

# 5



## Economic Development

**SELF-GOVERNMENT WITHOUT** a significant economic base would be an exercise in illusion and futility. How to achieve a more self-reliant economic base is thus one of the most important questions to be resolved. What measures need to be taken to rebuild Aboriginal economies that have been severely disrupted over time, marginalized, and largely stripped of their land and natural resource base?

The question is urgent, and not only because progress toward self-government would be severely constrained in the absence of effective measures to rebuild Aboriginal economies. For Aboriginal individuals and families, whether they live in urban or rural areas, employment levels and income continue to lag far behind Canadian standards. Furthermore, the rapid increase of the Aboriginal population means that thousands of additional young people will be entering the labour market over the next two decades. Indeed, our estimate is that more than 300,000 jobs will need to be created for Aboriginal people in the period 1991 to 2016 to accommodate growth in the Aboriginal working-age population and to bring employment levels among Aboriginal people up to the Canadian standard.

This is a staggering figure. The broader but related challenge of re-creating a stronger, more self-reliant economic base to accompany and sustain self-government is also an enormous task. During the Commission's hearings, we visited a large number of Aboriginal communities, many of which had only a very limited economic base. Under current conditions and approaches to economic development, we could see little prospect for a better future. From this experience, we came to the conclusion that achieving a more self-reliant economic base for Aboriginal communities and nations will require significant, even radical departures from business as usual. We also became convinced that existing conditions and approaches entail enormous human and financial costs, a fact that also adds urgency to the search for better solutions.

Our hearings, a round table on economic development, the intervener submissions, and our research program were also instructive, however, in pointing to some promising new directions.<sup>1</sup> They brought to light many instances where Aboriginal individuals, communities and nations have developed businesses, launched joint ventures, and found new approaches to acquiring capital, providing income support, and delivering education and training. We need to learn from these positive experiences - many of which are featured in this chapter - and to apply their lessons on a broader scale.

Indeed, the situation has not remained static over the past two decades. Major comprehensive claims agreements have been signed in some parts of the country, providing access, in varying degrees, to new human, financial and natural resources for economic development. There has been growth in the number of Aboriginal businesses, especially those started by women. The institutional base to support economic development has also improved, as indicated by the emergence of personnel and organizations specializing in economic development and providing capital, education and training programs. In many parts of the country, there is a realistic appreciation of the enormous challenges still ahead but also a spirit of determination to regain stewardship of Aboriginal economies and to develop them in accordance with the priorities of particular communities and nations.

In the first part of this chapter, we describe the historical underdevelopment of Aboriginal economies as well as their diversity and contemporary characteristics. In the second part, we turn to the levers of change - the critical interventions that need to be made if stronger, more self-reliant Aboriginal economies are to be achieved.

Several important themes characterize the Commission's approach to economic development.

### **The importance of history**

We begin by looking at how the contemporary economic deprivation so familiar to Aboriginal people came to be. If they are to be successful, strategies for change must be rooted in an understanding of the forces that created economic marginalization in the first place. Certain conditions essential for economic development were ignored over time. These need to be re-established: the economic provisions in the historical treaties; the freedom for Aboriginal people to manage their own economies; and a fair share of the land and resource base that sustained Aboriginal economies in the past. To ignore

these fundamentals and pretend that economic development can be achieved within the limits of the status quo simply by training entrepreneurs or improving their access to capital is to maintain the cycle of disadvantage of the past two centuries.

History reveals that the economies of Aboriginal nations were not always underdeveloped. Many carried on in largely traditional ways well past the time of first contact and trade with Europeans, while others adapted and flourished. Factors largely outside the reach of human intervention, such as periods of drought, played a role. But the principal factor that brought Aboriginal communities to the point of impoverishment over the centuries was the intervention - deliberate or unintended, well-intentioned or self-interested - of non-Aboriginal society.

If this judgement is harsh, it also suggests that the economic marginalization of Aboriginal communities can be reversed if the will to do so is present. But the factors that define how Aboriginal economies operate must change, as must the share of economic power exercised by Aboriginal people. In the economic realm, as in governance, it is necessary to make room so that Aboriginal people can develop their own solutions. The onus is also on Aboriginal people to exercise informed leadership; to take up the challenge of entrepreneurship, education and training; and to take the risk of breaking away from patterns of dependency where these exist.

### **The importance of the collectivity**

Policy makers and the general public have tended to assume that the economic problems of Aboriginal communities can be resolved by strategies directed to individuals thought to be in need of assistance. Thus, welfare for those out of the labour force, training for those who need to upgrade their skills, loans or grants for entrepreneurs wanting to start their own businesses, and relocation assistance for those moving to urban areas in search of jobs are often seen as necessary and sufficient policy interventions. Typically, the problem is defined as Aboriginal individuals not having access to opportunities for employment or business development in the larger Canadian society.

This approach ignores the importance of the collectivity in Aboriginal society (the extended family, the community, the nation) and of rights, institutions and relationships that are collective in nature. It also overlooks the fact that economic development is the product of the interaction of many factors -

health, education, self-worth, functioning communities, stable environments, and so on. Ultimately, measures to support economic development must reach and benefit individuals, but some of the most important steps that need to be taken involve the collectivity - for example, regaining Aboriginal control over decisions that affect their economies, regaining greater ownership and control over the traditional land and resource base, building institutions to support economic development, and having non-Aboriginal society honour and respect the spirit and intent of the treaties, including their economic provisions.

Many Aboriginal individuals will want to or will have little choice but to make their way in the larger Canadian economy - this is especially so for those who migrate to urban areas - but it should not be forgotten that Aboriginal nations want to develop their own economies on their own land and resource base, guided by policies, programs and institutions that they control.

### **The importance of seeing economic development as a process**

The economic development of any community or nation is a process - a complicated and difficult one - that can be supported or frustrated. It cannot be delivered pre-fabricated from Ottawa or from provincial or territorial capitals. The principal participants, those on whom success directly depends, are the individuals and collectivities of Aboriginal nations. The role of Aboriginal and non-Aboriginal governments should be to support the process, help create the conditions under which economic development can thrive, and remove the obstacles that stand in the way.

This involves enabling individuals to contribute to the development of their communities and nations and participate in the wider Canadian economy. Education and training are an important part of the strategy. So is the removal of barriers - the paucity of jobs, the lack of fit between skills and the needs of the labour market, the presence of racism, the shortage of child care. For economic development to succeed, the collective must be strengthened through self-government, institutions must be put in place to support employment and business development, and opportunities must be created through, for example, expansion of the land and resource base.

### **The importance of recognizing the diversity of Aboriginal economies**

Over the last several decades, the media have helped to bring the deplorable state of Aboriginal economies to the attention of Canadians and have also, on

occasion, prodded governments to action. In the process, they have unfortunately created a stereotype. Contemporary Aboriginal economies are quite diverse. They include comprehensive claims regions - such as the Inuvialuit region of the western Arctic, Nunavut and James Bay - where economies of considerable size and resource endowments are being built. They include Métis settlements in northern Alberta, where provincial legislation has created some if not all of the conditions required for economic development to be successful. They include reserves such as Six Nations, where a dynamic small business sector has been created and where indices of unemployment and income are comparable to those of the surrounding area. But they also include many communities - rural and urban, Métis, Inuit and First Nation - where a self-sustaining economic base is far from being achieved and where the media stereotype of high unemployment, low incomes and reliance on transfer payments is the reality.

One of the implications of this diversity is that it is no longer helpful, if it ever was, for economic development policy to be issued from Ottawa or a provincial/territorial capital and applied uniformly to a range of conditions. This is one of the compelling reasons for locating authority and resources to support economic development in the hands of appropriate Aboriginal institutions at the level of the Aboriginal nation and community.

Many Aboriginal economies continue to rely on traditional pursuits, such as hunting, fishing and trapping, largely for subsistence. Public policy has often ignored traditional economies or, at worst, undermined their viability - yet these activities remain a vital component in the mixed economies of northern communities, a preferred way of life for their participants, and an important well-spring of Aboriginal culture and identity.

In this chapter (and more fully in Volume 4, Chapter 6), Commissioners assert that traditional economies must be supported, not only for their intrinsic value but also because there are very few alternatives in many northern communities. The demographic realities of rapid population growth are such that continued rural to urban migration is likely inevitable, and every effort must be made to ensure that those who migrate do so with levels of education and training that will serve them well in an urban environment. But those who choose to pursue traditional activities should also be helped to do so within the constraints of what the lands and resources of the area can sustain.

## **The goals of economic development**

We have emphasized that economic development is a process. Aboriginal people have economic goals that they want to achieve through this process. During our hearings, these were themes that emerged again and again:

- The need to respect the treaties, the comprehensive claims and other agreements made with representatives of the Crown, including their economic provisions, and to remedy past injustices concerning lands and resources. This includes the need to secure a land and resource base for all Aboriginal people, including Métis people.
- The need for jobs that provide a decent income, that do not necessarily require moving from Aboriginal communities, and that provide meaning to people's lives, contributing to the development of self-esteem and Aboriginal identity. To the extent possible, Aboriginal people are saying that their economies should provide choices for people rather than dictating directions. Economies should be capable of supporting those who wish to continue traditional pursuits (hunting, fishing, trapping) while enabling those who wish to participate in a wage and market economy to do so.
- Aboriginal people are saying that they want to develop economies that are largely self-reliant and sustaining, not in the sense of being independent from trade networks or other economic systems but in the sense of being in a position to give and receive fair value in economic exchanges. Economies should provide not just the basis for survival but also an opportunity to prosper and to help build a sense of accomplishment and self-worth for the individual and the collective.
- Choices about the nature of this economy, its structure and processes should be made to the largest extent possible by Aboriginal people and their institutions. Economic development, in turn, is expected to contribute to the development of Aboriginal peoples as distinct peoples within Canada and to permit them to exercise, in a significant and substantial manner, governance in their communities and stewardship of lands and resources. Economic development is expected to enable Aboriginal peoples to govern themselves.
- Finally, Aboriginal people would like their economies to be structured in accordance with Aboriginal values, principles and customs, contributing to the development and affirmation of Aboriginal culture and identity. This includes having the freedom to develop economies in accordance with Aboriginal visions of the goals and processes of development.

These objectives are notable for their breadth and for recognizing that economic development is about much more than individuals striving to maximize incomes and prestige, as many economists and sociologists are inclined to describe it. It is about maintaining and developing culture and identity; supporting self-governing institutions; and sustaining traditional ways of making a living. It is about giving people choice in their lives and maintaining appropriate forms of relationship with their own and with other societies.

In Volume 1, we set out the principles that should guide a new relationship between Aboriginal and non-Aboriginal people in Canada. We called for the establishment of a just relationship based on mutual recognition, respect, sharing and responsibility. These principles apply in the economic realm as much as they do to other dimensions of the relationship. It is these themes, objectives and principles that provide the framework for the Commission's recommendations on economic development.

## **1. Understanding Aboriginal Economies**

### **1.1 A Brief History of Aboriginal Economies and External Interventions**

The historical record has much to say about the current impoverishment of most Aboriginal economies. It is also instructive about the factors that must be addressed if development is to proceed according to Aboriginal priorities. It is useful to discuss this economic history in four stages or periods. These are broadly consistent with the stages in the relationship between Aboriginal and non-Aboriginal people outlined in Volume 1 of this report. When viewed from an economic perspective, however, they differ in emphasis, especially in this century.

#### ***The pre-contact period***

Before contact with Europeans, most Aboriginal people in the northern half of North America were hunters, fishers and gatherers. Those with access to the Pacific, Arctic and Atlantic coasts had an economy that included substantial sea harvesting, while those living in the St. Lawrence Valley and the Great Lakes region engaged in agriculture. Anthropologist Robin Ridington suggests that the technology of Aboriginal peoples at the time was based on knowledge rather than tools; more than material technology, it was intimate knowledge of

the ecosystem, developed over thousands of years, and ingenuity in using it to advantage that permitted Aboriginal people to survive.

For the most part, the Aboriginal population was thinly scattered, with principal concentrations on the Pacific northwest coast and in the lower Great Lakes region. For those engaged in hunting, fishing and gathering, economic activity varied according to the seasonal pattern of their major food sources.

Depending on what the natural environment made available, the summer might be a time for congregating at the mouths of rivers for fishing or hunting sea mammals, supplemented by gathering berries, nuts and roots. At the mouth of the Mackenzie River in the Arctic, for example, Inuit established a substantial summer village and hunted beluga whale stranded in the shallow delta.<sup>2</sup> In the Yukon, the Kaska Dena people fished for salmon at the mouths of major tributaries or in large river pools further inland. In the fall, small kin-based groups moved inland to higher elevations to hunt fowl, moose, or caribou, and this hunt could extend into the winter period. Ice fishing would also be practised. This might be followed by trapping otter, fox, lynx or marten. In the spring, people moved to productive fishing lakes and to locations where spring muskrat and beaver could be trapped.<sup>3</sup>

Whatever the cycle, the changing seasonal requirements for obtaining the means of subsistence had an important bearing on the social patterns of the Aboriginal group, in terms of the duration and size of settlements, the division of labour between males and females, and the opportunities for contact with other groups.

The emphasis was on living in balance with nature rather than on accumulating economic surplus or wealth. This generally meant meeting the food needs of the group and sustaining the ability of the land and sea to continue to provide for its human inhabitants well into the future. Those with limited food sources used them well, as this account by a Peigan elder illustrates:

My grandfather, he was the one who knew all about how the buffalo moved around and they (the people) followed and hunted the buffalo. The men would do the hunting and the women would take care of the kill. They used every part of the buffalo, there was nothing they spoiled or wasted. This is what my mother told me. For example, the hide was used and the meat was sliced and dried so that it would last long. The bones were pounded and crushed and boiled. They were boiled for a long time. It was then cooled and the marrow was taken and used for grease ... The hides they would scrape and stretch and the women would also do this work. This they used for blankets and flooring



and many other uses. Those even further back (the first people) would use the hides to build homes.<sup>4</sup>

The abundance of natural resources varied considerably from one region to another. Where a surplus of a particular product was generated, it provided a basis for trade within and among Aboriginal nations. Agricultural producers living in what is now southern Ontario and the St. Lawrence valley supplied corn and other products to those without an agricultural base, exchanging them for fish or furs. Extensive commercial networks also existed in areas such as the northwest coast of British Columbia, where foodstuffs were transported between the coast and the interior.<sup>5</sup>

Trade routes were also used for the exchange of technology. Archaeologists report the presence on the western plains of obsidian, a volcanic rock used for tools, that originated in British Columbia. Copper from the west end of Lake Superior has been found at Saguenay, Quebec, and abalone from California found its way into the interior in the form of beads and other ceremonial items.

Pre-contact economic activity was undertaken not only for profit or material gain as we would understand it from the perspective of a market economy. Trade was often pursued to gain prestige, build or maintain alliances, or cement agreements as well. This is not to say that material goods were not important, but in some societies, particularly among the Pacific northwest coast peoples, the accumulation of wealth was accompanied by ceremonies for giving it away - the potlatch. Status and prestige were accorded to those who were the most generous (see Volume 1, Chapter 4).

### ***The fur trade***

With the coming of Europeans, Aboriginal peoples were initially able to continue traditional patterns of economic activity. On the east coast, the Mi'kmaq first encountered Europeans as explorers and then, in the 1500s, as occasional fishermen who, as time went on, began to stay for longer periods to dry their fish on shore. Trade developed and led quickly to a pattern of exchanging furs for European knives, iron goods, foodstuffs and clothing.

The pattern of early contact varied from one part of the continent to another. In the Cumberland Sound area of the Arctic, for example, the early contact period occurred much later and coincided with whale hunting. In the early 1800s, bowhead whale oil and baleen were in great demand in European markets. As

whaling ships began to winter in the area, especially in the second half of the century, Inuit were hired or contracted in teams to hunt the whales.

In most locations, whatever the nature of early relations, the fur trade soon followed. The Mi'kmaq and the Wuastukwiuk (Maliseet), as well as the Montagnais and later the Iroquois, Cree, and Ojibwa and nations on the west coast and in the north, were actively engaged in the trade, some as trappers and others as middlemen between the hunters of the north and the interior and buyers for the trading companies.

In contrast to later periods, most Aboriginal groups adapted well to the demands of the fur trade. The fur trade built on traditional lifestyles in important ways, rather than seeking to displace them. Aboriginal people had the skills required to play a major role in the economy of the time, and not only as harvesters. Many of the French and English buyers remarked on the negotiating prowess of Aboriginal people. There is considerable evidence that groups such as the Iroquois and west coast peoples were adept at playing off the English against the French, or one trading boat against another, to get better prices.

Métis people also played a prominent role in the fur trade. Initially tied closely to the activities of the major fur trading companies, Métis people lived in or around the trading posts. While some worked as independent traders or trapped and hunted as primary producers, others worked as labourers, as freighters on the boat brigades, or in clerical and supervisory jobs at trading posts. For a time, their labour was much in demand as inland trading posts expanded in number and geographic scope, requiring staff for the new posts and transporters of furs and trade goods.

Some layoffs occurred after the merger of the North West and Hudson's Bay companies in 1821, but the fur trade continued to provide employment for Métis people. In addition, new opportunities presented themselves in the form of buffalo hunting and the freighting of buffalo hides and furs to the United States in exchange for farm animals, seeds, implements or consumer goods. Expanding settlements also led to the development of a small merchant class and the emergence of skilled tradesmen engaged in the building of churches, housing and commercial establishments and the manufacture of carts.

Although the fur trade proved compatible with Aboriginal patterns of making a living, there were also some strongly negative consequences associated with the period of early contact. The use of new technologies, combined with the

need to produce for a market rather than for subsistence, led to the depletion of furbearing animals and to conflict among Aboriginal groups as some pushed into new territories in search of resources. Dependence on an external market brought exposure to the seemingly inevitable boom and bust cycle associated with staple production, a pattern experienced first in the eastern fur trade but repeated across the continent with whales, forest products, fish, seals and minerals up to the present day.

Contact with Europeans also brought exposure to contagious diseases, which devastated the populations of many Aboriginal societies and disrupted social and economic patterns. While the exposure and susceptibility of Aboriginal groups to disease varied, the decline in numbers was often substantial (see Volume 1, Chapter 2).

### ***The settler period***

As Europeans began to settle the continent - creating new and permanent communities, shifting the emphasis to agriculture, and advancing their claims to Aboriginal lands and resources - Aboriginal people were pushed increasingly to the margins. Whereas the fur trade economy permitted both Aboriginal people and Europeans to benefit, the new settlers generally came to see Aboriginal people as a hindrance to development of the country's lands, waters and other natural resources.

The newcomers often simply assumed they had title to these lands and resources. For example, the first European attempt to exploit the salmon resource near Alert Bay, British Columbia, is instructive:

The origins are obscure, but Spencer and Earle were probably the founders of the first saltry on the then-uninhabited Cormorant Island ... .They chose this site over the mouth of the Nimpkish River in response to the absence of good deep-draft boat landing sites in the river estuary. The Spencer business plan was simple and straightforward. He would utilize primarily the Nimpkish salmon stocks, principally sockeye, which were until this time the exclusive property of the Nimpkish Band. He would use Indian labour to construct and operate his facility. He would sell his product in the expanding, industrialized British marketplace. If he could combine these factors, he stood to generate a personal profit.<sup>6</sup>

This facility, which eventually became a cannery owned by B.C. Packers, and

other canning companies were given licences that enabled them to control who supplied the canneries with salmon. Through these regulatory and other measures, alienation of the salmon resource from Aboriginal ownership and control began.

In some cases, the newcomers recognized that some form of negotiation and compensation, albeit limited, was necessary. These negotiations typically took the form of treaty making, a process described in Chapter 2 of this volume. In other cases, no treaty was offered, and to this day there is no agreement on how lands and resources are to be shared, although comprehensive land claims negotiations are in the offing. Governments generally did proceed, however, to establish reserves of land, both within and outside treaty areas. For example, the Algonquins residing along the Gatineau River in Quebec petitioned the governor general of the time, Lord Elgin, to set aside some land for their exclusive use. He responded with a grant of land of 45,750 acres, thereby establishing the Kitigan Zibi (Maniwaki) reserve in 1854.<sup>7</sup> Reserves in many other areas of the country were much smaller, however. The 90 reserves established for the Kwakwa ka'wakw in the late 1800s in British Columbia, for example, totalled only 16,500 acres, or an average of 183 acres per reserve. Besides being small, reserve land was often of poor quality.<sup>8</sup>

Land and resource rights were also a major issue for Métis people on the prairies, for whom no provision was made as Confederation was negotiated and the transfer of Hudson's Bay Company lands to Canada proceeded. As settlers and surveyors encroached on Métis lands along the Red River, Métis people mobilized under Louis Riel and negotiated the terms of the Manitoba Act, which provided for the entry of Manitoba into Confederation as a self-governing province. While the Manitoba Act provided for recognition of Métis claims to their settled lands, the process of confirming title was very complicated. Faced with this process, and with the racism and aggressive behaviour of the incoming settlers, many Métis families chose to sign over their land rights and move further west to start anew. Additional land in Manitoba was to be made available to benefit Métis children and their families through the provision of scrip. However, the allocation of scrip was fraught with problems, including fraud and land speculation, with the result that, by 1886, only a small proportion of the lands remained in the hands of the original allottees.<sup>9</sup> Those who moved further west postponed this fate for a time, but the inevitable westward progression of surveyors, railroads and settlers and a second failed attempt at issuing scrip produced a Métis population that was largely without a land base (see Volume 4, Chapter 5).

As the settler economy developed and the fur trade declined, Aboriginal economies were disrupted to the point where extreme economic deprivation became a fact of life. Again, the pattern of disruption varied from one part of the country to another and from one Aboriginal group to another. Métis people on the prairies, for example, saw the competitiveness of their overland hauling routes undermined by railroads and steam boats. The buffalo were devastated by the mid-1880s, damaging the livelihood of Métis and Indian communities. Incoming settlers added to the pressure on the natural resource base, depleting furbearing animals in the woodland areas and overfishing lakes and streams.

Both before and after Confederation, Indian people living on reserves faced the imposition of laws enacted under the provision in the Constitution Act, 1867 making “Indians, and Lands reserved for the Indians” subject to exclusive federal jurisdiction. The new government of Canada arrogated to itself responsibility for virtually all aspects of Indian life. Although the treaty process continued the formality of nation-to-nation dealings, other developments, such as the continued creation of reserves, military actions in the west, and legislative enactments, had the effect of breaking Aboriginal nations apart. Under the terms of the Gradual Enfranchisement Act of 1869,<sup>10</sup> traditional Indian governments were replaced by elected chiefs and councillors, and virtually all decisions required the approval of a federally appointed Indian agent and/or the minister responsible for Indian affairs. While many reserves, especially those in more remote locations, managed to retain much of their autonomy and decision-making procedures into the early decades of the twentieth century, the imposition of external control gradually prevailed in all reserve locations. Often the attempt to replace traditional governing structures with new ones created internal divisions that have lasted to the present day, and the ensuing disruptions interfered with the socio-economic development of communities for decades.<sup>11</sup> The various laws also contained provisions restricting mobility and the ownership of property and other measures that have impeded economic development.

Throughout the late nineteenth century and into the twentieth, Indian agents made significant attempts to persuade Indian people to become farmers. Whether it was the Mi'kmaq people on the east coast, Peigan and Métis peoples on the plains, or the nations of the west coast, the goal was to have Indian and Métis peoples 'settle down' and make the transition to the settlers' way of life.

The Peigans who did not pursue the last [buffalo] herds were encouraged to go

to their new reserve in 1879, where a farm instructor was appointed to teach them agriculture. By the end of the year about 50 acres of land had been broken and seeded.

By the spring of 1880, it was apparent that the Peigans' old way of life had come to an end. The buffalo were gone, the days of wandering were over, and they now had to find new ways of making a living. Canadian Government policy at that time approved the issuing of rations as a temporary measure, but dictated that the Indians become self-supporting as soon as possible. For most reserves, the government was convinced that the Indians should be taught farming regardless of the location, fertility of soil or climate. As part of this policy, the decision was made to transform the Peigan into farmers.

The Indians were anxious to find a new source of livelihood and willingly turned to the soil ... Crops of potatoes, turnips, barley and oats were planted, and by the end of 1880 the Agent observed that several one-time warriors were "cross-ploughing with their own horses the pieces of land which were broken for them last summer." Indians also went to the nearby Porcupine Hills and brought out timber for log houses to replace their worn teepees.

As part of its treaty obligations, the government issued 198 cows, as well as calves and bulls to the Peigans, but initially these were kept together as a single band herd on the north end of the reserve. Farming was given top priority and initial results were so encouraging that in 1881 the Inspector of Agencies said, "These Indians are very well-to-do and will, in my opinion, be the first of the Southern Plain Indians to become self-supporting. They are rich in horses, and having received their stock cattle from the Government, are rich in them too".<sup>12</sup>

For the most part (and the Peigan case eventually proved to be no exception) these efforts were not successful, in part because government policies did not provide sufficient resources - land, equipment or seed - to permit success. Periods of drought, overproduction and low prices also did not help matters. The problem was more than neglect or climate, however; it was also a matter of conflict with non-Indian farmers, who often persuaded government to sell off productive Indian lands, place restrictions on the sale of produce, and limit Indian use of new technologies to increase productivity.

In many cases, therefore, the agricultural strategy failed. Elias reports that the Dakota people at the turn of the century pursued a variety of economic

activities, ranging from continued engagement in traditional hunting and gathering activities to commercial grain production, ranching and wage labour.<sup>13</sup> Carter reports that during the late nineteenth century and the early years of the twentieth, Indian people in the Treaty 6 and 7 areas of Saskatchewan were becoming farmers.<sup>14</sup> They steadily increased the number of acres under cultivation and were able to grow enough food for their own subsistence and sale in local markets. Between 1899 and 1929, income from agriculture was the most important source of income for Indian families in these areas.

During the late settler period, as Canada industrialized, Aboriginal people in many parts of the country began to participate in the market economy. For the most part their participation was on the margins and generally in manual occupations. But despite marginality, Aboriginal people coped with the changes occurring around them and again developed a measure of self-sufficiency, although at quite low levels of income. There is evidence of participation in the new industries springing up, of people working their own farms or as hired hands on others, of seasonal participation in construction of housing and community infrastructure. Some were able to establish businesses in areas such as the crafts industry, and others sought their fortunes by moving to areas where jobs were available, including the United States.

Aboriginal men in British Columbia, for example, worked in commercial fishing, canning, road construction, logging, milling, mining, railroad construction, longshoring, and coastal shipping. Aboriginal women in this region worked as domestic servants, cannery workers and seasonal agricultural labourers. By the late nineteenth century, most of the northern canneries were staffed by Aboriginal women and children. On the Atlantic coast, Mi'kmaq men and women gained a foothold in the local economy, working in road construction, ship loading, cutting pit props for the coal mines, or producing arts and crafts. They travelled to the northeastern United States for seasonal harvesting of blueberries and potatoes and, when jobs were hard to come by in the Maritimes, took up longer-term jobs in the emerging manufacturing industries of New England. (While this pattern has slowed substantially in the intervening years, it is still standard practice in the Maritimes to avoid scheduling meetings or other activities in the late summer, when a significant portion of the population goes to 'the States' to pick blueberries, as much for social as for economic reasons.)

There is some evidence, therefore, that Aboriginal people were successfully

making the transition from a traditional to a 'modern' economy. These documented examples tend to be overlooked by those who conclude that Aboriginal people were unable to make the transition, that they were prevented from gaining positions in the wider economy because of racism, or that they were unwilling to venture beyond the safe haven provided by reserves.

### ***The period of dependence***

The period of dependency began in the middle part of this century (depending on the location, sometime between 1930 and 1960) and continues, for the most part, today. Its roots were in the dislocation and dispossession created by the settler economy, which left Aboriginal people in a decidedly marginal and vulnerable economic position. It was entrenched further by the great depression of the 1930s and by federal and provincial policies adopted in response to economic distress and economic opportunity.

Although Aboriginal people were beginning to participate in the market economy, this participation was tenuous. With the depression, many jobs and businesses disappeared, and Aboriginal participation in the labour force declined. Labour shortages resulting from the Second World War made it possible for Aboriginal people temporarily to increase their role in the economy and to join the armed forces, but the end of the war and the return of the veterans again displaced Aboriginal people.

One factor standing in the way of providing assistance was the view that Aboriginal people, and especially Indian people, were a federal responsibility. Local municipalities and provinces did not see themselves as having any responsibility to assist local Indian populations, especially those living on reserves. First Nations were seen as being outside local society, a point of view that continues to some extent today.<sup>15</sup> Local services were often not available, banks were reluctant to do business with people on reserves without federal government guarantees on loans, and businesses saw the reserve community primarily as a market for their goods and services, without the reciprocal obligation to provide employment or other types of community support.

As the depression wore on, however, some governments became more active. In Alberta, Métis people, who had been pushing for a communal land base for decades, made some headway with the provincial government. A commission was appointed in 1934 whose recommendations led to passage of the Metis Population Betterment Act 1938. Under its provisions, a number of pieces of



land in the northern half of the province were set aside as Métis colonies with a limited degree of self-government. Of the 12 originally set aside, eight remain in existence, with a total land area of more than 500,000 hectares and a population of about 5,000. The initial legislation had some major limitations with respect to the degree of local autonomy allowed, the fact that title to the land remained with the province and could be revoked by order in council, and the fact that subsurface rights to resources remained with the province. The first two problems were resolved with revised legislation passed in 1990.

Concerned about unemployment and poverty, and pushed into action by negative publicity and by the provinces' insistence that Aboriginal people were a federal responsibility, the federal government undertook a number of initiatives at mid-century. In some areas, it began a process of relocation and consolidation of Aboriginal communities.<sup>16</sup> Sometimes Aboriginal communities were moved to make land available for agricultural development or resource development, such as hydroelectric projects. This type of relocation had begun in the 1800s and continued with some frequency until the end of the 1950s. In other cases, and with particular frequency in the middle decades of this century, the government hoped that by combining small reserves, it could provide services more efficiently and create economies of scale, thereby building self-sustaining economic units. This approach was seldom, if ever, successful. Apart from ignoring the attachment of Aboriginal people to their places of origin, the relocations undermined livelihoods people had developed over time on the smaller reserves, such as subsistence farming or traditional activities. Further, although employment was sometimes available in the new location for a time, principally in building the housing and other facilities required by a growing community, this employment also declined once the needs created by expansion had been met.

The government also put in place an extensive welfare system and other income security programs. By the 1960s, this policy approach was supplemented by attempts to create jobs within Aboriginal communities, primarily on reserves, through make-work programs and other forms of public expenditure. This approach relieved immediate hardship to a degree, but it did little to address the more fundamental issues of rebuilding an economic base. Furthermore, welfare programs were developed and implemented with little Aboriginal involvement. They were applied to situations for which they were not designed in cultural or socio-economic terms, and they in fact retarded the economic recovery of communities. Over time, the need for jobs for the expanding population grew. So did the demand for social assistance as the rate of job creation failed to match population growth. As a result, dependence

on federal assistance grew, and communities came to depend significantly on these outside sources of funds.

In analyzing the roots of the dependency that grew in this period, the policies and practices of governments and the private sector regarding lands and resources must be examined. Especially in the more northerly areas of the provinces and in the territories, major resource companies, encouraged by governments, routinely established operations in areas where Aboriginal people were trying to continue a traditional lifestyle. Mining, forestry, oil and gas and similar projects were highly disruptive of Aboriginal land use and harvesting patterns.<sup>17</sup> Provincial and federal governments applied all manner of regulation - to preserve fish and game, to register traplines, to control access to Crown lands. In the process they either ignored Aboriginal and treaty rights or chose to interpret them as narrowly as possible, until court decisions forced them to adopt a broader interpretation.

In some cases, federal or provincial regulations intended to apply broadly had a particularly damaging effect on Aboriginal people. A case in point was the 1969 fishery regulations in British Columbia. Since fishing is a way of life and not just an economic pursuit for First Nations fishers, they maintained a variety of licences. Rather than fishing only salmon, they held licences for species such as halibut, herring and rock cod as well. The 1969 Davis Plan (named for the federal fisheries minister of the day) sought to solve the problem of too many boats chasing too few fish by limiting access to the fishery. The plan limited salmon fishing licences to boats with the highest annual catch efficiency, thereby contributing to conservation of salmon stocks and providing a better income for the remaining boats. Many of the boats owned by Aboriginal people could not compete with single-purpose vessels, because they fished several species. The result was a substantial reduction in the number of Aboriginal commercial salmon fishers.

This brief account of the roots of contemporary dependence and economic disadvantage emphasizes the role played by disruption in traditional ways of making a living and dispossession from a rich land and resource base. It also points to laws, regulations and government policies that blocked the rebuilding of Aboriginal economies.

These are not the only explanations, but they are among the most significant. Other contributing factors include the failure of educational systems to provide an appropriate education for Aboriginal students; the continued introduction of labour-saving technology, requiring more highly educated and specialized

labour for its operation; and the lack of the capital required to own and operate such technology, especially in the natural resources field. These related factors generally excluded Aboriginal people from participation in the broader economy, whether as wage labourers or as entrepreneurs.

### ***Federal and Aboriginal economic development approaches since 1960***

Since the 1960s, governments have attempted to promote economic development more actively in Aboriginal communities, with policies and programs that have expanded in scope and objectives over time. But resources allocated to economic development have not come close to the amounts spent on remedial social welfare measures. In this section, we provide a brief overview of economic development efforts, focusing on federal policies.<sup>18</sup> We also review how Aboriginal people have responded and the alternatives they have put forward. There has been some convergence between federal and Aboriginal perspectives, but important issues remain outstanding.

#### Federal approaches to economic development

Governments were not very active in promoting economic development before the 1960s. In the post-Second World War period, it became clear that approaches such as promotion of agriculture and relocation of communities closer to employment opportunities were too narrow in scope. While new initiatives were undertaken, the federal approach continued to be premised on the idea that development in Aboriginal communities would proceed in a manner similar to that in the mainstream; that is, if given a kick-start, Aboriginal communities would develop businesses and an economic infrastructure resembling that of the rest of Canada. It was also assumed that a significant portion of Aboriginal people would leave rural communities to enter the economic mainstream in urban areas.

In a move to support business activity, the Indian Act was revised in 1951 to give the minister of Indian affairs authority to make loans for economic development. A revolving loan fund was established to support Indian activity in areas such as agriculture and arts and crafts. Similar assistance was provided to Inuit through the Eskimo Loan Fund, established to provide small loans to Inuit trappers.

Since 1960, the federal government has pursued at least five approaches:

1. migration to mainstream employment sites, especially urban areas,
2. business development,
3. sectoral development,
4. human resources development, and
5. community economic development.

At times, one approach might dominate, but they overlapped considerably. The federal initiative of the early 1990s, the Canadian Aboriginal Economic Development Strategy (CAEDS), is noteworthy not because it introduced a new approach to economic development, but because it emphasized the need for co-ordination of programs covering all five areas between participating federal departments.

Aboriginal participation in the design and implementation of policy and programs has increased in the last three decades. There is considerable variation from one policy area to another, as pointed out in a recent assessment of CAEDS from an Aboriginal community perspective.<sup>19</sup> Over this period, however, policy, programs and budgets continued to be controlled by federal and provincial/territorial governments, and principally non-Aboriginal perspectives were brought to bear on development.

### *Migration*

In the mid-1960s, migration to urban areas became one of the principal policy ideas for addressing individual poverty and disadvantage. The impetus was a major report commissioned by the federal government and released in 1966. The Hawthorn report made it clear that Indian people were the most disadvantaged group in Canada's population. The report rejected the notion of assimilation as a solution to the problem. The first recommendation stated that

Integration or assimilation are not objectives which anyone else can properly hold for the Indian. The effort of the Indian Affairs Branch should be concentrated on a series of middle range objectives, such as increasing the educational attainment of the Indian people, increasing their real income and adding to their life expectancy.<sup>20</sup>

The recommendation also set the stage for the economic development policies that would follow in the next three decades:

The economic development of Indians should be based on a comprehensive program on many fronts besides the purely economic.

The main emphasis on economic development should be on education, vocational training and techniques of mobility to enable Indians to take employment in wage and salaried jobs. Development of locally available resources should be viewed as playing a secondary role for those who do not choose to seek outside employment.

The Hawthorn report did not hold out much promise for people living on reserves, on the grounds that reserves lacked a sufficient resource base to support the growing population. The report rejected assimilation as an appropriate goal of government policy, but the strategies it supported placed a heavy emphasis on migration to urban areas, advocating a series of programs and activities to help Indian people enter the mainstream labour market. Work in traditional sectors such as fishing, forestry, hunting, trapping and farming was de-emphasized in favour of wage employment in commerce and industry. In emphasizing migration, the report recognized that the provinces would necessarily play a greater role in providing services to Indian people. It recommended federal reimbursement of provincial costs.

Some of these themes were picked up three years later in the 1969 white paper, a document notable for its emphasis on achieving individual social, economic and legal equality. The white paper rejected the idea that the federal government had a special responsibility for Inuit and Métis people. With respect to Indian people, it set out to remove many of the distinctive elements that set them apart, recommending that the Indian Act be repealed, that the department of Indian affairs be gradually dismantled, and that Indian people receive services from the provinces on the same basis as other Canadians. Land claims should be settled and reserve lands should be transferred to Indian control. The white paper supported increased economic development funds for reserves but emphasized that migration would be necessary and should be supported through counselling, training, and job placement services.

In his review of approaches to development in this period, Peter Elias concludes that the federal government endorsed modernization - that is, that the model for development should be the attitudes, behaviours, and institutions

of 'advanced' western industrial societies, the attributes of which are most clearly evident in urban centres.

These ideas held that elements of Indian culture and society were obstacles to development. Faith in treaties, special constitutional status, an insistence on the validity of Aboriginal rights, unique land-holding rights, reserves, an emphasis on community and region, ethnic pride and preoccupation with history and tradition, some said, all served to defeat the admission of Indians as full participants in a better world. The attempt to strip those concepts of their power was an attempt to prepare Indians to enter the modern Canadian mainstream.<sup>21</sup>

### *Business development*

Support for business development, begun in the post-war years, continued in the 1960s with a renewed federal commitment to an Indian revolving loan fund. Aboriginal communities had very few businesses of any size except those engaged in the traditional economy. Poverty and underdevelopment were seen as problems of individuals, and the way to solve the problem was to raise individual incomes. This meant that people should have jobs, either in urban labour markets or through the development of local businesses.

Métis people had limited access to federal programs, at least until the 1970s. They had to look to provincial programs for support. Typically, the provincial departments, agencies and programs that were established were not specifically directed to Aboriginal peoples - more often they had a northern or rural community mandate.<sup>22</sup>

In the early 1970s, the department of Indian affairs created an economic development fund for on-reserve projects. It provided direct loans, loan guarantees, equity contributions and advisory services; both individually owned and community-owned projects were eligible for assistance.

At the same time, the federal government introduced the Special Agricultural and Rural Development Agreements to improve income and employment opportunities in rural and remote areas. Métis communities and Indian people living off-reserve were also eligible for assistance under this program. Programs intended primarily to support business development followed, including the Native Economic Development Program (NEDP), established in 1980 and made available to all Aboriginal groups. The successor to NEDP was

the Canadian Aboriginal Economic Development Strategy (CAEDS), which had a substantial business development component. Recent budget cutbacks have affected CAEDS significantly.

### *Sectoral development*

In the 1980s, support for sectoral development, particularly in natural resources, gained currency. The federal government provided support for controlled sectoral development organizations in areas such as forestry, fishing, agriculture, arts and crafts and tourism, along with resources for loans, technical assistance and training. John Loxley reports that

The sectoral programs have, apparently, been more successful than the previous, project-by-project approach of IEDF ... .Yet government involvement continues to be large and there are complaints of excessive control over programming and finances ... .Sectoral programs have, of necessity, a limited impact on Native communities as a whole and can provide only one, narrow, element of a development strategy to any given community, being based on a single sector or commodity.<sup>23</sup>

Eventually, however, most of the resources devoted to sectoral organizations were diverted to the community level, in part at the insistence of community-based political leaders.

### *Human resources development*

The last three decades witnessed a marked increase in the resources devoted to education and training in Canada, particularly as a preferred remedy directed to those judged to be disadvantaged. Enrolment of Aboriginal children in elementary and secondary school, whether in provincially run school systems or in federal or community-controlled schools located in Aboriginal communities, increased substantially. Greater success at the secondary school level also meant that larger numbers of Aboriginal people were attending and graduating from post-secondary institutions, although rates of attendance, and especially of graduation, still lagged behind those of the population as a whole.

While Aboriginal people participated in vocational programs directed to the broader Canadian population, some programs targeted specifically to their needs were put in place as well, such as the community human resource strategy of 1985-1992 and the Pathways initiative of the 1990s under caeds.<sup>24</sup>

Education and training institutions controlled by Aboriginal people developed over this period as well, such as the Gabriel Dumont Institute and the Saskatchewan Indian Federated College.

In the early part of this period, education and training programs often encouraged assimilation and were geared to preparing people for migration out of their communities. While programs encouraging participation in the labour market continue, greater Aboriginal participation in decision making has contributed to training better designed to meet the particular needs of Aboriginal communities. Diploma, certificate and degree courses have been developed for band managers, community health representatives, and family and children's services workers. In areas where comprehensive claims agreements have been signed, education and training directed to preparing community members for new opportunities and responsibilities arising from the agreements are being planned or carried out. Aboriginal people are being equipped for technical and professional jobs, in fields such as teaching, nursing, band management and equipment operation, held for the most part in the past by non-Aboriginal personnel.

### *Community development*

In the 1960s, the federal government broadened its policy to include an emphasis on community development. Following successful provincial programs in Manitoba, Alberta and Ontario, the Indian affairs branch established a community development program in 1963. Participants in this program clashed with the established way of doing things, however, and the branch was not prepared to commit the resources necessary to support the ideas that resulted from the process.

The Indian affairs department returned to community-based development in the 1980s through devolution of programs to the community level (that is, community implementation of existing programs under federal guidelines, not community control) and comprehensive community-based planning. More recently, under CAEDS, the department has sponsored a program that provides support to community-based economic development officers.

### Aboriginal approaches to economic development

A sense of the policy directions that Aboriginal people would pursue to achieve a stronger, more self-reliant economic base can be derived from alternatives



advanced by Aboriginal leaders in the last several decades. The first major statement on the issues came in reaction to the 1969 white paper and was prepared by the Manitoba Indian Brotherhood (MIB). Its report, *Wahbung: Our Tomorrows*, stated:

In developing new methods of response and community involvement it is imperative that we, both Indian and Government, recognize that economic, social and educational development are synonymous, and thus must be dealt with as a 'total' approach rather than in parts. The practice of program development in segments, in isolation as between its parts, inhibits if not precludes, effective utilization of all resources in the concentrated effort required to support economic, social and educational advancement.

In order that we can effect changes in our own right, it will be necessary to develop a whole new process of community orientation and development. The single dependency factor of Indian people upon the state cannot continue, nor do we want to develop a community structure that narrows the opportunities of the individual through the transferral of dependencies under another single agency approach.

The transition from paternalism to community self-sufficiency may be long and will require significant support from the state, however, we would emphasize that state support should not be such that the government continues to do for us, that which we want to do for ourselves.<sup>25</sup>

This statement had some similarities with the Hawthorn report, especially in its call for a comprehensive approach to development, but it diverged from Hawthorn in its emphasis on reserve development as both an economy and a community central to Indian life. It called for development to proceed not in bits and pieces but according to a comprehensive plan for progress on several fronts. The proposed strategy consisted of three elements:

1. A plan to help individuals and communities recover from the pathological consequences of poverty and powerlessness. This meant a focus on individual and community health and healing. Adequate health services and community infrastructure were needed to support the individual.
2. A plan for Indian people to protect their interests in lands and resources.
3. A concerted effort at human resource and cultural development. It argued

for revitalizing Indian traditions within the context of Canadian institutions, laws and ways of doing things.

At its heart was the concept that if change was to lead to increased self-sufficiency, it must be directed by Indian people themselves, so that both individual and communal interests could be taken into consideration. This would require governments to relinquish some political power and Indian people to combine elements of Canadian and local culture. The MIB proposal also emphasized the need for substantial financial support from the federal government over an extended period of time.

Support for comprehensive approaches to development were also articulated in the North. In 1973, for example, the Council for Yukon Indians (CYI) outlined its case for regaining control over lands and resources and a comprehensive approach to development in its land claims statement, *Together Today for Our Children Tomorrow*.<sup>26</sup> While the MIB and CYI approaches to development were similar, they emphasized different priorities, with CYI stressing private business initiatives as the key to a healthy economy - essentially individual interests - while MIB emphasized communal economic initiatives.

These are two of a large number of proposals from Aboriginal people for approaches to development, including the National Indian Brotherhood's 1976-1977 strategy, the 1979 Beaver report, and the recent community-based evaluation of CAEDS.<sup>27</sup> In addition, economic development approaches advanced by non-Aboriginal sources (though with substantial Aboriginal input) include the Berger report and the Penner report.<sup>28</sup>

The reports differ in approach, but together they reveal some recurring themes in Aboriginal approaches to economic development:

- As the statements from the Manitoba Indian Brotherhood and the Council for Yukon Indians illustrated, Aboriginal approaches to development are much broader in conception, including elements such as governance, culture, spirituality, education and training, and community healing and social development.
- An integrated, holistic approach is favoured rather than one that proceeds on the basis of segmented instruments, each pursued more or less independently.
- The achievement of self-government is central to Aboriginal visions of

development, not only for its own sake but as a vital element of sustained economic development.

- Recognition of the rights of Aboriginal peoples is vital, and through this means an expanded land and resource base can be obtained.
- Development of the resources, institutions, rights and responsibilities of the community and nation are emphasized. There is an appreciation of the need for Aboriginal people to make their way as individuals in the broader Canadian society, but this needs to be balanced with the development of the community or nation.
- Economic development should be compatible with and strengthen Aboriginal culture and identity rather than undermine it.
- Aboriginal approaches to development should support traditional economies and the measures required to sustain them, including respect for indigenous knowledge and resource conservation.
- Transition must be made from allocating a large proportion of government funds to social assistance and other forms of remedial and maintenance expenditures to an emphasis on economic development and preventive expenditures.
- The influence of Aboriginal cultures in decision making, business ownership, the distribution of wealth, and the role of kinship is not uniform.

Over the 30-year period we have been examining, federal government policy slowly converged on the direction set out by Aboriginal people. First, the nature of assistance has diversified from direct loans and equity contributions to a broader range of services, including management and technical assistance and planning support. Second, the target groups have expanded to include not only Indian people living on reserves but also Inuit, Métis people, and Indian people living off-reserve. Third, the scope of the objectives has widened from the initial focus on small business development to include community development with a community-based planning approach, sector development of arts and crafts, agriculture, and fishing, and development of economic development institutions. Finally, there has been a shift from programs designed and delivered by a single department (DIAND) to the collaboration of several departments in a somewhat co-ordinated way through CAEDS.

The degree of participation and control by Aboriginal people has also increased. In the 1960s and early 1970s, the federal government retained control over all aspects of economic development. It did the planning, set priorities, developed projects and approved them. Since then, the size of the role assumed by Aboriginal governments and communities has increased gradually. Examples of the increasing influence of Aboriginal people over the development process and related government policy have included the National Indian Socio-Economic Development Committee, joint National Indian Brotherhood-Department of Indian Affairs and Northern Development committees, Indian economic development loan boards, the NEDP advisory board and its various committees, the CAEDS boards, and the Pathways boards. As a result of government and community initiative, there has been significant growth in the institutional capacity of Aboriginal communities to further the process of socio-economic development.

## Conclusion

This overview of federal economic development policy and programs has revealed significant changes in the last three decades. There are, however, continuing tensions, such as the need to recognize that Aboriginal economies are both distinctive from the mainstream and diverse. They arise because federal policy emphasizes individual advancement and integration into the broader Canadian economy more than rebuilding Aboriginal economies and all that entails.<sup>29</sup>

Tensions also continue over the extent to which policy and programs are designed, implemented and changed by Ottawa, or whether genuine partnerships with Aboriginal people will be realized in the context of self-government, with Aboriginal governments playing the lead role in the design and delivery of economic development policies and programs.

In reflecting on the experience with economic development policy and programs over the last 30 years, several broad conclusions can be drawn. The first is to recognize that this is a complex area and that no single approach will solve the problems within a few years. The single-focus approaches of the past, based on agriculture or business development, will have limited success. Aboriginal economies vary across a wide spectrum, from predominantly traditional economies to modern market economies. They have varying levels of natural and human resources. Government policy must acknowledge the diversity of Aboriginal economies and Aboriginal economic goals. Its aim

should be to facilitate, encourage, advocate, assist and support the development of sustainable economies. This means establishing a broad policy framework within which Aboriginal communities and nations can design their own instruments to further their objectives. This framework needs to be sustained over a long period, so as to create a stable, predictable environment for economic development.

Second, the Commission believes that Aboriginal people must have stewardship of their economies if development is to succeed; that is, they must be able to plan the development of their economies, develop the projects, implement them, monitor them and change them if necessary. To accomplish this, government policy should continue to encourage the development of Aboriginal economic institutions to play a variety of roles, including the provision of capital, sector development, management and technical assistance, economic analysis and planning support.

Third, economic development is unlikely to succeed if the severely constrained land and resource base is accepted as given. Public policy must come to grips with these factors before even the best designed business development program can be expected to be broadly successful.

Fourth, we see a need to reconsider the most appropriate units for economic development. With few exceptions, policy and programs have been geared to individuals. Community-based economic development is important, but as we argue later in this chapter, it is also important to consider what can be accomplished by working with units of larger scale. An emphasis on the Aboriginal nation is consistent with our recommendations in the area of self-government, but also has much to commend it for the purpose of achieving stronger Aboriginal economies.

Fifth, economic development of Aboriginal communities cannot occur in isolation from the rest of the Canadian economy. Aboriginal people's overall participation in the Canadian economy has been marginal: if they have participated as workers, it has usually been in low-skilled, low-wage, easily lost jobs; if they have participated as business people, they have encountered significant obstacles, such as racism and insufficient access to capital. In many cases, local Aboriginal economies are invisible to the surrounding economies, even though they are significant contributors to those economies. Aboriginal people must participate in federal, provincial and local economic planning mechanisms (such as economic development commissions, economic planning boards, local economic task forces). The establishment of genuine

partnerships with the non-Aboriginal private sector should also be encouraged.

Finally, the Commission favours integrated, holistic approaches to development. Economic development must be accompanied by activities that, while not focusing directly on economic development, still have a significant effect on it. These activities include education, improving overall levels of health, developing positive cultural identities, and building and maintaining infrastructure and services for communities and families. In the absence of improvements in these other areas, economic development will be curtailed.

These are the general lessons of experience with economic development policy and the approaches to economic development advocated by Aboriginal people. More specific recommendations emerge from the more detailed discussion of issues in the second part of this chapter.

## **1.2 Contemporary Aboriginal Economies**

The amount and quality of empirical information on Aboriginal economies has improved significantly in recent years, making it possible to describe some of the main characteristics fairly accurately. In this section, we move from an historical to a contemporary account. With the assistance of tables and figures, we show that the legacy of history is economies that are dependent rather than self-reliant and that offer labour force participation rates, incomes and levels of business development far below Canadian averages. In the absence of new approaches to economic development, this situation is not likely to improve, particularly given the large anticipated increase in the size of the Aboriginal working age population.

### ***Contemporary issues***

#### **Dependence**

Their traditional economies disrupted, reduced to a small fraction of their land and resource base, and subjected to inappropriate economic policies and practices, it is hardly surprising that Aboriginal nations are far from self-reliant. There are, of course, important exceptions, usually the result of advantageous location, particularly imaginative leadership, unusual resource endowments, or comprehensive claims agreements, and we refer to these from time to time. On average, however, Aboriginal economies will require substantial rebuilding if they are to support Aboriginal self-government and if they are to meet current

and anticipated income and employment needs.

The current level of dependence is illustrated by data on the sources of income of Aboriginal individuals and on the sectors or industries in which they are working. Table 5.1 shows the percentage of the Aboriginal identity population 15 years of age and over that received social assistance in 1990.<sup>30</sup> It reveals high levels of dependence on social assistance, especially for Indian people on-reserve. DIAND provides additional data on the latter group and calculates dependency rates based on the number of beneficiaries as a percentage of the total population of the community. According to these figures, the dependency rate was 37.4 per cent in 1981, a figure that remained fairly constant until the end of the decade but then increased to 43.3 per cent by 1992. The rate for the non-Aboriginal population shows a similar pattern of change, increasing from 5.7 to 9.7 per cent over the same period, though at much lower levels.<sup>31</sup>

**TABLE 5.1**  
**Receipt of Social Assistance among Aboriginal Identity Population Age 15+, 1990**

	Indian on-reserve %	Indian %	Métis %	Inuit %	All Aboriginal persons %
Total Receiving Assistance	41.5	24.8	22.1	23.5	28.6
Received Assistance 1-6 months	10.6	7.8	7.5	8.2	8.5
Received Assistance 7-12 month	28.1	15.8	13.6	14.1	18.4

*Source:* Statistics Canada, Aboriginal Peoples Survey (1991), catalogue no. 89-534.

There was also considerable variation between regions for Indian people on-reserve, with the lowest rate in Ontario, at 23 per cent in 1992, and the highest in the Maritimes, at 74 per cent.<sup>32</sup> Nor does the future look very encouraging; Moscovitch and Webster project major increases in social assistance expenditures by the federal government for the registered Indian population, based on trends in population growth and migration.

Dependence is related not only to lack of jobs and reliance on social assistance but also to the kinds of jobs held by the employed population, many of which are dependent on government funding, as Table 5.2 illustrates. Table 5.2 shows that Aboriginal people, to a greater extent than other Canadians,

rely on employment in the public sector. To some extent these figures reflect the greater presence of government services in Aboriginal communities, but they also suggest greater dependence on externally derived funding and a weaker private sector, especially among registered Indians and Inuit, although the situation is improving, as we will see.

TABLE 5.2

**Aboriginal Identity Population in the Employed Labour Force, by Industry Sector, 1991**

	Registered North American Indians	Non-registered North American Indians	Métis Persons	Inuit	Total Aboriginal	Total Non-Aboriginal
Primary Industry	7.9	5.4	8.0	4.6	6.5	6.0
Manufacturing	8.1	13.1	9.4	5.2	10.7	14.4
Government Services	29.2	9.6	11.3	24.4	15.1	7.8
Education and Health Services	17.7	14.8	14.7	17.7	15.8	15.4
Other Tertiary Industry	37.1	57.1	56.6	48.1	51.9	56.3

*Note:*Percentage of the employed Aboriginal labour force working in each sector.

Source: Stewart Clatworthy, Jeremy Hull and Neil Loughran, "Patterns of Employment, Unemployment and Poverty, Part One", research study prepared for RCAP (1995).

We conclude that the challenge of creating a self-sufficient economic base is substantial and not likely to be accomplished by modest measures.

### Inequality

Inequality between Aboriginal people and the total Canadian population on measures of economic outcomes is also substantial and in some respects is getting worse, not better. Table 5.3, for example, shows Aboriginal labour force participation rates, the unemployment rate, the proportion of the adult



population that is employed, and the percentage of the population with less than \$10,000 in total annual income, comparing these figures with those for the total population. It also shows the results of calculations to determine how many jobs need to be created to make up the difference between employment among Aboriginal people and among Canadians generally - that is, to achieve equality in employment rates.<sup>33</sup>

TABLE 5.3

**Labour Force Activity of Aboriginal Identity and Total Canadian Populations Age 15+, 1991**

	Indian People on Reserve	Indian People off Reserve	Metis Persons	Inuit	Total Aboriginal	Canada
% Adult Population in Labour Force	45.3	60.7	63.1	57.2	57.0	67.9
% Labour Force Unemployed	30.8	23.4	21.7	25.0	24.6	10.2
% Adult Population Employed	31.4	46.5	49.4	42.9	43.0	61.0
% With < \$10,000 Total Income	64.2	50.4	49.3	57.4	54.2	34.0
Number of Jobs Needed to Close Employment Gap*	48,900	27,200	10,200	4,000	82,400	—

*Notes:*

Numbers have been rounded to the nearest hundred. \*See Table 5.14. and note 33 at the end of the chapter.

Source: Statistics Canada. Aboriginal Peoples Survey (1991). catalogue no. 89-534; 1991 Census, catalogue nos. 93-324 and 93-331; M.J. Norris, D. Kerr and F. Nault, "Projections of the Aboriginal Identity Population in Canada, 1991-2016", research study prepared by Statistics Canada (Population Projections Section, Demography Division) for RCAP (February 1995).

Table 5.4 focuses on the unemployment rate in particular, showing variations within the Aboriginal population. It shows how high the rate is for some

Aboriginal groups, especially youth, and reveals a major increase in unemployment in the past decade as the size of the youth population grew.

The inequalities of the present have their roots in the policies and practices of the past, and patterns of disadvantage, once begun, tend to perpetuate themselves from one generation to the next; children of parents who are long-term recipients of social assistance are less likely to be healthy, less likely to do well in school, and more likely to be unemployed themselves than are children born into more affluent circumstances (see Volume 3, Chapter 3).

### ***Demography***

Because of high birth rates and decreasing mortality rates, the Aboriginal population has increased sharply in recent years. Among other things, this means that the size of the population aged 15 and older is also growing rapidly and is projected to continue to do so. Figure 5.1 documents this point, the implication of which is that thousands of new Aboriginal entrants to the labour force can be expected. Indeed, the surge in the size of the Aboriginal labour force has been under way for several years. Indications are that, even where some progress in employment is occurring on an absolute basis, these developments are being overwhelmed by demographic patterns, so that unemployment rates are rising, not falling, as Table 5.4 showed.

Place of residence plays a role in economic prospects, because jobs tend to be created at a higher rate in urban than in rural areas. The Aboriginal population became more urban in the decade 1981-1991. (A rough estimate is that the proportion of the Aboriginal population living in urban areas increased by 10 per cent from 1981 to 1991.) The data for these two census years are not strictly comparable, however, so it is difficult to be precise. Even in 1991, however, the Aboriginal population was, on the whole, much more rural than was the case for non-Aboriginal Canadians, as Table 5.5 reveals. There is also considerable variation among Aboriginal groups, with about two-thirds of Métis people and non-registered Indians living in urban areas, compared to 34 per cent of registered Indians and 22 per cent of Inuit.

TABLE 5.4

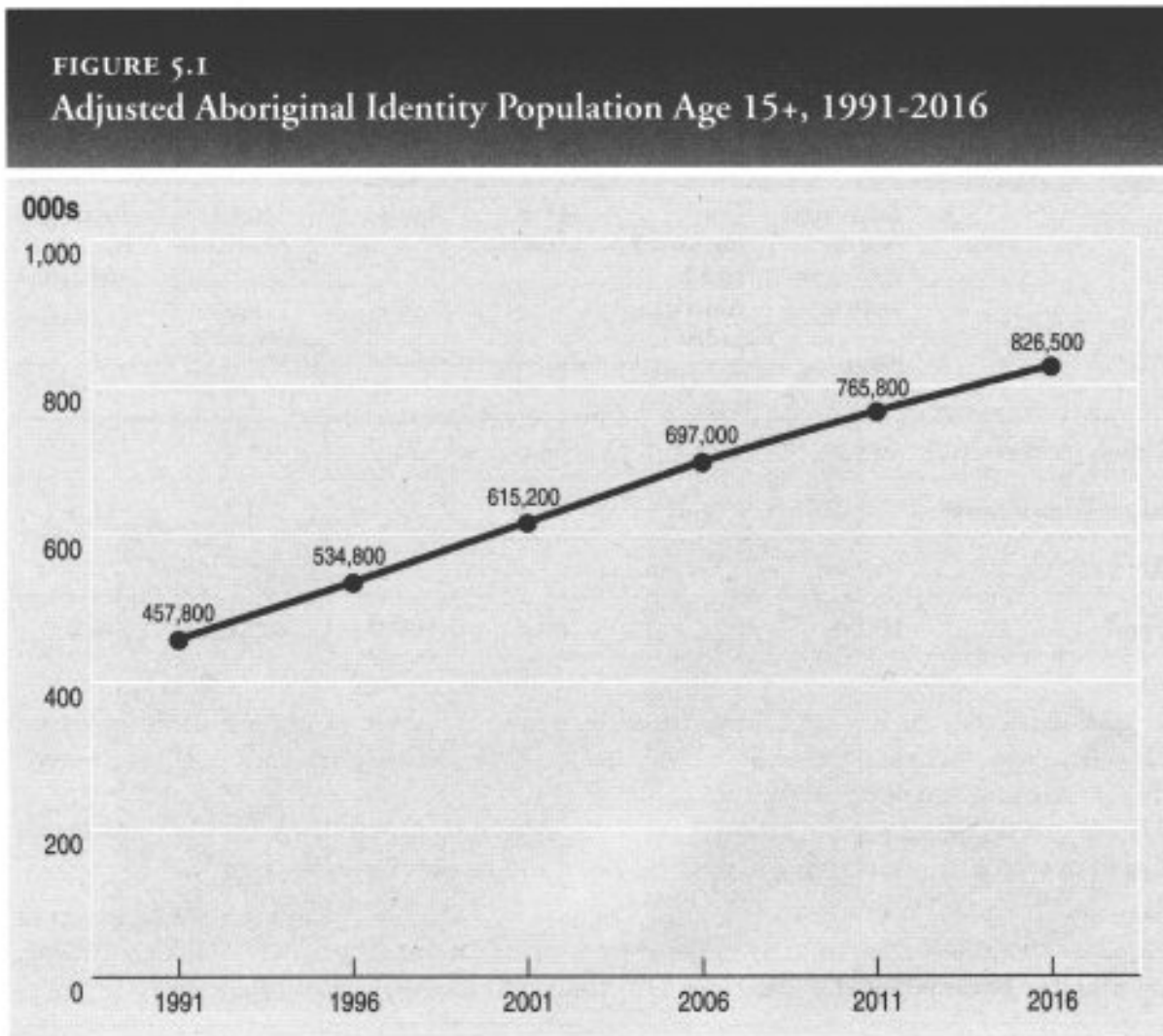
**Unemployment Rates in the Aboriginal Labour Force, 1981 and 1991**

		Unemployment Rate %	
		1981	1991
Inuit Males	15-24 years	22	36
	25-54 years	12	22
	55+ years	11	—
Inuit Females	15-24 years	22	28
	25-54 years	12	22
	55+ years	8	—
Métis Males	15-24 years	22	31
	25-54 years	11	22
	55+ years	7	25
Métis Females	15-24 years	19	25
	25-54 years	12	16
	55+ years	6	9*
North American Indian (Status) Males	15-24 years	23	46
	25-54 years	14	30
	55+ years	13	29
North American Indian (Status) Females	15-24 years	25	33
	25-54 years	14	23
	55+ years	10	20
Non-Aboriginal Males	15-24 years	13	16
	25-54 years	5	9
	55+ years	4	8
Non-Aboriginal Females	15-24 years	13	14
	25-54 years	7	9
	55+ years	6	8

Notes: — Figures suppressed; the coefficient of variation of the estimate is higher than 33.3%. \* Figure to be used with caution; the coefficient of variation of the estimate is

between 16.7 and 33.3%.

Source: D. Kerr, A. Siggner and J.P. Bourdeau, "Canada's Aboriginal Population, 1981-1991", research study prepared for RCAP (1995).



*Note:* Numbers have been rounded to the nearest hundred.

*Source:* M.J. Norris, D. Kerr and F. Nault, "Projections of the Aboriginal Identity Population in Canada, 1991-2016", research study prepared by Statistics Canada (Population Projections Section, Demography Division) for RCAP (February 1995).

**TABLE 5.5  
Residence of Aboriginal Identity and Non-Aboriginal Populations, 1991**

	<b>Registered North American Indians</b>	<b>Non-registered North American Indians</b>	<b>Métis Persons</b>	<b>Inuit</b>	<b>Total Aboriginal</b>	<b>Total Non-Aboriginal</b>
	%	%	%	%	%	%
Urban (non-reserve)	33.9	69.0	64.6	21.9	44.4	77.2
Rural Non-Reserve	8.0	31.0	35.4	78.1	20.3	22.8
Reserve	58.1	—	—	—	35.3	—
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

*Notes*

1. Table shows only the registered North American Indian population as having a reserve residence. Although a very small number of non-registered Indian persons, Métis people and Inuit live on reserve, they are shown as part of the rural population.

2. Table reports adjusted population figures for all Aboriginal groups except Inuit, for whom unadjusted data from RCAP custom tabulations of the 1991 Aboriginal Peoples Survey are used.

Source: M.J. Norris, D. Kerr and F. Nault, "Projections of the Aboriginal Identity Population in Canada, 1991-2016", research study prepared by Statistics Canada (Population Projections Section, Demography Division) for RCAP (February 1995); and 1991 Census, custom tabulations.

Even when Aboriginal people live in urban areas, they are more likely than Canadians generally to live in smaller urban centres than in large metropolitan areas (Figure 5.2).

These figures on place of residence are significant because most of the new jobs created in the Canadian economy in recent years have been located in

urban areas. Table 5.6 projects this trend into the future, ranking the major occupational groups by their predicted rate of annual growth in the period 1993-2000.

**TABLE 5.6**  
**Projected Annual Growth Rate of Occupational Groups, 1993-2000, and**  
**Proportion of Jobs Located in Urban Areas, 1991**

<b>Occupational Group</b>	<b>Projected Annual Growth Rate, 1993 - 2000 %</b>	<b>% of Jobs in the Urban Areas, 1991</b>
Managerial-Administrative	2.7	81.3
Natural Sciences	2.6	86.3
Social Sciences	2.4	85.2
Arts and Recreation	2.3	86.5
Service Occupations	2.2	81.1
Medicine and Health	2.1	81.1
Not Classified	2.0	77.1
Construction Trades	1.9	70.4
Clerical Occupation	1.7	83.1
Sales Occupations	1.5	82.9
Product Fabrication	1.3	77.3
Teaching	1.1	79.7
Processing	1.1	65.0
Machining	1.1	76.1
Religion	0.7	77.4
Farming	0.7	27.0
Materials Handling	0.6	79.5
Transportation Equipment Operation	0.5	72.0
Other Crafts	0.4	80.5
Fishing/Trapping	0.1	23.5
Mining	-0.4	63.7
Forestry and Logging	-0.8	NA
<b>Total</b>	<b>1.8</b>	<b>78.0</b>

Source: Canadian Occupational Projection System. COPS Reference 1993 Projection; and Statistics Canada, 1991 Census, custom tabulations.

It can be readily observed that almost all the occupations with the highest projected growth rates were largely urban in location in 1991. (The representation of what would appear to be rural occupations in urban areas is attributable to the fact that in some urban areas, such as Sudbury, Ontario, for example, there are large numbers of mining jobs in or near the city.)

Thus, the issue is not only a rapidly increasing Aboriginal labour force but also a mismatch between the geographic location of that labour force and the anticipated location of job growth in the Canadian economy. While the future of Aboriginal employment may not necessarily be as tied to urban locations as non-Aboriginal employment is, it can be expected that in the coming years Aboriginal people will continue to migrate to urban areas for jobs as well as other reasons. Thus policy attention needs to be directed to urban areas and to migrants there, as well as to the challenge of expanding economic opportunities in rural and northern areas.

### ***The diversity of Aboriginal economies***

Economic development policies of federal and provincial/territorial governments have tended to treat Aboriginal economies as though they were the same as non-Aboriginal economies, or at least to try to make them like the latter. They are quite different in many respects, however - in their histories, their goals, their cultural bases, their legal relationship to Canada, and their social and economic characteristics.

Thus we need to recognize Aboriginal economies as different in important respects, but also quite diverse. Here we describe three types of Aboriginal economies: First Nations reserves and rural Métis communities, urban Aboriginal economies, and northern economies.

#### First Nations reserve and rural Métis economies

There are 884 occupied reserves in Canada,<sup>34</sup> the large majority located in rural areas, and a much smaller number of rural communities where the bulk of the population is Métis. In some ways they are the same as non-Aboriginal rural communities; in other ways they differ from them and from each other.

In terms of structure, and in contrast to urban Aboriginal communities, reserves have their own governments and a clearly delimited membership, two factors

that are important when collective action is contemplated. The identification of the membership is particularly clear on reserves, because lists are kept of all individuals belonging to a particular band; lists also indicate whether a member is living on- or off-reserve.

Communities in which Métis people reside also have their own clearly defined governments, although these are public governments of the municipal type.

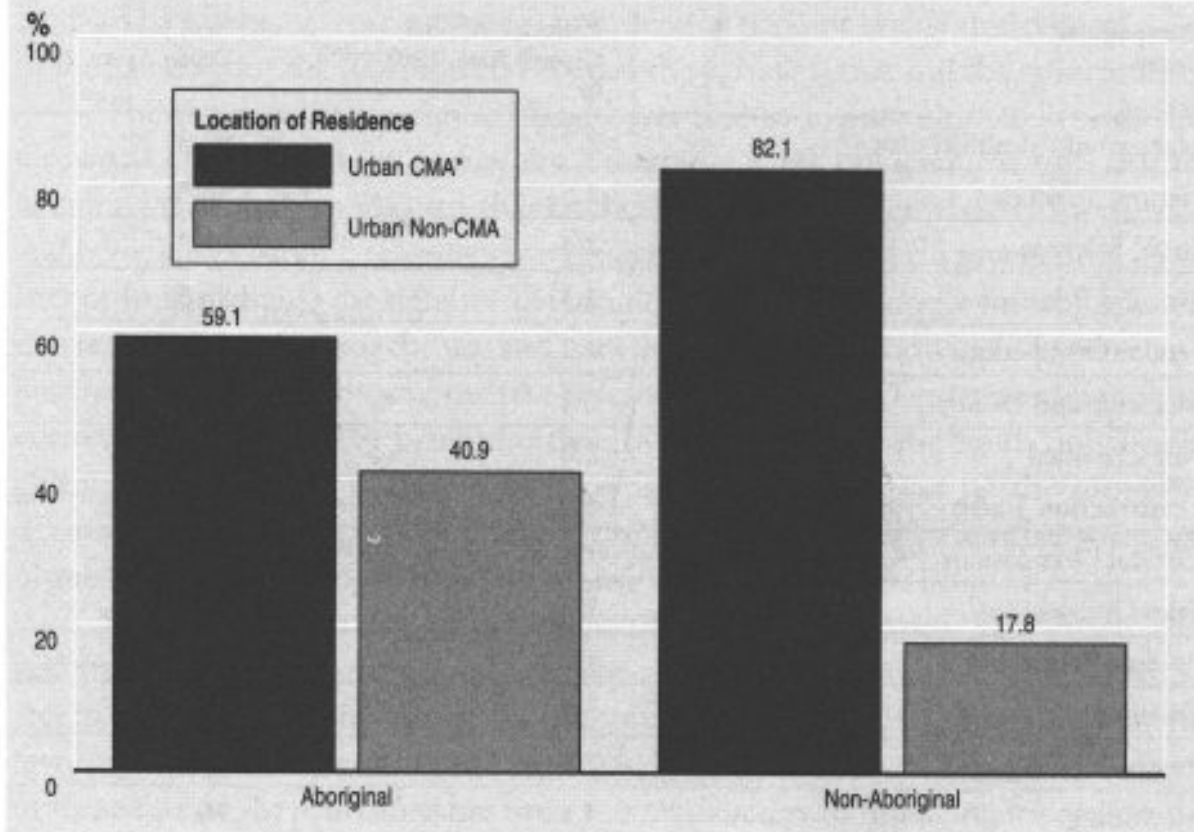
While reserve governments can be clearly identified, it is not so easy to identify other differentiated institutions in the economic realm. In comparison with non-Aboriginal communities, a private sector is less evident (especially on reserves) and not likely to be organized in a chamber of commerce or board of trade. Nor is there likely to be a bank or trust company, an industrial park, or clearly understood rules of the game about the relationship between the private sector and the government.

The reserves have a defined land base; title to it rests ultimately with the Crown. As specified in the Indian Act, a reserve is a “tract of land, the legal title to which is vested in Her Majesty, that has been set apart by Her Majesty for the use and benefit of a band”.<sup>35</sup> The act gives the governor in council (in practice the minister of Indian affairs) the right to “determine whether any purpose for which lands in a reserve are used is for the use and benefit of the band”. Individual band members may gain possession and use of a defined portion of the land according to the custom of the band, or by being allotted a portion of land by the band council and given a certificate of possession or a certificate of occupation by the minister. Transfers of possession, once obtained, can be to the band or to another member of the band only, again with the permission of the minister.



FIGURE 5.2

Residence of Aboriginal Identity and Non-Aboriginal Populations, 1991



Notes:

Data have not been adjusted for undercoverage of the Aboriginal population.

\* Census metropolitan area

Source: Statistics Canada, 1991 Census, Profile of Urban and Rural Areas, catalogue no. 93-339; and Aboriginal Peoples Survey (1991), custom tabulations.

Reserve lands are not subject to seizure under legal process. In addition, the real and personal property of an Indian or a band situated on a reserve is not subject to charge, pledge, mortgage, attachment, levy, seizure, distress or execution in favour or at the instance of any person other than an Indian or a band. The effect of these Indian Act provisions has been to reduce access to financing for economic development significantly, although an amendment to the property provision has made some property (but not land) seizures possible. Reserve lands, however, may be taken for public purposes. That is, a province, municipality, local authority or corporation may expropriate reserve lands for public purposes, provided they have been given authority to do so by

Parliament or a provincial legislature.

While a defined land base exists, the amount of land available to each reserve tends to be quite small on average (Table 5.7).

**TABLE 5.7**  
**Size Distribution of Reserve Land**

Size (hectares)	Indian Reserve Land <sup>1</sup>		All Types <sup>2</sup>	
	No	%	No.	%
0 to 500	1,968,	79.3	2,090	78.3
501 to 1,000	126	5.1	140	5.2
1,001 to 1,500	54	2.2	57	2.1
1,501 to 2 000	54	2.2	57	2.1
2,000 and more	279	11.2	325	12.2
<b>Total</b>	<b>2,481</b>	<b>100.0</b>	<b>2,669</b>	<b>100.0</b>

1. Includes both populated and unpopulated reserves. Data are for some time in the period 1991-1994. depending on the region.

2. Includes land identified as Indian reserves, Crown land settlements (federal or provincial), Category 1A lands, Indian settlements and proposed Indian reserves.

Source: Department of Indian Affairs and Northern Development, from information provided by the Department of Natural Resources, custom tabulations, 1994.

In many cases, too, reserves are not well located from the point of view of access to markets or services (Table 5.8) or in terms of possession of natural resources.

**TABLE 5.8**  
**Proximity of Indian Bands to Service Centres**

	Bands	
	#	%
< 50 kilometres	184	31.1
50-350 kilometres	279	47.1
> 350 kilometres	20	3.4
Special Access	109	18.4
<b>Number of Bands*</b>	<b>592</b>	<b>100.0</b>

*Notes*

1. A service centre is a community where the following services are available: supplies, material and equipment; a pool of skilled or semi-skilled labour; at least one financial institution; and provincial and federal services. The largest reserve or community associated with a band is used when measuring the distance to the nearest service centre.

2. An Indian band is a group of Indian persons for whose use and benefit in common lands (reserves) have been set aside or who are otherwise recognized by the federal government under the Indian Act. A band can have more than one reserve, and not all reserves are occupied.

\* This total is slightly less than the total number of bands in Canada (608 as of 1995), because some bands are without a reserve.

Source: Department of Indian Affairs and Northern Development, Band Classification Manual (March 1995), custom tabulations.

The title to any subsurface resources rests with either the federal or the provincial Crown, and the most reserves can do is refuse to surrender or designate the lands, or attempt to impose conditions on the surrender. A few reserves, however, do have a valuable resource base and receive substantive resource rents; the best known cases are Alberta reserves with oil and natural gas deposits. These kinds of revenues (as well as income from the sale of capital assets) are held in trust by the minister of Indian affairs, whose approval is required for release of the funds.

Reserve lands, however, are exempt from all forms of taxation except local

taxation, and this applies as well to the personal property of a First Nations individual or a band situated on the reserve. This provision can give an economic advantage to individuals and businesses located on reserves, but it does not apply to corporations owned wholly or partially by First Nations people. Courts have ruled that corporations are not 'Indians', nor are they entitled to be registered as Indians; hence, they are not eligible for tax exemptions. First Nations people have argued to no avail that this exclusion is a violation of Aboriginal and treaty rights and takes away a competitive advantage that reserves need if they are to compete from rural and remote locations.

By contrast, most Métis communities do not have a land base, nor are they subject to the Indian Act. Métis people own lands and assets as other Canadians do. The Metis Settlements in Alberta are the exception. A substantial land area was transferred to the Alberta Metis Settlements General Council in fee simple in 1990. As in the case of reserves, strict protective mechanisms prevent the loss of settlement lands to outsiders - restrictions deemed important to protect the land base but that stand in the way of obtaining loans for economic development purposes, because the land and its assets cannot be pledged as collateral.

While the land base of the Alberta Metis Settlements is more substantial than that set aside for reserves (an average of 63,178 hectares for each of eight settlements), subsurface rights remain with the province of Alberta. The settlements are negotiating the issue and have not reached agreement to date.

In the case of both reserves and Métis communities, there may be access to Crown lands outside the boundaries of the community for purposes of hunting, fishing or trapping, or in some cases to cut logs or engage in other economic ventures. As discussed earlier in this volume, however, these opportunities are increasingly circumscribed by the activities of other land and resource users and by myriad regulations and restrictions that have the effect of overriding treaty and Aboriginal rights.

Although the communities described in this section have their own governments, the nature of the governments and their powers are defined outside the communities. The Indian Act sets out the composition of a band council, the manner of its election, and its term of office (two years). The powers of band councils are limited to making by-laws and enforcing them within the reserve boundaries. The by-laws must be consistent with the act and with regulations adopted by the governor in council. Approval of the minister is

required for all by-laws. The act permits band councils to make by-laws with respect to taxation of land and interests in land; licensing of businesses, trades and occupations; and the raising of money from band members for band projects.

The act also contains a number of prohibitions. For example, one provision is little used today but serves as a reminder of the time when the Indian agent could restrict economic activity on a reserve if it would compete with non-Aboriginal producers:

A transaction of any kind whereby a band or a member thereof purports to sell, barter, exchange, give or otherwise dispose of cattle or other animals, grain or hay, whether wild or cultivated, or root crops or plants or their products from a reserve in Manitoba, Saskatchewan or Alberta, to a person other than a member of that band, is void unless the superintendent approves the transaction in writing ... .Every person who enters into a transaction that is void under subsection 32(1) is guilty of an offence.

Indeed, this argument about competing with existing interests is still used in the contemporary context to refuse loans and other forms of assistance to those who wish to establish businesses on reserves or in Métis and Inuit communities.

The Indian Act removed Indian lands and property from the Canadian economic realm and set them aside in enclaves. Here, creditors and bankers are reluctant to enter because they cannot exercise their rights in case of default; provincial governments are reluctant to enter because it is an area of exclusive federal jurisdiction; individual entrepreneurs are reluctant to enter because they perceive that reserves are inhospitable to their interests; and band councils have experienced considerable uncertainty and restriction in terms of their capacity to regulate the business environment.

The solution to these problems is not straightforward, however. First Nations people both on- and off-reserve place a high value on the reserves as a refuge from non-Aboriginal society, a place where the bonds of community are strong and where Aboriginal culture and identity can be learned and reinforced. There is strong resistance to measures that would place the few remaining reserve lands at risk in any way, even for the sake of economic development.

Métis people are spared the detailed prescriptions imposed by the Indian Act,

but they are subject to the same restrictions as other rural municipalities in their province. Their delegated powers from the province leave much to be desired in terms of achieving community control over local resources and economic development projects. Again, the exception is the Metis Settlements in Alberta, which now have fairly extensive powers to organize their economies at the community level and at the level of the regional general council.<sup>36</sup>

The formalities of the Indian Act and of provincial legislation mask a degree of initiative and decentralization that exists informally or by agreement. This is particularly the case with more aggressive communities and those with more extensive material and human resources that have been able to negotiate ways around Indian Act restrictions. DIAND has been encouraging bands to assume responsibility for providing programs and services, although typically under terms and conditions defined outside the community. Nevertheless, this has resulted in the takeover of programs in education, housing, health, social services, policing and economic development. In the process, local jobs have been created in band and social service administration; this, together with the weakness of the on-reserve private sector, accounts for the high proportion of Aboriginal people working in the public sector, as documented in Table 5.2.

Business development is weak on reserves, and to a lesser extent in rural Métis communities. With only a small population to serve, it is difficult for businesses to become viable, except those that can function on a small scale, such as a corner store, a gas bar, a hairdressing salon or an auto repair shop. As a result, the considerable funds flowing into communities quickly flow out again to non-Aboriginal businesses in neighbouring towns. A study of the monthly household expenditures of six Shuswap communities in British Columbia, for example, documented that only \$142,645 was spent on-reserve, out of total expenditures exceeding \$750,000 - less than 20 per cent (1991-1992). An analysis of the spending patterns of the Shuswap governments showed a total expenditure of \$13.2 million, of which \$6.32 million, or 48 per cent, was spent for goods and services purchased on-reserve. However, almost all the on-reserve spending took the form of wages, benefits and post-secondary school allowances, which soon found their way to institutions and businesses outside the reserve. The authors of the study concluded that the actual leakage was closer to 90 per cent.<sup>37</sup> It is not surprising, therefore, that rural Métis and First Nations communities seek to reduce this leakage through 'import substitution'.

Reserve economies are largely isolated from the economies of surrounding regions except as consumers of goods and services produced outside the

community or occasionally as hosts to leaseholders, cottagers or bingo players. They do not supply manufactured goods or services to the region, their residents are not employed by the non-Aboriginal drugstores and supermarkets that profit from sales to Aboriginal people, and local or regional development agencies are typically ignorant of the First Nation economy in their midst, even if it is significant in dollar terms. While occasionally a regional development authority might have an Aboriginal representative or even an Aboriginal sub-committee, there is not much evidence that these linkages are leading to significant economic development.

Most reserves and rural Métis communities are located in regions that are struggling economically and losing jobs in the natural resources and manufacturing sectors. The depletion of resources, tougher international competition, and the continuing adoption of capital-intensive technology all contribute to this trend. The consequences become immediately obvious if unemployment rates in rural and northern areas are compared with those in urban and more southern areas<sup>38</sup> Exceptionally high population growth rates in First Nations and Métis communities present a major challenge for employment and economic development in these regions.

### ***Urban economies***

Since the Second World War, many Aboriginal people living in rural or reserve areas have migrated to urban areas and, in particular, to Canada's largest metropolitan centres. The flow of migrants has not always been steady, but now almost half the Aboriginal identity population lives in urban areas, as documented in Table 5.5. Aboriginal people have moved to cities to pursue jobs, education or training opportunities, to have better access to health or social services, to join a family member or spouse, or to escape an abusive relationship. For a fuller discussion of the varied dimensions of Aboriginal life in urban centres, see Volume 4, Chapter 7.

The urban environment does offer somewhat better employment and business opportunities. To a degree, Aboriginal people have been able to take advantage of those opportunities. Aboriginal people in urban areas, on average, have higher labour force participation and employment rates than those living in non-urban areas (Table 5.9). As well, those who have found work earn more income on average and are more likely to have a steady, full-time job.<sup>39</sup> Yet the economic conditions of Aboriginal people in urban areas are still well below those of non-Aboriginal people, and in some cities, especially in Manitoba and Saskatchewan, the differences are very substantial. Table 5.9

reveals unemployment rates for the urban Aboriginal labour force that are more than double the non-Aboriginal level, even though labour force participation rates are almost comparable.

**TABLE 5.9**  
**Labour Force Activity of the Aboriginal and Non-Aboriginal Populations**  
**Age 15+, 1991**

	Aboriginal			Non-Aboriginal	
	Urban	Rural	Reserve	Urban	Rural
Labour Force Participation Rate	62.7	58.3	45.3	68.1	67.9
Employment Rate	48.4	45.5	31.4	61.5	60.7
Unemployment Rate	22.9	22.1	30.8	9.7	10.6

*Source:* Statistics Canada. 1991 Census, custom tabulations; and Aboriginal Peoples Survey (1991), catalogue no. 89-534 and custom tabulations.

Rates of poverty among Aboriginal people in urban areas are also higher than among other urban residents. In every major metropolitan centre in the country, the proportion of the Aboriginal adult population with a very low income (less than \$10,000) is considerably higher than the proportion in the total metropolitan population. The Aboriginal rate is about double that of the total metropolitan population in every centre but Halifax.<sup>40</sup>

These figures paint a general picture of Aboriginal disadvantage in urban areas, particularly in some cities, but the data may not reflect a substantial amount of informal economic activity among urban Aboriginal residents. The Aboriginal Peoples Survey, for instance, reported that in metropolitan centres from Winnipeg to Victoria, between 17 and 25 per cent of the adult population participated in the informal economy.<sup>41</sup>

To understand the distinctive features of urban Aboriginal economies, it is useful to contrast them with the rural economies described earlier. First Nations reserves and, to some extent, rural Métis economies are “enclave economies”.<sup>42</sup> The urban economies of non-reserve Aboriginal populations are more appropriately conceived of as “interwoven economies”. It is often difficult to distinguish a distinct urban Aboriginal economic unit. In cities such as



Winnipeg, Regina and Saskatoon, however, large segments of the Aboriginal population are concentrated in certain parts of the city, usually inner city areas with a greater availability of low-cost rental housing. Even these areas have a mix of Aboriginal and non-Aboriginal inhabitants, however, and the latter tend to be dominant. In fact, there is only one Canadian urban census tract (in Winnipeg) in which Aboriginal people make up the majority of residents.<sup>43</sup>

Other characteristics also contribute to a more interwoven picture. The urban Aboriginal population tends to be more culturally heterogeneous than rural First Nations or Métis communities. It is usually made up of people from numerous First Nations and, especially in the prairie provinces, it includes a sizeable Métis population as a separate cultural and economic group.

In centres such as Toronto, Ottawa, and Montreal, the population with some Aboriginal ancestry may be large, but the percentage who identify themselves as Aboriginal is small. In fact, Aboriginal people in urban areas usually represent only a small minority of the urban population. People who identify themselves as Aboriginal account for less than six per cent of the population of large metropolitan areas, and in most of those cities the proportion is less than two per cent.<sup>44</sup> A delegate at the Commission's round table on urban issues explained that the size of the city affects the Aboriginal community's sense of cohesion even in Winnipeg, which has the largest urban Aboriginal population in the country:

The bigger Winnipeg gets, the greater the sense of isolation for Natives, the less they practise togetherness. It is very difficult to 'feel' Native culture in urban areas. In the rural areas, Natives are in closer touch with one another.<sup>45</sup>

The urban population is diverse in other respects as well. Although the proportion of low-income earners is high, there is also a growing middle class of higher income earning professionals working as senior employees of Aboriginal organizations and an increasing number of university graduates in fields such as law, business administration and health care.

The lack of urban Aboriginal governing structures is a further impediment to the development of distinct Aboriginal economic and cultural communities in urban areas. Where representative organizations have developed, they have lacked the resources and the legislative authority to plan and implement economic policies and programs aimed at building linkages within the community. Moreover, the development of these structures has been

complicated by debate about the form urban Aboriginal organizations should take. Some support the idea of umbrella organizations to represent all Aboriginal groups, while others advocate separate First Nations and Métis organizations.

In the economic arena, institutional development is weak as well. Community development corporations are more visible in rural communities than in urban. Aboriginal capital corporations - financial institutions that deal mostly in small business financing - have also focused more on the needs of rural and reserve communities than on those of the urban population. Winnipeg, for example, is the headquarters of a Métis capital corporation and two others affiliated with First Nations tribal councils, yet the bias is toward rural community and reserve lending.

Making life more complicated for the urban dweller is the fact that non-Aboriginal governments tend not to recognize urban Aboriginal communities in policies and programs. The federal government has largely denied responsibility for urban Aboriginal people unless they are registered Indians who have moved recently from a reserve or are living away from one temporarily. Usually, responsibility for services for other urban Aboriginal people has fallen on the provinces. For the most part, Aboriginal people have used agencies and programs designed for the general population.

Provincial governments have been generally open to developing targeted policies and programs to address the distinct needs and circumstances of some groups, such as immigrants, but they have been reluctant to do so for Aboriginal people. The provinces argue that Aboriginal people, or at least registered Indians and Inuit, are a federal responsibility, so the cost of Aboriginal-specific programs should be covered or at least shared by the federal government. The federal government argues that service provision is a provincial responsibility anywhere outside reserve boundaries. This jurisdictional stalemate has resulted in a policy vacuum. The implications of this situation, as well as a proposed resolution, are developed in Volume 4, Chapter 7.

Although levels of educational attainment and training among Aboriginal people are higher on average in urban areas than in rural or reserve areas, they are still substantially below those of non-Aboriginal urban dwellers.<sup>46</sup> As well, Aboriginal people in urban areas have less access to job information and personal contacts in non-Aboriginal businesses and institutions, connections that have been estimated to account for as much as 80 per cent of all jobs

found. Employment prospects are affected also by instability in the urban community. Delegates to the Commission's round table on urban issues underlined the point that it is considerably more difficult to find employment if basic needs for shelter, food and clothing have not been met.

The effects of racism inhibit economic prospects as well. Racism is felt strongly by Aboriginal people living in urban areas. Delegates to the urban issues round table described racism as pervasive in their dealings with government, business, financial institutions, employers, and the broader community. Indeed, they identified racism as the principal barrier to improving economic opportunities for Aboriginal people in urban areas.

Lack of accessible child care is another barrier. Usually, Aboriginal women living in cities do not have the same support structures - in the form of extended family and community networks - as women in rural or reserve communities. Yet they need child care if they want to pursue educational or employment opportunities. The proportion of Aboriginal families headed by sole-support mothers is significantly higher in urban areas than elsewhere.<sup>47</sup>

An alternative to approaches focusing on individual participation in the mainstream economy is strategies directed to the community as a whole and aimed at increasing economic opportunity within a distinct Aboriginal urban economy. They include mutually reinforcing economic linkages between and among Aboriginal businesses, Aboriginal urban residents, service agencies, financial institutions and political organizations.<sup>48</sup>

One proposed strategy involves creating urban 'incubators' bringing together a number of Aboriginal businesses and service agencies in a single facility where they have access to a central source of financing and managerial expertise and can share scarce skills, capital and overhead costs. An incubator makes it easier for fledgling Aboriginal businesses to learn from and support each other, to develop mutually reinforcing economic linkages, and to economize on costs.

A successful incubator was begun with the opening of the Aboriginal Centre of Winnipeg in 1993, in the old Canadian Pacific railway station in the core area of the city. The centre has brought together a credit union, some small businesses, a number of service agencies, including an employment services organization, and the Aboriginal Council of Winnipeg, an umbrella political organization representing Aboriginal people in the city.

Another strategy for strengthening urban Aboriginal economies emphasizes building supportive links with the community. Within the community, the use and production of goods and services, the expenditure of income and the reinvestment of profit should, as much as possible, be oriented toward the betterment of the community. This approach encourages community members to spend their incomes within the community and also encourages businesses to produce the goods and services consumed in the community, thus aiming to reduce the very high levels of income leakage characteristic of Aboriginal urban economies.

### Northern economies

More than one-third of all Aboriginal people live in the territories, Labrador and the northern parts of the six provinces west of the Maritimes. This vast land area is three-quarters of the total area of Canada, yet just 6.2 per cent of the Canadian population lives there.<sup>49</sup> In most regions of northern Canada, Aboriginal people form the majority or a large plurality of residents (Table 5.10).<sup>50</sup> (See Volume 4, Chapter 6 for a full discussion of the North in relation to the Commission's mandate.)

The northern economies share important fundamental structural features but are also enormously diverse. Northern economies range in character from the troubled Labrador coast fishery, where income levels are low and even fishing for domestic consumption is threatened, to the relatively rich mixed economy, based on fur and petroleum, of the Mackenzie Delta. Considering the differences in local resources and other influences, however, there are remarkable similarities in economies across the North. Many Aboriginal people in the North still make their living in much the same way that people have made a northern living for centuries. From time immemorial, northern Aboriginal peoples have been hunting, gathering and fishing. Each nation or people built a regionally appropriate economy, based on seasonal use of resources by relatively small groups of interrelated people.<sup>51</sup> The exact seasonal round varied according to local conditions and local technology, but in all cases people moved across a familiar landscape and made use of detailed knowledge of the animal and plant species upon which they depended. Trade between groups, often across many hundreds of miles, was common.

TABLE 5.10  
**Non-Aboriginal<sup>1</sup> and Aboriginal Identity<sup>2</sup> Population Distribution, by  
Region, 1991**

Region	Far North <sup>3</sup>		Mid-North		South	
	Aboriginal	Non-Aboriginal	Aboriginal	Non-Aboriginal	Aboriginal	Non-Aboriginal
Labrador	6,710	23,665				
Nunavut <sup>4</sup>	17,795	3,449				
Denendeh <sup>4</sup>	16,790	19,615				
Yukon	4,520	23,277				
Quebec	14,905	21,405	18,095	539,538	23,295	6,278,725
Ontario			42,005	419,646	72,805	9,550,339
Manitoba			28,810	35,353	70,415	957,364
Saskatchewan			25,075	1,660	61,620	900,573
Alberta			27,855	145,452	75,705	2,296,451
British, Columbia			23,190	232,222	77,940	2,948,709
Newfoundland					3,320	534,779
Prince Edward Island					570	129,195
Nova Scotia					8,815	891,127
New Brunswick					5,300	718,600
<b>Canada</b>	<b>60,720</b>	<b>91,411</b>	<b>165,120</b>	<b>1,373,871</b>	<b>399,785</b>	<b>25,205,862</b>

*Notes:*

1. Non-Aboriginal includes persons with some Aboriginal ancestry but who did not self-identify as Aboriginal people in the 1991 Aboriginal Peoples Survey.

2. The Aboriginal identity population has not been adjusted for undercoverage in the APS.
3. For an explanation of what constitutes the Far North, Mid-North and South, see Volume 4, Chapter 6.
4. The sum of Denendeh and Nunavut constitutes the population of the Northwest Territories.

*Source:* Statistics Canada, 1991 Census, catalogue no. 93-304; and 1991 Aboriginal Peoples Survey, custom tabulations.

Some aspects of the traditional (pre-contact) northern economies prevail today, but for the last hundred years or more they have been blended with other forms of economic activity.<sup>52</sup> Occasional wage employment has been available to northern Aboriginal people since their first contacts with Europeans. Inuit worked as whalers and guides; many Dene, Cree and Métis people and members of other nations found casual employment at fur trading posts and in the associated travel and transportation networks. Wages have been a significant source of cash income in many Aboriginal families for decades, though likely an even more important source of cash, overall, has been the fur trade. The great fur trade that once stretched across northern Canada became a permanent source of non-indigenous commodities and cash. In the last 30 years, for Inuit especially, art and handicrafts have grown in importance; like furs, carvings and other items of beauty can be produced from the resources at hand and traded for cash or the goods families require.

Today, outside a few wage employment centres, the household-based mixed economy predominates: extended families share income in kind from gathering, hunting and fishing and cash income from occasional wage employment and social welfare transfers. Sharing occurs within households (or families) and also between them. Within a household, for example, part of grandmother's old age pension and cash income from father's seasonal employment might be used to purchase supplies for fishing, which in turn will yield fish for the entire family to eat. Some of the fish might be shared with other families, especially if the catch is bountiful. Similarly, a moose or a caribou will be shot by one person but consumed by many, some of whom will be earning wages and be in a position to return the favour by subsidizing further hunting or fishing trips.

Effective participation in the mixed economy also relies on detailed knowledge of large territories and the flora and fauna they support. This knowledge

connects Aboriginal people to their shared past and to each other. Information is shared about such matters as the likely location of game, but it is also part of an ethical system guiding use of the land and the animals and the attitudes of respect and humility with which they are used. Also necessary is a sophisticated set of skills and abilities, which must be taught over time.

The final requirement for successful land-based production is regular access to cash. As practised today, hunting, fishing and gathering require equipment: snow machines, boats with motors, rifles, ammunition, gasoline. The use of such equipment turns an investment of money into high-quality food, the materials necessary for handicraft production and art, and a healthy way of life. But these products rarely generate sufficient cash to finance further land-based production.

The harvesting of country food does not come cheaply however. The purchase of skidoos, rifles, nets, fuel, etc., requires significant cash resources. Fluctuations in the availability of cash income, as occurred in the 1980s in Nain [Labrador], result in a decrease of harvesting activities as hunters become unable to finance the purchase of new equipment and supplies. To further aggravate the situation, in the early 1980s protests by animal rights groups against the harvesting of seals led to a sharp decline in pelt prices, drastically reducing yet another source of income to hunters.<sup>53</sup>

The northern mixed economy is resilient in the face of the vicissitudes of the market but vulnerable to harvest disruption and competing forms of land use. It has a unique dynamic and requires a policy environment quite different from that required by other forms of economic activity. While the fruits of the land are on the whole bountiful, northern Aboriginal people confront severe economic hardships: very high costs for travel, transportation and consumer goods, set against scant and constrained wage opportunities, a harsh climate and distant markets. Furthermore, unlike other forms of modern economic activity, major parts of the mixed economy do not generate cash surpluses that can be taxed or accumulated as a source of capital.

Taxable economic activity - wage employment and profit making - is found in a relatively restricted range of economic sectors, including mining, oil and gas exploration, a small amount of oil and gas production, hydroelectric development, transportation of people and goods, tourism, military bases, the small business service sector and the public sector. Although transportation, mining, and oil and gas in particular have received massive public subsidies in the last 40 years, they have yielded relatively little in terms of full-time

employment. For example, only four per cent of the entire mining-related work force in Canada is Aboriginal. In the Northwest Territories, with its very high proportion of Aboriginal adults, only 12 per cent of the 2,200 jobs in the mineral sector were held by Aboriginal people in 1989.<sup>54</sup>

A more stable source of employment has been the public sector. Nearly half the labour force in the territorial North is employed directly by federal, territorial and local governments. Most of these public service jobs are held by non-Aboriginal people, many of whom were drawn to the North by employment opportunities. The proportion of Aboriginal public service employment increases in local and regional government offices and is least noticeable in senior and technical positions in the capital cities and regional centres.<sup>55</sup> In all northern communities, public service wages represent a very large proportion of the cash entering the community; even small reductions in government spending are noticeable.

Since the establishment of a non-Aboriginal presence in the North, all forms of economic activity have required public subsidy. Infrastructure development, building and maintenance of transportation and communications facilities, identification of mineral reserves and their development, organization and maintenance of tourism - all have been funded from the public purse. It seems clear that further activity of this nature and maintenance of the traditional mixed economy will continue to need subsidy.

The federal perspective on non-renewable resource development in recent decades has assumed a heavy degree of political encouragement and public subsidy.<sup>56</sup> By contrast, the original federal approach to Aboriginal people in the North was *laissez-faire*: Aboriginal people were considered best left to their own long-standing means of making a living, even in times of famine or epidemic disease. Treaties were negotiated when agricultural settlement or resource development made conflict over land use likely. After the Second World War, systematic efforts to relocate and centralize Aboriginal communities increased (see Volume 1, Chapter 11). In addition, the social welfare state was greatly expanded in Canada as a whole and in the North. From the perspective of Aboriginal northerners, the 1950s and early 1960s were remarkable for dramatic changes in their way of life, produced by unprecedented levels of social expenditures on health, housing, education and transfers to individuals. The systematic analysis of what are generally acknowledged to be massive and far-reaching cumulative effects has barely begun.<sup>57</sup>



Northern economic development has often been described in terms of polarized choices. During the 1970s, for example, debate over the construction of a Mackenzie Valley pipeline was cast as a choice between 'frontier' (as it was for the state and for the resource companies) and 'homeland' (as it was for the Aboriginal people of the North). Sometimes today the choice is expressed as 'sustainable development' versus 'non-renewable resource exploitation'. Although such phrases have some descriptive and explanatory value, they are also misleading. As a federal royal commission of the day argued, the 'homeland' perspective on the North did not preclude non-renewable resource development; rather, it emphasized locally controlled development over externally driven economic processes.<sup>58</sup> Similarly, 'traditional' production does not preclude participation in the wage economy. On the contrary, hunting, fishing, gathering and trapping can be complementary to the northern wage economy, particularly as that economy moves through boom and bust cycles.

Education and training levels among Aboriginal people in the North are still much lower than those in the general population, a situation that is particularly acute for those just entering the labour market at a time when youth unemployment is a major problem across the country. However, two relatively new developments in northern Canada are having an important positive economic effect: the advent of land claims settlements and the realization of a degree of political self-determination. Negotiation of comprehensive land claims settlements has led to the introduction of stable infusions of capital to certain regions of the North and the creation of Aboriginally controlled organizations to manage these funds.<sup>59</sup> Although the overall amounts are not great enough to transform local economies, they have put the means for sustained, diversified economic development in Aboriginal hands.

Only a few comprehensive claims agreements have been in place long enough for their economic impact to be assessed. A 1989 assessment of the impact of the Alaska Native Claims Settlement Act (1971), the James Bay and Northern Quebec Agreement (1975), the Northeastern Quebec Agreement (1978), and the Inuvialuit Final Agreement (1984) found that the agreements' potential to produce positive results was frustrated by three factors:

- implementation problems, including, in the Alaskan case, expensive litigation;
- limited local investment opportunities, owing to the highly undiversified nature

and small size of regional economies; and

- excessive bureaucratization, as Aboriginal organizations followed patterns established by non-Aboriginal governments and established a large presence in northern economies.<sup>60</sup>

The second major development with important economic effects in northern Canada has been the creation of self-governing institutions by Aboriginal people. For demographic and other reasons, some Aboriginal people in the North have tended to prefer what has been called the 'public government' model. The creation of Nunavut by the division of the Northwest Territories will create a new public government, with a fresh mandate and some new functions. Establishment of Nunavut and implementation of the land claims agreement will create an estimated 2,300 jobs in the region. An estimated 85 per cent of the jobs will require post-secondary education. The Nunavut agreement includes a 'best efforts' clause stating that Inuit should fill 85 to 90 per cent of the jobs in the new government. This clause, and the general need for employment in Inuit communities, creates an enormous challenge to develop appropriate training and development mechanisms. About half the Inuit in Nunavut are under the age of 20, and 50 per cent of adults do not have a high school diploma or skills relevant to public sector employment.<sup>61</sup> (See Chapter 3 of this volume for a discussion of the various forms of Aboriginal self-government, including public government.)

In the northern parts of the provinces and in the rest of the territorial north, as control over institutions is devolved and self-governing institutions are developed, more wage employment opportunities will be created. Provided these jobs are created with Aboriginal employment in mind, self-government could assist in the diversification and development of northern regional economies for many years to come.

### ***Understanding Aboriginal economic development***

For many Indian nations and their leaders, the problem of economic development has been defined as one of picking the right project. Tribal governments often devote much of their development-related time and energy to considering whether or not to pursue specific projects: a factory, a mine, an agricultural enterprise, a motel, and so on ... .

Picking winners is important, but it is also rare. In fact, Indian Country is dotted

with failed projects that turned sour as investors' promises evaporated, as enterprises failed to attract customers, or managers found themselves overwhelmed by market forces and political instability. In fact, many tribes pursue development backwards, concentrating first on picking the next winning project at the expense of attention to political and economic institutions and broader development strategies. Development success is marked, in part, by the sustainability of projects. Generally speaking, only when sound political and economic institutions and overall development strategies are in place do projects - public or private - become sustainable on reservations.<sup>62</sup>

Economic development is complex and difficult, and its ingredients vary from one situation to another. As implied in the passage just quoted, economic development involves the interdependence of many elements going well beyond the strictly economic. Stephen Cornell and Joseph Kalt, the authors of the passage, have been associated with the Project on American Indian Economic Development at Harvard University. Their conclusions about economic development on reservations in the United States are derived from a large number of case studies that sought to identify the factors associated with successful economic development as defined by the tribes themselves, contrasting this experience with the much larger number of development efforts that have not borne fruit. As Cornell and Kalt discovered, economic development is about more than picking winners. They concluded that one of the most important factors in success is external opportunity, which refers to the political, economic, and geographic environment of reservations. Four circumstances are particularly important for economic development:

- political sovereignty: the degree to which a tribe has genuine control over reservation decision making, the use of reservation resources, and relations with the outside world;
- market opportunity: unique economic niches or opportunities in local, regional or national markets that result from particular assets or attributes (minerals, tourist attractions, distinctive artistic or craft traditions) or from supportive government policies;
- access to financial capital: the ability of the tribe to obtain investment dollars from private, government or other sources; and
- distance from markets: the distance tribes are from markets for their products.

Another important factor they cite is internal assets, which are the characteristics of the tribes and the resources they control that can be committed to development. Again, there are four important variables:

- natural resources: minerals, water, timber, fish, wildlife, scenery, fertile land, oil, gas, and so on;
- human capital: the skills, knowledge, and expertise of the labour force acquired through education, training and work experience;
- institutions of governance: the laws and organization of tribal government, from constitutions to legal or business codes to the tribal bureaucracy. As these institutions become more effective at maintaining a stable and productive environment, the chances of success improve; and
- culture: conceptions of normal and proper ways of doing things and relating to other people and the behaviour that embodies those conceptions. As the fit between the culture of the community and the structure and powers of the governing institutions becomes better, the more legitimate the institutions become and the more able they are to regulate and organize the development process.

Cornell and Kalt also listed development strategy as another factor. It refers to the decisions tribes make regarding their plans and approaches to economic development. There are two key decisions:

- choice of overall economic system: the organization of the reserve economy with respect to such questions as the form of ownership of business enterprises and the approach to economic development (such as tribal enterprises, individual or family entrepreneurship, joint ventures). The prospects of successful development are improved if there is a good fit between the economic system chosen by the tribe and its social organization and culture.
- choice of development activity: the selection of specific development projects, such as a convenience store, a gaming operation, a motel or a manufacturing plant. Activities are more likely to be successful if they take advantage of tribes' market opportunities, allow tribes to specialize in using the natural and/or human resources most available to them, and are consistent with tribes' cultures.

Whether in a Canadian or a U.S. context, it is not likely that a particular nation or tribe will be strong in all areas, nor is this necessary. Different development strategies require a different mix of elements - an Aboriginal nation emphasizing high technology development would want to emphasize human resources development and may be less concerned about distance from markets or the natural resources base. In general, however, the more elements in place, the better the nation's prospects.

The situation in Canada is somewhat different from that in the United States; for example, Aboriginal rights and the treaty relationship, including the terms of the treaties and comprehensive claims agreements, are significant factors shaping the context for economic development in Canada. In addition, factors that Cornell and Kalt take as given, such as the degree of political autonomy and the endowment of land and natural resources, remain unresolved to a large degree in Canada - indeed, they are the subject of this Commission's mandate and recommendations. Nevertheless, the importance of these factors for economic development is affirmed by the Commission's research and by testimony at public hearings and round tables, and they figure prominently in the discussion that follows.

## **2. The Levers of Change**

### **2.1 Transforming Aboriginal Economies: An Overview**

The transformation of Aboriginal economies from dependence on government transfers to interdependence and self-reliance is fundamental to the development of self-government. It is now widely accepted that Aboriginal nations and communities must be able to generate sufficient wealth to provide an acceptable quality of life for their members. Without this capacity to generate wealth and to use it for their own development, dependency will continue, and the economic and social costs of maintaining it will continue to rise.

Transforming Aboriginal economies is a large undertaking that will require concerted, comprehensive effort over an extended period. It will take a deliberate commitment of time and resources. Some remarkable achievements in Aboriginal economic transformation over the past decade have laid the foundation for future efforts. Much work has been done by Aboriginal people to prove that the barriers to economic development can be surmounted. It is

heartening to see the spirit of innovation and creativity rekindled in Aboriginal cultures.

Given the diversity of Aboriginal economies, their paths to interdependence and self-reliance may differ. Self-reliance can be practised by following the migrating caribou herd across Labrador, by pursuing a mix of part-time wage jobs and harvesting resources from land and sea, or by conventional wage or entrepreneurial activity. Ways of making a living that are much more adaptable and flexible are becoming prevalent across the Canadian economy. Ideas about fixed hours of work, established places of employment and lifetime employment with a single organization are eroding as the impact of technology is felt. Technology is increasingly able to deliver education and even health care to those who choose to live outside populated centres and make a living by traditional or unconventional means.

Self-reliance is about diversity and understanding the implications of choice. Inhabitants of smaller communities often prefer the quality of life there - with its unique dimensions of time, culture and relationships - to the anonymity and pressure of cities. Many would choose a different mix of cash and other types of income if the prospect of healthy and sustainable communities were attainable. Measurements of social and economic well-being would be different for those communities because of the choices people make. While these communities may never be fully self-reliant, they could make far better use of existing public resources if allowed to do so in a way that corresponds to local conditions.

We saw earlier in this chapter why most Aboriginal communities and many Aboriginal individuals find themselves on the economic sidelines. The desire of Aboriginal peoples to be self-governing political entities can be fully realized only with a transformation in their capacity to provide for themselves. A nation does not have to be wealthy to be self-determining. But it needs to be able to provide for most of its needs, however these are defined, from its own sources of income and wealth.

Ownership of resources is necessary to reach this objective. But ownership, in and of itself, is insufficient to generate adequate incomes or the wherewithal to run a modern government. The organization and skills needed to turn resources into income are becoming increasingly complex for communities that would earn their living in the global economy. For those who would pursue traditional lifestyles, many of the necessary skills have to be rediscovered. A community or nation that wants to control the wealth available from its

resources cannot leave critical management, technical and harvesting tasks to outsiders. Ownership alone is not sufficient to ensure desired economic or social outcomes. Mastering the skills of a modern economy or organizing communities to follow a mix of traditional and cash pursuits will provide the keys to self-reliance.

In this section we examine the levers of change that can transform the economies of Aboriginal nations. Much has happened in recent years that creates hope for a different future. However, the challenge of translating these changes into a broad transformation of economic life in Aboriginal communities is multi-faceted and immense.

No single economic outcome is right or appropriate. Canada is blessed with natural and human resources that provide flexibility for people to pursue varied lifestyles, as they have for generations. We will continue to see economic outcomes and income mixes that are as strikingly different as the lives of Inuit carvers in Cape Dorset and Aboriginal professionals in Montreal or Vancouver. What should be common to everyone is the opportunity to acquire the needed education and skills to make a reasonable living no matter which way of life they choose.

In the next decade, what measures can alter sufficiently the economic options available to Aboriginal communities and individuals? The single most important factor in the medium term will be the restoration to Aboriginal peoples of fair shares in the lands and resources of this country. We mention this first because we believe that it is likely the most contentious aspect of a strategy to achieve economic self-reliance, yet the one whose absence would make the prospect of meaningful economic change for Aboriginal communities an empty expectation. The case for this has been made compellingly, and the means to make it happen were identified in the previous chapter. The recognition of Aboriginal rights and treaty provisions and the negotiation of new or renewed treaties are central to this process.

Not all Aboriginal nations will benefit to the same degree from this redistribution. Many, however, would see a striking increase in employment and access to revenues from resource management and development. This might be realized in traditional harvesting of fish and wildlife, in agriculture, or in mineral, forest and hydroelectric development, if the latter is undertaken in an environmentally responsible fashion. Moreover, since these activities occur in proximity to many Aboriginal communities, they would offer a wide variety of skilled jobs and provide an alternative to leaving the communities to earn a

living. We therefore emphasize redistribution as a central element in a strategy to achieve economic self-reliance. It is an element that holds great promise but also poses significant challenges for Aboriginal governments.

The next important factor is the ability of Aboriginal peoples to regain control of the key decisions concerning economic strategy. Their institutions of government and economic development must effectively encourage open communication and co-operation, political and legal stability, and fair opportunity if real change is to occur.

Central to the challenge of economic development is the ability to create and manage enterprises that can harvest resources and manufacture the goods and services that generate income and wealth. Aboriginal people are demonstrating the capacity to master a wide range of commercial activity, whether as individual entrepreneurs or as managers of community-owned enterprises. Levels of business formation have been high in recent years, as discussed later in this chapter. Hundreds of Aboriginal people are acquiring the skills needed to work in a modern economy and influence the way business is conducted. The ability to transform resources into income will depend critically on the development of business acumen and organization. Acquisition of management skills and access to equity and loan financing remain the two most important barriers to successful business formation.

Motivating Aboriginal young people to complete their education is vital to transforming the economic future of their communities. A foundation in traditional knowledge and proficiency in the professional and technical skills of contemporary society will build self-reliance. Strong community commitment will be needed to help young people acquire this education, particularly if they have to leave their communities for an extended period. Those who do so while remaining loyal to culture and community deserve to be celebrated as the modern equivalent of the hunters, warriors and leaders of the past.

If Aboriginal people are to achieve employment rates similar to those of other Canadians in the next 20 years, more than 300,000 jobs will be needed. This will take a concerted national effort, well beyond conventional approaches to job creation and training. Partnerships between Aboriginal and other governments, employers and educational institutions, together with the innovative approach to employment brokering and on-the-job training we propose, will be needed to achieve this. These and other measures to improve employment equity, the provision of child care, and job creation can reduce the number of those currently dependent on social assistance.



Finally, we propose fundamentally new approaches to social assistance for Aboriginal communities. Some cash income is essential for all individuals, even those pursuing traditional lifestyles, but there will not be enough conventional wage employment in many communities to provide it. Existing approaches to income transfer may ward off starvation, but they breed dependency and social disintegration. Income supplements can become a means of encouraging self-reliance and community cohesion, making healthy and sustainable communities a reality.

In essence, then, measures to restore control, secure resources, master professional and technical skills, develop enterprises, broker employment, and relate income supplements to productive activity are the key components of a strategy to transform Aboriginal economies. The end results will vary with the choices people make, but a self-reliant livelihood and access to economic options should be within the grasp of every Aboriginal citizen.

## **2.2 The Economic Implications of Aboriginal Rights and Treaties**

In keeping with the principles of a renewed relationship discussed in Volume 1, Chapter 16, the Commission believes that it is vital to take steps to make it possible for Aboriginal nations to be economically self-reliant. Fundamental changes are required to reverse a situation that has developed over at least two centuries. An obvious starting point on the road to self-reliance is the fulfilment of treaty promises and the conclusion of modern treaties (comprehensive claims agreements) in areas where such agreements have not yet been made.

Too often, the poverty and economic underdevelopment afflicting Aboriginal communities are seen from a narrow perspective. With the present focus on indices of poverty and disadvantage, technical solutions may be prescribed, such as training or loans for small business or incentives to work in an income support program.

The Commission takes a much broader, integrated approach. We place strong emphasis on understanding the historical picture, which helps to explain how the economies of Aboriginal communities reached their present state. We also underline the importance of the issues discussed in this volume - treaties, governance, and lands and resources - for economic development. This

chapter is located deliberately at the end of this volume to enable the reader to gain a full appreciation of the larger structural issues that need to be resolved if economic self-reliance is to be a realistic objective.

Our discussion of the levers of change later in this chapter elaborates on the connections between regaining control (governance) and economic development, and between lands and resources and economic development. We do the same with respect to Aboriginal and treaty rights. The theme in each instance is that progress on these major issues will put in place three important levers of change required for economic development in Aboriginal communities.

The connection between treaty discussions and economic development is perhaps most obvious in the parts of the country where treaties or similar accords have not been concluded and Aboriginal communities are either engaged in or preparing for treaty discussions (much of British Columbia, parts of the Northwest Territories, Quebec, Labrador, and with the Métis people). Other areas, such as the Maritimes, where early treaties were concluded but the sharing of lands was not included, are in a similar situation. In all these cases, the discussions will be broad ranging and attentive to the determination of the Aboriginal peoples concerned to have their historical rights recognized and to achieve a sharing of lands and resources. In fact, a land base of sufficient size to provide economic self-reliance now and in the future is an essential element of the renewed relationship between Aboriginal and non-Aboriginal people.

Other comprehensive claims negotiations over the last two decades, such as those leading to the Inuvialuit Final Agreement, the Nunavut Agreement, the James Bay and Northern Quebec Agreement and the Northeastern Quebec Agreement, have demonstrated that the results of this process can have a major impact on the resources available to Aboriginal communities for economic development and other purposes. These modern treaties may include provisions for an expanded land and resource base directly under Aboriginal control; improved access to lands and resources in adjacent territories, including a share of revenues from resource developments; and improved control over the management of lands and resources in adjacent territories through co-management and other arrangements. Other forms of assistance may also be provided, such as cash transfers and support for education and training. It is not surprising, therefore, that one of the first conclusions of a case study sponsored by the Commission of an Aboriginal community in British Columbia was that

The history of the relationship between European colonizers and First Nations has resulted in the alienation of rights and dispossession from lands. This process was initiated by the acceptance of undertakings that Kwakwa ka'wakw would retain unencumbered access to and use of their resources. These rights have been eroded over the years to the point where they are a vestige of their initial conception.

It is apparent that the settlement of comprehensive claims is central to economic recovery for the Kwakwa ka'wakw bands ... the foundation of unobstructed access to historically-owned resources on which the Douglas Treaties of 1851 and the reserve lands allocation processes in Kwakwa ka'wakw territory were based must be recognized and respected.<sup>63</sup>

In areas where historical treaties were signed, it should be recalled that the First Nations that signed the treaties were vitally concerned that their traditional way of life be protected and that, if changes were to occur, they be helped to make the transition to new means of livelihood. In the oral agreements, as well as in the written versions, assurances were given that this would be done, though they varied from one treaty to another.

The treaty implementation and renewal process recommended in Chapter 2 will provide an opportunity to address treaty provisions with a direct bearing on the capacity for economic development. The economic provisions in existing treaties vary from one treaty area to another, but they include items such as the following:<sup>64</sup>

1. Among the clearest and most important provisions is that contained in the Robinson treaties, which contain promises of annuities to be tied to future Crown revenues from ceded lands: should the territory hereby ceded by the parties of the second part at any future period produce such an amount as will enable the Government of this Province, without incurring loss, to increase the annuity hereby secured to them, then and in that case the same shall be augmented from time to time, provided that the amount paid to each individual shall not exceed the sum of one pound Provincial currency in any one year, or further sum as Her Majesty may be graciously pleased to order.<sup>65</sup>

Despite the wealth generated from these vast lands, the annuity has been

revised only once, to \$4.00 in 1874. The numbered treaties also include provisions for annuities to be paid, and these too have become token amounts over time.

2. The 1752 treaty between the Mi'kmaq people and the Crown provides for the "free liberty of hunting and fishing as usual" and the liberty to bring to Halifax and other locations items for sale such as skins, feathers, fowl or fish. A truck house stocked with goods for exchange could also be established at the "River Chibenaccadie" and at other locations.<sup>66</sup>

3. Other early treaty provisions promise the Indian signatories that they can peaceably enjoy all their lands and properties and that certain lands (such as the "beaver hunting grounds" of the Haudenosaunee) will be placed under the protection of the Crown for the continuing use of members of the nation.

4. Many of the treaties include promises that rights to hunt, fish and trap on ceded lands will be respected so that Indian signatories can maintain their traditional lifestyles. These promises have been infringed upon by the activities of mining and logging companies, by court decisions, by federal and provincial regulations, and by legislative alterations that breach at least the spirit and intent of these provisions. Both commercial and subsistence activities have been affected.

5. In some cases, treaties also include specific promises of assistance. In some instances, this is to be provided on a one-time only basis in the form of cash payments or goods such as livestock, farm implements, seeds, powder, shot, and cloth. In other cases there are promises to provide recurring gifts. Again these may take the form of money, goods such as ammunition, twine, and provisions, or services such as assistance with agriculture and stock raising. Usually, such items are part of the written text, but the treaties do not reflect the more general verbal commitments to protect traditional lifestyles or help people rebuild their economies and learn new ways of making a living if traditional patterns are no longer viable.

These promises were part of an exchange. They were not unilateral benefits bestowed by the Crown but a recognition that the Indian parties were making important commitments as well - to live in peaceful coexistence, for example, and to share lands and resources.

In addition to the items contained in the text of treaties, a whole range of other

matters should be addressed by the treaty implementation and renewal process recommended in Chapter 2. These include the frequent failure of the written text to reflect the promises made and the understandings reached in the oral discussions, including the Aboriginal understanding that they were sharing lands and resources, not extinguishing their title to them. They include the possibility that informed consent to particular treaties was not obtained, that provisions of the historical treaties have not been implemented in accordance with their spirit and intent, and that the result has been a demonstrably inequitable allocation of lands and resources.

There are also hundreds of situations where specific treaty promises have not been kept or where other events have occurred, such as fraud and expropriation, that give rise to valid claims for redress. As we described in Chapter 4, some treaty nations in the west did not receive the full extent of the reserve lands promised to them in the treaties, and now sizeable grants of land and cash are having to be made through a process of treaty land entitlement settlements, after long and arduous negotiations. In other cases, specific communities are pursuing claims regarding expropriation of their lands for military and other purposes, or seeking redress from other actions that have reduced their land and resource base without informed consent and due process. Again, the Commission made recommendations in Chapter 4 concerning the need for a more expeditious and fair process to resolve these issues.

Treaty nations regard their treaties (renewed from time to time as circumstances require) as the centrepiece of their relations with the Crown. Looking to the future, these treaties should encompass the economic and other issues that arise between governments, including matters of fiscal transfers, taxation, trade, and assistance. The treaty framework would replace the current situation where treaty provisions have been allowed to atrophy and where policies and programs often have been determined unilaterally by federal (and provincial) governments. Governments have seen treaty provisions as discretionary matters that could be advanced or retracted at will. They often included service delivery by federal or provincial agents instead of respect for the authority of Aboriginal governments to deliver programs and services according to their own laws and policies.

Thus, Aboriginal and treaty rights are relevant - in fact central - to achieving self-reliant economies for Aboriginal nations. These matters will be high on the agenda in discussions between Aboriginal nations and representatives of the Crown in both treaty and non-treaty areas.

## 2.3 Regaining Control

It is clear that a long struggle faces us in the pursuit of self-sufficiency and economic independence. Community and groups need vision, skilled leadership, agreement on development plans and many years of persistence to make this a reality. Trust and tolerance must be developed between the political and cultural leaderships and those committed to economic development.<sup>67</sup>

### ***Self-government and economic development***

Paul Samuelson, an American economist, predicted that the next area of growth in the late 1950s would be Latin America, not Asia. Latin America was rich in natural resources, Samuelson reasoned, and did not have the population pressures Asia faced. "I was wrong," he said subsequently. "The key to economic development is not resources. The key to economic development is effective self-government."<sup>68</sup>

It is readily understandable why economic strength is an essential ingredient for meaningful self-government; without it autonomy is severely circumscribed. However, some elaboration may be required to explain why the reverse is true as well - why political autonomy is an important ingredient in the economic development of Aboriginal communities and nations.

One explanation is simply to point to the historical record and trace the decline of Aboriginal economies from the time Aboriginal people lost the power to control the shape, pace and direction of economic change. That record is replete with decisions made by non-Aboriginal governments or by the private sector that harmed the economic health of Aboriginal communities. These decisions systematically undermined the land and resource base of Aboriginal nations, virtually destroying their economies.

The case for regaining control is not restricted to looking at the past. In our public hearings, intervener submissions and research studies, a recurring theme was the rejection by Aboriginal people of models and approaches to development imposed from outside and a desire for the autonomy to build their economies according to their own culturally grounded visions of development. Just as there is not only one Aboriginal culture, there is not only one Aboriginal vision of development. There is little question, however, that the priorities,

processes, and outcomes of economic development would change, and indeed are changing, under Aboriginal stewardship.

Regaining control over Aboriginal economies means a stronger likelihood that decisions about economic development would be culturally and situationally appropriate. It also means that decision making would be more rapid, since most decisions no longer would be made by a distant bureaucracy.

Control over economic decision making lodges responsibility in the hands of Aboriginal people. It provides an opportunity for the development of Aboriginal leadership in economic matters, as well as a stimulus to making the latter accountable for their economic stewardship. Compared with outside decision makers, Aboriginal leadership is more likely to have the commitment required to make development initiatives succeed and to mobilize the support of its communities. As one of the Commission's economic research projects concluded,

Ultimately ... it will be the extent to which the Aboriginal community can be mobilized to draw on its inner strengths and abilities which will determine the pace of Aboriginal development ... .State resources will have an important role to play but Aboriginal pride and determination to be self-reliant in the long term will be more important.<sup>69</sup>

Finally, control over economic decision making would enable Aboriginal communities to reduce duplication of programs and services and stabilize the funding of economic development institutions. It would provide an opportunity to change public spending priorities to achieve a better balance between long-term economic development and short-term spending to remedy or alleviate social problems.

The prospects for the self-sufficiency of Aboriginal economies will be improved significantly once Aboriginal nations regain control of the levers of economic decision making. As Joseph Kalt told the Commission's round table on economic development,

When we look around reservations, we find key ingredients to economic development. The first is sovereignty itself. One of the interesting phenomena we see in the United States is that those tribes who have broken out economically and really begun to sustain economic development are uniformly marked by an

assertion of sovereignty that pushes the Bureau of Indian Affairs into a pure advisory role rather than a decision-making role.

This is not to say that the transition will always be smooth, that mistakes will not be made by those taking charge, that there will not be abuse of power, or that there will not be internal conflict over development priorities and processes. As Kalt went on to tell us,

One of the things we find with American Indian reservations is that tribal sovereignty is sufficient to screw things up ... if the central government of the tribe cannot set in place an economic and social and cultural environment in which inside and outside economic actors, investors and others feel safe and secure in making investments in tribal development, the tribal government has the ability to destroy those [economic] opportunities.<sup>70</sup>

It is to say, however, that one of the key factors in achieving Aboriginal self-reliance - political jurisdiction - will have been put in place.

The desirability of Aboriginal control over economic decision making is increasingly accepted, but the way this will be accomplished is not so clear. Steady progress toward self-reliance is too critical to depend on the eventual resolution of all governance questions. Interim mechanisms can be designed and implemented to be consistent with the institutional framework a nation will adopt when fully self-governing; we outline several in the remainder of this section.

Some economic powers exercised by the government of Canada would be unlikely to accrue to Aboriginal governments: powers over the currency, for example, including interest rates, exchange rates, the growth of the money supply and the authority to enter into international trade and monetary agreements. Aboriginal governments will likely exercise a broad range of other economic powers, sometimes on a shared basis with other governments. These could include

- authority to zone, license, and regulate businesses;
- authority to engage in land use planning and environmental management;
- responsibility for health, education and labour force training;



- the provision of physical infrastructure in Aboriginal territories (for example, roads, docks, communications);
- authority to negotiate and implement commercial arrangements with other Aboriginal nations within Canada or internationally;
- management of lands and resources;
- the capacity to raise capital, guarantee loans, and enter into contracts and joint ventures;
- implementation of business incentive programs;
- regulation of financial and other institutions;
- taxation of business activity, levying user fees for use of facilities, utilities and natural resources;
- regulation of labour relations; and
- implementation of income support programs.

Exercising jurisdiction in these areas could provide tools useful in moving toward economic development. As Lester Lafond pointed out at the Commission's economic development round table, "the existence of distinct and definable geographic areas provides the basis for the creation of incentives to encourage investment, offset development costs, and reduce business risks, both real and perceived". Speaking from the experience of Saskatchewan First Nations communities, he described the incentives that could be available to encourage external investment in reserve communities, ranging from more liberal zoning laws to tax incentives related to investment and employment:

There is little doubt that a competitive advantage can be created, but appropriate measures are required to assure its effectiveness. Suitable policy and/or legislation is required that would clearly outline the incentives and guarantee their enforcement and continuity ... .The First Nations must provide appropriate and enforceable legislation to secure the confidence of investors with

respect to access, use and securability of lands and assets.<sup>71</sup>

### ***Transferring economic development programs***

Federal, provincial and territorial governments operate a number of programs to assist Aboriginal businesses, individuals and institutions. At the federal level, the principal programs have been under the umbrella of the Canadian Aboriginal Economic Development Strategy (CAEDS). Involving several departments, CAEDS provides equity contributions to Aboriginal businesses, capitalizes and supports the activities of regional Aboriginal capital corporations, and sustains community economic development organizations on reserves and in Inuit communities. In addition, the Pathways program sponsors national, regional, and local area management boards, composed of representatives from Aboriginal communities, that make decisions about the allocation of training dollars for Aboriginal people. At the provincial and territorial level, there is also a range of programs, some directed explicitly to Aboriginal people, others to regions with large Aboriginal populations.

Not long ago, almost all aspects of these programs were controlled by non-Aboriginal public servants located in territorial, provincial and national capitals. Over the last two decades, a considerable measure of geographic decentralization has taken place, and the degree of Aboriginal participation in the operation of these programs has increased markedly. This has occurred not only through the employment of Aboriginal people by sponsoring departments but also through the establishment of boards that control or advise on decisions and the advent of Aboriginal institutions in fields such as education, the disbursement of loans, and community development.

Progress has been substantial, but the record of decentralization and Aboriginal control varies widely, as recent evaluations have pointed out.<sup>72</sup> Moreover, without exception, these programs are still established, funded and ultimately controlled by federal, provincial or territorial governments. The demands of political accountability place real limits on the amount of decentralization and Aboriginal control possible.

We have argued that Aboriginal governments need to regain effective control over their economies if they are to pursue their own culturally and situationally appropriate forms of development. To do so, they need general powers in the economic realm, but they also need to be able to shape their economies through the design and delivery of economic development programs.

A further compelling reason for transferring economic development policy and program delivery to Aboriginal institutions is the array of federal and provincial programs, each with its own objectives, criteria, decision-making procedures, and bureaucracy. Designing an economic development project to fit the criteria of these programs often results in proposals that meet no one's needs. Further, the few people responsible for economic development in Aboriginal communities, rather than being able to concentrate on assisting Aboriginal entrepreneurs, spend inordinate amounts of time dealing with government agencies, filling out forms, and negotiating with and reporting to distant bureaucracies. If federal and provincial programs are to contribute to the attainment of self-reliance - and we believe they have a vital role to play in the next decade - the manner in which they are delivered must be radically altered.

Development policies and programs should be designed and delivered by Aboriginal institutions. These must embrace economic training, infrastructure development, financing and the provision of business services such as planning, accounting and marketing. Traditionally, governments often put these functions in different departments and agencies. No program comprehensively addresses all elements of economic development; CAEDs was designed to do so but was not implemented as designed.

Instead of Aboriginal communities having to adjust to the criteria and procedures of distant bureaucracies, the process needs to be reversed. It is the communities that should define priorities and the instruments best suited to meet them. Government agencies should adopt a fully responsive service approach rather than the intrusive role they have played traditionally. This will require program frameworks to be more comprehensive and flexible than generally they have been to date. We therefore call upon federal and provincial governments to enter into long-term development agreements with Aboriginal communities to pool program resources with a direct bearing on economic development. These would include not only programs directed to Aboriginal people but also a share of general economic development programs, based on either historical use of these programs by Aboriginal people or their percentage of the relevant population, whichever is higher. This has been done previously on many occasions to implement federal-provincial agreements.

These agreements might be reached through a step-by-step process. First, agreement would be reached between the Aboriginal nation and other Canadian governments on the principles and goals that would drive activity. Next, individual Aboriginal nations would undertake to develop the policies and

instruments to implement these goals in relation to their particular circumstances. These then would be brought back to the table for discussion, where government agencies could suggest enhancements. As long as they were consistent with the agreed principles, the final decision about the nature of the activity would rest with the Aboriginal nation.

Agreements would be multi-year. They would be subject to audit on a biannual basis, with a report to Parliament through the responsible department. They could be terminated by the department if it were shown clearly that expenditures were not being made in conformity with the defining principles in the agreement.

The amount of funding in each agreement would be subject to negotiation. Because needs will always be in excess of available resources, clear parameters should circumscribe these negotiations. Nations that had entered into comprehensive agreements or modern treaties would not have access to this process if resources for economic development were part of their treaty settlement and the authority to pursue their own objectives was clearly within their jurisdiction.

Other factors that should have a bearing on the funds available include the size of the nation, the current revenues available to it, and its stage of development. These factors are not likely to lend themselves to formula financing. For example, a nation at a relatively early stage of development may have a great need for income generation but a relatively low capacity to undertake major economic development. Its early years may be occupied with planning, opportunity identification, small business development and skills acquisition. Another nation may be involved in a greater degree of economic activity and hence enjoy a stronger capacity to participate in activities such as major resource development. This might argue for a larger allocation of program dollars per capita, even though this nation's income-generating capacity is greater than that of the former. Need must play a role in allocating resources, but the capacity to use these resources effectively and the ability to back those who are making solid progress is also crucial. Over time, nations will reach a point where they enjoy sufficient income-generating capacity from their enterprises or resource endowments to reduce their call on future development funds.

The complexity and difficulty of allocating government funds, coupled with the fact that economic development does not occur equitably across the country, will be advanced as reasons to retain allocation and investment decisions in

government departments. One factor, however, should outweigh all others. The quality of decision making by the Aboriginal community and the nature of its learning process will be entirely different if it is making decisions with respect to a finite amount of funds that it fully controls, rather than joining the queue in competition with other communities to obtain funds from a government-controlled source.

Responsibility for programming should not be lodged at the level of individual First Nation, Métis or Inuit communities, where most funding and programs are now directed. There is a strong case for implementing economic development programs at the level of the Aboriginal nation, confederation or provincial/territorial organization, given the scarcity and cost of skilled personnel, among other factors. There are also considerations of scale. Better choices can be made if decision makers can choose from a number of alternatives, encourage linkages that go beyond the boundaries of particular communities, and amass the financial resources to support large projects as well as small ones. In a world of large international trading blocks that are gradually eroding the importance of state borders, Aboriginal people will need to have units of sufficient scale and strength to act effectively in a highly competitive environment.

We have suggested that economic development programs continue to be available until Aboriginal nations reach the stage of full self-government. We believe that responsibility for economic development should be exercised by the governments of recognized nations as envisaged in Chapter 3. Many groups that can be expected to emerge as nation governments already operate development initiatives at a larger collective level.

Administration of these programs should be undertaken by Aboriginal institutions wherever this capacity exists. Communities that have entered into comprehensive treaties can be expected to have negotiated economic development support as part of these arrangements. They should therefore fund these programs from their own revenues, recognizing their capacity to borrow funds on the basis of project business plans or against the assets of the nation government. Although these commercial projects should be eligible for regional development, business development or export programs available from Canadian governments to other businesses, the nature of investment decisions is altered significantly when project funding is coming from own-source revenues. A major disadvantage of program funds administered by non-Aboriginal governments is that investors do not have to make hard choices between projects. Much energy is spent submitting as many attractive

proposals as possible to the outside funding agency. When funds are within community control, a different dynamic can be expected to operate. Realistic assessments and a focus on the best management of existing resources is likely to replace an opportunistic push for incremental funds.

For communities that are not prepared to move toward nation government, or for individual Aboriginal entrepreneurs operating in cities or other locations where Aboriginal economic development institutions of sufficient scale and scope do not exist, economic development will be no less important. Other means of delivering economic development services will need to be found.

The institutional structures developed in the context of self-government will be determined by Aboriginal governments. The Commission believes, however, that they should not be local but broader in scope and should manage a variety of supporting programs for economic development, such as training, business planning, equity contributions, loans and loan guarantees, and other business services. Indeed, some Aboriginal nations or tribal councils have established development corporations and other organizations to spearhead their efforts in economic development generally or in specific sectors such as fisheries. It would also be logical to assume that Aboriginal capital corporations would play an important role, since they serve all three Aboriginal groups and provide some business-related programs already. However, there are gaps in coverage and funding and other structural problems that need to be addressed, a subject to which we return later in this chapter.

As part of a transition phase, those responsible for existing programs should place a high priority on developing the human resources and institutional capacity of Aboriginal governments to assume responsibility for programs.

The Commission heard numerous interventions about the slight attention given to long-term economic development, especially compared to the time and attention devoted to short-term expenditures on welfare, housing, and remedying social problems. Some Aboriginal governments want to change these priorities gradually but find it almost impossible to do so because of internal political pressures and because funding is externally controlled. In the context of full self-government, however, the prospects for change will improve, especially if fiscal transfers to Aboriginal governments, whether for economic development or for other purposes, are not unduly tied to specifics. It may be unrealistic and perhaps undesirable for transfers to be completely free of terms and conditions, but Aboriginal governments must have the capacity to change spending priorities across broad budget categories as well as within

them.

## **Recommendations**

The Commission recommends that

### **2.5.1**

Federal, provincial and territorial governments enter into long-term economic development agreements with Aboriginal nations, or institutions representing several nations, to provide multi-year funding to support economic development.

### **2.5.2**

Economic development agreements have the following characteristics:

- (a) the goals and principles for Aboriginal economic development be agreed upon by the parties;
- (b) resources from all government agencies and departments with an economic development-related mandate be channelled through the agreement;
- (c) policies and instruments to achieve the goals be designed by the Aboriginal party;
- (d) development activities include, but not necessarily be limited to, training, economic planning, provision of business services, equity funding, and loans and loan guarantees;
- (e) performance under the agreement be monitored every two years against agreed criteria; and
- (f) funds available for each agreement be determined on the basis of need, capacity to use the resources, and progress of the Aboriginal entity toward self-reliance.

### **2.5.3**

Aboriginal nations that have negotiated modern treaties encompassing full self-government have full jurisdiction over their economic development programs, which should be funded through their treaty settlements, fiscal transfers and their own revenue sources, and that businesses on these territories continue to be eligible for regional, business or trade development programs administered by Canadian governments for businesses generally.

### ***Building institutions***

An expanded range of powers will not lead to long-term economic development unless it is accompanied by effective action. This requires the development of effective institutions of governance and economic development. According to Cornell and Kalt, governing institutions need to perform three basic tasks:

- Mobilizing and sustaining support for institutions and strategies. That is, the institutions and development strategies they pursue must be seen as legitimate by the people of the community or nation. If they are not capable of generating respect, considerable conflict can be anticipated, and it will be difficult to create an environment in which social and economic development can take place. A principal means by which institutions develop legitimacy is by achieving a good match between institutions and the society's culture. In other words, institutions should reflect and reinforce culturally understood ways of doing things on matters such as who has power, how power is exercised, the legitimate rights of and limits on leaders and citizens, and how disputes are resolved.
- Implementing strategic choices effectively. This requires the development of formalized rules and procedures so that things are done and are seen to be done in an accountable and fair manner. Governance institutions need to hire and train professional and capable staff, recruited on the basis of skills and capacity, who operate by open and clearly understood procedures and are fully accountable to the nation's leadership.
- Establishing a political environment that is safe for development. In a global context where there is considerable competition for and mobility of labour and money, an effective government needs to create the conditions of security and predictability that will attract investment and commitment. This is important for external investors and for those within the nation with savings to invest or with entrepreneurial talents that might contribute to the development process.<sup>73</sup>



Three problems need to be solved to create a safe environment for development. First, a way needs to be found to separate and limit powers. If power is concentrated in a few hands, and if there are few constraints on its exercise, there is a strong risk that those with power will use it in their own interests, possibly at the expense of others in the community. Second, there must be a means to settle disputes that is open and impartial and provides the assurance of a fair hearing, with judgement rendered by a body not controlled by government or any community faction. Third, a way needs to be found to guard against inappropriate political involvement in the day-to-day decisions of business ventures or economic development institutions.

As part of its research program, the Commission undertook 16 community-based case studies of Aboriginal economies; through these we learned a great deal about the state of institutional development in the economic development field.<sup>74</sup> Compared to the situation two or three decades ago, there is no question that there has been considerable evolution in institutional structures. This has taken the form of community-based and sometimes regional economic development organizations and staff, the development of Aboriginal education and training institutions such as the Saskatchewan Indian Federated College and the Gabriel Dumont Institute, the formation of some 33 Aboriginal capital corporations serving Inuit, Métis and First Nation communities, and so on.

Impressive as this growth has been, problems with the functioning of existing institutions and gaps in institutional development remain. Using the Cornell and Kalt terminology, there are problems of legitimacy, an inappropriate mix of politics and business, and a lack of checks and balances.

### Problems of legitimacy

In many First Nation communities, the imposition in previous decades of an elected chief and council system has set up a situation of continuing conflict between this form of government and traditional forms of governance. This conflict has been particularly intense in some Mohawk communities, but it is evident in other communities as well.<sup>75</sup> Even where a competing government does not exist, there may well be segments of the population that deny the legitimacy of the elected chief and council or believe the existing electoral process allows dominant families or clans to control power.

In other cases, problems arise because traditional forms of governance have

been replaced, but the new institutions are not adequate to fill the void. At Alert Bay, British Columbia, for example, traditional forms of dispute resolution are no longer present, but modern mechanisms, such as appeal and grievance procedures for band staff, are inadequate to resolve larger disputes between competing interests and factions in the community.<sup>76</sup> As self-government proceeds and constraints such as the Indian Act are lifted, we can expect to see many nations rethinking the appropriateness of the chief and council system for governing their communities in light of their own cultural traditions. Indeed, a number of First Nations, including the Siksika (Blackfoot) and the Pikuniwa (Peigan), are currently re-examining their traditional modes of decision making and their applicability to contemporary conditions.<sup>77</sup>

### Inappropriate mix of politics and business

Whether in Inuit, Métis or First Nation communities, it is not difficult to find examples of political leaders interfering with economic development organizations and projects for political reasons - for example, demanding that certain individuals be hired, standing in the way of lay-offs that may be necessary on financial or business-related grounds, or trying to influence the distribution of grants or loans. The result of these interventions is the demoralization of staff, the failure of individual business ventures, and sometimes the undermining of an entire economic development organization. Over the long term, the result is an unpredictable, arbitrary business environment that discourages investment and commitment. There are important, indeed crucial, roles for political leadership - to create and sustain an appropriate environment, establish guidelines, and make important strategic decisions about the direction of development - but they do not lie in day-to-day decisions about economic development.

### Lack of checks and balances

There are also examples in Aboriginal communities of power that is concentrated in the hands of a small political leadership or a single individual. Without checks and balances, whether in terms of cultural norms, alternative power bases, or restraining laws, procedures or institutions (such as an independent judiciary or a strong legislative branch to restrain executive action), the political leadership can use the resources of the community for personal gain. Again, the result is damaging to communities and to economic development.

Thus, there is work to be done to improve the operation of existing institutions. Given the diversity of Aboriginal societies, especially their cultural diversity, no one model can be applied across the country. Each community will have to struggle to redesign its institutional base, but they will need support and assistance. As part of the program to assist Aboriginal nations to rebuild their nationhood and design appropriate institutions of self-government, financial support should be made available in such a way that the perspectives of Aboriginal men and women are included.

In addition to problems in the functioning of existing institutions, the Commission also identified gaps in institutional structures. Institutional capacity - including organization and human resources - needs to be strengthened in at least four areas.

#### Canada level

At present there is no capacity in Canada for sustained research and development on issues of Aboriginal economic development. A few specialists are scattered across the country in universities, governments and consulting firms, and a handful of national organizations are working on economic development issues, including the National Aboriginal Forestry Association, the Canadian Association of Native Development Officers and Economic Development for Canadian Aboriginal Women. Each of these organizations has quite a specific mandate, however, and their funding is limited and tenuous.

The Commission believes it is important to develop a national research and development capacity in economic development, as part of an overall policy capability encompassing this and related fields, such as education, health and social policy. In the Commission's view, this would best be lodged in a national Aboriginal university, a concept developed further in Volume 3, Chapter 5. Such an institution could make a valuable contribution to the support of Aboriginal economic development by

- advising Aboriginal nations and their communities on the development of institutions of economic development;
- assisting Aboriginal groups and organizations on matters of economic development strategy and policy;

- undertaking and stimulating research on Aboriginal economic development; and
- identifying, through research and applied activity, broad economic development opportunities where Aboriginal people have or can develop a competitive advantage.

Such an institute should serve the needs of First Nations, Métis people and Inuit and should operate with close links to other Aboriginal education and training institutions.

### Aboriginal nation and sectoral levels

We referred earlier to the importance of organizations and personnel with a horizon larger than a particular community or reserve. This is important in part because personnel with the necessary degree of expertise are scarce and are likely to remain so. It is also a matter of scale, of being able to take initiatives and call on resources that are substantial enough to improve the chances of success. For example, a manufacturing initiative, such as the making of Christmas wreaths from evergreen boughs for export to the New England market, may make little economic sense in the context of an individual reserve but be quite feasible when carried out with the involvement of several reserves. Furthermore, in a world that is increasingly organized in large trading blocks, economies have to be organized on a scale that goes beyond the community if they are to advance the economic interests of those communities.

During the 1980s, the department of Indian affairs funded sectoral organizations, such as the Indian agricultural program in Saskatchewan and similar initiatives in other provinces and in other sectors (forestry, fisheries, minerals). However, the department subsequently came under pressure from community-based political leaders to transfer the moneys involved to the community level, and most of the sectoral organizations could not continue. While it is important to have economic development capacity at the community level, the Commission believes it was a mistake to end support of sectoral organizations, whose record of accomplishment generally demonstrated a growing capacity to make a valuable contribution to economic development.

In many parts of the country, community-based leaders have been coming together to develop organizations at the nation or regional level, whether as an arm of tribal councils (for example, Kaska Inc. of the Kaska Tribal Council),

provincial political organizations (such as the structures developed by the Manitoba Metis Federation), or Aboriginal nations (for example, collaboration among Mi'kmaq communities to develop a common fisheries policy). The Commission believes that initiatives such as these are a very important component of economic development and urges all Aboriginal nations to develop approaches and institutions of this kind.

## Community level

While we have emphasized the importance of developing institutional capacity at the nation and sectoral level, Commissioners also heard repeatedly about the need for community economic development. Aboriginal people see this approach as one that is consistent with their values and world view and that provides the maximum amount of authority and autonomy to deal with local circumstances. The Commission agrees that institutional development needs to take place at both the nation or sectoral level and the community level.

Community development, of which community economic development (CED) is a part, is based on the premise that a community can take steps collectively to shift its life in a direction it considers desirable. This approach also holds that the local community and its institutions are the legitimate and lead actors in development. The role of governments is to support the activities identified and endorsed by local communities.

CED is more than the stimulation of local businesses to create jobs. It involves a comprehensive program to improve the entire range of social and physical resources in the community: business and jobs but also education, housing, transportation, public infrastructure, and leisure. The key to this approach is the planned integration of social and economic goals. The approach is holistic and has therefore been attractive to Aboriginal people as one that is consistent with their values and world view.

The adoption of a CED approach in federal Aboriginal economic development policy has been sought by Aboriginal people since the mid-1960s, as described earlier in this chapter. The CED approach, which recognizes the local community as a legitimate location for development effort, requires that communities be able to engage in a planning process to articulate social and economic needs and goals, identify institutions that need to be founded or supported, and identify development strategies consistent with local cultural, social and economic conditions. It requires that the community have in place a governance process to provide legitimacy and a basis for implementing plans.

The federal government has been sympathetic to CED, but it has experienced difficulty translating that attitude into official action. Budgets for CED and the resulting activities are inadequate, and real control over budgets and development still eludes communities. The Commission's community case studies revealed hamlet councils and related boards with very limited capacity to pursue job creation, training, or community planning. While the need will vary with the size of the community, at a minimum, Aboriginal communities should have some capacity to support economic development in terms of organization, staff resources and training.

In a review of the experience with CED in the United States, Stewart Perry reported that

Perhaps the most significant lesson from the U.S. research is that community economic development must be carried on under local direction, according to local priorities, and by mobilizing local resources first. That is quite different from conventional development policy which begins with central decisions in the economic core areas about what should happen in the peripheral regions.<sup>78</sup>

Perry also found that the federal government should offer three types of support to local communities as they develop and implement their own plans: ideas or knowledge about various aspects of the development process, consultants or staff resources, and technical support and capital.

The CED approach has been adopted successfully by a number of Aboriginal communities. For example, the Lac La Ronge First Nation created the Kitsaki Development Corporation (KDC) in 1981 to serve as the economic development and investment arm of the band council, which represents several member communities.<sup>79</sup> KDC then focused on a strategy of business development. It adopted a philosophy of capacity building aimed at creating a favourable business environment. Job creation was a secondary goal, since it believed that once the community had the capacity to develop business enterprises, employment levels would increase, as would education levels as individuals recognized the need for knowledge and skills. KDC also worked to help the community increase its knowledge and understanding of community-based planning techniques; business management techniques; project feasibility analysis; and the socio-political aspects of economic analysis. This

was accomplished through a series of workshops, seminars and courses.

The success of the decade-long effort is evident: KDC has been able to undertake several joint ventures with local businesses. These businesses hire locally and produce revenues for the operation of KDC itself as well as for new investments. This success was achieved by adopting an economic development strategy that placed responsibility for development squarely in the local community. The La Ronge council created an institution and gave it a mandate to plan, design, finance, implement and operate economic development programs on the reserves that are part of the Lac La Ronge First Nation.

The CED approach enjoys considerable support in many Aboriginal communities because of its foundation in local identification of economic opportunity, local development and implementation of appropriate responses, and integration of social and economic objectives. It is being adapted for use by communities located in urban, rural, and northern regions and involving Métis, First Nation and Inuit communities. Support for this approach from the federal government will require economic development agreements that include provisions for broad and flexible support of community economic development institutions and for the staff required to run them.

### Linkages with surrounding economies

Finally we note that steps need to be taken to improve linkages between the planning bodies and staff of Aboriginal communities and those of surrounding regions. Aboriginal economies do have connections with the economies that surround them, but for the most part, they have been seen as sources of labour or markets for goods and services. Rarely have Aboriginal economies been seen as distinct economic entities with which surrounding municipalities, regions and counties could have mutually beneficial ties.

Several of the case studies prepared for the Commission described a sense of isolation from surrounding regions felt by Aboriginal economic managers. The economies of Six Nations, near Brantford, Ontario, and the urban Aboriginal community in Kamloops, British Columbia, seemed virtually invisible to the surrounding region. The economic concerns of the Aboriginal communities were not known to local planning officials, nor were leaders of either community included in economic planning efforts. Yet Six Nations was contributing about \$115 million yearly to the regional economy surrounding the community.<sup>80</sup> In Kamloops, Shuswap governments spent approximately 47 per

cent of their annual expenditures off-reserve. A survey of monthly household expenditures for seven Shuswap communities indicated they made 78 per cent (\$585,000) of their monthly expenditures in Kamloops.<sup>81</sup> While only limited data are available for other communities, they indicate similar economic linkages.

From the Commission's case studies of Aboriginal economies, it appears Aboriginal communities rarely have formal representation on local economic planning bodies. The reverse is also true: it is rare for representatives of local economies to have representation on Aboriginal economic or community development bodies. The result is that Aboriginal economic concerns and issues tend to be ignored at the local and regional level beyond the Aboriginal community.

The case for co-operation between Aboriginal and non-Aboriginal economies is strong. Successful economic development requires careful planning and co-ordination of effort and resources. Most Aboriginal communities are too small to support large enterprises. Growth potential is limited unless small enterprises actively seek and enter larger markets, often beginning with the surrounding economy. Market entry could be facilitated with the support of local and regional economic planning councils.

Similarly, non-Aboriginal enterprises seeking to establish themselves in Aboriginal communities might benefit from similar support.

Environmental concerns are also important dimensions of economic decision making that require co-ordination. In many cases, environmental issues that affect one community are also of concern to adjacent communities. Joint planning efforts in this area would yield many benefits. Again, the lack of participation on local and regional economic planning councils leads to ignoring Aboriginal concerns.

Finally, the development of local Aboriginal businesses is often seen as an unwelcome competitive threat to local businesses, especially those whose customers include a high number of Aboriginal people or organizations. This issue is likely to arise more often as Aboriginal economies grow in size. It is thus important to recognize these linkages and potential areas of friction and put mechanisms in place to deal with them.

Aboriginal communities are more than sources of labour and extended markets



for surrounding economies. They are distinct entities with a broader relationship to local and regional communities. In many cases, leaders in both communities would like to forge relationships between Aboriginal and non-Aboriginal planning and economic development bodies, at both the local and the regional level, so that mutual economic concerns can be raised and addressed there.

## **Recommendations**

The Commission therefore recommends that

### **2.5.4**

Aboriginal nations give high priority to establishing and developing economic institutions that

- reflect the nation's underlying values;
- are designed to be accountable to the nation; and
- are protected from inappropriate political interference.

### **2.5.5**

Aboriginal nations receive financial and technical support to establish and develop economic institutions through the federal funding we propose be made available for the reconstruction of Aboriginal nations and their institutions (see recommendations in Chapter 3, in the first part of this volume).

### **2.5.6**

Responsibility for economic development be divided between the nation and community governments so that policy capacity, specialist services and major investment responsibility reside with the nation's institutions, which would then interact with community economic development personnel at the community level.

### **2.5.7**

The recommended Aboriginal Peoples' International University establish a

Canada-wide research and development capacity in Aboriginal economic development with close links to the developing network of Aboriginally controlled education and training institutions.

### **2.5.8**

Leaders of municipalities, counties and larger regional bodies and their Aboriginal counterparts consider how to reduce the isolation between them and develop a mutually beneficial relationship.

## **2.4 Lands and Natural Resources**

Stewardship and development of lands and natural resources represent promising avenues of economic development in the near and medium term for most Aboriginal communities. We say this despite our perception that, for much of Canada's history, the displacement, damage, and distress occasioned in Aboriginal communities by resources development have been so serious that the overall effect on Aboriginal people has been overwhelmingly negative. Clearly, our optimism about the future role of lands and resources in Aboriginal economies is founded on a fundamental departure from past and current approaches.

Despite the inadequacy of current relationships with respect to lands and resources, we believe the challenge of improving the situation may be less daunting today than it was a decade ago. Aboriginal governments in general are more aware of their rights and the vehicles for protecting them. Their institutional capacity to deal with development has increased considerably. More Aboriginal young people are achieving high levels of education. In addition, constitutional and other legal frameworks lend support to Aboriginal perspectives on land and resource issues.

As well, governments across the country have made adjustments, some of them major, in response to the changing legal framework and to Aboriginal representations for a fair share of the benefits of land and resource development. The National Forest Strategy, reflecting a broad consensus, is explicit on this score. Some private sector companies and associations, including those in the oil and gas and mining sectors, have recognized the changing realities and have sought ways to co-operate with Aboriginal governments in the search for mutual benefits. Also, the list of Aboriginal businesses active in the resource sector continues to grow, albeit from a small

base.

While we see economic development based on lands and resources as a central feature in the rebuilding of Aboriginal economies, it is not, of course, the only solution. There is no magic answer in the quest by Aboriginal nations and communities to strengthen their economies and achieve a greater measure of self-reliance. Economic development based on lands and resources does not resolve all the economic issues facing Aboriginal people in rural areas or in urban areas. Some might even argue that the emphasis on lands and resources is misplaced given the declining role of natural resources in the Canadian economy over the long term, especially as a source of employment, and the serious problems of resource depletion in sectors such as fisheries. The continuing growth of the service sector and the shift to processing information rather than raw materials might also be noted.

The perspective in Aboriginal communities is different, however. The use of lands and natural resources has formed a central part of Aboriginal economies from time immemorial. For most Aboriginal communities, natural resources are the key to making a living, whether this takes the form of traditional subsistence activities or profit-seeking, wage-providing enterprises.

True, sectors such as mining, forestry, and oil and gas are now characterized by large, capital-intensive production units that generate considerable wealth but little employment. In some cases, the nature of the resource and the cost of extraction and processing leave little room for alternative strategies, but this is not always the case. Even in sectors such as forestry and mining - and certainly in agriculture, wildlife harvesting and fisheries - there are ways of organizing production in smaller units, ways that enable more employment to be generated, more linkages to be made with other aspects of local economies, and more sustainable development to be pursued.

We also reject the notion that the information economy is separate from the development of lands and natural resources. In fact, the information economy pervades all sectors, and lands and resources are no exception. From an Aboriginal perspective, the successful use and sustainable management of natural resources have always been knowledge-intensive, drawing on a base built up over many centuries and that still has much to contribute, even as mainstream scientific and technical knowledge makes another kind of contribution. Nor is land and resource development divorced from the growth of the service sector, since services such as resource planning and management, accounting and equipment repair, as well as services related to

tourism and recreation provide strong links.

### ***The integration approach***

While accepting the importance of economic development based on lands and resources, we believe that a substantial change in approach is required. In Volume 1 of this report, we noted that one of the features of the period of displacement and assimilation, especially in this century, was exploitation of natural resources on traditional Aboriginal territories by non-Aboriginal interests. Whether by privately owned companies or Crown corporations, for increasingly large capital-intensive ventures, aided by governments, the trend has been to exploit the resources of forests and mines, hydroelectricity and oil and gas reserves. In the process, Aboriginal and treaty rights to the land and resource base have been largely ignored, traditional economies have been disrupted, and Aboriginal communities have received few if any benefits.

Recently greater efforts have been made to see that Aboriginal communities receive some benefits from resource development, but the main thrust of policy and practice remains unchanged. That is, the emphasis is on how loan and licensing provisions can be structured so that Aboriginal people can take part in the now largely non-Aboriginal commercial fishery, how surface lease agreements issued to uranium mining companies can be worded to give preference in employment to northern residents, or how Aboriginal businesses can be stimulated through contracting for goods and services with a natural resources producer.

By now, there has been considerable experience with this approach. In many instances there has been a genuine commitment on the part of government authorities, resource sector companies and Aboriginal communities to make this strategy work. Research conducted for the Commission suggests, however, that on the whole, the results have been disappointing, with successes notable as exceptions rather than the rule. Overall, the levels of employment achieved have been limited in at least two respects. First, the proportion of Aboriginal people employed in industries such as mining, forestry and oil and gas is little better than the proportion of Aboriginal people in the Canadian population - despite the proximity of Aboriginal communities to resource projects, and counting all Aboriginal people employed in the sector, not just those employed by non-Aboriginal companies. Second, evaluation reports consistently conclude that Aboriginal employment is restricted to less highly skilled, lower-wage occupations.

There is also continuing ambivalence within Aboriginal communities about participating in this form of resource development, despite efforts to accommodate Aboriginal workers through commuter arrangements, Aboriginal-speaking staff, extensive investments in education and training, and outreach to neighbouring communities. The concerns expressed include the large scale of projects, damaging environmental effects, the alien culture of the workplace, lack of community involvement in decision making, sharp inequalities within communities as some individuals find high-wage employment while most do not, and lack of control over these developments by Aboriginal communities. In terms of the success of policies intended to integrate and maintain Aboriginal participation in the commercial salmon fishery, for example, one study conducted for the Commission concluded that

Overall, Aboriginal participation in the commercial salmon fishery, based on the number of vessels either owned or operated by Aboriginal people, declined from 32.4 per cent of the fleet in 1946 to 15.3 per cent of the fleet in 1977 ... .In 1984, the last year for which reliable estimates are available, less than 14 per cent of the salmon fleet was owned by Aboriginal people.

A number of federal initiatives have attempted to staunch such losses and shore up participation ... .Whatever the merits of these initiatives, it has generally been conceded by federal policy makers and fisheries department analysts that these programs have not achieved the long-term objectives for which they were intended.<sup>82</sup>

The conclusions in the minerals sector are similar. A study of Métis involvement concluded that the “Métis people in the province of Saskatchewan have traditionally received few benefits from the mining activities in the north of the province. Those meagre benefits that have accrued to individual Métis have been of the lowest order of benefit in the hierarchy for economic development activities”.<sup>83</sup> A more general overview concludes that The benefit regimes of formal mines operating in areas where local labour pools are largely unskilled or semi-skilled, underemployed, and/or partly involved in subsistence activities, have been highly circumscribed - largely restricted to the immediately surrounding communities and to direct employment opportunities for unskilled/semi-skilled job functions. Employment levels, while slowly increasing, remain low relative to the composition of the local labour pool. Job assignment has remained limited to low skilled job categories, with little evidence of improvement thus far.

Work and service contracts for local entrepreneurs have also been limited to certain areas of activity (e.g., transportation, custodial, minor construction, catering and security) and have tended to be relatively small in size and scope (with the exception of transportation and materials handling contracts). Local social infrastructures have benefited primarily from new or expanded recreational facilities. In a few cases, bands have shared in provincial mining royalties, but the existence of distinct federal and provincial jurisdictions has sometimes interfered with the distribution of funds to eligible communities (for example, northern Saskatchewan) ...

As the majority of mineral development to date has occurred off-reserve, Aboriginal groups have not had a strong legal position from which to promote and protect band interests. The record of company/community interaction has not always been positive, with communities often learning about exploration projects or prospective new mines after the fact ... .<sup>84</sup>

With respect to forestry, interviews with forest companies in various parts of Canada yielded the following conclusions:

In matters concerning employment, the industry has reduced its work force significantly over the past decade. Most woodlands operations are contracted and both pulp and saw mills have reduced the number of workers to improve productivity and competitiveness. Aboriginal people are not well represented in the workplace, in any category or level, despite making up a large proportion of the population where many forestry operations are located. Most respondents are opposed to target-driven employment equity but recognize that their workforce must become more representative of local populations.

With regard to contracting and business partnerships, the same study concluded,

A significant portion of saw and pulp mill operations are now contracted, especially woodland operations for timber supply and silviculture. Again, as with employment, Aboriginal businesses make up a very small proportion of total contractors. There are isolated areas within a few company operations where Aboriginal contractors are a significant proportion. Respondents indicated that potential does exist to increase Aboriginal business, but they cited many barriers to increased Aboriginal involvement. The industry does, however, recognize that provision of contracts and equity ventures with Aboriginal people will help to build a better

relationship and potentially provide future security of fibre.<sup>85</sup>

The mixed and often disappointing results of this strategy should not lead to the conclusion that it should be abandoned. Some Aboriginal communities have been able to take advantage of the opportunities presented, while for others it may well represent the best, perhaps the only, alternative available. Even if communities are increasingly in a position to pursue a different strategy - for example, to develop their lands and resources themselves, through their own business ventures - employment and contracts with non-Aboriginal resource companies can provide a valuable training ground.

In the future, new mainstream resource development projects will have to respond better to the aspirations of Aboriginal people. One reasonable approach would be to ask what the level of Aboriginal involvement in resource development industries ought to have been and what it should be in the future, keeping in mind that people living near the development should have the first opportunity for employment. What would an Aboriginal government, as a business owner or partner, accept as a reasonable level of employment in a forest operation or a mine in its traditional territory? It would not likely accept four per cent, concentrated in the unskilled portion of the work force; yet this is precisely the situation in these two industries now.

We cannot limit the vision to new resources development, however. To do so would be to abandon many of the current generation of Aboriginal people so seriously affected by unemployment. The bulk of business and employment opportunities must be found, for the foreseeable future, in existing operations.

New approaches are required to provide economic opportunities for Aboriginal individuals and businesses. For the most part, we hope to see this achieved through co-operation and, if necessary, incentives. For example, it may be possible, within existing international trade agreements, to provide selective tax incentives or direct assistance to subsidize the cost of placing Aboriginal interns in companies and to provide financial assistance where new environmental rules imposed as a response to Aboriginal concerns lead to higher costs.

Governments in Canada and elsewhere use regulatory powers and lease or licence conditions to ensure compliance with requirements for environmental protection, further processing of resources, worker safety, and reforestation. Most forest management agreements, for example, are 'evergreen', rather

than 'perpetual', meaning that the licensees must comply with all licence requirements and relevant regulations to ensure that their licences will continue beyond the existing term. In many cases the current term is 20 years, but astute firms that learn of a new condition for extension usually seek to satisfy the requirement well in advance of the expiry date.

Aboriginal economic development opportunities have seldom been a requirement in the Crown's licensing policies. Under the new arrangements, they would be a central consideration.

Such changes must respect the importance of outside capital, however. Our proposals would ring hollow if, in the end, there was little development to share. Canada must remain a stable and secure place for private investment. However, stability that depends on the denial of Aboriginal and treaty rights is purchased at too high a price. Stability on such a basis is not tenable in the long run, as resentments will boil over, to the detriment of Canada's image as a place to do business. We believe that even with significantly changed rules to enhance the economic benefits to Aboriginal people, the security that would result from more co-operation between governments would leave Canada well placed in the international competition for capital. We must re-emphasize here that the objectives of the system we propose would not be considered anomalous or extreme in most countries that want development to serve the needs of their people. If the new co-jurisdiction lands were a developing country (which in many respects they are), our proposal would be commonplace - in fact, it would probably be approved by institutions such as the World Bank and the Canadian International Development Agency. New arrangements would not mean that employers would have to hire Aboriginal people who are incapable of doing a job. They would not be forced to deal with Aboriginal companies that do not meet their commitments. They would not be subject to rulings by resource managers who lack necessary skills or do not understand business realities.

The best practices of companies that have been successful in attracting and retaining an Aboriginal work force should be identified and disseminated widely. Additionally, ways need to be found for Aboriginal people to obtain a share in a wider range of benefits from such projects. Using an equity position in the project as a lever to obtain a share of profits, as well as to influence policies on hiring, promotion and contracts, is one avenue that some Aboriginal organizations are pursuing. Another might be to take a share of resource revenues, such as lease fees or royalties from companies operating in traditional territories, and deposit it in an economic development fund to benefit



the Aboriginal communities in that area.

In this connection, the Bayda Commission (also known as the Cluff Lake Inquiry), established in 1977 to recommend whether Saskatchewan should proceed with uranium mining, concluded that a share of uranium royalties should be paid to “certain northern governing bodies”. The commission argued that

If the distribution of economic benefits (taxes and royalties, spin-off and job benefits) and social benefits is left to the natural market forces and normal governmental processes the chances are high that the people of the province generally will benefit most from that distribution and the Northerners very little ... .

The direct sharing of uranium royalties with Northerners is justified on two broad grounds: first, when one considers that Northerners have been left behind in the struggle to better their lives, that the mineral resources and the revenues generated by developing them are by far the greatest source of wealth in the North and constitute the only tax-producing property of any consequence in the North, that the Northerners will bear most of the social costs associated with the development of uranium, it is only fair that they share more generously than the people in the rest of the province in the revenue to be generated by that development; second, the sharing of revenues will go a long way in giving to the Northerners the kind of control they seek, and it is only fair that they have, over their own affairs.<sup>86</sup>

A step in this direction was taken by the government of Saskatchewan which, since 1979, has been distributing some revenues to northern municipalities. The main vehicle has been the Northern Revenue Sharing Trust Account, which receives revenues from the lease and sale of Crown lands and distributes them to northern municipalities - but not to reserves - to support capital projects and operating costs. However, the amount of money involved is relatively small and does not include royalty payments, which continue to go into the general revenues of the province. The funds are not distributed directly to the communities involved either. In 1993, the joint federal-provincial panel on uranium mine development in northern Saskatchewan echoed the recommendation of the Bayda Commission and was explicit in recommending that groups such as tribal councils, the Saskatchewan Metis Association and the Aboriginal Women’s Council for Saskatchewan should be included in discussions of revenue sharing.<sup>87</sup>

## **Recommendations**

The Commission recommends that

### **2.5.9**

Until self-government and co-jurisdiction arrangements are made, federal and provincial governments require third parties that are renewing or obtaining new resource licences on traditional Aboriginal territories to provide significant benefits to Aboriginal communities, including

- preferential training and employment opportunities in all aspects of the resource operation;
- preferred access to supply contracts;
- respect for traditional uses of the territory; and
- acceptance of Aboriginal environmental standards.

### **2.5.10**

The efforts of resource development companies, Aboriginal nations and communities, and governments be directed to expanding the range of benefits derived from resource development in traditional territories to achieve

- levels of training and employment above the entry level, including managerial;
- an equity position in resource development projects; and
- a share of economic rents derived from the projects.

### **2.5.11**

Unions in these resource sectors participate in and co-operate with implementation of this policy, because of the extraordinary under-representation of Aboriginal people in these industries.

## ***Partnership and self-development approaches***

The integration approach has yielded benefits for some Aboriginal individuals and, to a lesser extent, their communities, and steps could certainly be taken to make it more effective, but it is evident from earlier chapters in this volume that the Commission's approach to economic development based on lands and resources proceeds from different assumptions. The essence of this strategy is achieving a land and resource base under Aboriginal control (whether exclusive or co-managed) sufficient to meet the needs of Aboriginal people and to support Aboriginal industries in the natural resources sector. Once this is achieved, Aboriginal people will be in a position to undertake the development of natural resources through Aboriginal companies and to negotiate from a position of strength with other interests, whether non-Aboriginal companies interested in joint ventures or other governments, concerning issues such as revenue sharing.

Using this approach, as we discussed it in the previous chapter, Aboriginal governments would have sole jurisdiction over an expanded land and resource base established on current reserves, newly acquired Crown lands and, where necessary, purchased private lands. In addition, they would share jurisdiction with other governments over a significant proportion of what are now public, or Crown, lands within their traditional territories.

Some of these lands and resources will have to be purchased from their present, non-Aboriginal, owners but we expect that the dominant focus of negotiations will be Crown lands, and these are vast. They occupy an area (excluding adjacent territorial waters) of more than 8 million square kilometres. Few countries are as large.

Moreover, despite many decades of aggressive development by non-Aboriginal entities, Crown lands remain a major source of wealth. Minerals, timber, oil and gas, fisheries, hydroelectricity and recreational resources are the heart of the economy of several Canadian regions. They provide many thousands of jobs, related business opportunities and tax revenues for local, provincial, territorial and federal governments.

These benefits, for the most part, have eluded Aboriginal people for decades as development has proceeded around them. An expanded land and resource base, including co-jurisdiction, could provide a powerful remedy for this situation. With an enhanced ownership and managerial role, Aboriginal nations and their communities could exercise considerable influence over resource

development in their traditional territories, and they could exercise it through partnerships with non-Aboriginal companies or by launching their own business ventures and developing the resource base in their own way.

### ***The partnership approach***

With respect to the first of these alternatives, partnerships with non-Aboriginal companies, it should be possible to foster new community-based business opportunities, new prospects for Aboriginal entrepreneurs, and greatly enhanced employment opportunities in all resource developments.

It is important that such partnerships protect what Aboriginal people value - their environment, their culture, their institutions - from insensitive development and its consequences. For instance, it is widely felt in Aboriginal communities that timber harvest operations damage the habitat needed for successful traplines. Yet under current management systems, choices are made generally on the basis of profit; traplines lose out in that evaluation, because Aboriginal lifestyles, food and culture are undervalued.

Aboriginal partners must have a say in determining the rate and nature of development on their own and shared lands. Without the authority to establish criteria for development (usually by the private sector), economic development based on lands and resources will remain a mirage for Aboriginal communities.

An Aboriginal government in a controlling or co-jurisdiction position might weigh the issues differently and insist on a more reasonable accommodation of cultural values and traditional vocations. Similarly, an Aboriginal government could negotiate set-aside agreements giving preference to local suppliers of goods and services. It could insist that any development plan for oil and gas, forestry or mining incorporate education and training for specified numbers of Aboriginal citizens.

Strong Aboriginal institutions, collaborating with existing mainstream agencies at the federal, provincial and territorial level, will provide large and varied employment opportunities eventually. Management of Crown lands provides employment for thousands of support staff, technicians, professionals and managers at all levels of government. At present, very few of these are Aboriginal people.

Co-jurisdiction means that Aboriginal governments will have to have the same

breadth of capacity to play their full part in the partnership. Indeed, they must insist on this, so as not to be overwhelmed by outside 'expert' opinion. That capacity has to come from the people themselves if their governments want to use the arrangements to their fullest advantage. This is doubly important in managing lands and resources, for Aboriginal people have distinct and significant knowledge, insights and values to bring to management and must be encouraged to apply these alongside conventional scientific knowledge. We are not suggesting that Aboriginal governments would need the same number of staff as non-Aboriginal agencies have now, but it is clear that there would be more opportunities available than there are Aboriginal people with the skills to take advantage of them.

These situations - offering interesting, well paid, secure employment without the need to sever ties to communities or give up the chance to blend traditional and modern lifestyles - represent an opportunity for Aboriginal people to live in their own communities without financial penalty. Some of the technical and management jobs will be in urban settings and could provide alternative employment for those who have already left their communities.

Moving from the current situation to one in which at least half the staff of joint management bodies consists of Aboriginal people presents a host of challenges and will take time. The Canadian public must make the commitment to co-jurisdiction now, however, so that a start can be made on the changes that will be needed.

### ***The self-development approach***

Self-development refers to the management and development of lands and resources owned by Aboriginal communities by Aboriginal companies. Canadian experience shows that the management of Aboriginal lands and resources by non-Aboriginal parties in industries such as forestry and fisheries can be disastrous. To take forestry as an example, a 1992 report of the federal Auditor General concluded that

Based on the results of our examination, we concluded that DIAND is not discharging its statutory responsibility for Indian forest management with professional and due care.

In view of the uncertainty surrounding this issue and an increasing tendency for the federal government to be called to account for its

stewardship of Indian interests, the Department needs to review with the various bands the manner in which forest management is carried out. Failure to discharge its responsibilities in this regard could lead to legal action against the Department.<sup>88</sup>

Problems with DIAND's management included the lack of a clear mandate in areas of management other than the granting of licences to cut timber on-reserve, lack of appropriate numbers of qualified staff to permit the department to carry out its statutory responsibility for Indian forests, and regulations that conflicted in some respects with the Indian Act and discouraged joint ventures. The regulations are in any event outdated. In this regard, the Auditor General noted in the same report that

The Indian Timber regulations were enacted in 1954. At that time, forestry was considered to be synonymous with logging. Reforestation was left to nature. The regulations are silent on virtually all of the modern forestry practices that would ensure harvesting of Indian timber on a sustained yield basis. They are also inadequate for the proper management of resources that are significantly affected by forestry operations, such as water and wildlife. Furthermore, preservation of the natural habitat is a vitally important factor in the agricultural, cultural, and spiritual practices of Indian bands.

In the United States the legal situation regarding ownership has been different, but the results of external management have been equally unsatisfactory. With regard to minerals, for example, subsurface rights have long resided with Aboriginal people, but management was in the hands of the Bureau of Indian Affairs. The U.S. experience demonstrates that ownership is not a sufficient condition for the resource to be harvested in a manner that is in the long-term interests of Aboriginal people:

Until 1982, it was illegal for Indians to initiate the external development of minerals which lay under their lands. Instead the development of Indian mineral resources was subject to bidding and leasing procedures similar to those used by the U.S. Bureau of Land Management for minerals located under public lands ...

The system provided no built-in protection or guarantees or even a consultation requirement vis-à-vis tribal priorities and values, or respect for sacred sites and the local environment ... .

By the early 1970s, not only did the limited financial returns provided by the fixed royalty system begin to bother the affected tribes, but a spate of other environmental, cultural and self-government issues stirred dissent ...

.Resistance to large-scale mineral resource development emerged on many reservations, as resentment at being excluded from decision making, at having cultural and religious priorities ignored, at having to bear the brunt of adverse environmental and social impacts without realizing a fair share of the benefits, accumulated. The BIA mineral lease came to be regarded as a prime instrument for effecting the transfer of control and exploitation of Indian mineral and other natural resources to non-Indians. New attitudes and different approaches emerged as the various tribes tried to move beyond leasing to alternative modes of development that would ... allow them to ... safeguard their cultures and environments, while benefiting from the jobs, revenues, and operating and management experience that mineral development could potentially provide ... .

American Indian tribes first assumed responsibility for exercising their own proprietary rights, then assumed various regulatory responsibilities (including permitting, administration of tax regimes and enforcement of certain environmental standards), and finally began to promote mineral resource development on their own reservations as a means to generate tribal revenues and jobs. The potential for direct economic returns and non-cash benefits of on reservation mineral development only became substantial after tribes began negotiating their own deals ... .<sup>89</sup>

With ownership and the exercise of managerial authority comes the ability to shape natural resources development in the way preferred by the Aboriginal nation involved. The chosen path might differ from the mainstream approach. In the case of forestry, for example, the National Aboriginal Forestry Association told the Commission of the importance of the forest to Aboriginal peoples in Canada.

The forests are our home, our hunting grounds, our ceremonial lands. Aboriginal forest values, therefore, play a key role in community social and economic development. Aboriginal peoples perceive their relationship with the forest as being much broader than the mere removal of trees. To Aboriginal peoples, forestry involves the care and management of the entire ecosystem of an area, ensuring that forestry practices do not threaten the continuation of biodiversity and healthy wildlife habitats.

Aboriginal values are evident in our preferred forestry practices. We prefer

harvesting methods which cause minimal damage to the forest habitat. When replanting, our interest is in the regeneration of an entire habitat; therefore we take great care with respect to the use of such things as pesticides and herbicides. As well, when we look at forest renewal, it is not necessarily limited to one or two species but may include plants that are of cultural importance to us, such as black ash which we use in our basket-making or berries and medicinal plants for cultural and spiritual use. From the Aboriginal perspective, healthy forests must support a broad range of economic activities for Aboriginal communities, such as hunting, fishing, trapping, tourism, logging, and the management of wildlife resources and of course the management of the forests themselves.

Harry M. Bombay  
National Aboriginal Forestry Association  
Ottawa, Ontario, 1 November 1993\*

Ownership and managerial authority also open up the possibility of harvesting natural resources in a different way, on a different scale, and over a different timeframe than is the norm. Small-scale production is quite possible in sectors such as fisheries, agriculture and wildlife harvesting. It is also possible in industries such as forestry and mining. Taking the latter as a case in point, the Commission's research points out that Aboriginal communities can choose to enter into agreements with large, capital-intensive, externally owned mining companies and have their resources mined in the usual manner, using their ownership position to obtain substantial benefits from the venture in the form of employment, contracts or resource revenues. However, they can also choose to develop the resource themselves and to do so with a smaller-scale operation that is a manageable part of the Aboriginal nation's overall strategy of development. Looking at the international experience with mineral development and the disadvantages of large-scale, capital-intensive forms of development, Jeffrey Davidson of McGill University's department of mining and metallurgical engineering makes the case for small mines:

There are compelling reasons for countries to re-examine their attitudes to small-scale mining. Smaller mines offer the prospect of making significant contributions to the physical and economic development of rural areas and to the improvement of rural standards of living on a longer-term basis. Such activities can provide a basis for additional economic opportunities within the area, contribute to the development of community infrastructure, and lead to improvements in the quality of life for workers, their families, and the community at large. They can become vehicles for upgrading the trade skills



and management abilities of local people.

Small mines, when properly organized and managed, have the potential to become economically self-sustaining and net-positive generators of wealth, much of which can be retained within the community. Smaller, locally owned and operated mines offer other advantages and possibilities as well, including

1. operation in remote areas with more modest infrastructural support;
2. extraction of smaller deposits that may otherwise be non-viable on the larger scale;
3. reduced capital requirements and lead time to bring into production;
4. better capability to respond to and survive market vagaries; and
5. less disruption of the existing social and economic framework.

Small mines provide employment and cash income, serving as points of entry to the cash economy, often complementing rather than displacing traditional economic activities, such as farming and fishing.<sup>90</sup>

Davidson goes on to make the point that a small-scale strategy is not possible for all minerals or all locations, but it is feasible in a broad range of situations.

The self-development approach requires policies and programs quite different from those of the integration approach. Governments are already familiar with some of the issues to be addressed. In the west coast fishery, for example, efforts have been under way since the mid-1970s to achieve a larger share of the salmon resource for Aboriginal food and ceremonial use, and these efforts were pushed further by the Sparrow decision, leading to the Aboriginal Fisheries Strategy. We also referred earlier to support for sectoral organizations in agriculture and forestry in the 1980s. It does not appear, however, that these initiatives and this approach to developing Aboriginal lands and resources have been a priority, nor have they been well conceived in all cases.

Certainly the issues that remain to be addressed satisfactorily are many. Among them are the crucial issues of recognition of Aboriginal and treaty rights, securing an expanded land and resource base, clarification of rights to

own and manage resources on or under Aboriginal lands, and the need to undertake resource inventories. The latter is a pressing need in forestry, mining and agriculture, for without such inventories it is difficult to know what forms of development are possible and what kind of management regimes need to be established. In many of these industries, especially fisheries, forestry and wildlife harvesting, there is a strong need to rehabilitate or conserve the resource stock. These issues were discussed and recommendations were made in the previous chapter.

Debate has arisen in Aboriginal communities about approaches to resource development and indeed whether resources should be developed at all. Thus there is a need to establish community consensus on how resources within the sphere of its authority should be developed, by whom, according to what timetable, with what forms of ownership, and with what implications for other resource users.

In industries such as fisheries and forestry there is a need to deal effectively with the hostility of non-Aboriginal interests, combat racism and defuse conflict at the community level. In developing such strategies, however, it is important to take account of the economic crisis affecting non-Aboriginal resource producers in many parts of coastal, rural and northern Canada, which contributes to hostility toward Aboriginal people.

The Commission's research on fisheries provides some ideas about what might be done. In the Maritimes, one suggestion is to "put resources in the hands of local leaders, both Aboriginal and non-Aboriginal, and to create new structures for them to work together to reduce tensions, to solve technical problems and to establish mechanisms for dispute resolution". It is important that the major fishers' organizations in the region be "co-opted into such a process as quickly as possible to head off any danger that the more extreme elements among their members will garner greater support for their hostile stance vis-à-vis Aboriginal fishers".<sup>91</sup>

With respect to the west coast salmon fishery, especially the Fraser River, another study advocates increasing the supply of available salmon to all interested parties through improved stock-specific management - a process in which Aboriginal people, using traditional technologies, can play a vital role. This increase in supply, coupled with equitable treatment of all stakeholders, could result in a win-win situation and thereby defuse tensions in the salmon fishery.<sup>92</sup>

Finally, we return to the need to strengthen the capacity of Aboriginal communities for regulation and management. Clearly this involves education and training, as well as the development of institutional capacity. In their sole-jurisdiction lands, Aboriginal nation governments will have full responsibility for stewardship and for establishing the terms and conditions of development, including the economic benefits from such activities. This will involve phasing out the Indian Oil and Gas Corporation and other agencies that now manage and allocate Aboriginal lands and resources and replacing them with Aboriginal agencies.

This will necessitate a substantial build-up of institutional capacity related to lands and resources. It will put the onus on Aboriginal governments to generate economic development strategies that are faithful to community values and that reflect preferences about the relative roles of Aboriginal enterprises and outside companies. The new institutions would be responsible for many tasks, including resource inventory, royalty design and collection, and enforcement of environmental regulations, and for a range of resources from agriculture to water.

To function effectively and efficiently with governments and the private sector, these new institutions must, as a priority, assemble large amounts of information and knowledge from a variety of sources. They will need technology such as geographic information systems and computerized resource inventory and analysis capabilities, as well as tools for reviewing business opportunities if they are to stay in the forefront of the information society.

As we have noted in other contexts, it is especially important to build human resources and institutional capacity at the nation or sectoral levels. This course of action was advocated in a research study prepared for the Commission on the Aboriginal fisheries in the Maritimes, which concluded that

The consultants can identify some important advantages to the elaboration of more broadly based management structures at the provincial or regional level:

1. greater political leverage in dealing with governments and non-Aboriginal communities, and perhaps an end to the pattern of 'divide and rule' that continues under the DFO Aboriginal Fisheries Strategy;

2. an enhanced ability to negotiate and enter into partnership agreements for co-management of fisheries resources with other stakeholder groups;

3. more effective means to resolve issues arising when fishers from different First Nations, or those not resident on reserves, wish to harvest resources on the same off-reserve fishing grounds;

4. greater administrative coherence and the achievement of economies of scale in

- training and supervising personnel;

- funding, organizing and implementing research projects;

- undertaking stock enhancement and habitat renewal; and

- delivering conservation, licensing, catch monitoring, surveillance and enforcement services; and

5. greater consistency and less danger of local politics in providing services to the Aboriginal fishing community.<sup>93</sup>

The weakness in the strategy to link economic development to an accessible land and resource base is the lack of Aboriginal individuals and businesses with the skills needed by new government institutions, Aboriginal enterprises, and the non-Aboriginal private sector. Later in this chapter, we explore issues related to training and education. We make the point that training is important but not sufficient on its own. Without the conviction that full participation in productive work is a real possibility, it will not be possible to bridge the motivation gap that cuts short the learning careers of so many Aboriginal young people.

Our perspective provides one answer to the question, 'training for what?'. Indeed, it sounds a note of considerable urgency. The task of planning, developing and implementing the necessary programs and courses of study is surely daunting, but considerable help will be available from the growing number of post-secondary institutions that are pioneering the subjects and teaching methods that will be needed.

We believe, as well, that broadly based coalitions of government, private

sector companies, trade unions and educational institutions could be assembled to give tangible effect to statements of support made to this Commission and in other forums. Later in this chapter we discuss practical ways to assemble these coalitions.

The task is enormous; the gap between present reality and what is needed for the vision to work is very large. For example, our research indicates a relatively low representation of Aboriginal people in groups holding university or college credentials in environmental management, geology, forestry, agronomy, biology, zoology, engineering, business, and economic development. These numbers help to explain the low levels of Aboriginal representation in these professions, but students' choices may have been influenced by a real or perceived lack of opportunity and by inadequate preparation in disciplines such as maths and science.

It is urgent to instill in Aboriginal people of all ages, but particularly in young people, the conviction that now they have a realistic opportunity to shape their own futures, to serve their communities and strengthen their nations. Aboriginal governments will have to flesh out the design of their management institutions, determine in some detail the number of people and skills required, and develop strategies to bring their people up to the level of skills and experience required to join these institutions and make them work.

## Conclusion

Natural resources industries are quite different from each other; general discussion soon reaches the specific issues and options facing each sector. Without going into detail about each sector, we have sought to outline several approaches to economic development based on lands and resources. We have suggested that, wherever possible, an approach that secures an adequate land and resource base for Aboriginal nations and communities and that supports the determination of those nations to develop the resource base according to their own priorities is the preferred option.

With this approach, we believe natural resources will be managed better, and Aboriginal communities will derive a full range of benefits from the economic development process. There are indications of untapped potential in all the natural resources areas. In forestry, for example, the Auditor General concludes that

According to FORCAN estimates, the current reported harvest levels on reserve forests represent only 25 per cent of the annual potential allowable cut. Indian forests are also growing less wood fibre than they are capable of. Therefore, it appears that existing harvest levels could be increased significantly with improved forest management. In the long term, this could potentially raise the annual harvest to nearly 5 million cubic metres, which would generate log shipments with an estimated value of \$200 million annually and prospective direct employment for almost 10,000 people.<sup>94</sup>

In fisheries on both the east and west coasts, in agriculture on the prairies, and in wildlife harvesting in northern areas, there are further indications of opportunities for economic development that can be pursued if the appropriate strategies and policies can be brought together.

## **Recommendations**

The Commission recommends that

### **2.5.12**

Federal and provincial governments promote Aboriginal economic development by recognizing that lands and resources are a major factor in enabling Aboriginal nations and their communities to become self-reliant.

### **2.5.13**

Aboriginal governments, with the financial and technical support of federal, provincial and territorial governments, undertake to strengthen their capacity to manage and develop lands and resources. This requires in particular

- (a) establishing or strengthening, as appropriate, Aboriginal institutions for the management and development of Aboriginal lands and resources;
- (b) identifying the knowledge and skills requirements needed to staff such institutions;
- (c) undertaking urgent measures in education, training and work experience to prepare Aboriginal personnel in these areas;
- (d) enlisting communities in dedicated efforts to support and sustain their

people in acquiring the necessary education, training and work experience;  
and

(e) seconding personnel from other governments and agencies so that these institutions can exercise their mandates.

## **2.5 Agriculture: An Illustration**

As we have discussed, each of the natural resource industries has its own unique characteristics; we looked at several of these industries in Chapter 4, in our examination of lands and resources. In this section, we take a closer look at one sector, agriculture, to illustrate some of the concrete issues of economic development that need to be addressed.

As reserves were established and as traditional ways of making a living could no longer be sustained on a sharply reduced land base, the federal government came to see agriculture as a solution for the economic problems facing Aboriginal people and a means of encouraging civilization and citizenship. Case studies of particular locations suggest that there were some initial successes, but that early efforts to till the soil soon gave way to disappointment and retrenchment.

In perhaps the most thorough historical study of agricultural initiatives involving Indian people on the prairies of the late 1800s and early 1900s, Sarah Carter writes of the reasons for the failure:

The standard explanation for the failure of agriculture on western Canadian reserves is that the Indians could not be convinced of the value or necessity of the enterprise. It was believed that the sustained labour required of them was alien to their culture and that the transformation of hunters into farmers was a process that historically took place over centuries. When I began to investigate the question of why agriculture failed to provide reserve residents a living, I thought I would add detail to this explanation but essentially retain it intact. Before I got very far into the sources, however, I found that little evidence existed to support this interpretation.

It was the Indians, not the government, that showed an early and sustained interest in establishing agriculture on the reserves. Although the government publicly proclaimed that its aim was to assist Indians to adopt agriculture, little was done to put this course into effect. In fact government policies acted to

retard agriculture on the reserves. The Indians had to persuade government officials of the necessity and importance of agriculture. In treaty negotiations and later assemblies, they sought assurance that a living by agriculture would be provided to them, and they used every means at their disposal to persuade a reluctant government that they be allowed the means to farm. They proved anxious to farm and be independent of government assistance, despite discouraging results year after year. Not all Indians wished to farm but many did, and circumstances compelled some to consider this option at a time when there were few others. In the decade after 1885, government policies made it virtually impossible for reserve agriculture to succeed because the farmers were prevented from using the technology required for agricultural activity in the West. The promotion of reserve land surrender after the turn of the century further precluded the hope that agriculture could form the basis of a stable economy on the reserves.<sup>95</sup>

Although Métis farmers were not subject to the Indian Act or to supervision by agents of the federal government, in other respects their experience with agriculture was similar. In the decades before 1870, Métis people in the Red River area developed farming on small narrow tracts of land extending inland from river frontage. These lands were good for subsistence production and small-scale mixed farming to supplement other sources of food and income (for example, from the buffalo hunt or trading), but they provided a very poor basis for the development of larger-scale commercial farming. When land grants were allocated in the form of scrip after 1870, it appeared to be intended to settle claims to Aboriginal title more than to establish viable commercial farms. Certainly most Métis people lacked the capital and technical expertise to make effective use of the new lands, and they did not receive the assistance they required. The loss of this land base, and the dispersal of the Métis population to points west and north, relegated the Métis people to no land at all in some cases, to land without a secure title in other cases, and at best to a modest living on marginal mixed farms supplemented by other sources of income.<sup>96</sup>

Facing no such constraints, and benefiting from the availability of lands alienated from Aboriginal control, non-Aboriginal farmers proceeded to develop commercial agriculture with the help of government policies, taking advantage of the latest technologies. By the end of the First World War, and especially after the Second World War, the gap between Aboriginal and non-Aboriginal farming was increasingly evident and widening.

Over the last three decades, governments have undertaken some initiatives to



reverse the pattern of neglect and marginalization that characterized the Aboriginal agricultural sector. For example, programs such as the Agricultural and Rural Development Act (ARDA), Special Agricultural and Rural Development Agreements (special ARDAs), and Economic and Regional Development Agreements (ERDAs) had some success in bringing reserve lands into effective use and, in the process, requiring some land planning to take place.<sup>97</sup> In the 1980s, Indian affairs funding was provided for a number of agricultural programs in Ontario, Manitoba and Saskatchewan. Research conducted for the Commission concluded that these programs had growing pains, but on the whole represented a significant step forward in providing advisory services to Aboriginal farmers, administering a range of support programs, and providing a training ground for Aboriginal people in agriculture. We return to this topic shortly.

Métis people benefited to some extent from the federal support programs of the 1970s and 1980s, but less so than status Indians. The main problem has been ineligibility for funding. Special ARDAs, for example, were one of the first federal programs Métis people were eligible for, and Métis trappers and fishers did benefit from its provisions, but the criteria for access effectively eliminated Métis applicants in the farm category.<sup>98</sup> Although Métis farmers had access to later programs and strategies, including the Native Economic Development Program and the Canadian Aboriginal Economic Development Strategy, they have been able to use them to a very limited extent only, and they have not been able to receive support from Indian affairs agricultural programs.

The other factor affecting progress in Aboriginal agriculture is the changes being experienced by the agricultural sector as a whole. These make it more difficult than ever to develop successful commercial livestock, grain or forage operations:

The most recent phenomenon is what is termed the 'global market'. In effect, the aspect of the food system that determines world prices, and who shall supply which market, has moved away from the primary producers and their traditional collection and selling institutions. The livestock auction and the grain elevator, which for many decades represented the market delivery point and the window on the price-setting mechanism, have lost their significance.

Much of the food system (estimated to be one-third of the total) is now dominated by a few major corporations, often linked with others internationally, which purchase and combine commodities from around the world into processed food items. National boundaries are now merely inconveniences

rather than limitations to trade, and distance simply a part of overhead. As a consequence, price, quality and ability to supply quantities on demand determine which food-producing area will export its products into the system.

To cite a specific example of the changed situation, only thirty years ago, the beef packing industry in Canada could state quite confidently that they would accept and market any animal the farmers delivered to their plants. Currently, one has to have precisely the quality of animal demanded in the market or suffer severe discounts, and furthermore, one may have to arrange for a date to have one's animal accepted. The implications for Aboriginal agriculture [are] that a production project, whether individual- or band-managed, must plan to 'land running', so to speak, providing in quantity the quality of crop or animal demanded by a market that has grown very intolerant of beginners and inefficiency.<sup>99</sup>

This trend severely limits the ability of individual producers to compete on their own, making strong Aboriginal agriculture organizations more important than ever. Effective representation of Aboriginal people in broader organizations such as the Saskatchewan Wheat Pool, the Canadian Federation of Agriculture and the Canadian Cattlemen's Association is also important.

Issues concerning scale, technology, knowledge and skills remain very important as well. In Canadian agriculture, since the mid-1960s, the number of farms with annual gross sales of less than \$100,000 has declined precipitously, while the number with gross sales of more than \$100,000 has increased substantially. As these figures suggest, the average size of a farm has also been increasing, growing by well over 100 per cent in all regions of the country except Ontario and Quebec in the period 1941-1986.<sup>100</sup>

With respect to technology, knowledge and skills requirements, patterns in the grains industry are typical of agriculture as a whole:

The skills required to operate a farm are changing dramatically. What was once just common sense and hard work has become an ability to handle sophisticated machinery, an in-depth knowledge of chemicals and crop varieties and a significant ability in business management. The result is a growing dependence on off-farm specialist services extending from the professions of law and agronomy to the information provided by chemists and engineers through their products. The Aboriginal farmer is not

excused from these changes and must have a channel for receiving information and high technology supplies.<sup>101</sup>

Like Canadian agriculture in general, Aboriginal agriculture is diverse, ranging from subsistence activities to small mixed farming to larger, more specialized operations. Often farm production is combined with other sources of food or income, such as hunting and wage labour. It also includes larger commercial farms specializing in beef, dairy, grains, forage crops or wild rice production. There are few Aboriginal farms in Atlantic Canada, but Aboriginal farming is significant in Ontario, throughout the prairies and in some regions of British Columbia. It is not uncommon for reserve landholders to lease out a large proportion of their lands to non-Aboriginal farmers, in part because they lack access to the capital needed to farm the lands themselves. They are also attracted by the promise of regular, low-risk incomes from lease payments.<sup>102</sup>

On the whole, Aboriginal farming operations tend to be small-scale. Lands allotted to individuals on-reserve are small, and the prospects of individuals adding to their land base are few. A profile of First Nations agriculture in Manitoba, for example, revealed that the average annual gross sales of 122 farmers were \$29,361 in 1991. Almost three-quarters of this group (71 per cent) reported income after expenses of less than \$15,000, with half claiming a net worth of less than \$25,000.<sup>103</sup> Almost all were engaged in beef production and related crop cultivation, with a very few in hog production. A survey of 80 Métis farmers on the prairies revealed that most were in the subsistence and mixed farm categories, and indeed 80 per cent of respondents reported receiving off-farm income.<sup>104</sup>

Analyzing the characteristics of Aboriginal agriculture in light of general trends in Canadian agriculture raises important questions about future directions. It can be argued that, given the current characteristics of Aboriginal agriculture and the constraints it faces, small-scale farming is a reasonable adaptation to present circumstances. It does not generate great wealth, but it does provide a living if combined with other sources of income. In more northern areas and for some specialty products, it is perhaps the only course of action that makes sense. This does not necessarily mean a continuation of the status quo - there are opportunities for growth, new products, and modest expansion, and steps can be taken to improve the size and quality of the land base or to enhance access to capital. Smaller farming units could serve as a training ground for successive generations of Aboriginal farmers who will, over time, develop the knowledge and skills base and the capital and land resources to make farming their principal, perhaps their only, occupation. Thus, under this model, public

policy should support small mixed farms and resist the tendency to favour larger and often more specialized units.

Another view, influenced by Canadian and international trends, sees the future in terms of large farms with the technology, capital and management for success. According to this view, small farms with a significant subsistence or non-farm income element are unlikely to provide the basis for the competitive commercial enterprises of tomorrow, and public policy should be devoted to creating the conditions in which larger farms can develop:

The only manner of organizing in the beginning stages of prairie farm development was obviously for and by the individual small-scale homesteader, or Aboriginal farmer in the case of the reserve lands. There were some very large acreage farms attempted by individuals or groups of non-Aboriginal people in the earliest farm development stages. But they could not, with the tools at hand, survive for long because of the swings in the production and marketing conditions that had not yet been minimized by government policies and technology. The band-based initiatives were usually much more modest in scale. They were inspired by the individual reserve superintendents, or the church, and somewhat later by the band councils but suffered a similar fate ... .

Jumping ahead in time, the current climate for farm development now favours the larger operations for grain and for most livestock ventures. The small farms with a number of income centres were able to ... cope with more risk, and so survived as long as they maintained a modest expectation for income. But risk-spreading has been shifted from farm family 'belt-tightening' to government support programs and improved management methods as well as institutionalized marketing methods. Despite the ability to handle risk, the difficulties which increase with this larger-unit pattern of farming are the high requirements for capital and management.<sup>105</sup>

As this passage makes clear, however, the argument for larger-scale operations pertains to particular kinds of agriculture (livestock, grains, and so on) geared to particular markets. Some Aboriginal communities will have the desire and the potential to be competitive in these markets. Others will continue farming as part of a multiple income mix, or pursue the kinds of agricultural production that permit smaller-scale farms.

It is evident that a full range of opportunities exists. The Commission's research identifies opportunities in large-scale operations such as swine, beef

backgrounding, and beef feedlots. With appropriate support from governments, there is significant interest in Ontario and the prairies in the production of ethanol fuel from grain. Distillers grains and stillage water (cattle feed produced as by-products of ethanol generation), can support beef feedlots of considerable size. In addition, there are opportunities in reserve pasture projects, diversified reserve grains operations, game farming with bison or elk, expansion of wild rice production, the growing of herbs for traditional medicines or to flavour foods, the processing and marketing of wild berries, and wild game-related tourism.<sup>106</sup>

These possibilities are compatible with a broad range of farm sizes and requirements for capital, technology and management. However, Aboriginal farmers engaged in small-scale and mixed farming feel strongly that agricultural policy and programs neglect their needs in favour of supporting larger farm operations. Métis owners of small farms interviewed for a Commission research project were clear on this point, linking their concerns about government policy to the survival of small rural communities:

A farmer in this area, actually a businessman and farmer, owns 36 sections of land and is constantly seeking to expand his big corporation. A lot of his wealth has been gained through government grants and other assistance and business write-offs. I have lost track of the number of small farmers who have been bought out and shipped out and empty farmhouses now scattered in the municipality. Government people cater to Mr. Big and he is paraded around as a model for all of us to follow. It is all part of our modern brainwash - it's Free Trade and only 'big' people can operate successfully in our new North American economy.

I might accept that if Mr. Big and his government supporters can prove to me that he can operate his vast estate more efficiently and cheaper than a good farmer with three or four sections of land. But in this assessment, I suggest that we include the associated costs of the loss to the community of all the displaced small farmers, the costs of relocation, and the social and other costs of the urban centres who have received these displaced farmers. The loss of the dignity, the ambitions, and the hopes of all these people is beyond estimate.<sup>107</sup>

Whether they own small or large farming operations, those who want to improve their situation are likely to face one or more obstacles: lack of land, problems with land tenure and use, lack of capital, inadequate information and technical assistance, and inadequate education and training.

## ***Lack of land***

Farmers who want to expand the size of their land base and new farmers - many of whom have been introduced to farming by their parents or by others in their communities - find that obtaining land is one of the most formidable obstacles they face, whether on- or off-reserve. On-reserve, the total land base available to the community may be much too small, and other uses, such as residential and commercial space, need to be accommodated. Good agricultural land may not be available or if it is, may come at a hefty price. Even if funds are available to purchase land adjacent to a reserve, bands wanting to increase the reserve land base have run into opposition from non-Aboriginal neighbours and municipalities, as discussed earlier in this section.<sup>108</sup>

## ***Land tenure and use***

Reserve residents are usually allotted lands by the band council, or the distribution of lands may reflect traditional or hereditary ownership. Whatever the allocation method, the size of land parcels available for farming is typically quite small unless the band has reserved a larger acreage for farming by a collectively owned enterprise. That the size of the land base and present patterns of land tenure are unsatisfactory is evident from the following descriptions of two contrasting situations - both located in southern Alberta, the home of Canada's largest reserves:

On the Peigan Reserve in Southern Alberta, 244 square kilometres, or 57 per cent of the reserve's land base, have been individually allotted ... .Much of today's distribution pattern goes back to the 1920s, when the Peigan population numbered around 500 (one-sixth of today's population). The educational policy of that period placed particular emphasis on manual training and agricultural instruction, and band members interested in agriculture were allocated a parcel of land by the Indian agent. Yet in the 1950s small-scale agriculture experienced a serious relapse, when mechanization and related changes intensified, and traditional farming became just too uneconomical. Many of the older individuals on the reserve ... recalled working their land with a horse-drawn plough until the late 1950s. Then they resorted to leasing their plots to non-Indian farmers and ranchers because they saw no other way of making a living. While reserve land had been leased before, it was only at this time that band members started leasing out their small individual plots to off-

reserve enterprises. With the onset of 'self-government' in the 1960s, political factors gained importance in the process of land allocation.

In the 1980s there were about 170 landholders on the Peigan Reserve. The average size of a large holding was 390 hectares, while small holdings averaged 65 hectares. Small plots accounted for 75 per cent of all individual holdings. Sixty per cent of the individually allocated grazing land, and 90 per cent of the arable land was leased out. This appears logical when we consider the land-people ratio. An economic unit for an Indian dryland farmer would require a minimum of 500 hectares. With regard to ranching, it is assumed that a satisfactory living could be made on a pasture capacity of 250 animal units. Based on a general carrying capacity of 10.1 hectares per animal unit per year, this translates into 2,525 hectares per ranch. Even if this acreage were reduced by the use of a six-month grazing system, supplementary feed and the use of the community pasture, the discrepancy between the actual holdings and economic units is still evident.

... The resultant pattern was the exorbitant leasing out of valuable land, with two-thirds of the revenue leaving the reserve and only one-third being paid out to the 'owner'.<sup>109</sup>

On another Alberta reserve, the pattern of land holding is different, but the consequences are similar:

Individual land tenure on the Stoney Reserve in the Rocky Mountain foothills west of Calgary is subject to the same customary system. Here, however, it is even more flexible and informal. The division between 'landowners' and landless band members is less pronounced than on the reserves of the Blackfoot Confederation, as every family by custom has the right to fence off or use a parcel of land to graze some livestock. There are 'acceptable' limits as to the size of holdings an individual may fence off for himself/herself, the majority measuring under 65 hectares. Sixty-nine per cent of a Stoney sample [selected for interviews] ... claimed a parcel of land, with a majority being uncertain about its exact size. Only two of the twenty-two landholders utilized larger areas, in the neighbourhood of 260 hectares. There is no land registry, and as a result there are no data regarding the number of landholders or size of holdings ... .[W]ith over 400 households on the Morley Reserve, and its physical features imposing limitations on settlement and utilization of some parts, there is a pronounced land shortage. The individual holdings are uneconomically small, especially in view of the fact that the wooded character of a major part of the reserve necessitates larger ranch units to make a living than on the Peigan

Reserve. Nevertheless, all the individually used land is utilized for grazing livestock, and none is leased to non-band members. Although leasing was practised before self-government, it was discontinued two decades ago as a matter of policy, and thanks to their gas royalties, part of which are distributed on a per capita basis, band members do not depend on this source of income. There is no defined land policy; disputes arising over questions of inheritance and transactions are handled individually by the Council.

Thus the land situation on these reserves is characterized by a peculiar tension caused by the combination of hard economic facts, perceived and/or real political favouritism, and the enduring Indian holistic concept of land ownership. Referring to supposedly communal ownership of the land base, the landless feel justified in asking where their profit from this resource is likely to occur. Due to population increase and historically established distribution patterns, only a limited number of families can reap the major benefits.<sup>110</sup>

As this passage reveals, the land is regarded as a collective resource, and this adds to the complexity of the situation. Individuals who have been allotted a certain piece of land do not have the security of knowing that the land will remain in their family's hands for future generations. Since successful farming typically develops over several generations, insecurity of tenure is an impediment to long-term commitment. And since the land cannot be sold, it is more difficult for a reserve-based farmer to build up equity for retirement or to leave a legacy to children. Division within the community is also created if land, a community resource, is allocated to individuals for their profit, with few if any benefits being returned to the community as a whole. To avoid this problem, bands that allocate reserve lands for wealth creation could charge rent for the land, to be paid in cash or as a percentage of the crop. Furthermore, such revenues could be reinvested in the land base or used to promote economic development - for example, creating an internally generated capital fund available for investment as an alternative to borrowing funds from external sources. Charging rent for the land would also act as an incentive for reserve farmers to make more productive use of the land and to further their level of education and training in agriculture and related fields.

Tackling issues of land tenure and use is very difficult for reserve political leadership, but it is important to address the issues and reach compromises if agricultural development is to proceed. The problem is not only that most land units are too small to be economically viable, but also they are not being used to promote the economic development of the band - that is, some land may be leased to non-Aboriginal interests, with revenues accruing mostly, perhaps



entirely, to the band member who was allotted the land. Some individuals do very well from these revenues and may be part of the economic and political elite of the community.

The incentive structure could perhaps be changed to encourage more productive use of the lands - for example, resolving access to capital problems so that reserve farmers could invest in farming equipment rather than lease lands to outsiders, or charging rents on allotted lands. Alternatively, the band council could, with the approval of the minister of Indian affairs, reallocate land allotments and place more land in the hands of those who would farm it more efficiently. This would remove an important source of income from those who now hold the land, however.

Difficult as it may be, bands whose lands have agricultural potential have to decide whether to use the lands as part of an agriculture development strategy, or for residential and other purposes. If the lands are to be used for agriculture, consideration needs to be given to land allocation and use issues - should some lands be retained for band projects or, alternatively, assigned to individual members? Should some be set aside for joint ventures with other bands or with non-Aboriginal people? How can land units of sufficient size and productivity be created so that farming activities are economically viable or, alternatively, what kinds of agricultural activities can be pursued successfully given the amount and distribution of available land? How can the resulting revenues be shared so that there are incentives for individuals but also benefits to the community as a whole and retention of funds for reinvestment in the land base? On many reserves, land reform and the development of land use plans should precede, or at least accompany, other plans to develop the reserve's agricultural potential.

### ***Lack of capital***

Historically, a major problem standing in the way of Aboriginal agriculture development was lack of access to capital for developing land or purchasing seeds, livestock, ploughs and tractors. Access to capital remains an important issue, certainly for reserve-based farmers, because reserve land cannot be used as security for loans. It is an issue as well for the Métis farmers interviewed for a Commission research study. Access to capital to expand farm operations was, in fact, the most frequently mentioned constraint. Those interviewed strongly advocated expanding the availability of loan capital, not government grants.<sup>111</sup> Some of the opportunities in agriculture, such as ethanol production and related feedlot operations, would require large amounts

of capital. For these operations, the best approach may be projects involving co-operation between several bands or communities and/or joint ventures with non-Aboriginal interests. Access to capital is discussed at some length later in this chapter, in our examination of business development.

### ***Information and technical assistance***

The Commission's research underlines the importance of providing appropriate information and technical assistance to farmers. Extension and outreach programs are especially important for Aboriginal farmers struggling to gain a foothold in the industry. Indeed, one of our research studies suggests that it was precisely this kind of support, provided through Indian agricultural programs of the 1980s, that was instrumental in the success stories that have emerged - progress that is now threatened by funding cutbacks in these organizations and the programs they administer.

Possibly the most significant and beneficial change to the system of assisting Aboriginal farmers from the time of the farm superintendents was focusing efforts through the establishment of the Indian Agricultural Programs. Unfortunately, the federal funding cut-backs have centred on these programs and so they are dwindling and disappearing. To say that this is a serious blow to Aboriginal agriculture is an understatement of the obvious. Some items to consider in this move are as follows:

1. The initial cost/benefit from the investments in Aboriginal farming has been low if measured by the criteria for development moneys used in many other sectors of the economy. However, that the programs actually caused a turnaround so that successful farmers now exist, where none were before, as a direct result of daring investments and loans, is positive. And, that bands now take some time to address agriculture specifically, whereas most had not before the 1970s, gives encouragement to those responsible for working with the individual bands. These initiatives will fade as moneys are restricted and staff laid off.

2. The tie-in with the provincial extension services was a major step in giving Aboriginal people direct access to information from specialists serving the non-Aboriginal communities. This service is absolutely essential for advancement and will fade away as the budgets are being reduced, unless other provisions are made.

3. Certain projects, such as land clearing, establishing pastures and wild rice harvesting, were planned and executed with professional staff managing the programs. There were small dedicated groups created in most provinces which could be identified when a new project was being planned. This is not to deny that private consultants do not serve a purpose, particularly where high-priced and high tech projects are being established. However, much of the development on the reserves needs almost constant overseeing by trained people, in the very early stages and well into the middle years of a project.

4. An opportunity was created for Aboriginal people with some professional agricultural training to fit into a service of their level of competence, and to work with a critical mass of fellow professionals. This small, but critically important group of Aboriginal people is being laid off and will be lost to the pursuit of agriculture.<sup>112</sup>

Agriculture extension services provided by provincial governments are useful, but indications are that they work better for the well-established farmer with specific information needs to which the provincial services can respond. They do not provide the culturally sensitive and active outreach that is more likely to come from an Aboriginal extension service. Thus the Commission believes the Indian agriculture programs are a good investment and supports their re-establishment or continuation in all provinces where this is warranted by the number of First Nations farmers. Similar support should be given to Métis farmers. Aboriginal farmers should also consider establishing their own organizations to improve access to information and government programs and provide a stronger voice in decision making concerning agriculture policy and programs.

### ***Education and training***

As in other natural resource fields, levels of education and training in agriculture are widely believed to be inadequate, an issue the federal government recognized with the establishment of the Aboriginal Agriculture Industrial Adjustment Services Committee in 1993. This committee, whose membership was drawn from people involved in Aboriginal agriculture from across the country, identified several important gaps in training:

1. Course content is often too advanced and requires prior knowledge.
2. There is a chronic shortage of Aboriginal trainers.

3. There is a lack of courses that are culturally appropriate to Aboriginal people.

4. There is a lack of courses delivered in local communities to groups of Aboriginal people who know and trust the instructor.<sup>113</sup>

The committee made recommendations to heighten the awareness and interest of young people in careers in agriculture, including an 'Agriculture in the Classroom' program. It asked agriculture training institutions to develop customized courses to meet the needs of Aboriginal farmers, using Aboriginal training colleges and instructors where possible. It called on post-secondary institutions to co-operate in developing a pre-agriculture program for Aboriginal youth modelled on the success of similar programs in law and the health professions. It also called for the establishment of a national Aboriginal agriculture training advisory council. These recommendations are worthy of support.

## **Recommendations**

The Commission recommends that

### **2.5.14**

The government of Canada remove from Aboriginal economic development strategies such as CAEDS and related programs any limitations that impede equitable access to them by Métis farmers and Aboriginal owners of small farms generally.

### **2.5.15**

The government of Canada restore the funding of Indian agricultural organizations and related programs and support similar organizations and services for Métis farmers.

### **2.5.16**

Band councils, with the support of the federal government, undertake changes in patterns of land tenure and land use so that efficient, viable reserve farms or ranches can be established.

## 2.5.17

The government of Canada implement the recommendations of the Aboriginal Agriculture Industrial Adjustment Services Committee designed to advance the education and training of Aboriginal people in agriculture.

## 2.6 Business Development

Business development plays a vital role in strengthening Aboriginal economies. In 1990-1991 25,275 Aboriginal people in Canada reported current business ownership and/or income from self-employment.<sup>114</sup> Another 12,575 reported prior business ownership. The percentage of each identity group population engaged in business ownership or self-employment is reported in Table 5.11.

TABLE 5.11  
**Business Ownership/Self-Employment among Aboriginal Identity  
 Population Age 15+, 1991**

Situation	Total Aboriginal Identity Population	Registered North American Indians	Non-Status North American Indians	Metis People	Inuit	Other <sup>1</sup>
	%	%	%	%	%	%
Current or Prior Business Ownership/ Self- Employment	11	9	19	16	12	21
Current Business Ownership/ Self- Employment	8	6	12	10	10	12
Prior Business Ownership/ Self- Employment	4	3	7	6	2	9
Never Owned a Business	89	91	81	84	88	79

Notes

Percentages may not add exactly because of rounding.

1. Includes North American Indians with unknown registry status and individuals providing more than one response to the identity question.
2. Percentage of total population of each Aboriginal identity group.

Source: Stewart Clatworthy, Jeremy Hull and Neil Loughran, "Patterns of Employment, Unemployment and Poverty, Part One", research study prepared for RCAP (1995).

Anecdotal accounts suggest a substantial increase in the number of Aboriginal businesses in the last two decades, although clear data on the matter are not readily available. The Commission has some information on self-employment in non-incorporated businesses, which make up the largest proportion of all businesses, and this shows an increase between 1981 and 1991 in both the absolute number and the proportion of Aboriginal people who were self-employed. Table 5.12 reveals that the sharpest growth in self-employment has occurred among Aboriginal women, although in numbers they still lag behind Aboriginal men by a considerable margin and they are more likely to be working part-time in the businesses they own. Aboriginal men who were self-employed increased in absolute numbers but not as a percentage of the adult male population. The proportion of self-employment among the non-Aboriginal population also grew, however, and remained almost double the Aboriginal rate.

**TABLE 5.12**  
**Self-Employment among Aboriginal Identity and Non-Aboriginal Populations Age 15+, 1981 and 1991**

	Total Aboriginal		Aboriginal Male		Aboriginal Female		Total Non-Aboriginal	
	1981	1991	1981	1991	1981	1991	1981	1991
	%	%	%	%	%	%	%	%
% of population age 15+	2,4	2,6	3,9	3,6	1,0	1,7	4,5	4,8
% full-time	70,4	63,5	74,2	69,5	56,5	52,0	78,6	77,4
% part-time	23,8	28,0	20,8	22,6	34,4	38,0	17,3	18,6

---

*Notes*

1. Self-employment is defined as persons reporting that they worked for themselves, with or without paid help, and whose businesses were not incorporated.
2. Those for whom the part-time or full-time designation was not applicable are not included.

*Source:* Statistics Canada, 1981 Census; 1991 Census; and Aboriginal Peoples Survey (1991), custom tabulations.

The reasons for the increase among those reporting income from business ownership and/or self-employment are not well understood. However, demographic factors may be playing a role, for there is now a large cohort of Aboriginal people in the young adult category, and business ownership and self-employment tend to be highest among those aged 25 to 54 than among those who are younger or older.<sup>115</sup> Growth in the urban Aboriginal population could also be a factor, since the proportion in business ownership and self-employment is generally higher off-reserve and in southern and more urban areas.<sup>116</sup> Large numbers of persons searching for work but unable to find wage employment can also lead to self-employment and business ownership.

It is also reasonable to suggest that part of the growth is accounted for by the signing of comprehensive claims agreements and the expansion of the land and resource base for some Aboriginal communities. These agreements result in an infusion of cash into regional economies for investment and other purposes, creating a more dynamic environment for business development. Other types of settlements, such as specific claims agreements and treaty entitlement settlements, have a similar effect. This explanation may help to account for the fact that the highest incidence of current business ownership/self-employment is found in northern Canada (see Table 5.13). The large number of persons engaged in traditional economic activities likely helps to account for this finding.

TABLE 5.13

**Business Ownership/Self-Employment among Aboriginal Identity Population Age 15+, by Region, 1991**

Region/Province	Current Business Ownership or Self-Employment		Prior Business Ownership or Self-Employment	
	No.	%	No.	%
Atlantic	1,015	8	430	4
Quebec	2,625	9	1,135	4
Ontario	4,730	8	2 505	4
Prairies	9,355	7	5,015	4
British Columbia	5,425	10	2,885	7
Northern Canada	2,125	11	605	4

Note: Percentages refer to the proportion of the Aboriginal identity population that reported provincial location and ownership status.

Source: Stewart Clatworthy, Jeremy Hull and Neil Loughran, "Patterns of Employment, Unemployment and Poverty, Part One", research study prepared for RCAP (1995).

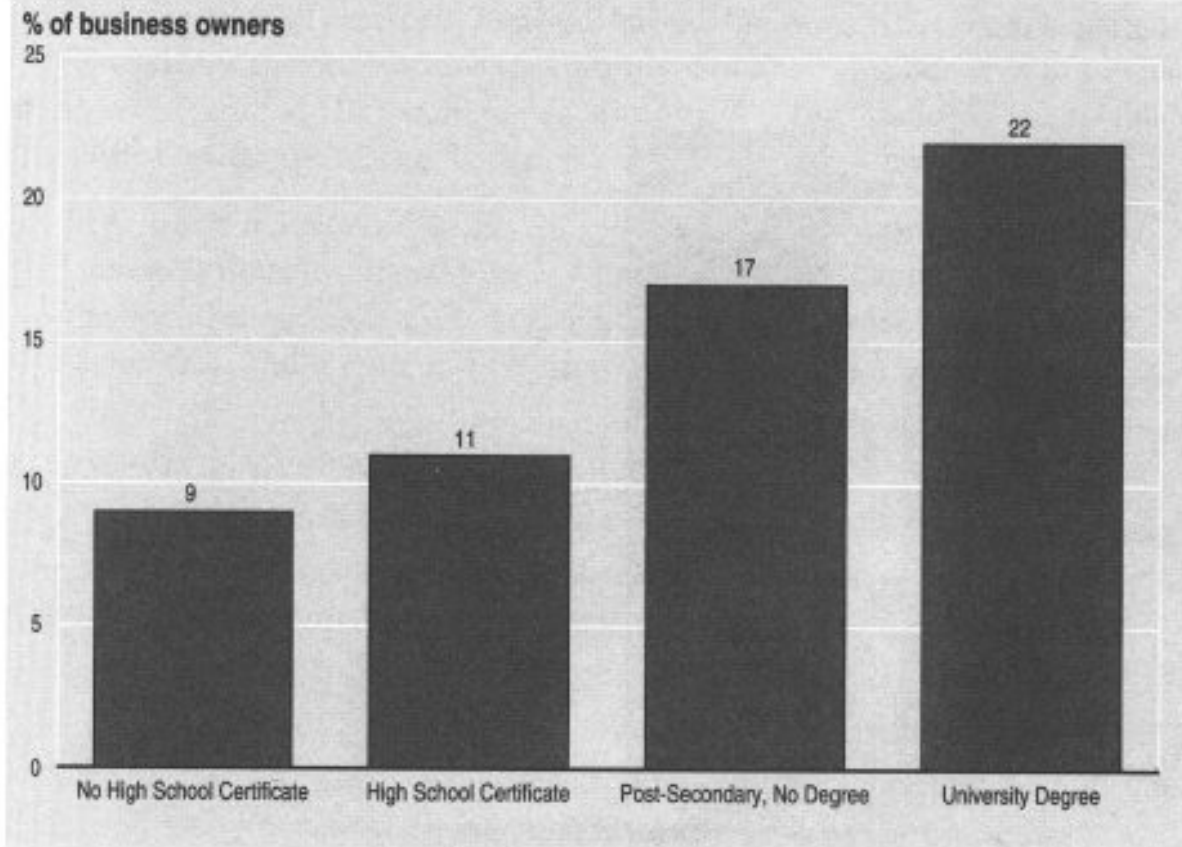
Some have speculated that the increasing education level of the Aboriginal population has translated into an expansion in the number of entrepreneurs, and indeed this hypothesis is supported by the available data. Figure 5.3 reveals that the incidence of business ownership and self-employment is lowest among those with no high school education and increases steadily with further education.

The proportion of university graduates who are business owners is high, but the small number of university graduates nevertheless means that most Aboriginal businesses are owned by people with a high school education or less. There is also evidence that success in business depends on more than formal education. A recent evaluation of Aboriginal businesses assisted by the Canadian Aboriginal Economic Development Strategy (CAEDS) between 1989 and 1990 found that management teams with the least education (elementary school or less) had the smallest proportion of business closures or failures and the highest proportion of businesses in the safe or profitable category.<sup>117</sup> The explanation may be that entrepreneurial skills are being passed from one generation to the next, without the benefit of much formal education. This is often the case in regions such as the Beauce in Quebec and the Acadian areas of Nova Scotia, where entrepreneurial skills flourish.



FIGURE 5.3

Highest Level of Education, Current and Former Business Owners, Aboriginal Identity Population Age 15+, 1991



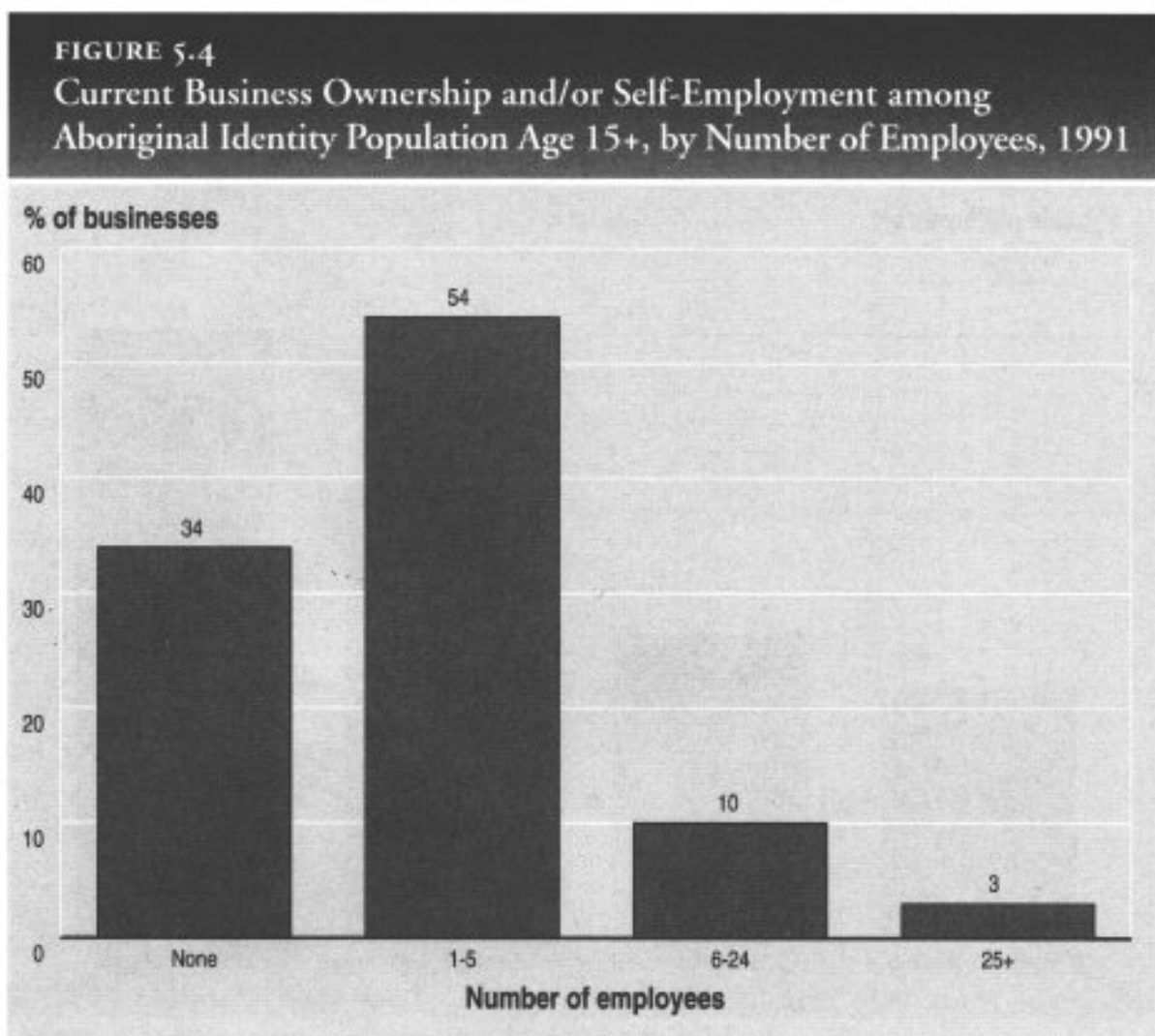
Source: Stewart Clatworthy, Jeremy Hull and Neil Loughran, "Patterns of Employment, Unemployment and Poverty, Part One", research study prepared for RCAP (1995).

The same study, as well as another evaluation reflecting an Aboriginal, community-based perspective,<sup>118</sup> also suggests that the various programs that make up CAEDS are having a positive effect through the provision of training, business development grants, loans, and support for joint venturing and for community economic development organizations. The importance of government programs in influencing business development should not be exaggerated, however, since they are typically a source of financing for only a small proportion of businesses. Self-financing and other sources of capital, such as banks and credit unions, also need to be taken into account.

One other characteristic of Aboriginal businesses is that they are very small in size. Figure 5.4 gives figures on size as measured by the number of

employees and reveals that 34 per cent of current businesses have no employees other than the owner(s), while 88 per cent have five employees or fewer.

In summary, there is some encouraging news about small business development in Aboriginal communities, but some major problems remain to be addressed. Not only is the rate of business ownership still substantially less than for the non-Aboriginal population, but there are also sharp differences in access to business ownership among the major Aboriginal groups, for Aboriginal women as compared to Aboriginal men, and by region of the country.



*Source:* Stewart Clatworthy, Jeremy Hull and Neil Loughran, "Patterns of Employment, Unemployment and Poverty, Part One", research study prepared for RCAP (1995).

## ***Business development in an Aboriginal context***

The reserves exist within a complex and advanced consumer-based economy which is highly competitive and profit-motivated ... . Encouraging conventional investment and business development within the reserve communities will necessitate the identification, development and promotion of realizable competitive benefits, while at the same time effecting a change in perceptions arising from the long period of economic and cultural isolation.<sup>119</sup>

Self-reliance was fundamental to life in traditional societies. Although the manner in which food and goods were distributed varied, all Aboriginal societies placed a high value on the skill of the providers, be they hunters, fishers, farmers, gatherers or those who transformed the products of forest and field into the goods needed to sustain and enrich life. There was no question that everyone was required to exercise their skills to contribute to the well-being of family, clan and community. In many traditions, the highest honours went to those whose skills provided the greatest benefit to the community as a whole.

The characteristics that hone these skills are qualities that productive societies everywhere uphold as important, qualities as essential to the operation of a modern commercial enterprise as to a traditional hunting party. Ron Jamieson, a Mohawk from the Six Nations community and a vice-president of the Bank of Montreal, told the Commission's National Round Table on Aboriginal Economic Development and Resources:

There is a perception in the Aboriginal and non-Aboriginal communities that Aboriginal people lack the skills and temperament to be effective entrepreneurs. I challenge that assumption ... .The personal skills and resources they bring to their business are the same as those which allowed our ancestors to survive in a traditional Aboriginal economy.<sup>120</sup>

He went on to identify four qualities essential for modern business that have long been practised by Aboriginal people: risk taking, discipline, clarity of vision and meeting the needs of the community or customer.

Entrepreneurship without risk taking does not exist ... .Traditional economies had high degrees of risk, many of them life-threatening ... .True risk means risking your own resources.

Discipline means paying attention to the details of ensuring your business survives and grows ... .Traditional economies required personal discipline because survival and the success of the hunt required an attention to detail and the ability to make quick decisions under pressure.

Vision and self-confidence are especially crucial to survive the first five years of business. Traditional entrepreneurs had to have a clear sense of ... results [in order to] feed, clothe and care for their families.

It is essential to meet fully and exceed the customers' expectations ... .This is very important in the Aboriginal community where people often see themselves as being taken advantage of by unscrupulous entrepreneurs ... .The traditional entrepreneur derived his feeling of self-esteem through his ability to provide the essentials for his family, clan and community.<sup>121</sup>

It was made clear to us in the hearings that the fundamental difference in emphasis between the Aboriginal view of economics and the beliefs of liberal capitalism relates less to the means by which wealth is created than to the appropriate distribution of resources once these have been acquired. Aboriginal cultures share a deeply embedded belief that the welfare of the collective is a higher priority than the acquisition of wealth by the individual. Although not all Aboriginal individuals or communities practise that precept, where it is disregarded it is not denied, and its neglect often produces an unsettling effect.

This approach does not detract from the skills and achievements of individuals. Indeed, individuals are as highly valued in the present as in the past. But additional merit is gained by using one's skills to benefit the community. The more one has to make available to the community, the greater the merit earned.

Attitudes widely present in economically depressed communities cannot be taken as reflective of Aboriginal tradition. It is commonly observed that communities that have been denied resources and marginalized become places of cynicism and inaction that are hostile to achievement. Those who try to break free of oppression are often perceived to be 'letting the side down' by demonstrating that change is possible.

Aboriginal communities, for the most part, have been robbed of the capacity to trust in anyone or anything. Years of manipulation, broken promises, and out-

right deception have produced a nation of individuals who hold very low tolerance for what they perceive to be risky ventures. Cynicism, sarcasm and scepticism are the hallmark qualities of both the leadership and grassroots membership of Aboriginal communities ... This tendency to question the potential for success should be seen as a major impediment to growth in the business sector.<sup>122</sup>

This phenomenon is found in all cultures subjugated by oppression and futility. It takes unusual circumstances and extraordinary people to break the cycle. But the hostility toward achievement and individual effort that is felt in Aboriginal communities is often misinterpreted, particularly by outsiders, as a product of Aboriginal emphasis on the collective and the community. In fact it is part of the pathology of loss and despair - loss of lifeways, of self-reliance and self-esteem.

The closed attitude of local administrations towards private, profit-oriented projects seems very real ... It may even constitute a major obstacle to venture start-up and survival. In more isolated communities, the same values of collective use of resources and sharing of wealth seem ... to be an insurmountable constraint on private enterprise. The ostracism (social isolation, economic sanctions) to which some entrepreneurs say they have been subjected in their own communities by their "brothers", in their view kills private initiative and drives potential entrepreneurs out of the reserves to go into business.<sup>123</sup>

As discussed earlier in this chapter, governing structures that mirror the basic values of the community are the most effective. Likewise, the means of organizing economic activity to earn income and wealth will be most effective if they reflect a community's values. Some Aboriginal cultures, such as that of Métis people, which place a high value on individual initiative, will see their most effective organizations built around individual entrepreneurs. Others, such as the Ojibwa or Innu, whose social organization is more communal in nature, will be more comfortable using economic units premised on consensus-based action. Other traditions, exemplified by the Haudenosaunee, have fostered both individual and community initiative. Still others, who might come from a strong communal tradition, find themselves comfortable identifying with individual entrepreneurship as a result of extensive interaction with the non-Aboriginal world. There is no 'right' way to structure effort for economic activity.

Nowhere have I seen an outright rejection of capitalism by Aboriginal people. In fact, I have seen a desire to adapt this particular political-economic system

to work in accordance with Aboriginal belief systems.<sup>124</sup>

It appears to us that too much is made of the alleged difference between the Aboriginal approach and the ways of liberal capitalism. The mainstream economy incorporates a wide range of structures for economic activity: individual proprietorships, partnerships, corporations governed by boards and with few shareholders, corporations with many shareholders, co-operatives, Crown corporations, joint ventures, and licensing arrangements where companies come together for specific purposes. All can be organized as for-profit or not-for-profit entities. There is little benefit in categorizing approaches to economic activity using outmoded ideological constructs, such as the idea that collectively owned entities should disdain profit or that individually owned enterprises or shareholder-owned corporations are driven solely by the bottom line. How economic organizations choose to use their earnings depends entirely on the nature of the market they are in and the priorities of their owners, whether these are individual proprietors, shareholders or members of a community.

In a market where technologies or tastes are changing rapidly, most net revenues have to be reinvested in the firm so that it can continue to earn sufficient future revenues to remain viable. If that is not the case, if there are genuine surpluses, these are usually distributed in the for-profit enterprise as returns to the owners or shareholders. In the mainstream economy, most firms must take this route if they are to retain the investments of their shareholders. However, community-owned or not-for-profit enterprises will often use their surpluses to support other agreed objectives, such as providing scholarships for community members, funding new community facilities, or supporting cultural or social activities.

There are, however, other ways for an enterprise to realize its goals. If its primary objective is to create employment in the community, it may do so by hiring more individuals than may be warranted by the nature of the business. It will pay a price for doing so; that is, a percentage of what might have been profit will be used to pay the wages of the additional workers. Or the firm may choose to use production techniques that are more sparing of the environment, such as selective timber harvesting. Its profit may not be as high as if it had used other methods, but it will have exercised a value judgement.

The capacity to exercise this choice assumes one thing: that the owners or managers have mastered the organization of their activity so that their product obtains a price sufficient to cover their operating costs. This is the essential

commercial parameter that holds true whether an enterprise, however structured, operates solely in the Aboriginal economy or trades extensively outside it. Without this, owners cannot continue to provide employment or generate a surplus to invest in the future of their company, their community and their collective goals.

The alternative is to subsidize the operation from some other source or to shut down. Communities have seen funds that were otherwise earmarked for housing, health or education diverted to keep money-losing operations open and people employed. Canadian governments have done the same by subsidizing coal operations in Cape Breton and operating supply-management regimes for agricultural products. But fiscal burdens on all governments and international trade agreements are now forcing a review of these practices.

Managing an enterprise so that revenues match or exceed costs requires an array of skills and experience. The small business entrepreneur will learn these from family, friends, customers, fellow business owners, and sometimes previous job experience. In the larger enterprise, these skills will be more sophisticated and specialized. The basics are the same, however: production, marketing, finance and the management of people. Decisions in these areas, whether made individually or through consensus, need to be informed by professional judgement and advice. The nature of the issues to be dealt with vary little whether a company is individually or collectively owned or managed. The values that govern those decisions may vary considerably, but they must always respect the overall commercial rule: revenues, over time, must equal or be greater than costs.

This rule can be stated in different terms in the contemporary setting, but it applied even more forcefully to traditional economies. If the techniques of production - mastery of the hunt or knowledge of where to find plants and berries or the best fishing sites - were not learned and practised with great skill and patience, the community would be forced to disband or face starvation. Those who were able-bodied but reluctant to participate in the collective effort soon found that community-imposed sanctions made life very uncomfortable. The same choices that existed in traditional society continue in modern commerce.

The colonial mentality characterized traditional Aboriginal economies as lacking an interest in future investment. Yet all Aboriginal societies set a high value on passing on knowledge from one generation to the next. Most people practised harvesting techniques that were conscious of the danger of resource

depletion and mindful of the interests of future generations. To impute behaviour conditioned by generations of living in poverty, where output was hardly sufficient to survive let alone invest in increased productivity, to an inability to delay gratification is simply to be ill-informed.

David Newhouse, chair of the department of Native studies at Trent University, believes that Aboriginal values and world views will affect the practice of capitalism in an Aboriginal context. In a paper prepared for the Commission's round table on economic development, he set out the changes he foresaw:

- The concept of personal and social development will be much broader.
- Development will be seen as a process and not a product.
- The emphasis will be upon the quality of the journey rather than the specific place to be reached. This view of development may mean that there will be a willingness to pursue long-term results over short-term improvements.
- Development will be seen as a joint effort between the individual and the collective and its institutions, in this case the community and government. The process will tend to be collaborative rather than competitive.
- The development effort will emphasize human capital investment rather than individual capital accumulation.
- Traditional wisdom as interpreted by the elders will be used to guide planning and decision-making.
- The issues surrounding wealth distribution will be tackled using Aboriginal values of kindness and sharing.<sup>125</sup>

### ***The Aboriginal entrepreneur***

The increasing number of Aboriginal businesses launched in the last decade have ranged from cottage industries providing goods and services in traditional communities to firms that compete in sophisticated, internationally competitive industries such as control technology, fashion, food products, architectural services, communications and computer-based manufacturing.

Most firms that have an individual entrepreneur at the helm are relatively small.



Many provide a living for the owner and perhaps three or four employees. Some, especially in isolated and northern communities, may not generate enough income for the family but require supplementation through the harvest of country foods or part-time employment elsewhere. In most cases, however, these enterprises give owners and their employees a sense of self-reliance they may not have had before and an opportunity to acquire skills that may lead to larger undertakings in the future.

As we have seen, the rate of business ownership in Aboriginal communities is, on average, considerably less than it is in non-Aboriginal communities - perhaps half. Genuine entrepreneurs with the skills to turn a small beginning into a major enterprise are few in number. But such individuals are found among Aboriginal people as they are in any other population. Some run their own enterprises. A number direct their skills and energies to the growth of community-owned businesses. There are, however, many more capable of joining the ranks of small businesses. These individuals provide the many goods and services that meet the requirements of any community.

Aboriginal entrepreneurs confront the same challenges as other entrepreneurs in start-up operations: thorough planning, sufficient funds to sustain firms, effective production practices, appropriate marketing for products and all aspects of management. But these are compounded by factors with which other small business owners usually do not have to contend.<sup>126</sup> Because of their history of economic marginalization, for example, Aboriginal people have not been able to accumulate savings for business ventures or borrow from family and friends. These small pools of funds are the prime source of risk capital essential to any small business start-up.

An equally large barrier is the difficulty of obtaining loan financing from banks and other mainstream financial institutions to acquire equipment and provide cash flow in the early months. Those living on-reserve cannot use their land, buildings or equipment as collateral. It is cumbersome at best, and often impossible, for a bank to seize on-reserve assets should the business fail. Even for those with off-reserve businesses, isolation can prove a major hurdle. Equipment purchases, for example, are often financed by the manufacturer. But if the equipment is located hundreds of miles from the sales depot, the cost of repossessing it, should the business fail, often severely limits the amount of financing the seller is willing to carry. Added to this is the fact that most new Aboriginal business people do not have a track record in business operations. They may not even have a record of consumer loans because of the absence of banks in their home communities.

Aboriginal entrepreneurs wishing to start a business in an isolated location will often face the problem of a limited local market. Usually, this means providing goods and services to the reserve and surrounding communities, unless major resource development activities are nearby, in which case the scope will be larger. Alternatively, entrepreneurs may be able to engage in activities with a high value-added component and in which the cost of transportation to distant markets can be absorbed in the product price. Examples are artistic products such as Inuit sculptures; high quality granite mining; specialty foods such as wild rice and salmon; and tourism related to fishing, hunting and the natural environment.

Isolation also limits the ability to take advantage of business services, such as planning, consulting advice on production or marketing, financial services, and training facilities for staff. Often, speedy access to these services can be critical to success when businesses are facing specific challenges. Technology is making some of these services accessible to small communities. Accounting software designed for small businesses and customized for the particular circumstances of the Aboriginal entrepreneur, make financial management much more accessible.<sup>127</sup> Other technologies can bring a wide range of advice as close as a telephone line or a fax machine. But these methods of communication are fully effective for start-up businesses only with the assistance of business advisers familiar with the isolated firm and its needs. Such advisers operate out of certain Aboriginal development corporations as well as through other non-government agencies, such as the Canadian Executive Service Overseas, which have served Aboriginal businesses in the domestic market for a number of years.

Isolation may also mean contending with a community that resents entrepreneurs who take advantage of opportunities to provide a better life for themselves and their families. This hostility is, unfortunately, all too common. It severely impairs the chance of business success, and if one family falls prey to such attitudes, it can have a devastating effect on others' aspirations for self-reliance.

Individual entrepreneurs who begin to succeed are often seen as too independent and apart from the collective; this often results in lost opportunities for individuals to develop market niches in their own communities. This issue has to be addressed if the Aboriginal community is to have motivated and self-sufficient entrepreneurs with the ability to take advantage of opportunities in the marketplace and contribute to the economic

growth of the community.<sup>128</sup>

Participants in a national conference on Aboriginal entrepreneurship sponsored by the Institute for Research on Public Policy arrived at the following conclusions on this subject:

Native entrepreneurs need the recognition and support of their communities ... . The communities should understand that enterprises serve the population and bring prosperity and jobs to the communities ... .Entrepreneurship needs to be legitimized in the communities and young people must be made aware of it through the education system ... .In communities that are more developed economically, the change is already apparent: "At Mistissini, people are proud of their enterprises, and every member of the community is determined to help."<sup>129</sup>

Entrepreneurs who find themselves in communities with little or no tradition of individual businesses need to make building links with the community an essential part of their business planning. Not only should they plan to keep their lines of communication open to all groups, they may also want to consider returning to their communities a portion of their earnings, for example by sponsoring recreational activities or contributing to educational facilities. Mainstream businesses often find this a valuable way to establish their identities in communities. Small-town and village life makes this even more important.

Given the critical need to restore self-reliance and self-sufficiency in Aboriginal communities, what can be done to overcome barriers to entrepreneurship? Government has been relatively active and somewhat effective in the field of Aboriginal economic development in the last decade, even though the resources devoted to it are dwarfed by those spent on welfare and other social programs. Earlier in this chapter, we recommended that delivering small business support be the responsibility of emerging nation governments. That being so, what has been learned from the recent experiences of individuals, communities and governments? We discuss two aspects of supporting entrepreneurship: the provision of business services and the need for loan and equity capital.

### ***Business services***

Guides to business planning are available from banks, funding agencies and

bookstores. However, most would-be entrepreneurs also need interaction with others experienced in business start-ups. Good advice, however, is hard to obtain.<sup>130</sup>

The risks in hiring consultants to write business plans and funding applications are twofold. Consultants may see their future business as dependent on their clients' success in obtaining funding. They may then be tempted to tell the client what he or she wants to hear or to second-guess what will trigger acceptance from the funding agency. The other possible disadvantage is that the business plan will be constructed by the consultant with little real ownership or understanding by the client. In either case, the entrepreneur ventures forth with a sense of security that the problems have been identified and the remedies designed, only to find that reality is quite different.

Local development agents, especially in isolated regions, admit they do not have sufficient experience to face up to the responsibilities entrusted to them; the band councils say the decisions they have to make often exceed their capacities, thus forcing them to call in increasingly costly advisory services from outside, or involve people who are poorly prepared for work in a Native environment.<sup>131</sup>

The need for sound business advice is further justification for its delivery to be monitored by an Aboriginal development agency. If such an agency has staff who can provide frank and objective advice in a way the entrepreneur fully understands, major problems can be avoided. Such advisers do not need to be staff members. The agency can ascertain over time which consultants provide consistently good service.

Putting in place a detailed business plan can be a vital learning experience for the entrepreneur. If the development agency or bank is doing its job, it will require planning and preparation that the entrepreneur may regard as red tape. Criticism about the time taken or the procedures imposed by banks and funding agencies often relates to unnecessarily bureaucratic processes. It may also be the entrepreneur's expression of frustration at the need to address all the issues before opening for business.

An effective business plan is a first step. Equally important are sound accounting advice and specialized production or marketing assistance. Start-up businesses can often benefit greatly from the advice of knowledgeable counsellors who can look at key aspects of the operation, such as inventory

control, bookkeeping practices and product marketing. Availability of these services is limited in isolated locales. Aboriginal governments that place a high priority on economic development have put in place their own specialized consulting services staffed by trained professionals who understand the requirements and values of these communities and are well versed in the disciplines of commercial enterprise. Touch the Sky, serving Six Nations communities, the Nishnawbe-Aski Development Corporation, which serves 43 communities across northern Ontario, and the Apeetogosan Development Corporation, which serves the Metis Nation of Alberta, are three such services. Business expertise delivered in a manner that is relevant and culturally appropriate for the Aboriginal entrepreneur is a vital factor in creating sustainable businesses.

## **Recommendation**

The Commission recommends that

### **2.5.18**

Governments, as a high priority, improve their economic development programming by

- (a) developing business advisory services that combine professional expertise with detailed knowledge of Aboriginal communities; and
- (b) placing these advisory services within the emerging economic development institutions of Aboriginal nations.

### ***Access to loan and equity capital***

Commercial loans are often vital in the start-up phase, when availability of cash from sales is limited. Throughout a business year, expenditures will sometimes exceed receipts, and access to a line of credit will be needed. At other times, new equipment or facilities will be necessary but the funds to invest unavailable. These instances call for a term loan.

However, no business can begin with borrowed funds alone. Loans have to be repaid in regular instalments, putting pressure on the business in its early stages, when revenues from sales are limited and expenditures to establish production and marketing facilities are high. Without the entrepreneur's own

funds or interest-free loans, the business is not likely to be viable. The smaller the ratio of debt to equity, the better chance the business has of becoming established successfully. For similar reasons, commercial financial institutions will not lend money unless the business has a significant amount of equity. This equity is also viewed as a measure of the entrepreneur's level of risk in the business and therefore his or her commitment to its success. Thus, both loans and equity capital are required for businesses to succeed.

### ***The role and development of collectively owned enterprises***

It is largely through collectively owned enterprises that Aboriginal nations have become significant players in regional economies and industrial sectors. These are companies in which shares are held by the community or the nation government on behalf of its members. The Commission investigated the experience of a number of successful community-owned enterprises operating across Canada. Companies consulted were Meadow Lake Tribal Council Forest Industries in Meadow Lake, Saskatchewan; Torngat Ujaganiavingit in Nain, Newfoundland and Labrador; Westbank Development Indian Band Corporation in Kelowna, British Columbia; Tribal Councils Investment Corporation of Manitoba in Winnipeg, Manitoba; Burns Lake Native Development Corporation in Williams Lake, British Columbia; Opasqueya Development Corporation of The Pas, Manitoba; Advanced Thermodynamics Corporation of Sault Ste. Marie, Ontario; and B&D Plastics of Regina, Saskatchewan.

Most of these businesses are professionally managed, with direction given by a corporate board. In many cases, these boards operate at arm's length from the political authorities who represent the people to whom the enterprise is ultimately accountable. In some corporations, the separation between political authorities and business managers is either informal or exists only on paper. Others have gone to great lengths to make the division both formal and effective. The issue of political control is critical in the effective operation of these companies.

The corporations operate a wide range of commercial endeavours. They run regional and feeder airlines across the north of most provinces and in the territories. They operate trucking companies and bus routes. They engage in forestry management, silviculture, harvesting and wood processing. They run grocery stores and wholesale food distribution networks. They own motels, hotels, casinos, four-star resorts and golf courses. They arrange eco-tourism expeditions, international snowmobile treks and opportunities for visitors to

spend time on the trapline. Game ranching, fish harvesting and processing, catering, construction of every kind, housing co-operatives, health care facilities, and a wide range of manufacturing are all opportunities for self-reliance.

Most of these enterprises are less than 10 years old. Communities have learned a great deal as they grappled with running a major business using procedures, values and market realities that are often at odds with community tradition and expectations. Many mistakes have been made, many investments lost. By the same token, for dozens of communities across the country, the operation of a modern commercial enterprise is no longer a mystery. Hundreds of people have gained the confidence that comes from developing skills and the stability of a regular income and have dramatically altered the way they view the world.

Collectively owned enterprises face many of the same challenges that individual Aboriginal entrepreneurs confront: access to sufficient equity capital, an assured source of loan financing, and acquiring skills in production, finance and marketing. Collectively owned firms often find the necessary equity in the finances of their governments, but this can mean difficult trade-offs and usually requires strong commitment from community leadership. Many of these firms have been able to obtain funding from the federal government's Aboriginal economic development strategy, particularly if they can demonstrate a strong business plan and good employment prospects.

Access to financing is often hampered by the size of these operations and the lack of experience managing complex businesses. Lenders are cautious and will often seek a loan guarantee from the federal or Aboriginal government or assurance that suitable assets are pledged as collateral.

Finding appropriate advice is another challenge. These operations usually require highly detailed business planning that draws on the advice of specialists such as engineers, industry analysts and accountants. Great care needs to be taken to ensure the advice is thorough.

These projects are often politically driven, with the project being held out as a solution to pressing community problems. Such projects are always more complex to put in place and run profitably, often requiring more time and money than initially expected. Successful companies are usually the result of vision and dogged determination, paired with cautious scepticism and an ability to ask the hard questions. An example is the Meadow Lake Tribal Council in

Saskatchewan, which has a 20-year plan to reduce unemployment and achieve parity in jobs and incomes with broader Canadian society. Its strategy includes both 'pull' and 'push' elements. The pull elements involve creating opportunities that draw individuals into employment. The push element consists of enhancing people's abilities and thereby creating an environment conducive to the development of Aboriginal subcontractors who can capture the spin-off activity created by the larger businesses. This latter strategy is supported by business development services, employment services, human development resources services and some equity funding.

In addition, because of their ownership structure and the major role they may play in the life of a community, collectively owned enterprises face particular challenges relating to four general themes: securing community support; instilling responsibility among employees; training the work force and management; and relating to the political representatives of the shareholding members of the community.

### Securing community commitment

Many company managers have discovered that the commitment required from the community to support collectively owned enterprises, whether in funds invested or skills acquired, is usually found only when the community has been involved in the project from the beginning.<sup>132</sup> Carry-the-Kettle First Nation held 10 meetings with community members over three years when developing a joint venture with B&D Plastics, a plastics manufacturing operation. Professionals from the company were brought in to explain aspects of the business project when needed. People participated actively in the process and were always aware of the status of the project.

A key part of these meetings was to explain the risks and benefits of the project and its underlying objective to provide meaningful work for community members. People's questions were answered fully and openly, and objections were considered. What appeared to be critical for this community and for others was that there be effective communicators who could bridge the gap between business language and the language of the community, and between community leadership and members.

Community support is often critical when the business management faces difficult choices. Because of their early involvement, the Carry-the-Kettle chief and council supported community members on the board when the members



believed they were not getting either the training their partners had promised or an accurate picture of company performance.

The importance to community members of attending feasts, pow-wows and funerals was explained to the non-Aboriginal manager of B&D Plastics. Attending these events is now accepted as a legitimate reason for being off work. For others, who feared development would undermine their culture, it was pointed out that the increased prosperity available to the community made it possible to pursue Aboriginal language programs and cultural events.

Community members are often concerned about the infusion of what they see as alien values and ways of doing things. Managers who do not structure their projects to conform to community values, communicate constantly with the community, and provide opportunities for feedback may find themselves isolated and their projects a source of strife and division.

When the Meadow Lake Tribal Council initially embarked on its venture with the forest industry, there was little community involvement. As harvesting progressed, community members became dissatisfied with approaches being taken, and some resorted to roadblocks against their own company to make a point. A resolution occurred when co-management boards were formed between community representatives and the company to review cutting practices and other company activities and to allow the input of environmental, social and culturally related perspectives.

Community commitment to a granite quarry in Nain, Labrador was secured after project managers demonstrated that their plans did not conflict with community values. Remote communities are often concerned about the impact on traditional activities such as hereditary traplines. Initially, the community of Nain resisted the idea of developing a granite quarry because working on stone was not seen as a traditional pursuit. People wanted their money invested in the fishery instead. The debate ended when a group of artists pointed out that they had always worked with stone, causing people to rethink their definition of traditional work.

### Instilling motivation and pride

Some of the challenges facing collectively owned enterprises are lack of motivation and sense of responsibility. When an individual entrepreneur operates a business, his or her own assets are at risk. This usually results in