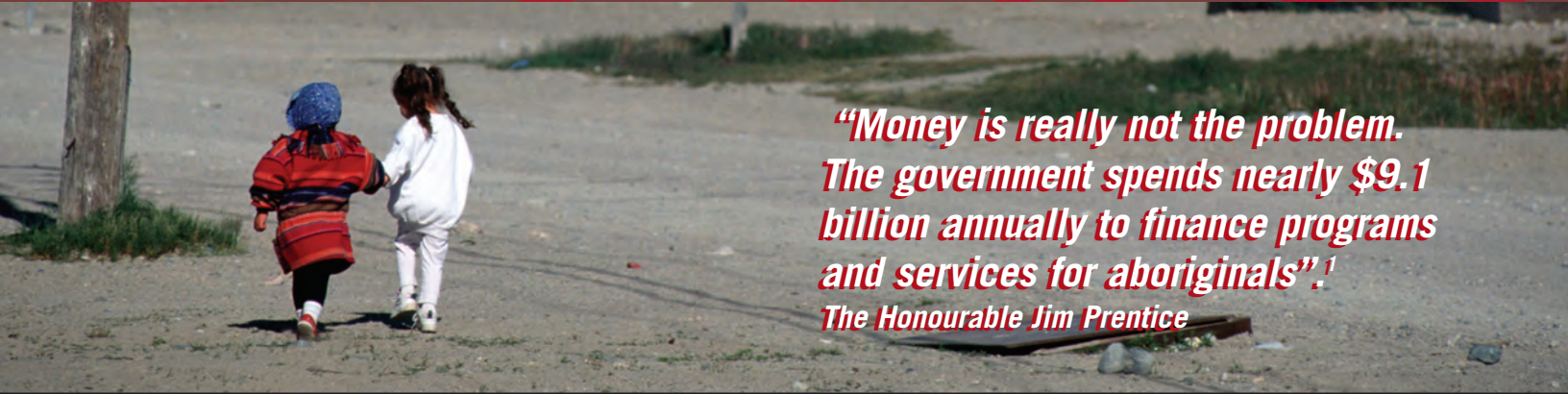




# ASSEMBLY OF FIRST NATIONS



***“Money is really not the problem. The government spends nearly \$9.1 billion annually to finance programs and services for aboriginals”.<sup>1</sup>***  
***The Honourable Jim Prentice***

## THE \$9 BILLION MYTH EXPOSED: WHY FIRST NATIONS POVERTY ENDURES

### WHERE IS THE \$9.1 BILLION BEING SPENT?

**Only \$5.4 Billion of all federal “Aboriginal” spending actually ever reaches First Nations.**

Indian and Northern Affairs Canada Department officials have confirmed that only about 82% of policy and program funds actually reach First Nations in the form of grants and contributions. Treasury Board estimates that 11% or \$600 million per year is spent on INAC departmental overhead.

It is estimated that only about 53% of “aboriginal issues” funding from other federal departments actually reaches First Nations. This issue requires further study.

**INAC’s budget represents only approximately 0.004% of Canada’s Gross Domestic Product.** Affordability to address First Nations’ urgent needs is not under question. In the last Budget, the federal government applied the \$13.2 billion surplus to the debt, and this surplus continues to grow. Meanwhile, it invested \$17 billion in military spending, and most recently on, February 12, 2007, it announced \$349.9

million in a new Canada ecoTrust to support provincial projects in reductions to greenhouse gas emissions and air pollutants.

### WHY ARE FIRST NATIONS STILL LIVING IN POVERTY?

The federal system of fiscal transfers to First Nations communities is broken. Quite simply, funding caps on First Nation programs and services over the last decade have made impoverished conditions much worse. First Nations communities have to provide more programs and services, to more people, with less money every year. The result is that the poverty gap has been widening further every year.

**Due to the 2% cap on core services that has been in place since 1996, the real purchasing power of First Nations has steadily decreased due to annual increases in population growth and inflation. The total purchasing power lost by First Nations communities since 1996 is now 23 cents for every dollar, and we are losing more every year that the 2% cap remains in place.**

<sup>1</sup> Jim Prentice, Minister of Indian Affairs, as quoted in *Montreal’s La Presse* on September 27, 2006.

The federal government froze funding levels for First Nations communities over a decade ago. In 1996-97, it capped the national budget for core services at a 2% growth rate. It also capped for a decade the Indian Health Envelope at 3% which provides nursing, medical transportation, drugs and other essential health care.

The First Nations population is growing at a much faster rate than Canada as a whole. More than half of First Nations peoples are under 23 years old. Freezing their budgets at a 2 to 3% growth rate means that First Nations governments can't keep up with the demand of their growing population, as well as inflation, aging and poorer health and social status. INAC has found that on-reserve per capita expenditures for basic services have declined by 6.4% since 1996-1997. It estimates that catch-up funding to adjust existing programs would total close to \$1 billion, in addition to annual budget increases of \$500 million/year (about 9%).



*“Supported by INAC’s own figures, The Auditor General of Canada has recognized that: “Indian and Northern Affairs Canada’s funding increased by only 1.6%, excluding inflation, in the five years from 1999-2004, while Canada’s Status Indian population, according to the Department, increased by 11.2%”.*

## WHAT IS THE EXTENT OF FISCAL IMBALANCE?

**First Nations have lost over \$10 billion in the last ten years compared to what Canadian communities receive.**

There is a dramatic difference in growth rates granted to Canada Health and Social Transfers (CHSTs) compared to First Nations program and service budgets frozen at 2% for core INAC services, and 3% for First Nations health care.

First Nations communities suffer fiscal discrimination because the federal system forces them to rely almost exclusively on federal government funding for all of their basic services, such as education, housing, infrastructure and health. They do not generally receive any municipal or provincial funding

Meanwhile, Canadians receive health and social programs through direct federal transfers to provinces and territories. CHSTs are growing at an average rate of 6.6% per year. By 2009-10, they will have increased by 33% over 5 years. The equalization program received a total increase of \$10.9 billion in the last two years. Growth of 3.5% is ongoing for 10 years from 2004. The 10-Year Plan to Strengthen Health Care signed in September 2004 (and legislated through to 2013-14) provides for annual increases of 6% in provincial health transfers.

*“Indian and Northern Affairs Canada overhead costs are \$600 million per year.”*

INAC has found that expenditures per First Nations resident on reserve is less than those in the Territories despite similar demographics, scale of operations and geographic challenges. Under the Territorial Formula Financing Agreement for 2005-06, the per capita grants to the territories were \$26,633 for Nunavut, \$16,604 for the Northwest Territories, and \$15,709 for the Yukon.

To compensate for increasing shortfalls, INAC has reallocated across programs, and mainly cut capital, facilities and operations/management. About \$300 million in 2004-05 has been re-allocated from capital alone. In housing, expenditures have decreased by 2.3% per year, with \$81 million re-allocated to other high-pressure areas. Per capita housing expenditures are down by about 40% despite demand growing by about 6% every year.

While First Nations individuals are entitled to receive some limited provincial services, like hospital care, provinces are not accountable for ensuring that their health and social programs are actually reaching First Nations. Some provinces go so far as to prevent First Nations citizens from accessing their services by policy or law, because they maintain First Nations are a “federal” responsibility.

## REDRESSING INJUSTICE TO CREATE OPPORTUNITY

### *What is the lack of federal action costing Canadians?*

**First Nations poverty will cost Canada up to \$11 billion per year by 2016.**<sup>2</sup> **First Nations poverty costs Canada close to twice as much as services and programs reaching First Nations communities.** Loss of productivity, government revenues, and the costs of social assistance and programs will continue to add up.

Clearly, addressing First Nations poverty is not only about a lack of money. Structural change is necessary to fix a broken fiscal transfer system. The existing federal fiscal policies and agreements too often prevent First Nations governments from acting in the interests of their community members and limit their flexibility to plan, manage and make decisions for the future well-being of their citizens. Structural change that gets beyond the outdated Indian Act and unresponsive government bureaucracy is essential to build and invest in, stable, capable and accountable First Nations governments.

A decade of research undertaken by the Harvard Project on American Indian Economic Development found that every case of sustained development was a result of the recognition and effective exercise by tribal governments of their right and capacity to govern themselves.



*"That communities so close to home could be candidates for international aid is a rude slap to Canadians..."*,  
Margaret Philp (*Globe and Mail*, February 3, 2007)



*"Canada is a great nation in the world but Canada will only achieve true greatness when it has fulfilled its legal obligations to First Nations."*  
Final Report of the Standing Senate Committee on Aboriginal Peoples  
Special Study on the Federal Specific Claims Process, Negotiation or Confrontation: *It's Canada's Choice*, December 2006

The Conference Board of Canada's study of business recommended that the federal government must engage First Nations governments by settling land claims and treaties to improve Canada's prosperity.

Land claims need to be properly considered part of Canada's debt. According to the Standing Senate Committee on Aboriginal Peoples, the contingent liability for INAC in "claims and pending and threatened litigation" is listed as \$15 billion in the 2004-05 Departmental Performance Report. If the existing system continues, the Standing Senate Committee heard from an expert witness that it will take 90 years to settle outstanding Specific Claims if just 70% of the more than 800 waiting claims were validated. Another expert recommended that between \$800 million to \$1 billion would be required annually to pay out the claims. This legal liability must be considered in addition to the impacts of First Nations' lower quality of life on federal, provincial and territorial programs and services.

In 2005, a historic agreement was struck between federal, provincial, territorial and First Nations governments that aimed to close the gap between First Nations and Canadians' quality of life within the next ten years. This Accord, reached at the First Ministers Meeting on Aboriginal Issues, has not yet been honored by the federal government. While the federal government says it accepts the targets and objectives of the Accord, no alternative plan has been negotiated with First Nations, provinces and territories.

<sup>2</sup> Royal Commission on Aboriginal Peoples 1996 Final Report.

## SO WHAT CAN BE DONE NOW?

***“First Nations poverty is the greatest social justice issue in Canada today.”***

***National Chief Phil Fontaine***

You can express your support for First Nations. The needs are urgent, and growing. We must take concrete action now. First Nations are prepared to negotiate.

As a Canadian society, **“We can choose to shift the responsibility, or, ... we can choose to shift the paradigm.”** (Bono, 2004, in Sachs’ *The End of Poverty*)

The Standing Senate Committee on Aboriginal Peoples wrote that, **“[it] fears that failing to find the political will to act appropriately on Specific Claims could invite confrontations. The choice is Canada’s.”** (Special Study on the Federal Specific Claims Process, 2006)

For decades, First Nations leaders have been working with federal departments on joint policy and program development, but there has been a lack of long-term, political commitment to providing adequate and equitable funding, and strengthening First Nations governments. We can’t afford to wait any longer for governments to act.



*“When the preconditions of basic infrastructure (roads, powers, and ports) and human capital (health and education) are in place, markets are powerful engines of development.” Dr. Jeffrey D. Sachs, *The End of Poverty*, 2005*

## AN END TO FIRST NATION POVERTY BY 2015

National Chief Phil Fontaine and the Assembly of First Nations, is calling on all Canadians and the international community to express support for eliminating First Nations poverty. **The First Nations Plan for Creating Opportunity** offers a feasible, affordable, and holistic approach tackling all root causes of poverty, and grounded in a greater role and responsibility for First Nations governments.

Specific targets of the First Nations Plan include:

- **Remove budget caps of 2-3% on services to First Nations communities and create fiscal arrangements based on real costs.**
- **Close the gap in the number of First Nations children who live in poverty compared to other Canadians.**
- **Advance the Political Accord on the recognition and implementation of First Nations governments as the foundation for a new legislative and policy framework.**
- **Eliminate the backlog in unresolved specific claims of First Nations governments.**
- **Implement a new First Nations Economic Advantage plan based on Nation Building, Infrastructure, Human Resources and Labour Force Development and Resource Revenue Sharing.**
- **Eliminate the number of First Nations communities under consistent boil water advisories.**
- **Eliminate overcrowding and the prevalence of related infectious diseases (TB, shigellosis) in First Nations communities.**

**To learn more and express your support for the national campaign to Make Poverty History: The First Nations Plan for Creating Opportunity, please sign the online petition at [www.afn.ca](http://www.afn.ca).**