



## **OPTIONS FOR COMMERCIAL ENTERPRISES IN FIRST NATIONS**

**John Graham and Heather Edwards  
Institute On Governance**

**February 10, 2003**

*The Institute On Governance is grateful to the Pictou Landing First Nation for providing the financial support that made this research project possible. That said, the views expressed are those of the authors and do not necessarily reflect those of the Pictou Landing First Nation or the Board of Directors of the Institute.*

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For further information, please contact:

John Graham  
Institute On Governance  
122 Clarence Street  
Ottawa, Ontario  
K1N 5P6 Canada  
tel: (613) 562-0090  
fax: (613) 562-0097  
[jgraham@iog.ca](mailto:jgraham@iog.ca)  
[www.iog.ca](http://www.iog.ca)

## EXECUTIVE SUMMARY

### ***Purpose***

The Pictou Landing First Nation (PLFN) commissioned this background paper to assist them in establishing a regime for managing the commercial fishing licences and related boats and gear resulting from the government's response to the Marshall decision (sometimes referred to as the Marshall Response Initiative or MRI). In developing the terms of reference to guide the Institute's work, the PLFN requested that the paper take into consideration lessons from commercial operations in other sectors such as forestry. Furthermore, they asked that the document be written in a manner useful to other First Nations affected by the government's response to Marshall.

### ***Developing a Framework for Evaluating Options***

The Harvard Project on American Indian Economic Development at the John F. Kennedy School of Government has done by far the most insightful research into Aboriginal economic development. After almost 10 years of research, their central conclusion is this: economic development on Indian Reservations is first and foremost a political problem.

To illustrate this conclusion, the Harvard researchers describe two approaches to economic development. The first is what they call the “jobs and income” approach. The perceived problem is a lack of jobs. The solution is for an economic development officer to get some businesses going in the community. And the results, according to the research, are invariably disappointing. Businesses seldom last long.

The second approach is what they call “the nation-building approach”. While the perception of the problem is largely the same – a lack of jobs and income – the solution is more long term and comprehensive. In essence it is to put in place “an environment in which people want to invest”. This approach does not guarantee success but it increases the odds of achieving it.

Within the nation-building approach, it is useful to distinguish five possible approaches to establishing commercial activities of benefit to First Nation communities: i) encouraging individual entrepreneurship ii) establishing First Nation-owned businesses iii) entering into joint ventures with non-Aboriginal companies iv) leasing a band asset to an off-reserve business and v) buying an interest in an off-reserve business. Each of these approaches could also be initiated at a higher level of aggregation such as a Tribal Council.

Building on the Harvard "nation building approach" and work done by the United Nations on sound governance, we propose several principles for evaluating approaches to commercial operations in First Nation settings. These principles are:

- Legitimacy and voice
- Accountability
- Performance
- Fairness

- Direction

### ***Management Models in Action***

We examine five case studies to ascertain how some of the principal concepts and ideas summarized above actually ‘work’ in practice. The cases are:

- a) Niigon Industries, Moose Deer Point First Nation
- b) Northern Native Fishing Corporation, British Columbia
- c) Meadowlake Tribal Council
- d) Ngai Tahu Holdings Corporation South Island, New Zealand
- e) Osoyoos First Nation, British Columbia

One of the principle attributes illustrated by these cases is the importance of a firm commitment on behalf of the First Nation to take charge of its own development agenda. Some additional common themes emerge from the cases as they relate to the principles:

#### *Legitimacy and Voice*

- Ensuring the commercial operations fit within an overall community-accepted philosophy or long term plan.
- Engaging community members in key decisions through meetings and, in some cases, referendums

#### *Accountability*

- Having clear lines of accountability back to the members
- Promoting transparency in reporting results
- Using mechanisms like regular reporting and audits to ensure accountability
- Having FN members receive 'dividends' from the profits of commercial enterprises

#### *Performance*

- Establishing a clear organizational separation between commercial operations and those devoted to social purposes, with the former supporting the latter through dividends or disbursements
- Running the commercial operations on a hard-nosed, profit-oriented basis
- Partnering with a variety of non-Aboriginal commercial interests
- Insulating the commercial enterprises from the political leaders through a small board, involving some non-members
- Stressing the importance of high quality management with employment security

#### *Fairness*

- Using profits from commercial operations for social or cultural purposes
- Distributing a portion of profits to all members directly
- Ensuring choice of staff is not subject to political favouritism
- Having in place a range of policies and laws (e.g. zoning) to govern economic activities

### *Direction*

- Developing the commercial operations within a broader movement towards self-government
- Having in place comprehensive community plans
- Relying on political stability through long serving leaders

Achieving all these attributes is no a guarantee of success; the business environment is highly competitive. However, meeting these attributes will greatly increase the chance of success.

### ***Options for responding to the Opportunities Presented by the MRI***

First Nations with a nation building approach already in place or underway are more likely to have success in taking advantage of the opportunities presented by the MRI. That said, First Nations appear to have three broad options for structuring commercial operations in response to the MRI. These are:

- i) sell the boats and gear to First Nation members at a market price and designate these members the licences on a yearly fee basis at a market rate
- ii) create a First Nation-owned corporation to manage the licences, boats and equipment
- iii) a combination of options (i) and (ii)

Using the five principles developed earlier in the paper – legitimacy and voice, accountability, performance, fairness and direction – none of these options can be dismissed out of hand. A first step might be to call a community meeting to discuss the advantages and disadvantages of each.

Some of the lessons emerging from this study in implementing the first two of these options are outlined below:

#### **Lessons Relevant to Option One – Individual Entrepreneurs**

- Keep the First Nation out of the business of making and administering loans; its principal task should be to administer the licences
- Ensure that each potential entrepreneur has a business plan and has sufficient training
- Ensure that a significant number of well crafted policies are in place, especially in regards to the assignment of the licences
- Establish licence fees at a market 'rent' and sell the boats and gear at market prices
- This option might work best in communities with existing fishers operating prior to the MRI

#### **Lessons Relevant to Option Two - Establishing a FN Corporation**

- Keep the board of the corporation small and include directors from outside the community with experience relevant to the business
- Be committed to operate this enterprise as a business that aims to maximize its long term

profitability. Employing community members should not be a primary objective

- Have a means to distribute some portion of profits to meet the community's social and cultural objectives
- Hire only competent managers and staff based on merit
- Build in incentives to compensate captains and crew, likely based on a percentage of catch
- Make future hiring of captains and crew contingent on good maintenance of vessels and gear
- Develop a corporate structure with tax considerations in mind
- This option might be best suited to communities with successful experience in running FN businesses

The third option would combine elements of options one and two – that is, some of the boats and gear would be sold and some would remain under a First Nation run company. The rationale might be to retain the more lucrative licences (such as for crab) under community control with an agreed on policy for distributing the net revenue for community purposes. Alternatively, there might not be sufficient individuals in the community willing to risk setting up their own business. Or perhaps there is no lender willing to loan sufficient funds to have individuals buy all of the vessels.

As in the earlier options, it would be imperative to have business plans for both the individual owners and for the First Nation-run company. In regards to fairness, the underlying rationale behind all of these options is to take a strictly business-like approach to the management of the community assets. In return, there must be a 'fair' and transparent handling of a portion of the profits on an ongoing basis so that all community members benefit.

### **Co-operation among communities and with Government**

A final challenge for First Nations affected by the Marshall decision is to identify benefits that may lie in co-operation among communities. These benefits could be commercial (in getting a better price for catches or in developing joint training programs) or they might be based on achieving more effective advocacy with both DFO and the rest of the industry. Finally, based on experience on Canada's west coast, co-operation among communities might produce mechanisms for providing benefits to individual fishers such as insurance, death benefits, etc..

All three options in this paper require co-operation among First Nations and various government departments if the full benefits of the MRI are to be realized. In particular, all of the options should involve significant efforts on the part of all parties to build necessary capacity. Experience shows that such capacity building, to be successful, must recognize the following points:

- Local ownership and control is critical
- Effective capacity building takes time
- Long term partnerships are crucial

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# OPTIONS FOR COMMERCIAL ENTERPRISES IN FIRST NATIONS

## I. Introduction

The Pictou Landing First Nation (PLFN) commissioned this background paper to assist them in establishing a regime for managing the commercial fishing licences and related boats and gear resulting from the government's response to the Marshall decision (sometimes referred to as the Marshall Response Initiative or MRI). In developing the terms of reference to guide the Institute's work, the PLFN requested that the paper be relevant to more than commercial fishing in that they were considering other commercial operations – for example, in the area of forestry. Furthermore, they asked that the document be written in a manner useful to other First Nations affected by the MRI.

The focus of the paper is on commercial operations – that is, on businesses operating in a market context. The underlying assumption is that these businesses, whether owned by First Nations or by individual entrepreneurs, should be self-sustaining.

We proceed as follows. In the next Section (Section II), we summarize some of the relevant literature to tease out the major issues facing a First Nation contemplating economic development in general and commercial operations in particular. We conclude this section by developing a set of principles and related questions for how a First Nation might assess options facing it.

In Section III, we summarize five “models in action” to indicate how other First Nations and in one case the Maori of New Zealand have developed their commercial operations. We chose these models to illustrate how the principles developed in the previous section actually work in practice.

We conclude in Section IV by indicating how the results of this study might be applied to First Nations affected by the MRI.



## II. Framework for Developing and Evaluating Options

The place to begin is a summary of what we know about economic development in general on Indian reserves. It is within this broader context that an examination of specific models will become more fruitful.

### A. *The Relationship of Economic Development to Sound Governance*

The Harvard Project on American Indian Economic Development at the John F. Kennedy School of Government has done by far the most insightful research into Aboriginal economic development<sup>1</sup>. Harvard researchers began with a puzzle. Why do tribes with the most successful economies not always have well-educated citizens, abundant natural resources and access to financial capital? After almost a decade of research involving more than 30 tribes across the United States, the Project had an answer: “Economic Development on Indian Reservations is first and foremost a political problem”.

To illustrate this conclusion, the Harvard researchers describe two approaches to economic development. The first is what they call the “jobs and income” approach. The perceived problem is a lack of jobs. The solution is for an economic development officer to get some businesses going in the community. And the results, according to the research, are invariably disappointing. Businesses seldom last long.

The second approach is what they call “the nation-building approach”. While the perception of the problem is largely the same – a lack of jobs and income – the solution is more long term and comprehensive. In essence it is to put in place “an environment in which people want to invest”. Their definition of an investor is broad and includes a cash-rich joint venture partner, a community member willing to develop a new business, a newly trained school teacher willing to return to his or her community or a community member contemplating a job with the band government. In short, “an investor is anybody with time or energy or ideas or skills or good will or dollars who’s willing to bet those assets on the tribal future”<sup>2</sup>.

The principal actor in executing a nation-building approach is not the economic development officer but rather the community leadership, who focus their attention on establishing the institutions, policies and plans necessary for sustained economic development. While no guarantee of success, this nation-building approach, according to the Harvard research, vastly improves the prospects of sustained development.

Table 1 on the following page compares the two approaches.

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<sup>1</sup> Stephen Cornell and Joseph Kalt, “Sovereignty and Nation-Building: the Development Challenge In Indian Country today”, Harvard Project on American Indian Economic Development, 2001, [www.ksg.harvard.edu/hpaied/CornellKalt%20Sov-NB.pdf](http://www.ksg.harvard.edu/hpaied/CornellKalt%20Sov-NB.pdf)

<sup>2</sup> Ibid, P. 7

**Table 1<sup>3</sup>**  
**Two Approaches to Economic Development**

<b>“Jobs and Income”</b>	<b>“Nation-building”</b>
Responds to anyone’s agenda (from the government or anyone ‘off the street’)	Responds to the community’s agenda based on a strategic plan
Emphasizes short term payoffs (jobs and income now)	Emphasizes long-term payoffs (sustained community well-being)
Emphasizes starting businesses	Emphasizes creating an environment in which businesses can last
Success is measured by economic impact	Success is measured by social, cultural, political and economic impacts
Development is mostly the economic development officer’s job (EDO proposes and Council decides)	Development is the job of community leadership (they set vision, guidelines, policy; others implement)
Treats development as first and foremost an economic problem	Treats development as first and foremost a political problem
The solution is money	The solution is a sound institutional foundation, strategic direction, informed action

The Harvard findings are mirrored by similar conclusions in international settings. For example, researchers in a recent study for the World Bank encompassing empirical evidence from 130 countries concluded “...governance matters in the sense that there is a strong causal relationship from good governance to better development outcomes”<sup>4</sup>. Kofi Annan, the Secretary General of the United Nations, offers a similar judgement: “Good governance is perhaps the single most important factor in eradicating poverty and promoting development”<sup>5</sup>. And a recent Canadian study found a strong correlation between First Nations in British Columbia with low suicide rates and those with significant interests and activities relating to self-government<sup>6</sup>.

<sup>3</sup> This table has been slightly adapted from the Cornell and Kalt paper cited above.

<sup>4</sup> Daniel Kaufmann et al, “Governance Matters”, August 1999, [www.worldbank.org](http://www.worldbank.org)

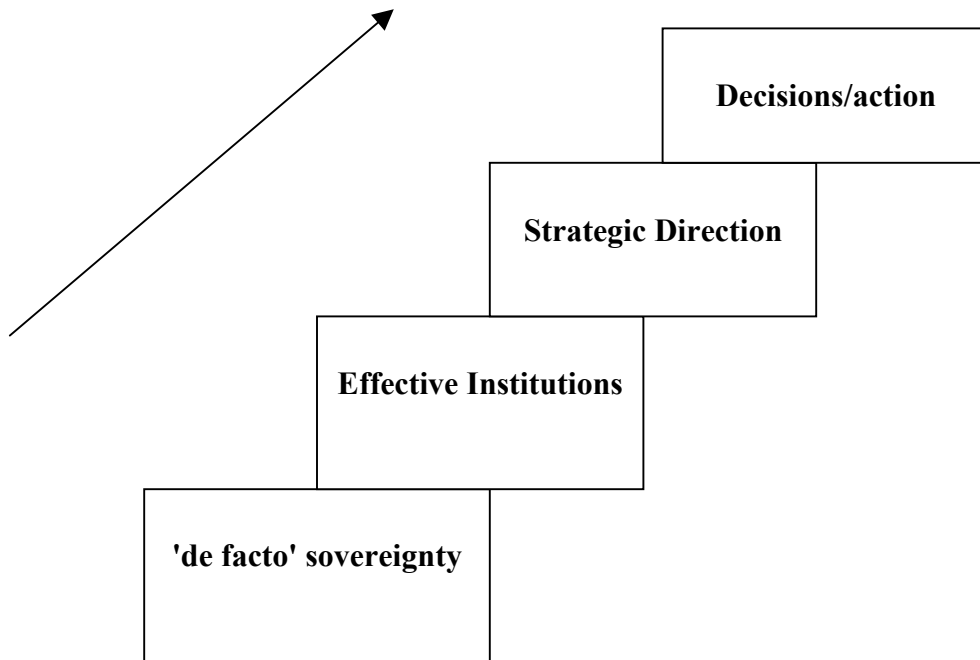
<sup>5</sup> Kofi Annan, [www.unu.edu/p&g/wgs/](http://www.unu.edu/p&g/wgs/)

<sup>6</sup> Michael Chandler and Christopher Lalonde, “Cultural Continuity as A Hedge against Suicide in Canada’s First Nations, *Transcultural Psychiatry*, V. 35, June 1998

## B. Elements of the nation-building approach

The Harvard researchers identify four "building blocks" to the nation-building approach, summarized in Figure 1 below. The arrow indicates the appropriate sequence of steps:

Figure 1



Each of these building blocks requires elaboration.

**'de facto' sovereignty** - The researchers are not using this phrase in the international sense to signify a sovereign country. Rather, the meaning is on a more practical plane: who is in charge of realizing economic development for the Tribe. Who is the effective decision-maker? As the Harvard researchers note:

"Making the federal government bear responsibility for improving economic conditions on Indian reservations may be good political rhetoric, but it is bad economic strategy. When tribes take responsibility for what happens on reservations *and have the practical power and capacity to act on their own behalf*, they start down the road to improving reservation conditions".<sup>7</sup>

**Effective Institutions** - For tribal decision-making to make a difference, tribes need to have effective institutions. Table 2 summarizes the research on this important dimension of economic development.

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<sup>7</sup> *ibid*, P. 29-30

**Table 2**  
**Elements of Effective Institutions**

Principal elements	Rationale
<b>Stable institutions and policies</b>	<ul style="list-style-type: none"> <li>▪ Investors need to know "the rules of the game" and that these will not change much even with new leadership. Otherwise they won't invest.</li> </ul>
<b>Fair and effective dispute resolution</b>	<ul style="list-style-type: none"> <li>▪ Investors need assurance that their claims and disputes will be settled in a fair, consistent and non-politicized manner. Otherwise they won't invest.</li> </ul>
<b>Separation of politics from day to day business decisions</b>	<ul style="list-style-type: none"> <li>▪ Political leaders should set direction and policies; they should not be involved in decisions dealing with hiring, purchasing, operating hours, remuneration issues etc. Otherwise the business won't survive</li> </ul>
<b>A competent bureaucracy</b>	<ul style="list-style-type: none"> <li>▪ Attracting, developing and retaining skilled personnel is critical to governing effectively. Investors need to have confidence in the government.</li> </ul>
<b>Cultural match</b>	<ul style="list-style-type: none"> <li>▪ There needs to be a match between the prevailing ideas in the community and the governing institutions. Without this match the economic activities will lack the support of the community.</li> </ul>

**Strategic Direction** - Having a strategy is important so that tribes are not in a reactive mode. They need to know when opportunities present themselves whether these fit where the tribe wants to go. The key is to be proactive rather than essentially reactive. A proactive strategy might address some of the following questions<sup>8</sup>:

- What kind of a society are we trying to build?
- What do we hope to change in our society and what do we hope to preserve and protect?
- What are our development priorities?
- What are our concerns about development?
- What assets do we have and what constraints do we face?

There are plenty of international and Canadian studies that support the Harvard findings summarized above. For example, Mark Schacter, a former World Bank employee with extensive experience in Africa, supports the necessity of a developing country taking charge of its economic development agenda (the de facto sovereignty argument)<sup>9</sup> if it is to achieve development that is sustainable.

<sup>8</sup> Ibid, P. 25

<sup>9</sup> Mark Schacter, "Capacity Building: A New Way of Doing Business for Development Assistance Organizations", Institute On Governance, January 2000, [www.iog.ca](http://www.iog.ca)

There is also near unanimity on many of the attributes of effective institutions and their importance to development. Table 3, for example, summarizes a variety of sources on the importance of divorcing politics from day to day business decision-making.

**Table 3**  
**Separating Politics from day to day Business Decisions**

***Royal Commission on Aboriginal Peoples***

"Whether in Inuit, Metis 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 and business 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, make important strategic decisions about the direction of development - but they do not lie in day-to-day decisions about economic development." RCAP, Volume 2, Part Two, P. 843

***Don Allen, Business Development Consultant, former ADM Economic Development, DIAND***

"In the communities studied, care has been taken to strike a careful balance between political interests and viable economic undertakings. First Nations and Tribal Councils have created economic development entities with clear policy linkages to government, but with independence in exercising decisions." Case Studies of Results-oriented First Nation Organizations, March 1994, Indian and Northern Affairs Canada

***Vern Bachiu, Director of Planning and Development, Meadow Lake Tribal Council***

"The mixture of business and politics is as deadly as drinking and driving. It can kill your business."

***Andrew Lee, the Harvard Project on American Economic Development***

"...the Harvard Project has surveyed about 125 enterprises on more than 30 reservations. The results are striking: tribal enterprises that were insulated from political interference...were four times as likely to be profitable than those that were not."

**C. Choosing the Appropriate Vehicle for Commercial Operations**

The fourth building block outlined by the Harvard researchers is the need for action consistent with the three other building blocks - de facto sovereignty, effective institutions and strategic direction. And one early decision is the appropriate vehicle or approach to developing businesses that will benefit the community. There appear to be five broad approaches:

1. Encouraging individuals within the community to develop their own businesses
2. Developing businesses owned and operated by the First Nation
3. Entering into joint ventures with a non-Aboriginal entity
4. Leasing a band asset (like agricultural land, for example) to a non-Aboriginal business
5. Buying an interest in an existing business

Further, a group of First Nations - for example, members of a Tribal Council - could decide to act jointly on one or more of these five approaches. The rationale underlying a tribal council approach is usually one of scale ("we can accomplish more acting together than alone") or of reducing risk ("it is better not to put all of our First Nation's eggs in one basket").

The point of the Harvard and other research is that these decisions will have greater likelihood of success if they are made with the other three building blocks in place. That said, some useful generalizations about these options can be made as outlined in Table 4, especially around the type of business and the cultural factors best suited to the five basic approaches.

**Table 4: Choosing the most appropriate vehicle**

<b>Approach</b>	<b>Some Considerations</b>
<b>Individual entrepreneurs</b>	<ul style="list-style-type: none"> <li>▪ Suitable for small or micro businesses in the i) service and retail sectors ii) natural resources (forestry, fishing) and iii) tourism</li> <li>▪ Loyalty lies with individual clans, not First Nation</li> <li>▪ First Nation can tolerate some disparities in wealth</li> <li>▪ Requires a legal framework (zoning, environmental protection, etc.)</li> </ul>
<b>First Nation-owned business</b>	<ul style="list-style-type: none"> <li>▪ Suitable for small to medium sized business in manufacturing, service and tourism sectors; especially suited for businesses involving major natural resource extraction on FN lands (forestry, sand and gravel)</li> <li>▪ First Nation is primary locus of loyalty</li> <li>▪ First Nation has low tolerance for disparities in wealth among members</li> </ul>
<b>Joint Ventures</b>	<ul style="list-style-type: none"> <li>▪ Suited to medium to large scale enterprises in manufacturing, service, tourism, natural resource sectors</li> <li>▪ First Nation should have considerable business experience (joint ventures are difficult to make work)</li> <li>▪ Cultural receptivity to working with non-members</li> <li>▪ Cultural receptivity to worker/boss hierarchies</li> </ul>
<b>Leasing Assets to outsiders</b>	<ul style="list-style-type: none"> <li>▪ Suitable for agriculture, tourism (golf courses, fishing lodges, cottages), natural resource extraction</li> <li>▪ Cultural receptivity to working with non-members</li> <li>▪ First Nation has low tolerance for wealth disparities</li> <li>▪ First Nation has limited business experience</li> </ul>
<b>Buying an interest in an existing business</b>	<ul style="list-style-type: none"> <li>▪ First Nation has limited business experience in that industry but sees this approach as a learning opportunity</li> <li>▪ Community is receptive to working with 'outsiders'</li> <li>▪ Suited to medium to large scale enterprises in manufacturing, service, tourism, natural resource sectors</li> </ul>

## D. Summary: A Framework for Assessing Business Development Approaches

The four building blocks of the Harvard model (figure #1) provide a useful framework to assess a First Nation’s overall approach to its own development. That said, this framework appears less helpful in evaluating various options for structuring a commercial enterprise or for managing a public asset, like a park. To do this, we have found it useful to rely on the following five principles derived from work done by the United Nations: legitimacy and voice, accountability, performance, fairness and direction (see Table 6 on the next page).

We have chosen these principles for the following reasons<sup>10</sup>. First, they have been developed by the United Nations and this gives them universal appeal. They are not simply reflective of 'western' experience. Second they appear to resonate well with work done on Aboriginal principles of good governance (see Appendix A for one such example). Finally, these principles happily incorporate many of the central concepts of the Harvard research. For example, the principle on “direction” corresponds closely to the Harvard building block of “strategic direction”. Similarly, the principles of “fairness”, “performance” and “legitimacy” capture the main ideas in Harvard’s ‘effective institutions’. The other principles, however, have other concepts not explicit in the Harvard model – for example, transparency and voice. Table 5 expands on these principles in our context of commercial enterprises.

**Table 5**  
**Framework for Assessing Business Development Approaches for First Nations**

<b>Principles for Sound Governance</b>	<b>Questions for Assessing Approaches to Business Development</b>
<b>1. Legitimacy and Voice</b>	<ul style="list-style-type: none"> <li>▪ How will the community be involved in the conception &amp; approval of the project?</li> <li>▪ How will the community be involved in an ongoing manner?</li> <li>▪ Is there a cultural fit between the enterprise and the community? E.g. is there a reflection of community values?</li> </ul>
<b>2. Accountability</b>	<ul style="list-style-type: none"> <li>▪ How will the enterprise be structured and why? How will accountability be achieved to the community? to the regulator, if relevant?</li> <li>▪ To what extent will its operations be transparent?</li> </ul>
<b>3. Performance</b>	<ul style="list-style-type: none"> <li>▪ Will the enterprise have sufficient independence from politics to ensure economic viability?</li> <li>▪ Is management of sufficiently high quality to ensure viability?</li> <li>▪ Is there a connection to industry groups or associations to ensure ongoing learning and influence?</li> </ul>
<b>4. Fairness</b>	<ul style="list-style-type: none"> <li>▪ How will disputes be resolved?</li> <li>▪ How will the interests of individuals and the community be balanced?</li> <li>▪ How will the interests of other stakeholders (neighbours, local governments etc.) be accommodated?</li> </ul>
<b>5. Direction</b>	<ul style="list-style-type: none"> <li>▪ Does the enterprise have a long term vision or direction?</li> <li>▪ Is this vision compatible with the community’s vision?</li> </ul>

<sup>10</sup> The Institute On Governance has applied these five criteria successfully in other contexts to examine governance options. See, for example, "Governance Principles for Protected Areas in the Twenty-First Century", [www.iog.ca](http://www.iog.ca)

**Table 6**

**Five Principles of Sound Governance**

<p><b>The Five Principles</b></p>	<p><b>The UN Principles on which they are based</b></p>
<p><b>1. Legitimacy and Voice</b></p>	<p><b>Participation</b> – all men and women should have a voice in decision-making, either directly or through legitimate intermediate institutions that represent their intention. Such broad participation is built on freedom of association and speech, as well as capacities to participate constructively.</p> <p><b>Consensus orientation</b> – good governance mediates differing interests to reach a broad consensus on what is in the best interest of the group and, where possible, on policies and procedures</p>
<p><b>2. Accountability</b></p>	<p><b>Accountability</b> – decision-makers in government, the private sector and civil society organizations are accountable to the public, as well as to institutional stakeholders. This accountability differs depending on the organizations and whether the decision is internal or external.</p> <p><b>Transparency</b> – transparency is built on the free flow of information. Processes, institutions and information are directly accessible to those concerned with them, and enough information is provided to understand and monitor them.</p>
<p><b>3. Performance</b></p>	<p><b>Responsiveness</b> - institutions and processes try to serve all stakeholders.</p> <p><b>Effectiveness and efficiency</b> – processes and institutions produce results that meet needs while making the best use of resources</p>
<p><b>4. Fairness</b></p>	<p><b>Equity</b> – all men and women have opportunities to improve or maintain their well being.</p> <p><b>Rule of Law</b> – legal frameworks should be fair and enforced impartially, particularly the laws on human rights.</p>
<p><b>5. Direction</b></p>	<p><b>Strategic vision</b> – leaders and the public have a broad and long-term perspective on good governance and human development, along with a sense of what is needed for such development. There is also an understanding of the historical, cultural and social complexities in which that perspective is grounded.</p>



### III. Management Models in Action

In this section, we have chosen to examine five commercial operations to ascertain how some of the principal concepts and ideas surveyed in the last section actually ‘work’ in practice. Our choice of models derived from the following criteria:

- *illustrate the five basic approaches* – individual entrepreneurs, joint ventures, First Nation-run businesses, leasing assets to non-Aboriginal businesses and investing in non-Aboriginal businesses - along with at least one illustration of a Tribal Council-run enterprise
- *choose some First Nations similar in size to Pictou Landing*
- *include several entities in the natural resource sector, including fishing*
- *look for some interesting innovations in structuring these entities*
- *include at least one international example.*

We begin with the Moose Dear Point First Nation and Niigon Industries

#### A. ***Niigon Industries and the Moose Dear Point First Nation***<sup>11</sup>

##### The First Nation

The Moose Dear Point First Nation (MDPFN) is located on the eastern shore of Georgian Bay, about a two hour drive north of Toronto. It has approximately 400 members, 180 of which live in the community. The reserve consists of 619 acres. In addition, the First Nation has 425 acres that are in the process of becoming reserve land.

As one of eight members of the United Anishnaabeg Council, the MDPFN has signed an agreement in principle with respect to self-government. It has developed, but not yet approved, a constitution that outlines how its self-government will operate. Furthermore, it has drafted a series of by-laws in a variety of areas, also in anticipation of self-government. The community has an existing community plan that regulates land use and reserve activities.

Underlying all of the First Nations activities is a plan for creating a sustainable community with the following vision statement: “Proudly working together to build a prosperous and healthy environment that promotes independence, honours and respects our values, and enhances our way of life.” The box on the following page elaborates on the community’s understanding of sustainable community development.

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<sup>11</sup> Sources for this case studies were several newspaper articles, an interview with Bob Dickson, Niigon’s General Manager, and materials supplied by Niigon.

### **Sustainable community development is:**

1. The active pursuit of economic development that is not just environmentally friendly, but which offers the community long term stability, diversity and prosperity.
2. A deliberate, broadly-based, multi-faceted quest for social health and individual well-being.
3. A concerted, long term program not just to clean up the environment, but to conserve and enhance the community's natural assets of land, water, air and living things.

In addition to employment in the First Nation government, existing economic activity in the community consists of i) a marina, established in 1969 and owned by the First Nation, ii) building construction work and iii) about a dozen member-owned businesses (including two private marinas, trailer parks, native craft operations and fiberglass boat repairs.) The employment rate is about 70% during the spring and summer months, declining to 30%-35% over the rest of the year. A new addition to the economic activity was made in 2001 in the form of Niigon Technologies.

#### **Niigon Technologies Ltd.**

Niigon grew out of a shared vision of the Chief of MDPFN, J. Edward Williams, and Robert Schad, President of Husky Injection Molding Systems Ltd.. Niigon, which means “for the future” in Ojibway, opened for business in 2001 with 6 employees with plans to grow to 50 within 4 years. A manufacturer of small plastic parts for the automobile and electronics industries, Niigon uses state of the art equipment in a modern plant located on reserve. Financing for the project will total \$25 million - \$12 million for the building and the remainder for machines and training costs. Funding in the form of loans and contributions came from the First Nation, the Robert Schad Foundation, several federal government agencies and the Province of Ontario.

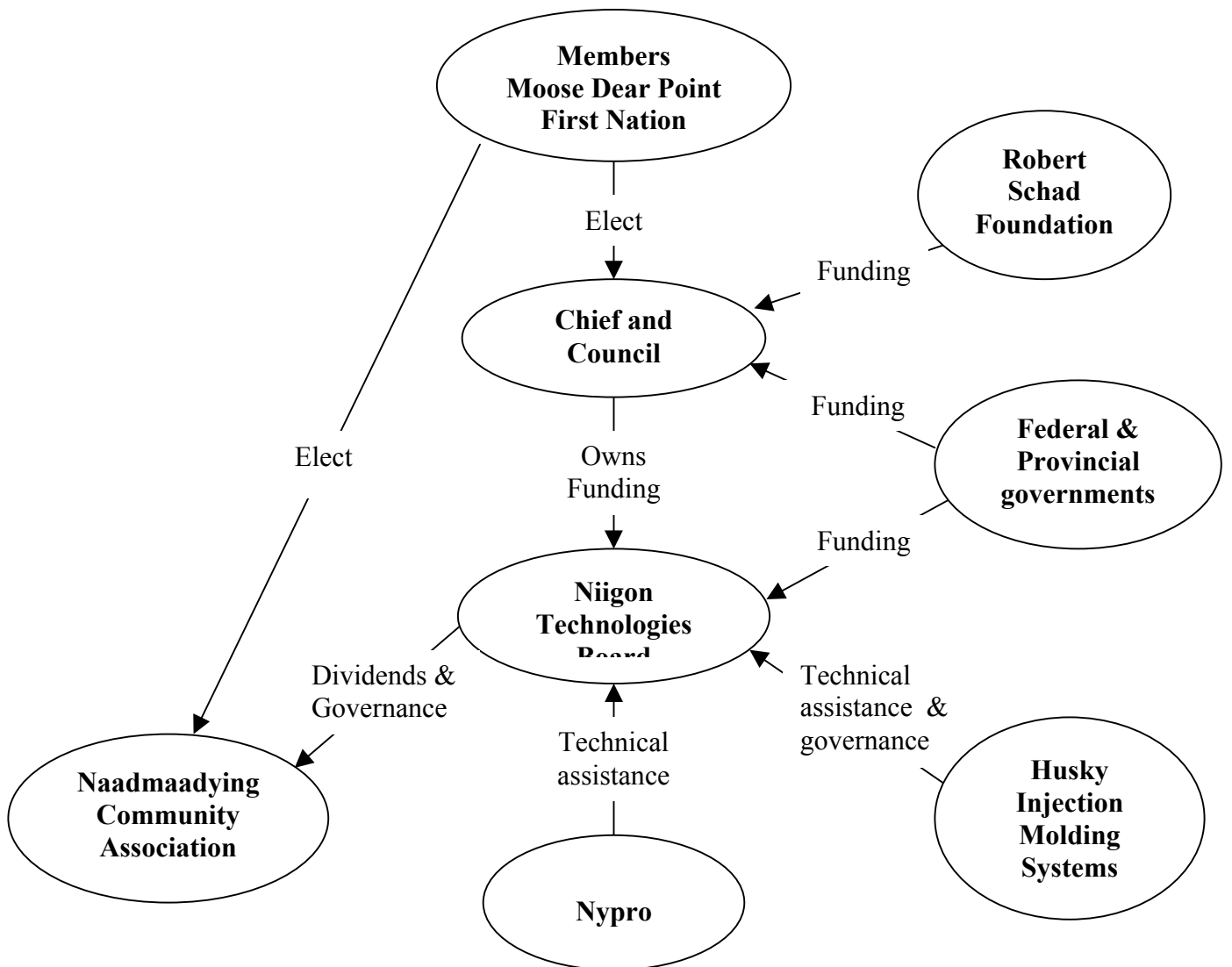
Of significance is the manner in which Niigon fits the community's vision and plan for a sustainable community. First, the company is housed in a building that has many environmentally-friendly features: all natural lighting and ventilation, roof-mounted photovoltaic cells, waste energy recovery, radiant floor heating, storm water holding and treatment ponds and a leading-edge biofiltration wastewater treatment system.

Second, the community has established Naadmaadying Community Association (NCA), the members of which are the community's eligible voters. Governed by a five member board (one member is appointed by Chief and Council, the other four are elected by the members), NCA has an agreement with Council to be the recipient of all dividends and other disbursements from Niigon. The Association will support projects benefiting the community as a whole. Interestingly, its constitution prohibits per capita distribution of funds to members.

One of the crucial elements in getting the project off the ground was the extensive consultations undertaken not only with the community but with neighbouring stakeholders (municipalities and cottagers). There were two community referendums held to achieve project approval.

The governance of Niigon is as follows. It is incorporated under the Ontario Business Corporations Act and has a single share held by the Chief in trust for the Council. The company has seven directors – one nominated by the Council, a second by NCA and a third by Husky Injection Molding Systems. These three directors then jointly choose the four remaining directors. This composition will continue for a ten year period. Figure 2 summarizes the key relationships among the players.

**Figure 2**  
**Key Relationships – Niigon Technologies**



Other aspects of Niigon’s operations that help ensure its long term profitability include the following:

- The hiring of an experienced general manager from outside the community
- An agreement with Husky Injection Molding to purchase additional equipment at very favourable terms and obtain advisory and training services free of charge
- Eight community members have taken relevant training at a community college and 20 others have taken some training at Niigon
- Niigon will not be subject to any property taxes by the First Nation for the first five years. The First Nation, however, will charge user fees for water, snow removal and similar services
- Niigon has a partnership with Nypro, a US-based molding firm, to provide training and marketing services.

## Conclusion

The existence of an ‘angel investor’ in Robert Schad was crucial to Niigon. Without his assistance and continuing commitment, the project would not have got off the ground. That said, the Moose Deer Point First Nation had created a positive environment for investment with many of the aspects identified in Section II of this paper. Table 7 summarizes how the MDPFN has been able to turn the five principles into practice.

**Table 7**  
**Niigon Experience Turning Principles into Practice**

<b>Principles for Sound Governance</b>	<b>Principles into Practice</b>
<b>1. Legitimacy and Voice</b>	<ul style="list-style-type: none"> <li>▪ Various consultations &amp; referendums to ensure community support</li> <li>▪ Good fit between Niigon &amp; plan for Community sustainability</li> <li>▪ Creation of Community Association ensures ongoing community voice</li> </ul>
<b>2. Accountability</b>	<ul style="list-style-type: none"> <li>▪ Clear line of accountability to community through Council, the owner</li> <li>▪ Community Association offers another accountability check</li> </ul>
<b>3. Performance</b>	<ul style="list-style-type: none"> <li>▪ Board structure divorces day to day decision-making from politics</li> <li>▪ Inclusion of non-members on board adds experience</li> <li>▪ Hiring of GM and other employees based on merit; training plans in place</li> <li>▪ Ongoing support from two other companies</li> </ul>
<b>4. Fairness</b>	<ul style="list-style-type: none"> <li>▪ Community Association ensures fair expenditure of dividends</li> <li>▪ Community has a number of instruments in place (e.g. community plan) and will add to these through self-government (constitution, by-laws etc.)</li> </ul>
<b>5. Direction</b>	<ul style="list-style-type: none"> <li>▪ Plan for Community Sustainability, self-government agreement, community plan and other instruments all give direction to community</li> <li>▪ Niigon has 5 year business plan</li> <li>▪ Long serving chief adds to political stability as does sound FN financial management</li> </ul>

## **B. Northern Native Fishing Corporation and TRICORP<sup>12</sup>**

### Background

Northern Native Fishing Corporation (NNFC) and TRICORP operate in the traditional territories of four tribal nations located in northwest British Columbia: Haida, Gitksan Wet'suwet'en, Tsimshian and the Nisga'a. The three owners of the Corporation are the Northcoast Tribal Council, the Gitksan Wet'suwet'en Tribal Council and the Nisga'a Tribal Council.

The NNFC was established as a for profit corporation in 1982, when the federal government provided a \$11.8 million contribution to purchase the fishing licences (salmon), boats and gear of BC Packers. The Federal government, through legislation, created a separate 'N' licence category and, through the Department of Fisheries and Oceans (DFO), subsequently changed the terms of these licences (approximately 250) so that only the NNFC could own them. In other words, the licences could not be bought or sold on the open market.

The original governance regime of the NNFC consisted of an 8 member board of directors – two members were appointed by the three tribal councils and there were two 'outsiders'. Originally, groups of fishers from the three tribal nations selected the board members for their nations. Now the Tribal groups appoint two directors for a two year term on a rotating basis. By the mid 1980s the two outside directors had dropped off the board, leaving only 6 members.

### Managing its assets

The initial condition of many of the boats and gear that the NNFC inherited was poor. Inspections declared thirty-one vessels not seaworthy and an estimated \$10 million was required to replace these and upgrade the remainder. The most NNFC could borrow was \$2 million from a commercial bank to upgrade the boats and gear so that they met industry standards and were insurable. They then sold the boats and gear to native fishers through a conditional sales agreement. The licences remained under the name of the NNFC but were leased to those who bought the boats for a yearly fee, part of which went to pay DFO for its yearly licence fee. In the event that the fisher sold his or her boat and gear, the licence could be re-assigned to the new owner, provided that the person was a member of the same community and was approved by the NNFC.

The NNFC plan was to use the proceeds from the conditional sales agreements to buy or build new boats and accompanying licences and thus continue the cycle of increasing the number of independent, native fishers in the industry. Up to this point, many native fishers were able to only rent vessels from companies like BC Packers.

Given its corporate structure and the manner of choosing directors, it is not surprising, according to several interviewees, that NNFC operated more on a 'social' basis rather than as a business. The board consisted of fishers who were often more concerned with the welfare of the fisher

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<sup>12</sup> Sources for this case study include interviews with Frank Parnell, the General Manager of TRICORP, Myles McLeod, the former General Manager of NNFC, Corrine McKay the most recent General Manager and Bob Hill, the President of the Tsimshian Tribal Council.

population than with maximizing benefits for the shareholders. Consequently the company ran into difficulties in terms of collections on the outstanding loans<sup>13</sup>, particularly in poor fishing seasons.

There was a five to six year period in the late 1980s when it did run on sound business principles. An experienced manager was able to turn a debt of some \$5 to \$6 million into a reserve of some \$2 million. One factor contributing to this turnaround was the role NNFC assumed in negotiating prices with fish processing companies for the landings of the individual fishers. In addition, NNFC began raising its yearly licence fees to get closer to market rates. Furthermore, it invested in the fish processing and marketing sectors with unfortunate results during the infamous 'Asian Flu', when prices of all seafood were at their all time lowest. .

In hindsight, there were other factors that led to difficulties for the NNFC. The first was lack of diversification, given that all of its licences were confined to salmon. Another contributing element was the lack of training given to the new fishers in terms of running a business. (The NNFC, however, did institute courses on the maintenance of boats and gear.)

At the current time, the company still retains the 250 or so licences but has sold off all of its other assets. It has two full time and several seasonal employees who manage the yearly leasing of the licences. It is now in the process of re-building its asset base.

## TRICORP

TRICORP was established in 1990 under the Aboriginal Capital Corporations Program of Industry Canada with a mandate to provide "...financing for business activities which increase the number of permanent jobs, reduce unemployment and facilitate business ownership among First Nations people. Applicants must be of Aboriginal descent, the activities funded must take place within the region, and projects must fall within the TRICORP mandate."<sup>14</sup>

Unlike NNFC, the Tribal Resources Investment Corporation (TRICORP), is owned by five development corporations established by the tribal nations. These are the Haida Gwaii Economic Development Corporation, the Gitksan Wet'suwet'en Economic Development Corporation, the Kitkatla/Metlakatl Development Corporation, Nisga'a Economic Enterprises and the North Coast Economic Development Corporation (also known as Tillicum Business Enterprises). Each of these corporations appoints two members to the Board of Directors, a selection process that has kept TRICORP remarkably free from political interference. The Board has also two financial advisors, chosen to add depth and experience in certain key areas, namely the forest and fishing industries.

The company's loan portfolio stands at approximately \$6 million. Principal repayments are returned to the fund for re-lending, while interest on the loan portfolio is used to pay for the administration costs of the corporation. TRICORP makes approximately 50 loans per year, 85% of which are to businesses on reserve.

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<sup>13</sup> At one point three of the NNFC directors were in arrears on their loans from the corporation

<sup>14</sup> [www.TRICORP.ca](http://www.TRICORP.ca)

An important connection between TRICORP and NNFC is this: TRICORP bought up NNFC's remaining portfolio of just over 30 outstanding debts owed by fishers for the purchase of the boats. NNFC had significantly reduced the portfolio in a move to streamline operations to the sole business of leasing licences. In a more recent development, NNFC and TRICORP are contemplating a joint venture or another form of working relationship to achieve some operating efficiencies.

## Assessment

Both NNFC and TRICORP offer interesting lessons to others with similar challenges. The NNFC approach of encouraging individual ownership through selling its boats and gear to fishers through conditional sales agreements is worthy of serious consideration in the Marshall context. Such an approach, if successful, would provide the funds to expand First Nation participation in the fishery through the purchase of additional boats and acquiring other licences. A key lesson is that this option would have to be grounded in solid business and governance principles:

- Having a board with some separation from political interference and with the necessary expertise to guide a complicated business undertaking,
- Hiring an experienced manager and staff
- Having a well thought through business plan
- Ensuring that those administering the licences are seen as 'neutral' by the affected fishers
- Having training and other programs in place so that the new vessel owners have both the business acumen and the knowledge of sound maintenance practices to be successful
- Ensuring some separation of the loan function from the administration of the licences
- Having a system in place to monitor and report on progress regularly to shareholders
- Having a vision of where the enterprise needs to go and building slowly, block by block, to get there.

In this regard the contrast in the way in which the boards of these two organizations have been put together is instructive.

## C. **Meadow Lake Tribal Council**<sup>15</sup>

### Background

Member First Nations of the Meadow Lake Tribal Council (MLTC) are located in the Churchill River basin of north-western Saskatchewan. They have a population of about 8000 Dene and Cree people, of which about 5000 are on-reserve. There are also about 16 600 people living in non-native communities that lie within MLTC traditional territories. Data from the 1986 census indicates that Aboriginal people make up about 60% of the region's population. Given the

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<sup>15</sup> Sources for this case include: MLTC website materials ([www.mltc.net](http://www.mltc.net)); case study by Robert Anderson ("The Case of Meadow Lake Tribal Council," BESS, University of Lethbridge); article by Robert Anderson and Robert Bone ("First Nations Economic Development: Meadow Lake Tribal Council," *Journal of Aboriginal Economic Development*, 1:1, 1999); MLTC 1999-2000 Annual Report; press releases from the Canadian Forest Service and HRDC Saskatchewan; and interviews with Vern Bachiu, Director of Planning and Development, MLTC.

higher birth-rate in the Aboriginal community, this percentage has likely increased in the intervening years.

The nine First Nations that form the Tribal Council are Birch Narrows, Buffalo River, Canoe Lake, Clearwater River, English River, Flying Dust, Island Lake, Makwa Sahgaiehean and Waterhen Lake. Their elected chiefs govern MLTC. Each First Nation delegates responsibilities to MLTC and grants the tribal council corresponding authority required to fulfil these responsibilities.

In January 2001, Canada and MLTC signed a self-government agreement in principle, and Canada, MLTC and Saskatchewan signed a tripartite agreement in principle.

Economic development has been a key objective since the Tribal Council was formed in 1986 out of the Meadow Lakes District Chiefs Joint Venture. MLTC has set itself the objective of achieving employment and income parity with the province in 20 years – meaning they need 3250 permanent jobs.

MLTC has undertaken numerous different business ventures since 1986. A key success among these projects is NorSask Forest Products, a softwood mill that has allowed MLTC to form a development strategy focusing on forestry. While MLTC has numerous other ventures in energy, transportation, agriculture and real estate, this case study will focus in on forestry.

In 1988, the government of Saskatchewan sold off an unprofitable saw mill to MLTC and Techfor Services Ltd, a company wholly owned by mill employees. The mill was renamed NorSask Forest Products, and in 1998 MLTC took complete ownership of NorSask.

A Forest Management License Agreement from the province gives NorSask harvesting rights and reforestation responsibilities for softwood and hardwood on 3.3 million hectare of Crown Land within MLTC traditional territories. Additional requirements of the license include: extensive consultation with northern communities; hiring priority for area residents; and hardwood processing capacity must be present in order to maintain hardwood harvesting rights. Hardwood capacity has been secured through an alliance with Miller Western Pulp. The license is overseen by Mistik Management, is a 50/50 joint venture between NorSask and Miller Western. MLTC, individual First Nations, First Nations individuals, non First Nations individuals, and an association of other local community governments all own operating companies that contract with Mistik to do logging, reforestation and other activities.

In addition to these corporate entities, there are also a series of co-management boards that enable communities to have input on where logging takes place, shape and size of cuts, harvesting plans, reforestation, location of logging roads and other matters.

Prior to the establishment of these boards in 1992-1994, a number of people from the Meadow Lake First Nations were unhappy with decisions and actions taken by Mistik Management and MLTC Logging and Reforestation (the Tribal Councils' operating company under contract with Mistik). The dissatisfaction level was highest in Canoe Lake First Nation. In 1992, when issues such as clear cutting, restriction on traditional activities, lack of voice in decision-making and



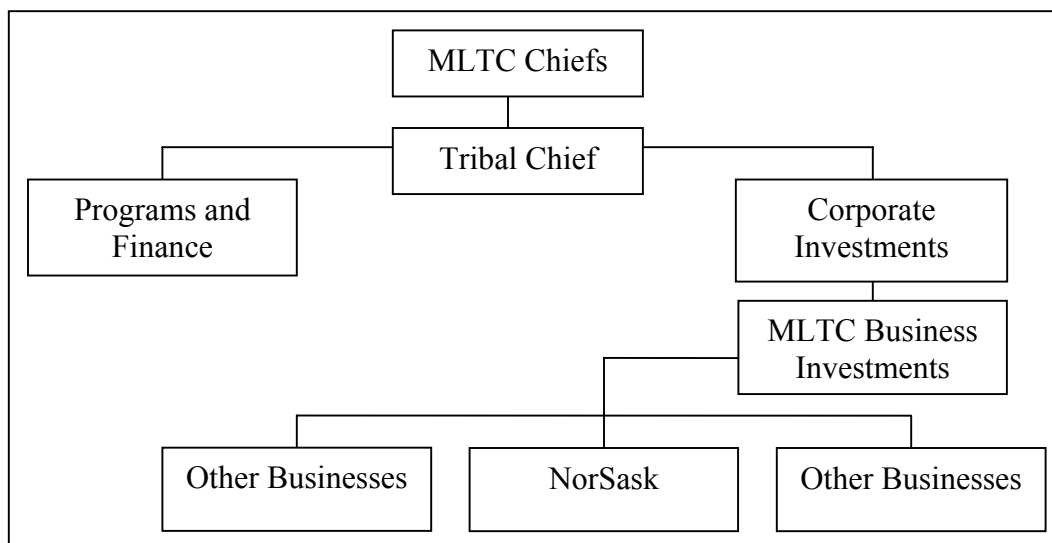
distribution of benefits were not addressed, the members of this community set up a blockade. Through several series of negotiations, legal battles and court orders, an agreement was finally reached, involving the immediate establishment of a co-management board.

In 1993, MLTC began drafting a twenty year development plan in consultation with elders and other community members. This document sets out the goals of economic development in the Meadow Lakes First Nations. It provides assurance that economic activities will take place in a way that respects community values and traditions, and which will assist movement towards self-sufficiency, self-reliance and self-government. The plan lays out opportunities in the areas of tourism, mining, forestry and traditional activities (e.g. hunting, fishing, agriculture) and serves as the basis for MLTC’s business plans.

## Structures

MLTC business ventures are managed out of the business arm of the Tribal Council, as illustrated in Figure 2.

Figure 2



NorSask and many other MLTC businesses have been created as limited partnerships. This means that the income from the company is only taxed once it is in the hands of the partners. The partners are the nine First Nations comprising the Tribal Council, and as they operate as governments, they are exempt from taxes. The income is divided equally among the nine, according to their equal investment in MLTC businesses.

Because profits from the businesses are fed back to the individual First Nations, MLTC is able to use profits only insofar as the member First Nations delegate resources and authority to it to do specific tasks. This process is facilitated by the fact that the tribal council is run by the Chiefs of the nine First Nations.

In addition to the businesses that MLTC either wholly or partly owns, there are a number of other small businesses owned and operated by individual First Nations or their members. In this

way, MLTC works to establish core or anchor business while other groups look for smaller complementary opportunities.

## Results

1999-2000 results show that NorSask continues to be profitable under 100% MLTC ownership, producing gross revenues of about \$50 million. NorSask performance is measured in terms of payback, wood volumes, recovery, safety and sales. The company reported it led the industry (according to a study by PriceWaterhouseCoopers) in percentage return on assets, return on equity and return on capital employed, but has fallen behind on capital expenditures as percentage of sales in order to accommodate aggressive debt servicing.<sup>16</sup> It provides approximately 100 direct jobs, and close to 700 indirect jobs. In order to respond to changing consumer values, NorSask is working towards Forest Management Certification.

Mistik employed 43 people and contracted 120 independent companies for logging, trucking, construction and reforestation in 1999-2000. Two thirds of the contractees are Aboriginal owned, employing over 600 people.

As a result of these business activities, FNs feel that they have greater control over activities on their own land, and that they have tools in place to assist them in attaining self-sufficiency. Further, the collective, coordinated approach taken by MLTC has resulted in greater employment and income for their FN members than economic activities undertaken by the surrounding communities.<sup>17</sup>

## Assessment

A key element of MLTC success has been the separation of politics and business. As Vern Bachiu, MLTC's Director of Planning and Development notes, "The mixture of business and politics is as deadly as drinking and driving. It will kill your business." MLTC uses several mechanisms to achieve this separation.

- *Social learning.* It is important for chiefs, community members, and business leaders to understand that business and political decisions must be kept separate. This enables the development of norms against mixing the two. It must be understood that the best way to achieve desired social ends is by letting business do its best to be profitable, so that more profits are available for social programs.
- *Boards of Directors.* Having a separate and independent Board of Directors at the head of business endeavours can help isolate business decisions from politics. This is especially true when there are outside business people are included on the board. NorSask, for example, has a board comprised of three chiefs and three outside business people. The company has benefited immensely from the experience and contacts of these outside people. MLTC has discovered that there are a great number of business leaders who are willing to take on such roles as a way to give back to their communities.

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<sup>16</sup> Meadow Lake Tribal Council 1999-2000 Annual Report.  
[www.mltc.net/annualreport/MLTC\\_99\\_00\\_Corporate.pdf](http://www.mltc.net/annualreport/MLTC_99_00_Corporate.pdf)

<sup>17</sup> Robert Anderson and Robert Bone. "First Nations Economic Development: The Meadow Lake Tribal Council." *CANDO*. 1:1, 1999. 13-34.

- *Management security & freedom.* Management needs the freedom to run the business in a business-like manner, and the security of knowing that they will not be fired for doing so. One way of providing such security is hiring senior management on contracts for fixed periods of time.
- *Corporate structure.* MLTC’s structure places business entities a few paces away from the political centre, as illustrated in Figure 1. Thus, the individual in charge of MLTC Business Investments can serve as a buffer between political and business imperatives. If a need for even greater distance is detected, MLTC could establish a Board of Directors to run MLTC Business Investments

Separating day to day business decisions and politics is an essential first step to success. Without this separation, it is not possible to operate a First Nation-owned enterprise on strong business principles. Failure is almost guaranteed. Very often, and indeed in some of MLTC’s own experiences, some have tried to run a business to achieve social objectives, such as creating jobs and incomes. In a highly competitive environment this is a recipe for driving up costs, eliminating profits and going into bankruptcy. Of course, due to the competitiveness of the environment, maintaining appropriate separation between business and politics is no guarantee of success. It just helps remove one of the common stumbling blocks.

Another successful strategy employed by the MLTC is to engineer partnerships with high performing non-Aboriginal businesses, especially where existing skill levels within a particular First Nation are low. Such partnerships can build skills and needed experience to the point where the partner can be bought-out.

**Conclusions**

Application of business principles is the centre of MLTC successes, but it requires on going engagement with the community. As demonstrated by the blockade in the early 1990s, business decisions taken without consideration of traditional values or without adequate consultation with the community are likely to run into problems. Table 8 below relates the MLTC experience to the principles of sound governance introduced at the beginning of this paper.

**Table 8  
MLTC Experience Turning Principles into Practice**

<b>Principles for Sound Governance</b>	<b>Principles into Practice</b>
<b>1. Legitimacy and Voice</b>	<ul style="list-style-type: none"> <li>▪ Co-management boards enable community consultation</li> </ul>
<b>2. Accountability</b>	<ul style="list-style-type: none"> <li>▪ Clear line of accountability back to Meadow Lake First Nations</li> </ul>
<b>3. Performance</b>	<ul style="list-style-type: none"> <li>▪ Multiple checks against mixing business and politics</li> <li>▪ Inclusion of non-member experts on Boards of Directors</li> <li>▪ Creation of spin-off businesses</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Hiring based on merit</li> <li>▪ First goal is a successful business</li> </ul>
<b>4. Fairness</b>	<ul style="list-style-type: none"> <li>▪ Profit distribution to partners to be used for social purposes</li> <li>▪ Equal income distribution among member First Nations</li> <li>▪ Merit rather than political favouritism underlines business decision-making</li> </ul>
<b>5. Direction</b>	<ul style="list-style-type: none"> <li>▪ Twenty year economic development plan in place</li> <li>▪ self-government agreement-in-principle signed</li> </ul>

#### **D. Ngai Tahu Holdings Corporation, South Island, Aotearoa (New Zealand)<sup>18</sup>**

##### Background

With 41,000 members, Ngai Tahu<sup>19</sup> is the Maori tribe with traditional authority over the southern 80% of Te Wai Pounamu, New Zealand's South Island. It is the country's fourth largest tribe comprising approximately 5% of the total Maori population.

Three important developments have marked the last 10 years of their development. The first occurred in 1992 when the Maori and the Crown reached a final, pan-tribal settlement over the ownership of commercial fishing rights in New Zealand – called the Fisheries Settlement. The Settlement followed a Maori challenge of the Government's attempts in 1986 to establish a quota management system (of tradable fishing licenses) to manage and conserve the country's commercial fisheries. In the ten years since this settlement, Maori involvement in the industry has grown from having virtually no ownership to controlling about one third of the industry. They have achieved this by holding and managing quota and through significant investment in fishing companies, via a pan-Maori holding company<sup>20</sup>. This statutorily-based central body, known as the Treaty of Waitangi Fisheries Commission, was established to hold and manage the settlement fisheries assets pending agreement on a methodology for the allocation to individual tribal groups.

Then, in 1996, the Government passed the Te Runanga o Ngai Tahu Act, which gave effect to a Ngai Tahu-designed tribal governance structure. In essence, 18 regional assemblies appoint representatives to a governing body called Te Runanga o Ngai Tahu. This body has three arms:

- *An overall executive arm* providing corporate services and monitoring functions
- *Ngai Tahu Holding Corporation*, responsible for managing all commercial activities of the tribe and through these activities providing the earning base for the social and policy developments (\$6.7 million was available for development programmes in 2001-2002.)
- *Ngai Tahu Development Corporation*, responsible for the delivery of educational, cultural and social aspects of the tribe's development

Prior to the Act, the Ngai Tahu operated through a government-controlled trust board.

<sup>18</sup> In addition to web site materials, this case study is based on interviews with Anake Goodall of the Government of New Zealand and a member of the Ngai Tahu tribe and Daniel Matthews of Ngai Tahu Seafood Group

<sup>19</sup> Ngai Tahu is pronounced ny ta who

<sup>20</sup> The Fisheries Settlement also provided for non-commercial customary fishing rights to be given effect through regulations.

Commenting on this new structure, the tribe's web site notes that "...the tribe has wisely separated commercial and social development activities, so as to avoid potentially conflicting goals and mixed objectives."<sup>21</sup>

Finally, in 1998, the tribe and the Crown reached a claims settlement arising from the Treaty of Waitangi, a settlement which, among other things, resulted in a \$170 million (New Zealand dollars<sup>22</sup>) payment to the Ngai Tahu. The asset base of the Tribe has increased enormously from \$139,000 in June 1990 to \$273 million in June 2001. Ngai Tahu is now the second largest landowner in the South Island, second only to the Crown.

### Ngai Tahu Holdings Corporation (NTHC)

In language similar to that of the Niigon case, NTHC is the "economic engine room" or the commercial arm of the Ngai Tahu. Its role is to "...grow the economic base for the benefit of future generations and to generate sufficient cash flow on an ongoing basis to fund the tribe's development and administration activities"<sup>23</sup>. At the time of the 1998 settlement, NTHC was a relatively small, "unsophisticated" entity with wholly owned investments, primarily in property and fishing. The challenge has been to manage rapid growth while maintaining the integrity of its management systems and controls.

One of the ways it has tried to meet that challenge has been through the development of its governance structure. The Holdings Corporation is the parent company responsible for the subsidiaries that run the various businesses. The governing body (Te Runanga o Ngai Tahu) is the ultimate shareholder. The subsidiary businesses are in four industries: fishing, forestry, tourism and real estate.

The 18 representatives from the regional assemblies appoint the NTHC board of directors. Their role is a strategic one - to approve the business plan, make major investment decisions and confirm the appointment or removal of the directors of the subsidiary companies. NTHC also has a treasury management function; it manages all of the money for the subsidiary companies and for other financial activities of the tribe. Finally, its audit sub-committee conducts inquiries as to how the subsidiaries are doing business.

The subsidiary companies are also run by boards appointed by the holding company. At least two board members of each company must be experts in the particular industry and they need not be a Ngai Tahu member. There must also be a Ngai Tahu member with some management and business experience. Each subsidiary company reports to the holding company every three months attesting that it has complied with the management standards established by NTHC.

In sum, NTHC believes that it has a structure that will "...allow us to run a tough, commercially sensible operation that still has the best interests of the greatest number at heart." Reflecting this philosophy is a hiring policy to attract the best person for any task, whether the person is a Ngai

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<sup>21</sup> [www.ngaitahu.iwi.nz/office-profile-business.html](http://www.ngaitahu.iwi.nz/office-profile-business.html)

<sup>22</sup> All dollar amounts in this section are in New Zealand currency.

<sup>23</sup> Op. cit.

Tahu member or not. Similarly, there is also a strong focus on developing joint ventures with existing industry participants when the right ingredients exist for a successful partnership.

### Ngai Tahu Seafood Group (NTSG)

NTSG is a 100% owned subsidiary of the holding company (NTHC). It owns and manages the commercial fish quota of the Ngai Tahu. Based on annual stock assessments, the New Zealand Ministry of Fisheries sets the Total Allowable Commercial Catch (TACC) each year for the upcoming fishing season. The TACC in turn forms the basis for the country's quota management system.

Quota is a property right in New Zealand. Commercial fishers and seafood companies hold the quota as an asset and are free to trade their quota by way of sale or lease. Quota holders thus have maximum flexibility in how they harvest their catch. One result is "...to prevent over-capitalisation of the fisheries".

In managing its quota, NTSG does not own fishing boats. Rather, its seafood is harvested under contract by approximately 100 independent fishers and fishing companies. Many of these fishers are members of the Ngai Tahu Tribe.

One significant constraint faced by the NTSG, and other tribal groups, is that the settlement quota continues to be held in the centralized Treaty of Waitangi Fisheries Commission, pending agreement on the most appropriate way to allocate these property rights. The Commission leases the quota to the tribes on an annual basis and it is this access to the fishing right that has been used to establish the tribe's fishing investments. While offering the advantage of ensuring that the property right cannot be lost while tribes establish their management structures and executive teams, this arrangement has denied tribes the opportunity to borrow against their interests and further capitalize their operations. This lack of capital, combined with the uncertainty as to the nature of any final allocation, has meant that tribes such as Ngai Tahu have not, as yet, invested heavily in their own fishing boats and associated facilities.

Notwithstanding these constraints, Ngai Tahu has used the profits from earlier lease rounds to establish a modern processing facility and an extensive marketing operation. As an attestation of the quality of these products, Ngai Tahu Seafood became a Trade NZ Export Award winner in May 2002.

The underlying philosophy of Ngai Tahu Seafood is one of respect. According to their web site:

This encompasses a deep regard for the sea and the environment, for sustainability and responsible behaviour. It includes a respect for the species and the product itself and for exercising care to retain the best condition and highest quality. It extends to showing due consideration for our people, our associates, our clients and customers in the way we do business. Throughout everything we believe in respect.<sup>24</sup>

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<sup>24</sup>[www.ngaitahu-seafood.com/main.html](http://www.ngaitahu-seafood.com/main.html)

This environmental aspect of this philosophy appears to be a widely shared ethic within the tribal organizations. The governing assembly, for example, has established a special unit to address environmental issues. Current priorities include natural resources and customary fisheries.

NTSG is highly profitable. Last year they recorded \$9 million in profits on sales of \$45 million.

## Conclusions

There are some remarkable similarities between this case and those involving Niigon and the Meadow Lake Tribal Council. All three have been characterized by:

- Establishing a clear organizational separation between commercial operations and those devoted to social purposes, with the former supporting the latter through dividends or disbursements
- Running the commercial operations on a hard-nosed, profit-oriented basis
- Partnering with a variety of non-Aboriginal commercial interests
- Insulating the commercial enterprises from the political leaders through a small board, involving some non-members
- Stressing the importance of high quality management with employment security
- Having clear lines of accountability back to the members
- Developing the commercial operations within a broader movement towards self-government
- Ensuring the commercial operations fit within an overall community-accepted philosophy or long term plan.

In summary, all three cases respond well to the UN-based criteria for sound governance - legitimacy and voice; accountability; performance; fairness; and direction.

## **E. Osoyoos Indian Band<sup>25</sup>**

### Background

The Osoyoos Indian Band (OIB), or Nk'Mip, was formed in 1877 and is now home to about 370 on-reserve band members. It is composed of two reserves encompassing 13 052 hectares (32 000 acres) in the south Okanagan Valley of British Columbia. The First Nation has set itself the objective of self-sufficiency by the year 2005. In addition to its business initiatives, OIB also focuses on education and training as part of its plan to reach this goal. Currently, the band operates its own health, social, educational and municipal services. And it has virtually no unemployment.

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<sup>25</sup> Sources for this case study include: material from the OIB website ([www.oib.ca](http://www.oib.ca)); notes from a speech made by Chief Louie to the CANDO National Economic Development Conference ("Economic Developer of the Year Award." *Journal of Aboriginal Economic Development*. Vol. 2, No. 1, 2002); case study written by John McBride based on presentation made by article by Chief Clarence Louie and Chris Scott ("Osoyoos Indian Band," *Our Own Vision – Our Own Plan*, published for the Aboriginal Business Development Centre by Simon Fraser University, 2001); an interview with Chris Scott, Chief Operating Officer, Osoyoos Indian Band Development Corporation; and press releases from Indian Affairs.

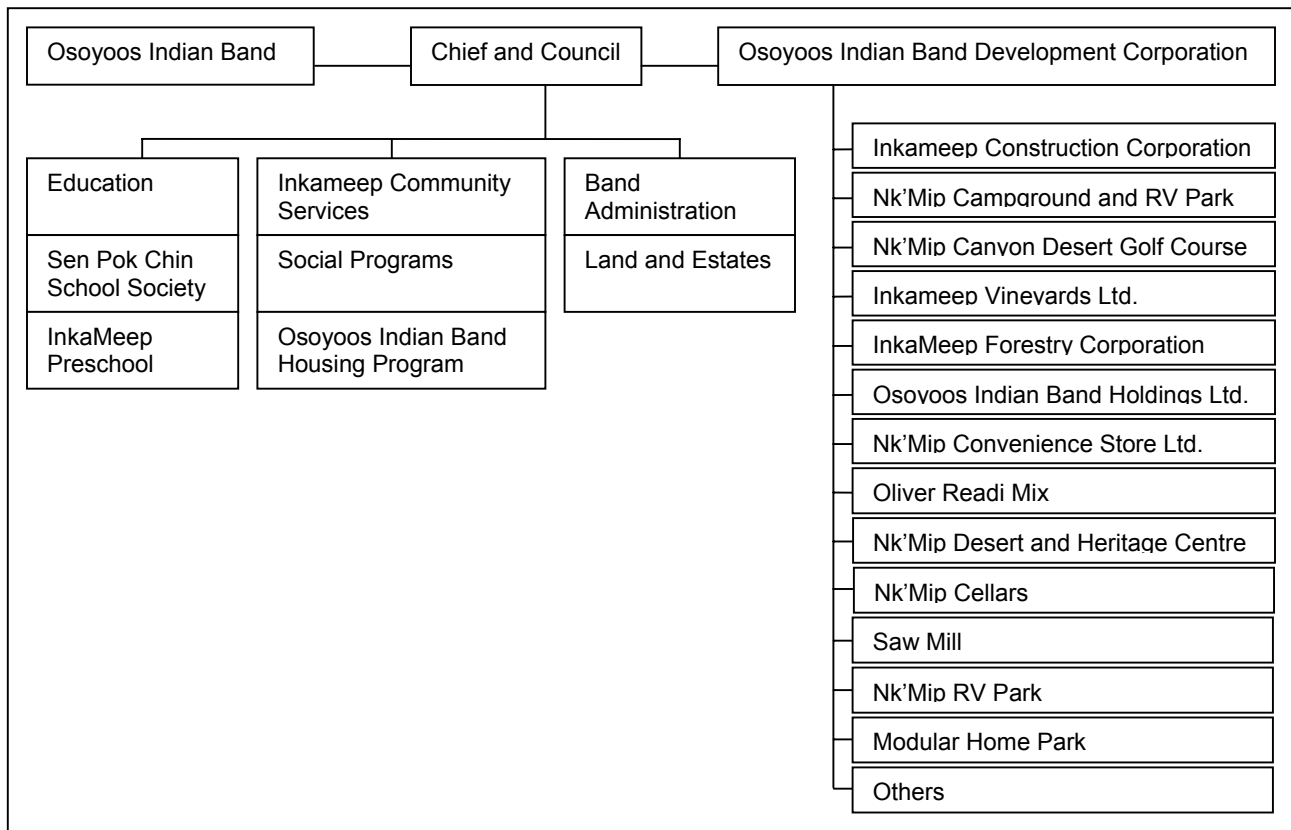
Chief Clarence Louie is the driving force behind the First Nation’s efforts to reduce dependency and attain self-sufficiency. He began the process in 1988 with the establishment of the Osoyoos Indian Band Development Corporation, which now has 10 corporations involved in a variety of activities.

He has worked with community members to develop support for the idea that they must go out and do whatever it is that they need to do in order to become a healthy, thriving community. In practice, this means honouring culture and tradition, and pursuing economic self-sufficiency. OIB now believes that “the band does not owe its membership dependency. It owes them opportunity and a chance to become independent.” To provide this, the First Nation needs to consider new options and approaches. For instance, is it worthwhile putting band lands up as collateral for loans or investment?

### Structures

Figure 3 illustrates the structure of Osoyoos Indian Band, and the location of business activities a few steps away from political activities.

Figure 3



Chief Clarence Louie is both Chief of OIB and President of Osoyoos Indian Band Development Corporation (OIBDC). He recognises the desirability of separating politics and business, but in



reality is confronted with the small talent pool from which to draw. Because the membership of two groups overlap, business decisions are not taken at band meetings. Another element is a culture shift encouraging leaders to recognise that successful businesses adhere to certain business principles. “People talk about running Native businesses the Indian way, but there is only one way to do business and that is the business way.”<sup>26</sup> Further, referenda among First Nation members are held over major decisions. These referenda are usually preceded by a number of band meetings. This serves to maintain accountability to band members and helps eliminate opportunities for favouritism. The objective of the referenda is not unanimity, but a critical mass of support.

The make-up of the board of directors of the Osoyoos Indian Band Development Corporation further reflects this business-based philosophy. In addition to the Chief and three councillors, it includes two former councillors, five 'outside' advisors including a banker and an accountant and the Chief Operating Officer, who is not a member of the band.

## Keys to Success

Osoyoos Indian Band is working to overcome the administrative sloppiness it has learnt over the years. This involves training, refocusing on objectives and learning how to evaluate the effectiveness of social programs. While federal control taught them how to spend money, it was not as successful in teaching them how to make it. Learning how to make money goes hand in hand with learning that no one is “owed” a living. According to Chief Louie, many band members are not yet ready for work, and some of the best workers are now 60 years old or more – they learned to work when they were young, while many younger people learned to be dependant.

Recognising what skills and abilities the band does and does not have is part of successful business. Where the knowledge and confidence are present among band members, OIB may enter a business venture on its own through its development corporation. Where there is uncertainty or incomplete knowledge, the First Nation will consider joint venture projects or bringing in outside experts. Ten years later, once skills have been acquired, OIBDC will consider taking over the business. For example, the First Nation once leased land to Cherry Grove golf course, but now holds complete control of the golf course. Further, the First Nation has expanded the golf course and currently operates Nk’Mip Desert Canyon Golf Course on its own. This venture is one element contributing to the tourism-based side of the economy. OIBDC is building towards a vision of a busy destination resort complete with marina, golf course, cultural attractions, hotels and eco-tourism.

Being able to develop such long term strategies is important to Osoyoos success, and is made possible because the band is focused on its long-term sustainability. It has identified the fields of opportunity that are available – agriculture and tourism – and has a reasonable approach to risk. OIB has had to learn not to be risk adverse, the way many First Nations are when they realise that they carry all the responsibility. They have accepted that taking control also means taking responsibility, and successful execution of economic responsibility will require taking risks. The

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<sup>26</sup> Chief Louie and Chris Scott. Osoyoos Indian Band. *Our Own Vision – Our Own Plan*. Pg 16.

key, asserts Chief Louie, is to take only calculated risks based on sound analysis. Buying Oliver Readi-Mix in 1990 was a risk – especially as it was the band’s first off-reserve purchase – but it was a good opportunity to integrate with the existing carpentry and sand and gravel enterprises operated by the First Nation.

Planting a vineyard in the 1960’s was also a risk, but it is now paying off. Inkameep Vineyards is run by the band under the direction of band member Sam Baptiste. The First Nation has been growing grapes there for more than 30 years. The vineyards are now linked with Nk’Mip Cellars, a joint venture project with Vincor International. The winery held its grand opening in September 2002, offering four types of wine and boasting the capacity to produce 15 000 cases a year. If all goes according to plan, Nk’Mip Cellars will be producing 25 000 cases in a few years, with revenues around the \$4 million mark.

The band is not shy to bring in industry experts to run businesses. Inkameep Cellars brought in winemaker Randy Picton, who was formerly assistant winemaker at Cedar Creek Estate Winery, and architect Robert MacKenzie who has designed four other British Columbia wineries. In each case, the experts worked closely with the First Nation to achieve results that reflected their traditions, culture and values.

## Business Results

In 1994, Osoyoos Indian Band faced the usual situation: federal transfers exceeded First Nation-generated income. Now OIB manages businesses with annual budgets in excess of \$14 million, and its self-generated revenues are seven times greater than federal transfers.

Profits generated by business endeavours are fed back into the Band Council where they are then distributed to the 'shareholders', that is, the members of the band. According to Chris Scott, the Chief Executive Officer of the Development Corporation, this innovation, begun some three or four years ago and served to sharpen accountability to the band's members, who are less tolerant of poor results and more accepting of the Band's business philosophy.

## Conclusions

The key determining factor for Osoyoos Indian Band’s success is the presence of strong and determined business leadership backed by band members. Effective leadership with strong vision and good knowledge of business has allowed the First Nation to form consensus around an objective of economic success.

Another part of Osoyoos Indian Band’s success is the rigorous application of business principles. “We follow fundamental business practice – it’s simple – revenues must exceed expenses.”<sup>27</sup> Succeeding means learning about business, and dedicating band time, money and energy to business development, in addition to the resources given to social programs and treaty rights. It means hiring managers on the basis of merit and training, and not being shy about bringing in expert help.

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<sup>27</sup> Chief Louie and Chris Scott. *Our Own Vision*, ibid, pg 17.

Success also means taking culture into consideration. Achieving economic success is important – but important as a means of attaining social success. “If making money is more important than your aboriginal heritage then you have compromised your identity as an aboriginal corporation.”<sup>28</sup> The trick is to keep this in mind while still operating businesses according to business principles.

Table 8 summaries how OIB has translated into action the principles introduced in the first section of this paper.

**Table 8**  
**OIB ‘s Experience of Turning Principles into Practice**

<b>Principles for Sound Governance</b>	<b>Principles into Practice</b>
<b>1. Legitimacy and Voice</b>	<ul style="list-style-type: none"> <li>▪ Community referenda on major decisions</li> <li>▪ Fit between community objectives and business developments</li> </ul>
<b>2. Accountability</b>	<ul style="list-style-type: none"> <li>▪ Clear line of accountability through Chief and Council to community.</li> <li>▪ Accountability reinforced through referenda and numerous band meetings</li> <li>▪ Distribution of a percentage of profits directly to band members sharpens accountability</li> </ul>
<b>3. Performance</b>	<ul style="list-style-type: none"> <li>▪ Hiring of staff and management based on skills and merit</li> <li>▪ Partnership with outside organisations to develop skills</li> <li>▪ Band commitment to training and education</li> <li>▪ Commitment to running business according to business principles</li> <li>▪ Relying on outside expertise for some board members</li> </ul>
<b>4. Fairness</b>	<ul style="list-style-type: none"> <li>▪ Distribution of profits to all band members</li> </ul>
<b>5. Direction</b>	<ul style="list-style-type: none"> <li>▪ Long term plan developed</li> <li>▪ Strong leadership with commitment to community agenda</li> <li>▪ Political stability through long serving Chief (8 terms)</li> </ul>

<sup>28</sup> Chief Louie. “Economic Developer of the Year Award.” Speech to the CANDO National Economic Development Conference. *Journal of Aboriginal Economic Development*. Vol. 2, No. 1, 2002. Pg 16.

## IV. Commercial Options in the Marshall Context

A central message of this paper echoes the principal conclusions of the Harvard study and much international research: development is first and foremost a political problem. Thus, those First Nations wishing to maximize the benefits that will flow from the Marshall decision will be very much involved in constructing the building blocks identified by the research:

- a) taking firm control of their own development agendas
- b) developing effective institutions which will encourage investment, and
- c) putting in place a strategic direction with broad support from the community.

Having these elements in place will not guarantee success with the opportunity presented by the Marshall Response Initiative. But they should improve the odds significantly. Thus, First Nations may wish to use the MRI as a way of accelerating their efforts in any or all of these areas.

Within this broader context, First Nations appear to have three broad options for structuring commercial operations in response to Marshall initiative. These are summarized in the box below:

### **Options for responding to Marshall Opportunities**

**Option One:** Sell the boats and gear to First Nation members at market prices and designate these individuals the right to fish under the authority of the licences on a yearly fee basis at the going commercial rate

**Option Two:** Create a First Nation-owned corporation to manage the licences, boats and equipment

**Option Three:** A combination of Options One and Two

Other approaches to developing commercial ventures canvassed earlier in the paper – joint venture, leasing First Nation assets to non-Aboriginals and purchasing a share of an exiting business – do not appear relevant in this context.

Each of the above options deserves some elaboration.

### **Option One**

This option is based on the experience of the Northern Native Fishing Corporation highlighted earlier in the paper. In essence, the First Nation would sell the boats and gear to individual entrepreneurs in the community at a market rate. The First Nation would then designate these

individuals the right to fish under the authority of the licence, subject to a well-developed policy that would deal with conditions for this designation. A lender, perhaps Ulnooweg, would also need to be identified.

Working out the necessary policies and programs to make this option viable would be a challenge. The first question is how would the First Nation choose the entrepreneurs and how would they gain the necessary knowledge and experience to run a business, perhaps for the first time in their lives.

One possible approach might be to mimic the entrepreneurial program of Kahnawake, details of which are provided in Appendix B. Thus, Council would approve initial selection criteria (prior fishing experience would be a major factor) and a 'fair' process for choosing participants for a short entrepreneurial course that would result in each candidate developing a business plan. There could be some practical aspects to the course as well – say in the area of basic boat and gear maintenance. A disinterested jury, perhaps including the lender, would choose among the candidates based on the quality of the business plan and other factors. The course might include an 'aftercare' element to it whereby the new 'owners' are twinned with an existing fisher.

To make this option viable, a number of policies would need to be developed including:

- any conditions regulating the future sale of the boats and gear
- the 'rules of the game' for passing on the licence designation to others within the community
- an approach for administering the licences, including the determination of a yearly fee structure
- a procedure for dealing with the licence implications arising from defaulted loans
- how the First Nation would be represented in any forums organized by DFO to manage the fishery
- how the First Nation fishers holding community licences might relate to non-Aboriginal fishers.

Finally, the community would need to make a decision on how proceeds from the sale of the boats and from yearly licence fees would be handled<sup>29</sup>. One scenario is to use the proceeds to purchase more boats and licences on the open market or, alternatively, to invest in other economic development opportunities. Another is to set up a community association as in the Niigon case study to spend the funds for community purposes. Still another is to use the fees from the licence designations to finance the costs of administering the licence system. Finally, the funds could be turned over to the First Nation Council, either as general revenue or for a specific purpose.

In terms of new organizations or structures, this option calls for some mechanism to manage the licences, once Council has determined the appropriate policies. Given the small number of licences involved, this mechanism might not warrant a new organization. Rather, it might be added to some unit that already exists within the band administrative apparatus.

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<sup>29</sup> A first Nation might be wise to seek legal advice in pursuing examining these options. For example, the boats and gear may be a capital asset of the Band. Any funds from their sale might be deemed to be 'capital moneys' under the *Indian Act* and therefore subject to the constraints of the Act. The tax implications of some of these options also need to be examined.

Another possibility under this option might be to create some co-operative structure among the fishers to sell their catches, presumably at higher prices than they could do so individually.

The community should be asked to approve the principal elements of this option prior to implementing it.

Lessons relevant to this option that come out of this study are included in the box below.

### **Lessons Relevant to Option One**

- Keep the First Nation out of the business of making and administering loans; its principal task is to administer the licences
- Ensure that each potential entrepreneur has a business plan and has sufficient training
- This option requires a significant number of well crafted policies to make it work
- Designation fees for the licences should be at the going commercial rate
- This option might work best in communities with existing fishers, prior to the MRI

### ***Option Two***

Under this option, the First Nation would create a corporation, if nothing suitable exists in the community, to operate the boats and gear as an ongoing commercial enterprise. The first step in this option would be to develop a business plan that would describe:

- how the business's day to day operations would be kept at arms length from politics
- the management of the business, including the number of employees, their qualifications and how they would be chosen and compensated
- how the gear and boats would be maintained and ultimately replaced
- the projected revenue stream and corresponding expenses
- the make-up of any board of directors
- how the relationship with DFO and the rest of the industry might be handled
- the tax implications of the new enterprise, and
- what would happen to any profits

This business plan would need Council approval and likely that of the community as a whole. In terms of the distribution of profits, the same choices exist for this option as for option one. Lessons from the case studies and interviews relevant to this option are captured in the box below.

### **Lessons Relevant to Option Two**

- Keep the board small and include directors from outside the community with experience relevant to the business
- Be committed to operate this enterprise as a business that aims to maximize its long term profitability. Employing community members should be a secondary objective
- Hire only competent managers and staff based on merit
- Build in incentives to compensate captains and their crew, likely based on a percentage of the catch
- Make future hiring of captains and crew contingent on their performing good maintenance practices of the vessels and gear
- This option might be best suited to communities with experience in running FN businesses

### ***Option Three***

This option would combine elements of options one and two – that is, some of the boats and gear would be sold and some would remain under a First Nation run company. The rationale might be to retain the more lucrative crab licences under community control with an agreed on policy for distributing the net revenue for community purposes. Alternatively, there might not be sufficient individuals in the community willing to risk setting up their own business. Or perhaps the lender is not willing to loan sufficient funds to have individuals buy all of the vessels.

As in the earlier options, it would be imperative to have business plans for both the individual owners and for the First Nation-run company.

### ***Assessing the Options***

Using the five principles developed earlier in the paper – legitimacy and voice, accountability, performance, fairness and direction – none of these options can be dismissed out of hand.

Economic viability under performance would need to be looked at carefully. Perhaps there is no lender willing to lend individual sufficient funds to purchase the boats and gear, thus bringing consideration of option one to a quick close.

Similarly, one of the options might form a better cultural fit with the First Nation. There may be, for example, a strong sentiment to go the individual entrepreneur route in that independent fishers already exist in the community. Alternatively, individual members might express a strong preference for a First Nation owned enterprise. Past experience will have a lot to do in colouring this aspect of the analysis. A key consideration in the analysis of performance is to determine which option in the context of the First Nation offers the best chance of long term sustainability. This challenge should not be underestimated. As one of our interviewees put it: “...launching a new business is easy – keeping it profitable and alive year after year is tough”.

Fairness and direction might also be important determinants, given other developments on the reserve – for example, the establishment of another economic enterprise in, say, forestry, in which this might form a piece of a new organization. Specifically in regards to fairness, the underlying rationale behind all of these options is to take a strictly business-like approach to the management of the community assets. In return, there must be a 'fair' and transparent handling of a portion of the profits on an ongoing basis so that all community members benefit.

In sorting these options out, perhaps the first step might be to call a community meeting to explain the three options in the context of what else is happening in the community and get reactions from members. This will be a first step to ensuring legitimacy and voice. The First Nation might also give careful consideration to holding a referendum to confirm the final option chosen.

### ***Co-operation among communities and with Government***

A final challenge for First Nations affected by the Marshall decision is to identify benefits that may lie in communities co-operating with other communities. These benefits could be commercial (a better price for catches or the development of joint training programs) or they might be based on achieving more effective advocacy with both DFO and the rest of the industry. Finally, based on experience on Canada's west coast, co-operation among communities might produce mechanisms for providing benefits to individual fishers such as health benefits and low interest loans. The United Fishermans' Benefit Fund, for example, collects a few pennies per pound from the catch proceeds of its contributors. The result is a fund with millions in assets that can provide a range of benefits to its contributing fishers.

It is evident from examining all three options in this paper that co-operation among First Nations and various government departments is imperative if the full benefits of Marshall Response Initiative are to be realized. In particular, all of the options should involve significant efforts on the part of all parties to build necessary capacity. Experience shows that such capacity building, to be successful, has the following characteristics:

- Local ownership and control is critical
- Effective capacity building takes time, and
- Long term partnerships are critical.

More detail on capacity building can be found in Appendix C.



## APPENDIX A An Aboriginal Approach to Sound Governance

### *A Vision for the Government of Nunavut*

In preparation for Nunavut, extensive consultation with citizens of Nunavut resulted in a vision of government that:

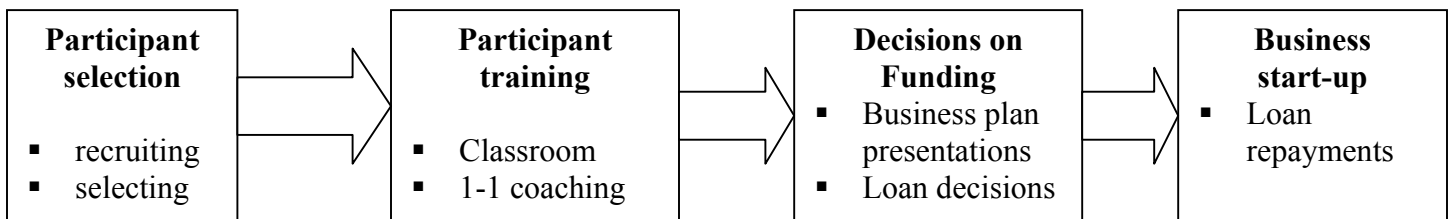
- ❑ places people first;
- ❑ represents and is accountable and fair to all its residents;
- ❑ is a servant of the people of Nunavut;
- ❑ seeks direction from the people;
- ❑ is shaped by and belongs to the people of Nunavut;
- ❑ offers programs and services in an integrated and holistic manner;
- ❑ promotes harmony amongst people;
- ❑ places ownership of well-being into the hands of individuals, families, and communities;
- ❑ conducts itself with integrity and openness;
- ❑ encourages excellence and welcomes creativity; and
- ❑ incorporates the best of Inuit and contemporary government systems.

Source: “Nunavut – Changing the Map of Canada” Insights – *Public Sector Management in Canada*, Volume 3, Number 4, Public Policy Concern.

## APPENDIX B

### Developing Successful Entrepreneurs At Kahnawake<sup>30</sup>

In the late 1990s, the Mohawks of Kahnawake developed an entrepreneurship program aimed at youth between the ages of 15 and 29. Supported by Industry Canada, the program had four phases:



Each phase deserves elaboration.

#### 1. Participant Selection

After developing the program, consulting with the community stakeholders, securing the funding and choosing consultants to deliver it, program organizers proceeded to advertise the program through community media (newspaper and radio), announcements at meetings and the holding of two information sessions. A total of 23 individuals applied to take part. Each was then interviewed and, as a result, 17 applicants started the program.

#### 2. Participant Training

Training occurred in 12 three hour sessions spread over 10 weeks. The objective of the training was to provide candidates with sufficient knowledge to produce a business plan. In addition to the formal in class sessions, each candidate was assigned a Business Service Officer to help them throughout the course. Thirteen participants completed the training and, of these, six produced business plans

#### 3. Decision on Funding

Program organizers put together a Loan Committee of respected members of the community with appropriate backgrounds in business and economic development. The Committee approved five of the six loan applications arising from the business plans. Of the five successful applicants, two were university students.

#### 4. Business Start-up

A year and a half following the program, all five businesses were still operating . All have been repaying their loans in a timely manner and are growing at a moderate pace.

<sup>30</sup> Robert Oppenheimer, Tom O'Connell and Louie John Diabo, "Facilitating the Development of Successful Entrepreneurs in Kahanawake", *The Journal of Economic Development*, Volume 2, No.1, 2001

## **APPENDIX C**

### **Capacity Building Principles**

Some principal lessons about capacity-building from experience in both Canada and abroad appear to be the following:

#### **1. Local ownership and leadership is critical**

Funding agencies can not play the lead role or dictate the content, pace and direction of capacity-building. Rather, the lead must come from the community itself. Further, the community and its leaders must be genuinely committed to making improvements. Such a community-driven approach often requires dramatic changes in the way in which funding agencies operate. They must become better at adapting their policies and procedures - their way of doing business - to the needs and circumstances of the communities they serve. Beyond that, funding agencies must see their role, ideally, as being to put themselves out of business. A funding agency is successful when a community no longer needs its help, or needs less of it.

#### **2. Capacity building is ultimately about politics, political leaders and their relationship with their citizens**

A strong bond of accountability between citizens and their leaders generates demand for capacity building. The quality of a government's performance is determined to a great extent by the interplay between it and its citizens. Pressure by citizens and citizen organizations for improved public sector performance will drive capacity building efforts and ensure that local ownership is respected.

One way to develop strong demands for high quality public services is through the wide dissemination of information that would allow citizens to monitor government performance. Disseminating such information can have a powerful impact on the attitudes and behaviour of public officials. In short, experience has shown that putting relevant and easily understandable information into the hands of citizens promotes a more accountable and effective government.

#### **3. Effective capacity building takes time**

Today's industrialised countries took centuries to develop effective public sector institutions. Developing countries and First Nations reclaiming law-making authority are trying to do the same thing in the space of a few years. Funding agencies require a longer term perspective because fundamental change can take decades. Short term projects, if they are not consistent with a longer term, capacity building plan, tend not to be helpful.

#### **4. Long term partnerships can be critical to successful capacity building**

Partnerships and effective capacity building appear to be closely linked. That said, 'genuine' partnerships appear to be more the exception than the rule. If capacity-building is to be led by communities and not funding agencies, then the impetus for defining the terms of the

partnerships should rest with the communities. Factors leading to high performing partnerships appear to be the following:

- Similarities in orientation and values with respect to capacity building;
- Motivations of each of the partners are known (there are no hidden agendas) and taken into account
- The partnership is formalized through an MOU or letter of agreement
- The partners share a similar vision of where the partnership might lead but start 'small' in a step by step manner.
- The partners devote the required time to keep the relationship on a solid footing.