMA and Resource Centre) • First Nations Leading the Way
Innovation Design	<ul style="list-style-type: none"> • Mistrust (FN and others) of benefits 	<ul style="list-style-type: none"> • Business case benefits such as reduction of transaction and switching costs
Legislative Design	<ul style="list-style-type: none"> • Mistrust (other gov't) • Other gov't processes 	<ul style="list-style-type: none"> • First Nation institutions (FMA and Resource Centre) • First Nation institutional leadership
Other Government Support	<ul style="list-style-type: none"> • Mistrust • Time priorities 	<ul style="list-style-type: none"> • First Nation institution design • Strong First Nation support
Legal Implementation	<ul style="list-style-type: none"> • Law development • Legal capacity 	<ul style="list-style-type: none"> • Samples, standards, and institutions • Support and training
Administrative Implementation	<ul style="list-style-type: none"> • Missing admin systems • Capacity 	<ul style="list-style-type: none"> • Templates, software, and institutions • Tulo Centre training and institutions
Fiscal Implementation	<ul style="list-style-type: none"> • Missing framework • Capacity 	<ul style="list-style-type: none"> • FMA fiscal framework • Tulo Centre and institutional support
Continual Innovation	<ul style="list-style-type: none"> • Evaluation framework • Innovation system 	<ul style="list-style-type: none"> • Institutions statistics and review • See above

Appendix V: Sample Interview Questions

General Experience with Specific Claims

1. In general, can you briefly describe your Nation's experience with the specific claims process?
2. From your Nation's perspective, can you give us a sense of the priorities when the settlement was being negotiated?
3. Can you briefly describe what engagement with community members (on use of settlement funds) looked like?

Use of Specific Claims Compensation

4. How were settlement funds spent or invested?
5. We understand that a trust was established to manage settlement funds. What can trust monies be used for? And what have they been used for already?
Spending / Investment of Settlement Monies: General Outcomes
6. Generally, what has your Nation seen in terms of outcomes from the settlement? Are there any specific successes you'd like to highlight? We're thinking of benefits other than economic impacts. Are there other types of benefits your Nation saw either for individuals, groups or the community as a whole?

Spending / Investment of Settlement Monies: Specifically Economic Impacts

7. If we think specifically about economic impacts, what successes have been realized, that are attributable, at least in part, to the settlement compensation? We're thinking about employment opportunities, business creation, investment facilitation – that sort of thing.
But really, anything that supports or contributes to the achievement of the Nation's economic vision.
8. Has the Nation or the group that manages / administers the trust measured or estimated any economic impacts attributable to the trust?

Options for Maximizing Economic Benefits

9. In general (not specific to the claim, the settlement, or the trust), what are the most important areas to invest in, in order to maximize economic benefits for your Nation?
10. The Nation participates in the First Nations Fiscal Management Act (FMA). Are there opportunities to utilize the FMA framework to help maximize the economic benefits of your investments?
11. In your view, how could the economic benefits generated by investments and spending of specific claims settlement monies be increased or maximized?
12. In your experience, are there types of expenditures or investments that First Nations with specific claims settlements make that haven't worked well or don't lead to intended outcomes?

Improvements / Advice / Recommendations to Offer Canada

13. What would you do differently if you could go through the process of spending your specific claims settlement again? What advice would you give other Nations?
14. What supports, tools or resources would have helped your Nation receive the most benefit from specific claims settlement monies?
15. Is there any advice you would like to offer Canada on improving economic benefits realized from specific claims settlements; or improving the specific claims process in general?



Appendix VI: Estimate Calculations

This appendix contains a series of 17 tables. There is one table for each of the 17 common expenditure categories identified (the black row within each table). The tables below are based on the average annual settlement compensation paid by Canada of about \$1.7 billion.

Our methodology assumes 50% of received settlement monies are saved by First Nations and invested in financial instruments for revenue generation purposes, and the 50% of received settlement monies are spent by First Nations in accordance with the categories and percentages described in the expenditure scenario. Our methodology is based on expended settlement monies totalling about \$846.2 million.

The potential change or changes in output within the industry or industries associated with each expenditure category are shown in the second column. The next three columns identify the economic multipliers (yellow shaded cells) and the estimated economic impact (grey shaded cells) for three variables, including GDP (at basic prices), labour income, and jobs. Direct and indirect economic multipliers and economic impact estimates are shown in separate rows in each table. The bottom row in each table (blue shaded cells), provides the subtotal of impact estimates for each expenditure category.

Table A5: Per capita distributions

	Potential Change in Output	GDP (at basic prices)	Labour Income	Jobs
Per capita distribution				
	Total Industries			
Direct	\$253,854,595	0.540	0.301	4.782
		\$137,081,481	\$76,410,233	1,213.9
Indirect	\$253,854,595	0.290	0.172	2.644
		\$73,617,833	\$43,662,990	671.2
Subtotal	\$253,854,595	\$210,699,314	\$120,073,224	1,885

Table A6: Loan payments / repayments; loan retirement

	Potential Change in Output	GDP (at basic prices)	Labour Income	Jobs
Loan payments / repayments; loan retirement				
BS5221A0	Banking and other depository credit intermediation [BS5221A0]			
Direct	\$84,618,198	0.771	0.386	3.806
		\$65,240,631	\$32,662,625	322.1
Indirect	\$84,618,198	0.175	0.110	1.659
		\$14,808,185	\$9,308,002	140.4
Subtotal	\$84,618,198	\$80,048,816	\$41,970,626	462



Table A7: Fees for professional services furthering specific claims

	Potential Change in Output	GDP (at basic prices)	Labour Income	Jobs
Fees for professional services furthering specific claims				
BS541100	Legal services [BS541100]			
Direct	\$25,385,460	0.700	0.444	4.849
		\$17,769,822	\$11,271,144	123.1
Indirect		0.226	0.133	2.327
		\$5,737,114	\$3,376,266	59.1
BS540	Professional, scientific and technical services [BS540]			
Direct	\$8,461,820	0.628	0.461	5.558
		\$5,314,023	\$3,900,899	47.0
Indirect		0.275	0.172	2.766
		\$2,327,000	\$1,455,433	23.4
Subtotal	\$33,847,279	\$31,147,959	\$20,003,742	253

Table A8: Land purchase; land acquisition

	Potential Change in Output	GDP (at basic prices)	Labour Income	Jobs
Land purchase; land acquisition				
BS541100	Legal services [BS541100]			
Direct	\$5,077,092	0.700	0.444	4.849
		\$3,553,964	\$2,254,229	24.6
Indirect		0.226	0.133	2.327
		\$1,147,423	\$675,253	11.8
BS531A00	Offices of real estate agents and brokers and activities related to real estate [BS531A00]			
Direct	\$43,155,281	0.486	0.290	5.053
		\$20,973,467	\$12,515,032	218.1
Indirect		0.373	0.224	4.012
		\$16,096,920	\$9,666,783	173.1
BS541300	Architectural, engineering and related services [BS541300]			
Direct	\$2,538,546	0.631	0.491	5.632
		\$1,601,822	\$1,246,426	14.3
Indirect		0.266	0.164	2.564
		\$675,253	\$416,322	6.5
Subtotal	\$50,770,919	\$44,048,849	\$26,774,044	448

Table A9: Education; training

	Potential Change in Output	GDP (at basic prices)	Labour Income	Jobs
Education; training				
BS610	Educational services [BS610]			
Direct	\$14,103,033	0.551	0.425	16.571
		\$7,770,771	\$5,993,789	233.7
Indirect		0.316	0.177	3.156
		\$4,456,558	\$2,496,237	44.5
NP610000	Educational services [NP610000]			
Direct	\$14,103,033	0.677	0.636	12.174
		\$9,547,753	\$8,969,529	171.7
Indirect		0.200	0.119	2.094
		\$2,820,607	\$1,678,261	29.5
GS610	Government education services [GS610]			
Direct	\$14,103,033	0.825	0.652	9.595
		\$11,635,002	\$9,195,178	135.3
Indirect		0.117	0.073	1.356
		\$1,650,055	\$1,029,521	19.1
Subtotal	\$42,309,099	\$37,880,747	\$29,362,515	634

Table A10: Mortgage guarantee program; mortgage support program

	Potential Change in Output	GDP (at basic prices)	Labour Income	Jobs
Mortgage guarantee program; mortgage support program				
BS522300	Activities related to credit intermediation [BS522300]			
Direct	\$16,923,640	0.505	0.340	4.648
		\$8,546,438	\$5,754,037	78.7
Indirect		0.345	0.213	3.426
		\$5,838,656	\$3,604,735	58.0
Subtotal	\$16,923,640	\$14,385,094	\$9,358,773	137

Table A11: Economic development purposes

	Potential Change in Output	GDP (at basic prices)	Labour Income	Jobs
Economic development purposes				
BS23B	Non-residential building construction [BS23B]			
Direct	\$38,078,189	0.448	0.328	4.035
		\$17,059,029	\$12,489,646	153.6
Indirect		0.330	0.212	3.128
		\$12,565,802	\$8,072,576	119.1
BS23C	Engineering construction [BS23C]			
Direct	\$38,078,189	0.407	0.287	3.098
		\$15,497,823	\$10,928,440	118.0
Indirect		0.365	0.229	3.031
		\$13,898,539	\$8,719,905	115.4
Subtotal	\$76,156,379	\$59,021,193	\$40,210,568	506

Table A12: Support for startup of member businesses

	Potential Change in Output	GDP (at basic prices)	Labour Income	Jobs
Support for startup of member businesses				
BS522300	Activities related to credit intermediation [BS522300]			
Direct	\$25,385,460	0.505	0.340	4.648
		\$12,819,657	\$8,631,056	118.0
Indirect		0.345	0.213	3.426
		\$8,757,984	\$5,407,103	87.0
Subtotal	\$25,385,460	\$21,577,641	\$14,038,159	205

Table A13: Housing

	Potential Change in Output	GDP (at basic prices)	Labour Income	Jobs
Housing				
BS23C	Engineering construction [BS23C]			
Direct	\$14,808,185	0.407	0.287	3.098
		\$6,026,931	\$4,249,949	45.9
Indirect		0.365	0.229	3.031
		\$5,404,987	\$3,391,074	44.9
BS23A	Residential building construction [BS23A]			
Direct	\$35,539,643	0.439	0.304	4.341
		\$15,601,903	\$10,804,052	154.3
Indirect		0.341	0.220	3.305
		\$12,119,018	\$7,818,722	117.5
BS23D	Repair construction [BS23D]			
Direct	\$2,961,637	0.590	0.456	6.011
		\$1,747,366	\$1,350,506	17.8
Indirect		0.246	0.154	2.601
		\$728,563	\$456,092	7.7
BS561700	Services to buildings and dwellings [BS561700]			
Direct	\$5,923,274	0.532	0.417	14.834
		\$3,151,182	\$2,470,005	87.9
Indirect		0.288	0.173	3.030
		\$1,705,903	\$1,024,726	17.9
Subtotal	\$59,232,739	\$46,485,853	\$31,565,127	494

Table A14: Cultural development and events; heritage and language initiatives

	Potential Change in Output	GDP (at basic prices)	Labour Income	Jobs
Cultural development and events; heritage and language initiatives				
BS71A000	Performing arts, spectator sports and related industries, and heritage institutions [BS71A000]			
Direct	\$8,461,820	0.534	0.395	11.146
		\$4,518,612	\$3,342,419	94.3
Indirect		0.337	0.214	4.372
		\$2,851,633	\$1,810,829	37.0
BS510	Information and cultural industries [BS510]			
Direct	\$8,461,820	0.566	0.244	2.908
		\$4,789,390	\$2,064,684	24.6
Indirect		0.261	0.156	2.498
		\$2,208,535	\$1,320,044	21.1
Subtotal	\$16,923,640	\$14,368,170	\$8,537,976	177



Table A15: Environmental stewardship; environmental protection and management initiatives

	Potential Change in Output	GDP (at basic prices)	Labour Income	Jobs
Environmental stewardship; environmental protection and management initiatives				
GS914	Other aboriginal government services [GS914]			
Direct	\$19,039,095	0.438	0.351	7.667
		\$8,339,123	\$6,682,722	146.0
Indirect		0.422	0.272	5.525
		\$8,034,498	\$5,178,634	105.2
BS541600	Management, scientific and technical consulting services [BS541600]			
Direct	\$6,346,365	0.673	0.438	6.700
		\$4,271,104	\$2,779,708	42.5
Indirect		0.240	0.146	2.418
		\$1,523,128	\$926,569	15.3
Subtotal	\$25,385,460	\$22,167,853	\$15,567,633	309

Table A16: Healthcare services

	Potential Change in Output	GDP (at basic prices)	Labour Income	Jobs
Healthcare services				
GS620	Government health services [GS620]			
Direct	\$50,770,919	0.668	0.603	9.292
		\$33,914,974	\$30,614,864	471.8
Indirect		0.223	0.155	2.741
		\$11,321,915	\$7,869,492	139.2
Subtotal	\$50,770,919	\$45,236,889	\$38,484,357	611

Table A17: Police and fire protection

	Potential Change in Output	GDP (at basic prices)	Labour Income	Jobs
Police and fire protection				
GS913	Other municipal government services [GS913]			
Direct	\$16,923,640	0.672	0.433	5.560
		\$11,372,686	\$7,327,936	94.1
Indirect		0.241	0.148	2.446
		\$4,078,597	\$2,504,699	41.4
Subtotal	\$16,923,640	\$15,451,283	\$9,832,635	135



Table A18: Sports and recreation purposes

	Potential Change in Output	GDP (at basic prices)	Labour Income	Jobs
Sports and recreation purposes				
BS23B	Non-residential building construction [BS23B]			
Direct	\$8,461,820	0.448	0.328	4.035
		\$3,790,895	\$2,775,477	34.1
Indirect		0.330	0.212	3.128
		\$2,792,401	\$1,793,906	26.5
BS23C	Engineering construction [BS23C]			
Direct	\$3,384,728	0.407	0.287	3.098
		\$1,377,584	\$971,417	10.5
Indirect		0.365	0.229	3.031
		\$1,235,426	\$775,103	10.3
NP710000	Arts, entertainment and recreation [NP710000]			
Direct	\$2,538,546	0.470	0.420	12.939
		\$1,193,117	\$1,066,189	32.8
Indirect		0.342	0.178	3.057
		\$868,183	\$451,861	7.8
BS710	Arts, entertainment and recreation [BS710]			
Direct	\$2,538,546	0.479	0.351	10.349
		\$1,215,964	\$891,030	26.3
Indirect		0.366	0.225	4.410
		\$929,108	\$571,173	11.2
Subtotal	\$16,923,640	\$13,402,676	\$9,296,155	159

Table A19: Insurance

	Potential Change in Output	GDP (at basic prices)	Labour Income	Jobs
Insurance				
BS524200	Agencies, brokerages and other insurance related activities [BS524200]			
Direct	\$16,923,640	0.656	0.494	6.585
		\$11,101,908	\$8,360,278	111.4
Indirect		0.255	0.154	2.515
		\$4,315,528	\$2,606,241	42.6
Subtotal	\$16,923,640	\$15,417,436	\$10,966,519	154

Table A20: Infrastructure

	Potential Change in Output	GDP (at basic prices)	Labour Income	Jobs
Infrastructure				
BS23C	Engineering construction [BS23C]			
Direct	\$44,424,554	0.407	0.287	3.098
		\$18,080,794	\$12,749,847	137.6
Indirect		0.365	0.229	3.031
		\$16,214,962	\$10,173,223	134.7
BS221300	Water, sewage and other systems [BS221300]			
Direct	\$14,808,185	0.508	0.215	2.956
		\$7,522,558	\$3,183,760	43.8
Indirect		0.318	0.171	2.559
		\$4,709,003	\$2,532,200	37.9
Subtotal	\$59,232,739	\$46,527,316	\$28,639,029	354

Total estimated impacts are provided in first row of the summary table below. These are the sums of each subtotal line in the 17 tables above, and include:

- \$717.9 million in direct and indirect gross domestic product (at basic prices);
- \$454.7 million in direct and indirect labour income; and
- 6,924 direct and indirect jobs.

Table A21: Estimates of Total Potential Economic Impacts

	Potential Change in Output	GDP (at basic prices)	Labour Income	Jobs
TOTAL	\$846,181,984	\$717,867,089	\$454,681,081	6,924
DIRECT		\$472,427,774	\$303,907,106	4,548
INDIRECT		\$245,439,315	\$150,773,975	2,376

The table above also provides the break down for these estimates in terms of direct and indirect rounds of impacts in the lower two rows. Estimates in the table above are based on an average annual settlement amount of about \$1.7 billion, of which \$846.2 million (or 50%) is spent in accordance with the expenditure scenario described in the paper.

Estimates of Potential Economic Impacts per \$1 Million of Settlement Compensation

If Canada provides \$1 million in specific claims settlement compensation; and if 50% of received settlement compensation is saved or invested in financial instruments by First Nations; and if the other 50% is expended by First Nations; and if the expended portion is spent in manner consistent with the categories and percentages described in the expenditure scenario, then we estimate the potential economic impacts associated with the \$500,000 increase in output to include:



- \$424,180 in gross domestic product (at basic prices), including \$279,153 in direct GDP and \$145,028 in indirect GDP;
- \$268,666 in labour income, including \$179,576 in direct labour income and \$89,091 in indirect labour income; and
- 4.1 jobs, including 2.7 direct jobs and 1.4 indirect jobs.

