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**Financing Self Government:**

***The Strategically Positioned  
First Nation***

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& The Indian Taxation Advisory Board (ITAB):  
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**“Financing Self Government:  
*The Strategically Positioned First Nation*”**

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*Sixdion Inc. is a majority owned and controlled Aboriginal firm offering information technology enterprise solutions and strategic planning & development services across Canada, to public and private corporations. With its head office on the Six Nations territory near Brantford, and its offices in Ottawa and Park Hill Oklahoma, Sixdion provides a variety of innovative services focused on delivering “strategic value”. Under the banner of The Millennium Group, Sixdion provides a unique pool of talent to assist Aboriginal Communities and related organizations position for the next millennium.*

***Note to the Reader:***

The opinions expressed in this paper are those of the authors, their colleagues, and interviewed First Nations, and may not necessarily reflect the opinions or position of the Government of Canada, or any other specific party. This document is presented in the spirit of fostering new thinking on the subject of Revenue Generation, without prejudice.

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## EXECUTIVE SUMMARY

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The task of financing Aboriginal self-government as we move into the 21<sup>st</sup> century presents a very daunting challenge. The barriers, both internal and external, facing First Nations are huge and in-borne from many years of dependency on the Federal Government under the veil of the Indian Act. Generally speaking, the Indian Act is seen as both a hindrance (from its paternalistic powers) and a useful tool, in that it has maintained the First Nation communities as a definable entity that the government of Canada must work with. When it comes to generating revenue within the community to fund self-government, it is (i.e. section 89) considered a barrier.

With all good intentions, Federal Government policy makers are searching for creative ways for First Nations to fund their own governments. Unfortunately however, the “reality” is that very little is likely to be achieved on the revenue generation front without radical policy changes.

It is this reality that forms the basic simple theme of the enclosed report:

**Unless governments and First Nations focus on major change as it relates to building a foundation from which to generate revenue, the pursuit of revenue generation initiatives is for all intents and purposes - futile. However, given the right environment, the possibilities are limitless.**

First Nations and the Crown need to meet the challenge of governance head-on, and this paper offers the notion of a "**Strategically Positioned First Nation**" as a way to meet this challenge. The Strategically Positioned First Nation is one which has the elements of a future oriented economy in place:

- an effective First Nations Model of Government;
- effective financial/administrative systems;
- a viable tax base; and
- an ability to manage and grow in the new Information Age.

In addition to establishing a “strategically positioned” community, First Nations need to understand “revenue generation” in the context of their overall economies. They need to focus on ways of generating revenue for their community using the resources available to the best of their ability. Further, Aboriginal leaders need practical tools to effectively and efficiently bring their communities into the next millennium. Tools such as a set of “economic indicators”, a First Nations “statement of national accounts”, if you will. As well, tools are needed to assess their economies—at a local level. Based on an analysis of existing data this report breaks First Nations into four categories to assist the First Nations, and DIAND, in understanding the current position of communities—at a practical level. They are:

- the *Established* First Nation;
- the *Developing* First Nation;
- the *Fragmented* First Nation; and
- the *Dependent* First Nation.

First Nations need to explore ways of generating revenue to fund their governments. Both tax and non-tax revenue generation options must be explored, as both sources of funding are essential for a viable First Nations government. The ideas presented in this paper are not presented as a best fit for all

communities, but as ideas that can be reviewed and implemented depending on the wants and needs of the particular First Nation. At a minimum they should spawn creative ideas and approaches.

Interviews with First Nations across a wide spectrum brought forward many thoughts confirming that revenue generation is, and must continue to be explored across all industries and borders, and in a variety of business relationships. The interviews also highlighted many of the well known barriers and other obstacles First Nations face in generating revenue and creating wealth in their communities.

The revenue generation possibilities contained herein present new and innovative approaches to this topic from the First Nation perspective. However, as mentioned, in many ways these ideas tie back to the need to have a stable and accepted First Nations system of government in place prior to implementation. In addition to taxation, opportunities are presented in six sectors, which are by no means all the sectors that have potential. The six sectors of revenue generation are:

- Natural Resources/Eco Tourism;
- Information Technology;
- International/Inter-Tribal Trade;
- Domestic Sources of Capital;
- Off Shore Investment/Capital Sources; and
- Community Economic Development.

In order to capitalize on the opportunities, the Crown and First Nations must focus on true “government-to-government” negotiations and make the necessary adjustments on both sides of the table to achieve the desired results. Practical, apolitical solutions need to be found that get past counter-productive environments. The issues are critical and time and money are in short supply everywhere, making it essential for every dollar, and every minute to be maximized for the benefit of the First Nations and Canada as a whole. All parties need to step back and assess the situation and position Aboriginal communities to move into the 21<sup>st</sup> century in control of their own destiny.

Unfortunately, as everyone knows there are no simple answers or easy roads. Further, substantive success for the First Nations and Canada will not come from micro initiatives or small ideas—without substantive change.

This report makes some recommendations that may help start the process of serious wealth-creation in Aboriginal community.

Hopefully, the First Nations and the Crown are serious in their resolve to create *Strategically Positioned First Nations* that move forward into the next millennium with optimism, success and the well-being that all communities desire—Aboriginal or otherwise.

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# 1 INTRODUCTION

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“Self-Government”—governing one’s self. It sounds like a relatively easy concept.

After all, we do it every day. In our lives and in our homes we are self-governing. We make plans, we make choices, and perhaps most important we budget and find the financial resources required to support our plans and the choices we make.

Aboriginal self-government is no different, it is also about an ability to govern one’s self, and it is a reality within the reach of Canada’s First Nations. This reality will bring a new challenge to First Nations. Not so much a governance challenge, but a challenge to create the infrastructure and infostructure of governance and administration needed in today’s, and more importantly, tomorrow’s world. The challenge raises a major central question: *How can First Nations help to fund their self-government and what will the model be?*

With all good intentions, Federal Government policy makers are searching for the ways and means of generating revenue (such as the commissioning of this report), as First Nations begin to create and fund their own governments. Unfortunately however, the “reality” is that very little is likely to be achieved from initiatives such as these without radical major policy changes.

It is this reality that forms the basic simple theme of this report:

**Unless governments and First Nations focus on major change as it relates to building a foundation from which to generate revenue, the pursuit of revenue generation initiatives is for all intents and purposes - futile. However, given the right environment, the possibilities are limitless.**

In view of the above, the goal of this report is to present perspectives and ideas that will help First Nations and Government policy makers respond to these daunting challenges.

## 1.1 BACKGROUND

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The topic of revenue generation is receiving an increased amount of attention. However, there is some confusion regarding the meaning of "revenue generation", and why it is needed.

Clearly, increasing revenues in a First Nation community is a positive thing since it makes the First Nation wealthier. However, another important reason now exists for First Nations to pursue this issue. The Federal policy Guide on Aboriginal Self-Government, announced in 1995, states that:

*“The Government’s position is that financing self-government is a shared responsibility among federal, provincial and territorial governments, and Aboriginal governments and institutions.”*

*Revenue Generation* is the development of funding sources that First Nations will use to partially finance their self-government.

So, we can define “revenue generation” as: funding sources developed by First Nations, either through taxation, fees, or other means, that may serve as their contribution to the financing of their self-government. The “revenue” generated goes to help run their self-government, making their community more self-sufficient over time.

Confusion exists as to how these revenues can be created. All that is certain is that everyone is searching for ways for First Nation self-governments to generate revenues without negatively affecting anyone.

Taxes, user fees, and other similar forms of revenue generation are “zero-sum”, economically. “Zero-sum” means that the collective gains in the community are negated by collective losses. In other words, the government takes money from one person or group, uses a bit of this money to run itself, and then gives the rest of the money to another person or group. The transfer of money, while important to the community’s well-being, does not increase the size of the community’s economic “pie.”

In North America, federal, state and provincial governments generate the bulk of their revenues from income taxes and consumption, (e.g. the GST), municipal governments obtain most of their resources through property taxes. For these governments, income and property taxes produce the most revenue with the fewest problems. However, these communities also enjoy developed and growing economies. Thus, their economic “pie” is growing, hence, their potential for taxation is growing. For them, taxes and fees increase from a growing economy, without any raise in rates.

It is in economic growth that the positive sum game is found. Such growth results from entrepreneurial activity which increases the size of the “pie” that all citizens and governments rely upon and share for their well-being. On the other hand, taxes and other rates simply transfer funds from individuals to governments without increasing the size of the “pie”.

*(Note: the preceding section of the background was provided by Bob Kingsbury, Senior Research Manager, Research and Analysis Directorate.)*

### ***The Inherent Right of Self Government***

The inherent right of self-government for Aboriginal people is recognized by the Government of Canada as an existing right within section 35 of the Constitution Act, 1982. The Crown recognizes that they have a unique, historic, fiduciary relationship with the Aboriginal people of Canada which will not be ended by a First Nation negotiating a self-government agreement with Canada.

Generally, we are talking about creating a third order of government in Canada within the context of this paper, and specifically on how to generate revenue to operate this First Nation government. It is understood by all parties that this ability to raise revenues from various sources will not release the Crown from their fiduciary obligation. It is recognized in government policies that there are financial obligations, responsibility and political accountability by all levels of government. As stated in the government of Canada’s policy paper “Approach to the Implementation of the Inherent Right and the

Negotiation of Aboriginal Self Government”:

“Negotiations on implementation funding will consider:

- existing levels of support;
- programs and services being assumed by the Aboriginal governments;
- the ability of the Aboriginal government to raise its own revenue;
- the cost-effectiveness of the proposed arrangements;
- the objective of ensuring basic public services for Aboriginal people comparable to those available to others in the vicinity; and
- the need for stable and flexible funding arrangements.”

This report touches all these issues and focuses on ways of ensuring that the First Nations are positioned for self-government with the means to raise revenues which will offset the costs associated with operating a third order of government within Canada.

### ***A Common Understanding of Self Government***

Unfortunately, there is no model self-government initiative which can be reviewed at this point in time. There is, however, one *common thread* which all parties agree on when discussing First Nations self-government: Economic Self Sufficiency.



First Nations politicians/leaders will use these three words when they begin to explain what their concept of self-government is for their particular community. However, there is little evidence to date that the First Nation leaders fully support or really understand what these three words mean.

Therefore, it is imperative that open and honest dialogue, supported by ideas and options for the future, be explored and presented in pragmatic and applicable ways. The urgent need for workable solutions is driven home further by the realization that Aboriginal community leadership abilities will be put to the test in the very near future when self-government becomes a reality.

It is this view of economic self sufficiency that is at the heart of this report. The goal has been to analyze and look at the issues of revenue generation (both *tax and non-tax* sources of revenue) from a First Nation self-government perspective in their most practical terms.

### ***The Present First Nations Government***

With no model in place, an appreciation of the current system is the place to begin. It raises the question: *Can revenue generation flourish in the present system?* The simple answer is: not generally!

The present system of First Nation governments in Canada is an elected system of government as required under the *Indian Act*. The actual governance model that falls upon a First Nation council today is also dictated by the Indian Act which most people (both Aboriginal and non-Aboriginal) agree is out-dated and antiquated.

The basic requirement of a First Nation council today is to *be accountable* for the government transfer



payment received, which in most cases represents the vast majority of the revenue generated to operate a First Nation community.

Further, the “cost accounting” which First Nations have been responsible for in the past (i.e. to pass an audit) as imposed by the Indian Act does not provide the necessary tools for a *new* First Nation government to plan for the future, instead it perpetuates a “bag of bucks theory”. Cost accounting is based upon the premise of getting a transfer payment (*a bag of bucks*) from the federal/provincial/territorial government and making sure the year ends with an empty bag, and more importantly, with all the necessary documentation (i.e. audit requirements) in place. First Nations have become very proficient at this type of financial accounting and have structured their management and administration around this system.

**The audit requirements of the Government of Canada (and the provinces/territories), the historic relationships between the Governments and the Councils and the Indian Act have basically prescribed the type of present governance systems we see in First Nation communities. This has led to “mirror administrations” being developed in First Nation communities with the sole purpose and responsibility of being accountable for the government transfer payments they administer. It is this type of system which makes it (and has historically made it) difficult for the First Nation leadership to have a future focus and the in-house tools to attain autonomy and substantial revenue generation.**

On the positive side however, the Aboriginal community has an inherent right to Aboriginal self-government entrenched in the Canadian constitution. These rights include fiduciary obligations and other treaty obligations, which neither get lost nor relinquished in the development of Aboriginal self-government. These rights will hopefully provide a baseline from which to fund Aboriginal self-government.

Notwithstanding the above, Governments have one universally accepted need, and that is for revenue. First Nation governments are (and will be) no different in this respect from their non-Aboriginal counterparts.

## **1.2 REVENUE GENERATION STUDY FOCUS**

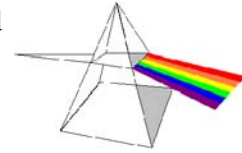
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The funding of Aboriginal self-government has been the subject of much study. Consequently, it is not the objective of this study to simply produce another list of revenue generation opportunities. Rather, the goal has been to expand on what has been done to date and to provide a perspective, or framework, for moving forward with opportunities in light of what fundamentals will need to be in place to be successful.

We are not saying that studies done to date are of no value. On the contrary, they provide a solid reference base from which to draw.

**What we are putting forward in this paper is that: success will be chancy at best, without a comprehensive understanding of what position a community must be in to achieve the success it needs, wants, and is due.**

One can look at the body of work done to date as white light entering the prism, this study as the prism, and the output as a spectrum of clearly defined approaches and ideas from which to build a self-funding First Nation.



The statement of work called for numbers of points to be explored:

- A categorization of First Nations;
- Sources of revenue currently available to First Nations;
- Barriers and advantages to sustainable revenue;
- Possible revenue mechanisms;
- The impact of non-economic factors on revenue generation;
- Potential magnitudes of revenue; and
- Research to further refine both DIAND and First Nations' understanding revenue generation.

In keeping with the above points, and our theme presented at the beginning of the introduction, we present our study and perspectives by first laying out a view of the needed environment, followed by a menu of opportunities and recommendations.

### 1.3 A NEW PERSPECTIVE

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As a critical starting point, we offer the notion of a “Strategically Positioned First Nation”, clearly focused on future generations and bringing into place the critical resources that a modern stable government (First Nations or otherwise) requires:

- sound financial management systems;
- the need to generate revenue (e.g. taxation); and
- capacity within the community to use information technology to mobilize the community controlled resources.

In addition to solidifying the elements of a Strategically Positioned First Nation, leaders and policy makers must have a common understanding of the workings of a First Nation economy. To that end, we offer an analysis and overview of the current economic/financial state of the First Nations in Canada. Along with a categorization, we put forward a sample self-diagnostic tool which may help First Nations determine their economic profile.

Finally, we offer sample ideas for revenue generation which First Nations and Canada can use to enhance the creative process in the planning for Aboriginal self-government. These ideas are delivered from the Millennium Group of Sixdion, and also from the First Nation interviews which were undertaken as part of this study.

Hopefully, First Nations and DIAND policy makers will use the concepts and ideas offered within to begin to build (or re-build) the government structures that will be critical to successful revenue generation and self-sufficiency.

However, we caution that there are no “magic” answers. This report contains no new or startling news, only another stark reminder that in most cases the First Nations have no real economy or economic power at this time. Real economic power must be established for revenue generation discussions to be of any value.

**Failure of the Crown and First Nations to develop an environment that has the elements for success will result in a continuation of fruitless economic development policies that anticipate results where none are possible.**

As stated, generating a *list of revenue generation opportunities* will not provide any real value to either Canada, or the First Nations—it’s not that simple.

Before policies and programs can be developed that add real value and effective solutions, the make up and position of a First Nation, in a self-governing context, must be agreed upon, at least at a conceptual level. To that end, this report will present revenue generation in the context of a *Strategically Positioned First Nation*.

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## 2 THE STRATEGICALLY POSITIONED FIRST NATION

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The future demands that First Nations leaders keep a watchful eye on their communities, and think about their prospects “strategically”.

As stated, self-governed communities need healthy economies to sustain themselves. One key to ensuring that they are run in sustainable ways is to promote a future focus on their economies by their own leaders. This must be developed if First Nations are to progress from dependency on the system of transfer payments, especially since they are undergoing cuts, like every other sector of government funding.



It is this “future focus” where the creative revenue generation ideas presented in this report can have the greatest impact on the future self-government situation for First Nations in Canada. However, before any well-conceived revenue generation can begin in First Nation communities, economic activity must be grounded in a solid base. This will require a number of critical elements:

- an effective First Nations model of government;
- effective financial/administrative systems;
- a viable tax base; and
- an ability to manage and grow in the new Information Age.

Each of these elements of an Aboriginal economy could make for a considerable discussion in itself. But for practical reasons we must reach a high level of understanding about this foundation that fits into the overall analysis, namely, as the base from which all economic activity must grow. It can be said that once a First Nation has achieved a solid base in all four areas, it is “strategically positioned”.

With the elements in place, the community is in a much better position to achieve economic self-sufficiency and will be able to concentrate on keeping newly generated wealth in the community. First Nations must be equipped with ways of keeping newly created capital within the community to further develop and strengthen that local economy. Conversely, the community also needs the tools to protect itself from the elements challenging its economy.

These tools include the financial, managerial, and entrepreneurial skills to maintain the economy and to further its growth. These skills should include providing the Aboriginal communities with the abilities to:

- measure the local economy (including social health) in meaningful ways;
- develop and track strategic development plans and have the wherewithal to take corrective measures if necessary;
- manage their own affairs with state-of-the-art systems; and
- recognize and capitalize on opportunities.

Our report has been designed, at least in part, to spawn new thinking and critical analysis. It is not

enough to investigate revenue generation “opportunities”, as opportunities without a conducive and supportive environment will achieve little. The foundation of a well positioned community needs to be understood, debated and implemented. The elements of a *Strategically Positioned First Nation* are discussed below.

## 2.1 ELEMENT ONE: FIRST NATION MODEL OF GOVERNMENT

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The establishment of a First Nation model of government is the first necessary layer of the Strategically Positioned First Nation.

The concept of self-government in Canada can be compared to a certain degree with the type of sovereignty that the Tribes in the United States have with the US government to develop their local Tribal governments. The idea of self-government will include negotiated powers and authority which a First Nation will enjoy as it fits within the overall government structure of Canada.

The form of government which a First Nation begins to develop must demonstrate stability to those outside the community. The stability of a First Nation government (and any type of government for that matter) has a definite impact on the ability of that government to generate revenues. The governance model to be developed may have certain local and/or regional nuances, but must have clearly defined and accepted powers and authority which must exude this air of stability to business partners or investors outside of the local First Nation community.

While the local First Nation government must acquire a level of “accepted” power and authority, it must also be in a form that is acceptable to the community. This is where the nuances and community concerns can be addressed as the “new” First Nation governments emerge onto the Canadian landscape. The most acceptable form of government will be one which matches the “government in charge” with the cultural values for a legitimate government system.

With these concepts and ideas in place the local First Nation government will establish the critical first layer of the foundation for the future. The First Nation community of the future becomes attractive for investment, has an ability to raise capital and will represent a “good business partner” to individuals, businesses and other governments from outside the community.

**The First Nation model government which encapsulates these basic ideas of sovereignty/self-government (“accepted” power and authority), operates with an air of stability, and where the government in charge matches the cultural norms of the community, a re-newed strong First Nation begins to emerge.**

## 2.2 ELEMENT TWO: FINANCIAL/ADMINISTRATIVE SYSTEMS

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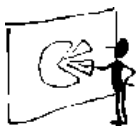
The new First Nation government will now need sound administrative systems to begin to operate their model of governance. The governance model and financial/management systems can be tailored to the local community but must be focused on the new accountability to the members of the community, as opposed to being accountable as per the Indian Act (no more bag of bucks accounting).

The new First Nation government will have a need to generate revenues on a long term sustainable basis to run this local government and must implement financial/management systems which support and manage this new reality. The idea of generating revenues “flies in the face” of cost accounting as now the “bag of bucks” idea is reversed, where the bag starts empty (or more likely with a base amount) and the goal is to keep filling the bag so that there will be sufficient funds in the bag to meet the yearly requirements. A new First Nation government will need the tools to operate their administration more like a business and less like an old “Indian Act” First Nation council.

In order for First Nations to be positioned for the new economy they need systems that integrate all economic functions in the community into one system. Enterprise systems are becoming commonplace throughout governments, municipalities and larger private organizations.

A very important aspect of these enterprise systems is their integrated functionality. It is important that such systems provide the full range of financial management functions. These systems should be both robust and highly flexible to meet the demands and unique requirements of the First Nations. The system should be regarded as an enabling technology, not as a constraint!

As the enterprise evolves, it will require a system which is easily modified and maintained in the community, while not requiring extensive programming to make it fit the First Nations. The systems should also be portable and scalable across a variety of hardware and database platforms so as to minimize technical restrictions.



Perhaps most important is the ability to access, analyze and report on the data contained in the financial system to facilitate economic decision-making. The system adopted should provide a variety of reporting tools and the ability to interface with other common analytical tools and applications.

Overall, the community economic enterprise model of financial management permits the leadership of new First Nations governments to have access to the information they need to fix their focus on the future. The strategic planning necessary for First Nations to grow and become a strong and effective order of government in Canada will use this information as the base for their decision-making. The First Nation is now accountable to the community members.

## 2.3 ELEMENT THREE: TAXATION

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As First Nations in Canada evolve and transform into “true” orders of government their needs for internal revenue generation from First Nation controlled resources will be defined by their ability to access and manage financial information. As this information is utilized for future planning purposes, the First Nation government will begin to analyze their fiscal requirements and develop their fiscal policy. First Nation governments will include an entrenched transfer arrangement from Canada on a government-to-government basis. Once the fiduciary obligation is agreed upon, the First Nation government will also identify the internal revenue base that must be generated from within local First Nation community resources.

Again, at the risk of over stating, it is recognized that First Nations in Canada have historical treaty arrangements with the government of Canada. These rights along with their future financial compensation will be woven into the economic fabric of the new First Nation Government. Revenue generated from internal sources will not effect the fiduciary obligation of the federal government, it will add to it.

The new First Nation government will determine the fiscal requirements of their administration. Next is the development of a strategic plan which will determine the amount of revenue that must be “generated internally” to supplement the cost of the local government not covered by the “fiduciary obligation” of the Crown. This will influence the decisions of the First Nation government in terms of economic development and other initiatives undertaken to generate the needed funds.

**The ability of a First Nation to function as an independent form of government also brings to bear the responsibility of governing/managing the community effectively and efficiently. While certain decisions may not be very popular (probably due to the newness of the situation) it is one of the powers that must be exercised. A forward thinking government looking to strategically position the community for long-term sustainability must recognize all opportunities that are available to ensure their future.**

### *Financing a First Nation Government*

One grossly under-utilized (and probably equally misunderstood) source of revenue for a First Nation government is a system of taxation. Generating revenue from internal resources (alluded to above) is a form of using a taxation system. These types of revenues are widely recognized as a reliable revenue stream, and are used extensively by other governments.

**We are not talking about the taxation of First Nation members who often have little enough as it is. We are talking about the systematic and fair use of a taxation type system to raise revenue that is available to all forms of government.**

A First Nation looking to exercise this power and implementing a taxation type system must have certain basic elements. The actual provisions (i.e. various forms of tax) can be decided upon by the individual First Nation government, but these basic elements must be developed and enforced. Bill C-115 has been an important first stepping stone for First Nations in their attempts to govern themselves.

For proof that these types of initiatives are valuable, we need look no further than the fact that the fifty five (55) First Nations who utilize this power are expected to generate about \$15 million in revenues this year from C-115 related activities. Bill C-115 amended the Indian Act in 1988 to allow First Nations to generate property taxes on their lands.

The taxation type system must be directly attached to the new governance system established through self-government negotiations. It must make provisions for the creation of a “tax court” to resolve issues, as well as an enforcement entity. These administrative provisions are critical, because many First Nation taxes will be challenged and it is very important that these challenges can and are dealt with within the structure of the First Nation government.

The main part of the system will deal with the types of “taxes” assessed under the First Nation code. This can be very creative and will depend upon the non-Aboriginal uses being made of First Nation lands controlled by independent First Nations in Canada. The types of proactive taxes imposed are only limited by the creativity of the First Nation and the willingness and/or economic ability of the people/businesses to comply and pay.

**The design and implementation of a taxation type system is not a luxury for First Nation governments. It is a sovereign necessity for First Nations in order to accomplish their essential governmental functions.**

With increasing reductions in federal funding, the future need for revenue generation by First Nation governments is magnified. The First Nation government will have to provide and continue to provide many functions that were previously available from federal funding sources. A taxation type system is a very viable way to accomplish this and provide necessary services to the community.



A well designed system utilizing these governmental powers can achieve many things including significant revenue generation. The most obvious result of this system is that it can generate new revenue directly back to the government for their use. Secondly, it can result in increasing the economic return of the First Nation owned assets to a current fair market rate. Third, the system forms a foundation for leveraging the First Nation’s assets.

### ***New Revenue Generation***

The first and foremost objective of this system of taxation is the raising of revenue. While the First Nation may initially believe that little revenue will be raised by the implementation of this new system, most often the opposite is revealed to be the case. Substantial revenue from “untapped” resources is probably available to most First Nations. Tapping into these unused (or under used) resources made available by a taxation type system can provide a steady & sustainable stream of revenue to even the First Nations that only have a basic dependent economy (discussed later).

For example: *Six Nations has a natural resource of gypsum within its territory. DIAND negotiated on their behalf decades ago to have a royalty paid directly back to the government for extracting this natural resource from Six Nations territory. The royalty was not negotiated from an economic/business standpoint and the amount of money flowing back to be held in trust for Six*



*Nations is minuscule compared to profit made by the private company.*

*In the past the royalty has been only paid in pennies per pure ton. Only very recently has there been any adjustment to increase this payment. The First Nation in control could re-negotiate this agreement and get fair market value for the resource extraction and increase the flow of revenue back to the local government.*

In a negotiated self-government situation the “real” economic facts must be analyzed in order to establish a “true” picture of the cost of First Nation government to Canada. While it is true that the First Nations presently get (and feel they are entitled to) transfer payments from the other levels of government in Canada, it is also true that they contribute a substantial amount in taxes to these levels of government. The amounts of dollars paid by First Nation members in the form of tax is grossly under estimated and scarcely talked about by “mainstream” Canada.

**In fact, the First Nation people pay “millions and millions of tax dollars” to the federal government, as well as the provinces and territories.**

*For example: The community of Innu Takuaikan Uashat mak Mani-Utenam in Quebec completed a local survey and study only a few years ago and calculated that they contributed over \$8M in taxes to the federal and provincial government. This type of leakage and tax payment study if conducted for other First Nation communities would reveal similar amounts. A study at Six Nations in 1993 revealed that \$125M per annum is spent in the surrounding area. A conservative estimate would be that approximately \$8.75M per annum would be paid in GST on purchasing power in this amount and income tax paid by a work force of over 3000 employed off-Reserve would add another \$10M-\$15M in taxes paid by the First Nation members.*

By creatively negotiating and systematically implementing a taxation type system, the First Nation can generate revenue from various outside sources and not have to consider “new” taxation to community members. Negotiated government-to-government agreements and reciprocal agreements can allow for First Nation members to contribute directly back to the community what they are presently “paying” to outside governments. This includes all forms of taxation like GST, PST, income tax and other taxes which are paid to the other levels of government in Canada.

These types of arrangements provide a direct “cash” revenue stream into the First Nation governments and have direct benefits at the community level. The benefit is seen in the level of services provided to the community by the local government and the ability to place funds where they are needed as determined by the members. This is the primary result and one that provides a stream of revenue for governmental use.

### ***Increasing the Rate of Return on First Nations Assets***

In many instances, First Nations have old agreements (i.e. negotiated years ago by DIAND) which have a fixed rate of return on First Nation owned assets used by outside individuals and businesses. The rates of return are most likely extremely low when compared to today’s market standards. These types of agreements will fall under the responsibility of the new First Nation government.

An ability to apply the First Nation taxation type system to these old agreements will bring these rates of return up to current fair market value. In many cases these revenues would offer significant increases as these old agreements were very good for the outside entity and very poor for the First Nation involved.

The principle of this type of taxation pertains to any use of First Nation owned land by non-Aboriginal members. The taxes applied can be in various forms and it is understood that it only affects non-Aboriginal individuals and businesses. In most cases the use to the “real property” (i.e. land) in the First Nation community by these outside agents is for business and profit purposes. The ability of taxing these profit oriented uses of First Nation resources represents a fair and useful way to bring the revenues to fair market value in today’s economy.

### ***Leveraging of First Nation Assets***

This is probably the least obvious objective of a well designed taxation type system implemented by First Nation governments. It allows the First Nation to leverage its assets and increase cash flow in order to support local community infrastructure. Historically these improvements are financed from “out of pocket” First Nation sources or through direct DIAND programs. There is a need to leverage the existing cash resources of the First Nations to pay for the ever increasing costs of community infrastructure.

First Nation assets can be leveraged through the use of bond financing, and a taxation type system is one of the key foundations upon which governmental bond issue rests. This First Nation bond issue represents the least expensive leverage and a taxation type system allows for a constant, reliable revenue stream to pay back the bonds. This allows the First Nation to improve their roads, upgrade water systems and other necessary community infrastructure.

**These functions are not merely what First Nation governments should do; they are what First Nation governments must do.**

The new First Nations government shows it is a “net value added” to the community.

## 2.4 ELEMENT FOUR: EDUCATION AND TRAINING FOR THE INFORMATION AGE

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The First Nations communities are faced with the ongoing challenge of improving housing, health care, social services, local government infrastructure and educational services. Technology and communications should be looked at as “strategic” tools that will enable the communities to meet these great challenges. Information technology and the information highway can be a vehicle to access the world, foster culture and tradition, maximize resources, increase services, enhance communication, develop businesses and create wealth. The information highway will bring First Nations to the to the world, but more importantly—it will bring the world to the First Nations.

The importance of the information age is made in a broad global context by Alvin Toffler in Powershift, his 1990 book:

*“No nation can operate a 21st-century economy without a 21st-century electronic infrastructure, embracing computers, data communications and the other media... This requires a population as familiar with this informational infrastructure as it is with cars, roads, highways, and the transportation infrastructure of the smokestack period.”*



The appreciation of the impact of information technology in relation to the industrial revolution is a particularly interesting point when looked at from the Aboriginal perspective—who have for all intents and purposes missed the industrial revolution. By missing the “industrial revolution” Aboriginal communities have the opportunity to be “time travelers”. Instead of being slowly moving economies developing in a 20-25 year lag behind the rest of the economy in Canada, Aboriginal communities can step into the future by grasping the information technology age and riding the wave into the next millennium.

Interestingly enough, missing the industrial revolution has created an opportunity for First Nations. Unlike the majority of other entities, First Nations have no dated technology legacy. That is to say, First Nations can focus on implementing “state of the practice” systems without the burden of recouping prior investments, or re-training.

To thrive in the global information age, First Nation communities must focus on implementing information technology systems and communications. Technology is key to growing and managing effective and cost efficient governments, given the relentless drive to “do more with less”.

The *Conference Board of Canada*’s February 1995 paper entitled “Jobs in the Knowledge-Based Economy: Information Technology and the Impact on Employment” put forward that:

*“...we can see all around us that the pace and pervasiveness of change brought about by information technology is extraordinary. It has been said that the industrial revolution was of minor importance compared with the present information*

*revolution, because the latter has implications for all sectors of the economy, not just a few, and because the pace of change is so rapid.”*

In view of the above, perhaps nothing is more critical to long term self-sufficiency than the development of skills in First Nations youth. As *Diogenes* the great Greek philosopher said: “*the foundation of every state is in the education of its youth*”. Demographics show that the Aboriginal population is very young: 42% of the Aboriginal population is under 25 years of age and one third of the on-reserve population is under the age of 15. The young population combined with a birth rate more than double that of non-natives points to an impending Aboriginal baby boom.

No where else will information technology have a more significant beneficial impact, than on the education and training of the younger generation. Information Technology and the Internet can be a major factor in preparing Aboriginal youth for a bright and optimistic future by providing a window to the world for many isolated young people via vehicles such as Schoolnet, and other Internet initiatives. Information technology can provide the tools and knowledge needed to build a foundation for higher education in the ever increasing “knowledge based” economy—without sacrificing culture and tradition.

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### 3 ABORIGINAL COMMUNITY ECONOMICS

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The second major aspect of creating an environment that is conducive to revenue generation is the understanding of its place in the overall economy.

Building on the concept of a *Strategically Positioned First Nation* that is poised to generate revenue, the revenue itself can be thought of as a kind of economic energy, or force, that can be used to make things happen. That force may drive such things as the delivery of educational services, a transportation infrastructure or First Nations policing.

The basic truth of revenue generation is that it is not a self-sustaining force. It is the consolidation of flows originating elsewhere in the community. Revenue can be thought of like a sailing ship that moves forward with a certain energy and force to accomplish useful work. So too, the flow of revenue represents a certain kind of economic energy that can be put to productive use for the community. But much like a sailing vessel, revenue depends upon forces that come from outside the ship itself.

#### ***Economic Trade Winds***

The sailing analogy is effective because the sails have much to do with harvesting a flow that is outside of the ship, and more powerful than it is. Sailing ships get a lot of attention because they are highly visible; the wind itself is impossible to see directly. However, in order to fully understand the motion of a sailing ship, we need to understand the trade winds that an experienced captain “harvests” (in effect). If we wish to understand First Nations’ future revenue flows, first we need to understand the economic trade winds that are (or are not) available to move the ship forward. For the economy, the main economic trade winds are the circular flows of money and services (actually goods and services) within the economy.

#### ***The Flow of Money***

*Figure 1* illustrates the flow of money in any community where there are two flows, in opposite directions:

- Moving in a clockwise direction are services or “goods” (i.e. labour services, consumer services, raw materials, finished goods).
- There is a counter-clockwise flow of money that goes hand-in-hand with the services/goods flow. Labour is provided to business (clockwise), and this is the dominant source of household income in the form of wages (counter-clockwise movement of money).
- Consumer goods move from business to households, and households pay for what they buy (again, a counter-clockwise movement of money).

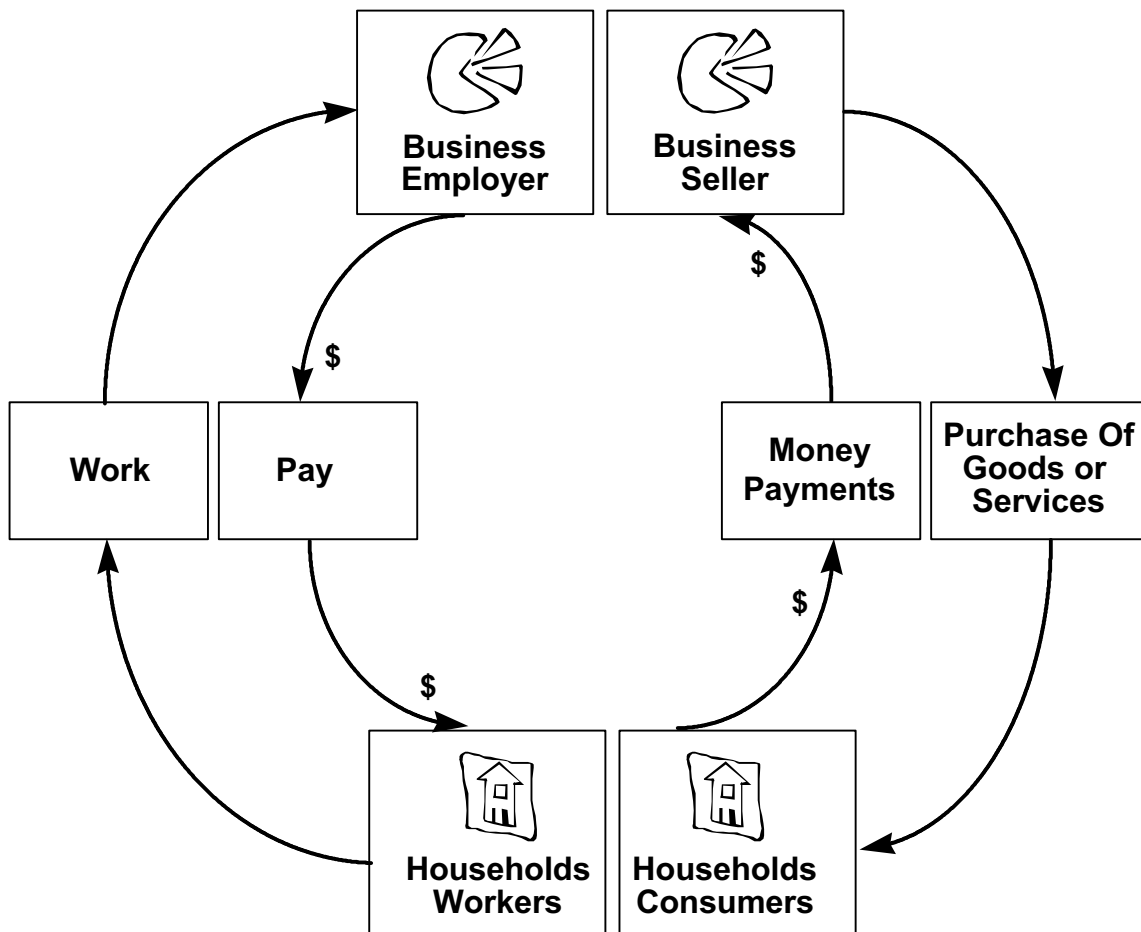


Figure 1: The Flow of Money

For a self-contained healthy economy, these flows are in balance, and there is “something in it for everyone”.

### ***A Healthy Economy***

In modern societies, the central political issue is the size of the percentage of income that will be diverted to support the provision of public goods. In truth, the private sector cannot function for long without some public infrastructure, so that both under-service, as well as over-spending, can destroy a successful economy. In developing First Nations, the crucial question is whether or not the circular flows are large enough to support and grow the community.

Viewed this way, the challenge for First Nations’ economic development becomes more clear. Most First Nations do not have these kinds of balanced circular flow of goods and services within their community. To the extent that there is household income, much of it comes from transfer payments from off-community sources, rather than from community business employers.

To the extent that the population in a community has any spending power, they often have little choice other than to buy outside goods from stores in surrounding communities. Some money comes into a

community from outside, and almost immediately leaks away to the outside world, with no “healthy” internal circular turnover to speak of. A few First Nations are in the fortunate circumstance of having an export sector, meaning that goods (or services) are sold to off-reserve populations.

Where an export sector exists, it implies the existence of a community based employer and payroll. Still, in order for a payroll to benefit a community, a good part of it needs to be spent within the community. Right now, this rarely happens for First Nations. The local business sector is not there to “close the loop”, and thereby recycle an initial payroll into community sales, which in turn might support a paycheck for a second round of employment.

***With no circular flow, there is no market to support businesses, no employers, and no subsequent round of consumer or business spending. This all leads to an inadequate revenue base. This is the economic version of a chicken-and-egg development nightmare!***

### 3.1 FIRST NATIONS ECONOMIC INDICATORS

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Understanding the general economic position of a community can serve as a valuable “yardstick” to qualify the pursuit of revenue generation activities for that First Nation. As is well known, not all First Nations have stabilized economies. One previous research study, “A First Nations Typology: Patterns of Socio-Economic Well-Being” (Research & Analysis Directorate, DIAND, March 1996) shows that some communities have managed some degree of sustainable economic flow.



Rather than an all-or-nothing extreme, we are looking at the degree to which communities are able to start a healthy economic flow. Some communities have an employment base, which creates a community spending base. This can involve consumer-to-business spending, and also business-to-business supply linkages. Generally speaking, First Nations’ economies range from modestly workable to dependent. A community’s ability to self-assess its stage of economic development would prove to be a valuable and practical community tool.

Exhaustive research has been conducted over the years on all facets of the Aboriginal community, from lifestyles to economics. Albeit the data has been valuable, it does not generally add “direct value” to a community striving to move up the economic ladder.

The Aboriginal community needs a set of tools to measure and manage its economy in a cost-effective localized manner. As it pertains to “revenue generation”, no new research was undertaken to collect statistics from the community, but rather the focus was placed on existing data that has already been collected, such as “A First Nations Typology: Patterns of Socio-Economic Well-Being”. By building on this current data set we have extracted a categorization that can be used as a guide for the community to appreciate its economy, and to plan for the growth of it. Our analysis has resulted in the break-down of the communities into four categories of economic readiness:

- The *Established* First Nation;

- The *Developing* First Nation;
- The *Fragmented* First Nation; and
- The *Dependent* First Nation.

### ***Methodology And Logic of Approach***

Developing categories for the economic circumstances of First Nation communities was done to for two reasons. First, it avoids “one-size fits all” analysis and solutions for First Nations. There are over 600 First Nation communities, and each is unique: some are large and near urban centres, while others are tiny and isolated. Developing categories is a first step in fine-tuning the analysis to better fit a community’s circumstances.

The second reason the categories were developed was to assist for First Nations in gauging the overall “strategic position” of their community. By measuring different economic factors, a self-diagnostic “tool” can be developed for First Nation communities.

In defining categories of economic well-being, statistical data was required. Unfortunately, there is very little comprehensive data on all 600+ First Nation communities. It was decided to use the raw data from DIAND that was used in the above mentioned report “A First Nations Typology.” This data was of 298 First Nation communities from across Canada.

The economic indicators that were chosen to create the categories are listed below. These variables were used because they were found to be statistically significant, and data on them is readily available to both First Nation leaders and government. Some variables, such as distance to a major city, are economically important but were not included in this analysis. Again, this reflects the difficulty in finding practical information about First Nations across Canada: statistically significant data on many important economic variables was not available in this study.

This lack of data introduces the need for some kind of formal mechanism for First Nations to monitor and analyse their economies. All stable and developed economies measure how their economy has grown, how fast, in which areas, and why it grew. This information is vital for leaders to understand their economy, and to make informed decisions on how to support it. For the government of Canada, this information is found in things like the Gross Domestic Product (GDP) and the Consumer Price Index (CPI). While this report’s analysis is on a sample of 298 communities, and is not a complete tool, it is a good first step in creating a mechanism for First Nations to monitor their economy.

A classification spreadsheet has been developed that takes nine indicator variables and combines them into a single index value, much like the Consumer Price Index. In the case of this synthesized single indicator, the “meter” takes on four settings, which are: *established, developing, fragmented, and dependent*.

If we know that a sailing ship is underway at 15 knots, headed north-northwest, does this tell us what is making the ship move forward? Does the “knots per hour”, and “compass heading” describe movement, or cause it? The things causing forward movement might be sails, if there is wind, or it might be an engine (if the vessel is becalmed). First Nations are in much the same position economically of a sailing ship that is becalmed. If we are drifting without a clear heading, and little



speed, it indicates the need to turn on the engine (if there is one). In many cases, the suspicion is that we need to make sails, or invent or build an engine in order to get some movement. But the measurement of status is what sheds light on basic policy and self-management questions: Where are we? Are we making any progress toward where we want to go? Do we need to do something different to get the results we want?

Indicators do not create movement, but they do help us figure out what we need to do in order to get the momentum that is needed.

This modest set of economic indicators for First Nations presented within, could be considered to be the very early steps in the creation of a system of national accounts (SNA) for First Nations. These indicators should work in conjunction with commonly discussed indicators such as the Gross Domestic Product (GDP), Consumer Price Index (CPI) and rise or decline in disposable household income, all of which are part of Canada's SNA. The core of the SNA is available at the provincial level, because it is considered so essential for provincial governments as self-governing, partially sovereign (within their allocated spheres of lawful jurisdiction) local entities.

The indicators that make up the SNA do not in and of themselves drive, or provide the economic push that put bread on people's table, or tax revenue in government's coffers. But the indicators do tell governments if things are working, provide a sense of the task ahead, and indicate where change or extra effort may be necessary in order to accomplish a given objective.

Effective and modern government would not be thinkable without an SNA system. At the national and provincial level, we as a society learned this most clearly from the experience of the *Great Depression*. While the elements of SNA were being worked out beginning around the turn of the century, it was the experience of monitoring and influencing the economic engine's tortured path out of the depression that spurred development and use of SNA by political leaders and public administrators.

**So too, it must come to pass that as First Nations come to terms with self-government, that some kind of mechanism must be devised to provide the kinds of monitoring and administrative tools as that provided for the broader society by the national and provincial SNA.**

Indeed, the potential for revenue generation in terms of identifying sources and size of revenue flows, as well as noting the impact of policy changes, will really only become effective if something that approximates a First Nations SNA is created and maintained. Given the managerial information void that now exists, this rather humble set of nine variables could be considered an attempt at devising the mustard seed for a tree whose shadow is desperately missing from an arid policy environment.

### ***First Nations Socio Economic Indicators***

The following nine indicators were selected as a basic list from which to position communities:

<u>Off Reserve Population</u>	Proportion of the band population that resides off the band's own reserve.
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<u>Housing Conditions</u>	Proportion of houses in adequate condition, needing no repairs or only minor repairs.
<u>Access To Water</u>	Proportion of houses with adequate access to water.
<u>Adequate Sewage</u>	Proportion of houses with adequate sewage disposal.
<u>Education Level</u>	Percentage of band population 15 years and over, with high school education.
<u>Employment Rate</u>	Employment rate: percentage of persons 15 years and over who are employed.
<u>Average Income</u>	For those persons 15 and over who have income, average income per person.
<u>Central Heating</u>	Percentage of houses with central heating, as a percent of total households.
<u>Youth Percentage</u>	Percentage of registered population 17 or younger, as a percent of total population.

### 3.2 FIRST NATIONS ECONOMIC CATEGORIES

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Based on data available, and related research for this study, the First Nations of Canada are presented in four broad categories or “profiles” that may assist communities in assessing themselves as they move into the next millennium.

It cannot be overstated that these profiles are general profiles that do not necessarily represent all scenarios. They should however serve as a guide.

The presentation of the profile in terms of *high, medium, low* are approximations designed to paint an overall picture of a First Nation through the sum of the indicators.

#### ***The Established First Nation***

Based on the existing data and experience, a small group of First Nations could be described as “established” in the national economic cycle. This group may comprise only a handful of communities with a reasonably identifiable product that can be offered to outsiders. Those products might include natural resources, or gaming services. The existence of higher levels of employment and income creates a pool of spendable income for both individuals and businesses to work with. These represent communities that have some options and choices to work with in terms of setting their own course. They could be described as being actively under sail, although the best of these communities probably manages the kind of economic headway comparable to some parts of the Maritimes (as a comparison

with the non-Aboriginal economy).

Established First Nations economies would most likely have the following general indicators profile:

<u>High</u>	<u>Medium</u>	<u>Low</u>
Off-Reserve Population		Youth Percentage
Housing Conditions		
Access To Water		
Adequate Sewage		
Education Level		
Employment Rate		
Average Income		
Central Heating		

### ***The Developing First Nation***

Based on the existing data and experience, the next group of communities is larger but still less than 100 in number. They are “developing” and have some economic power, but they are neither strong, nor strongly circular as they tend to be for the rest of Canada. These communities show signs of some development. Perhaps most critically they have some kind of spending power that might ultimately be directed into a partially self-sustaining circular economic flow. Some of this income may come from off-territory employment, which might be thought of as an export of services. To follow the sailing analogy, this group of reserves has much desirable rigging in place, and yet is not under full sail. These communities may be making moderate headway.

Developing First Nations economies would most likely have the following general indicators profile:

<u>High</u>	<u>Medium</u>	<u>Low</u>
Access To Water	Housing Conditions	Off-Reserve Population
Adequate Sewage	Education Level	Employment Rate
Central Heating	Youth Percentage	Average Income

### ***The Fragmented First Nation***

The average reserve (a group of about 200 reserves), may be described as drifting without strong direction. There may be a barely adequate combination of transfer payments, and some off-territory income, to support reasonable housing standards, and yet with weak employment levels there are problems. Without sufficient employment, there is little source of spendable income and little hope for a favourable or sustainable economic cycle. Just as in a drifting boat, pulling on the rudder accomplishes little, so too for this kind of an economy, policy changes seem to have very sluggish results.

Fragmented First Nations economies would most likely have the following general indicators profile:

<u>High</u>	<u>Medium</u>	<u>Low</u>
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Access To Water  
Adequate Sewage

Housing Conditions  
Education Level  
Youth Percentage  
Off-Reserve Population

Central Heating  
Employment Rate  
Average Income

***The Dependent First Nation***

The poorest communities (heavily outside dependent) were originally distinguished into two groups in the research cited. The differences between communities for this grouping have to do with degrees of discomfort more than anything. In a real sense, this group has no free-standing economy, nor much obvious prospect of building one in the foreseeable future. Inadequate housing appears to be a symptom of seriously inadequate consumer spending power.

With no visible circular movement of money from employers to households, and back to purchases, it is hard to claim that these communities have more than a subsistence or welfare economy of dependence upon the outside world. Rather than participating in the economic movement of the rest of the nation, or being in a position to derive some connection or benefit from the rest of the nation, these communities are isolated non-participants in the economy of the nation. In a sense, these communities are getting help from outside just to pump out water and prevent them from floundering. For these communities, talk about “forward motion” or “a sense of direction” is not particularly meaningful. They may be too close to bare subsistence to think much about an economy that does not really exist for them.

Dependent First Nations economies would most likely have the following general indicators profile:

High

Medium

Low

Youth Percentage

Off-Reserve Population  
Housing Conditions  
Access To Water  
Adequate Sewage  
Education Level  
Employment Rate  
Average Income  
Central Heating

**3.3 COMMUNITY BASED ECONOMIC ANALYSIS**

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What is the point in putting labels on groups of communities, and how does it relate to revenue generation? Is this just a prelude to more discrimination, or the creation of an excuse for inaction? Putting communities into meaningful categories is like getting a fix on where a vessel is now. Before one can chart a course to a desired endpoint, we need to know where we are starting from.

***Responding to Diversity***

Different voyages require different equipment, different approaches. The kind of tactics and tools that are required for a particular developmental journey must be chosen to fit the length and difficulty of the passage. A community self diagnostic, in effect, places an indicator into parts of the circular flow of an economy. Once the readings have been taken, we know what we have to work with.



This matters, because “one size fits all” economic development policies have little chance of success. Advice suitable for the most distressed communities will be naive and repetitious if it is directed at communities that have some forward movement. Advice that works for the more advanced communities will lead to unattainable objectives, and disappointment for the poorest communities. A revenue generation approach that works has to be appropriate to the type of circular flow that exists (or is lacking) in a community.

For example, in communities with an existing export sector, much household income may come from the sale of oil or timber. The fact that there is a pool of disposable income implies that certain retail sector activities might have a chance in such a setting. Perhaps some of the resource being exported could be further fabricated on the reserve, as with a combination sawmill, roof truss fabrication operation. Perhaps maintenance and supply activities for logging could come from on-reserve small businesses.

### ***Setting Goals and Expectations***

Internalizing and strengthening economic flows may make sense in some situations. Once such flows exist, they can be harnessed to produce the needed revenue. But it would be totally inappropriate to create unrealistic expectations with such advice on the poorest communities. If they have no resources to export, the advice will be unrealistic, even irritating. For the most distressed communities, it may be necessary to start at the very beginning by taking inventory of what kinds of skills and resources might be thinkable to develop in some very remote locations.

For Canada as a whole, the ultimate economic diagnostic is the system of national accounts (SNA). This is the system that leads to estimation of Gross Domestic Product, Personal Income, and Import-Export flows, and the Consumer Price Index (to name just a few). It is the diagnostic information from this system that makes it possible to manage the direction of the national economy. While it would be premature to try to build a system of national accounts for First Nations, a community self-diagnostic that worked off of a regularly refreshed set of data (preferably a small set that is readily attainable), could act as a surrogate set of national accounts.

The point is to inform leaders, communities and policy makers of the realistic current starting point for their planning. If communities know where they are, this would tend to narrow down the range of development policies to a more realistic subset. This in turn might generate more enthusiasm because communities would recognize that the policies have some intuitive face credibility. With a few realistic initiatives, and the beginnings of some circular economic flows, there might be some advantages for a discussion of a tax base as discussed earlier.

### ***Planning and Management***

The basic idea of a self diagnostic would be to take 9-12 reasonably available variables, and combine them to produce one or a few index values, much like the consumer price index (CPI). The diagnostic value of this would be to match policies and development opportunities against high, medium, and low value of these indexes. Over time, if communities can track some improvement in these measures, a degree of business and consumer confidence might be encouraged. While such confidence is a derivative of initial success, once it becomes a factor it can foster investment and spending at later points in the development process.

In a way success breeds later success, but the cycle must start somewhere. A self-diagnostic that helps communities fix their current location has its place in terms of creating a positive economic cycle.

### 3.4 A COMMUNITY DIAGNOSTIC TOOL

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Using the data set described above, Sixdion has taken the categorization one step further and created a simple diagnostic tool to assist First Nations in assessing their own economic position. The tool, which is in the form of a Microsoft Excel spreadsheet allows community planners and bureaucrats to enter their own variables and see an immediate position, a “thumb nail” sketch so to speak.

The diagnostic demonstrates the value of having a simple diagnostic that can be used locally with readily available data. It is by no means a robust or a comprehensive economic modeling tool. But rather it is an example, or perhaps a starting point, of what community owned and driven analysis could be. Ideally, it begins the process of the development of statement of “Aboriginal National Accounts” which will be specific to First Nations issues and parameters.

In its present form, it provides a position based of the data set described earlier. If it is to be of value in the long term, further analysis and development will be required to increase its value and timeliness.

### 3.5 BARRIERS AND ADVANTAGES

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Having a sense of the economic position of the community is essential to ensuring that plans and actions reflect the realities of the possibilities in terms of *Barriers and Advantages*. In most cases the advantages are forged from the leadership in the community and in spite of their situation. The barriers on the other hand are universal for the First Nations as they all deal within the same Indian Act framework. Generally speaking the barriers and advantages each type of First Nation faces are discussed below.

#### ***Established First Nation***

Primary Advantage: These First Nations already have a stimulus of economic development in most cases. Most are strategically located and have shown an ability to “fend for themselves” and are poised to move ahead with self-government. Revenue generation has begun and a move into new markets/new world economy can be facilitated. Education levels of the youth is higher than in the other categories.

Primary Barrier: Current systems and business infrastructure in place are based on industrial age economies, and in most cases have just begun to make their mark in this area. These entrenched ideas and attitudes may make it difficult for them to move into the information age era.

### ***Developing First Nation***

Primary Advantage: A developing First Nation has only limited systems and resources in place which makes them more ready to undergo the strategic planning and changes necessary to move into the new economy. Flexibility and an ability to jump into the information age are desired.

Primary Barrier: These First Nations will have the ability to move forward but will be weighted down by the fact that they have just started to move ahead under the “old way”. Change is not seen as a positive situation in some cases.

### ***Fragmented First Nation***

Primary Advantage: These First Nations are ready to begin from scratch and have no legacy of their own. They are open to new ideas and may just need something to give them direction.

Primary Barrier: Lack of skills and infrastructure. Small population base and small land base leads to most people looking to move out of the community in order to participate in the business economy.

### ***Dependent First Nation***

Primary Advantage: Dependent First Nations have no real legacy to hold them back, consequently, they will be ready to jump into the future with no strings to hold them back.

Primary Barrier: In most cases location (i.e. remoteness) and education levels are the primary barriers. Some may not want to participate in the general economy (i.e. business development) and like their lifestyle as is.

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## 4 RESEARCHING REVENUE GENERATION

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Researching revenue generation for First Nations was conducted in three primary ways :

- 1) Telephone interviews with a variety of First Nations leaders to solicit their views, current situations and ideas for the future. Some of the organizations included:
  - Alliance Tribal Council (9 First Nations), British Columbia
  - Assembly of Manitoba Chiefs (All First Nations in Manitoba), Manitoba
  - Dana Naye Ventures (10 First Nations), Yukon
  - Hartley Bay FN, British Columbia
  - Kahnawake Mohawk Council, Quebec
  - Millbrook First Nation, Nova Scotia
  - Nishnawbe-Aski Nation (42 First Nations), Ontario
  - Pachehaht First Nation, British Columbia
  - Sioux Valley Dakota First Nation, Manitoba
  - Six Nations Of The Grand River, Ontario
  - Ta'an Kwach'an Council, Yukon
  - Tsuu T'inu Nation, Alberta

These groups were interviewed as they represent a good cross section of taxing/non-taxing, as well as geographically dispersed bands.

- 2) Input from the Sixdion research with its variety of perspectives which included bringing to the study a very broad range of Aboriginal community experience.
- 3) Analysis of a wide variety of documentation made available to the research team from a variety of sources.

The consolidation of the data, concepts, ideas and recommendations formed the basis of this report. In developing this report it was generally felt that the most valuable input is that which came from the Aboriginal community itself through the field interviews, and the experience and relationships of the Sixdion project team members.



Concerning documentation, there is a plethora of valuable and relevant research on the topic of financing self-government, some of which is listed for further reference in Appendix B. The research accumulated to date serves as a solid reference library for an in-depth understanding of further study, of the various elements of the broad and complex topic of “financing self-government”.

Given the extensive works tabled to date, this study has not attempted to re-state or summarize past



works. Rather, the focus has been on presenting a practical “community driven” view that may provide a “focal point” from which to bring together the issues of financing self-government—from an Aboriginal perspective.

Building a “strategically positioned” community requires high level understanding and discussions before more specific plans and approaches can be developed. When that point arrives in the development cycle of a First Nation, all resources: human, capital and informational will serve to provide the base for success.

### ***First Nations Interviews***

The field interviews were very productive and produced a variety of responses to the general “revenue generation” questions posed to them. A summary of the responses have been compiled and included in Appendix A, as well as the interviewees.

The responses provide an excellent “snap shot” of the environment, and are useful in expanding the understanding of the environment that “revenue generation” is targeted to take place in. Not surprisingly, the responses share a common theme of opportunities, issues and problems. It was felt that the responses were very representative of the community as a whole.

Generally, they confirmed a number of issues which are familiar to anyone who deals with economic development at the First Nation level. Since governance has not been the driving factor (at least to date) for First Nation revenue generation, the revenue generated thus far, has gone into other business development. This is assuming that the activities have, in fact, produced profits and revenues back to the First Nation community.

Most of the activity to date has been in the natural resource sector and mainly in the primary and extraction components of the business. There is very little “value added” and secondary production taking place. In fact, most of the joint ventures to date had the First Nation looking at skill transfer and training as their motivating factor and expected outputs from the arrangement. The real benefit would have come from getting the “lion’s share” of the profit and controlling the community development by “wise” use of these revenues.

By utilizing the ideas and the notions of governance in this paper, the First Nations of the future will be looking for these ventures as critical “cash flows” into their administrative budgets. These along with other direct revenue generation from the “taxation” ideas will form the base for the First Nation government to be the community leaders that everyone expects and needs.

Some key points brought forward in the interviews were:

### ***On Revenue Generation***

- Most First Nations generate some form of internal revenue generally from (natural resources) although very few provided specific information.

- Revenues are not used to assist with running of a local administration. Funds are used to provide capital for future projects.
- Smaller First Nations (those with memberships of less than 300) indicated that the amount of funding from DIAND was very small and insufficient to even provide seed capital to generate revenue.
- As a general finding, future revenue generating activities were to expand existing projects or sectors, i.e. mining, logging, forest, tourism, golf course.
- A number of revenue generation initiatives were cited in the interviews:
  - aquaculture;
  - bingo halls, gaming and gaming (terminals) shared with the Province;
  - business park with user fees and leases to non-Aboriginal companies;
  - cattle, chicken processing - agricultural based industries;
  - contracts with government (procurement) and army;
  - expansion of a golf course;
  - fishing;
  - forestry;
  - manufacturing;
  - mining;
  - power dams (JV with outside companies);
  - real estate (leasing land);
  - sawmill operations;
  - strip malls to lease space to Aboriginal and non-Aboriginals; and
  - tourism.

### ***On Joint Ventures and Partnerships***

- Some First Nations cited problems with previous projects with outside parties, that have resulted in the loss of political will to consider joint ventures with other First Nations.
- Most Joint Ventures were entered into to provide employment and skill development for First Nation members. This was considered to be more important than to generate profits.
- Those Joint Ventures that are operating are generally successful. Any failures are due primarily to poor management. In most cases, management was the non-Aboriginal party's responsibility and they did not deliver.
- Those that are successful have separated "business" and the First Nations "council"
- Communities which continue to struggle tend to operate their businesses with control and

decisions being made by the First Nation council.

- The First Nations were looked upon in the past as a source of capital and inexpensive labour, where a strong competitive strategy was often overlooked. The Joint Venture or partnership agreements that were developed were not comprehensive allowing the non-Aboriginal party to walk away. As a result, in some cases First Nations will only consider Joint Ventures with other First Nations.
- However, most First Nations are looking at Joint Ventures with outside parties as a way to bring in expertise, capital and provide stable employment. With a higher level of education evidenced in Economic Development Officers and First Nation Administrators, due diligence is being exercised and proposals are being critically assessed on the basis of benefits back to the community.

### ***On Planning and Business Development***

- About 50% of those interviewed have a documented economic plan that is current and being implemented. The balance of communities are now looking at developing a plan. However, in some cases, plans were done in the past and are very outdated.
- Very few First Nations have a Marketing Plan. However when discussing the idea, most thought it was a good idea and are now planning to develop a Market Plan distinct from their Economic or Community Plan.
- In most cases, the Economic Development Officers (“EDO”) felt that the communities lack the necessary business skills to undertake large projects.

### ***On Economic Indicators***

- The primary economic indicators of success are employment and profits for reinvestment in economic projects. In communities in the North or those that are very small, where little economic activity is occurring, an overall subjective indicator of “community health” is used.

### ***On Barriers***

The interviews highlighted the following:

- There are not enough individuals in the communities with appropriate business skills.
- Lack of political leadership where community plans can be set without greater community support.
- Uncertainty regarding the legal capacity of First Nations, and in some cases entrepreneurs to enter enforceable contracts related to financing.



- The overall discretionary powers of the federal government (i.e. DIAND) over First Nation based activity by virtue of the Indian Act.
- Many discussed restrictions due to the Indian Act (section 89) being a major barrier. This section states that real and personal property situated on a Reserve is not subject to charge, pledge, mortgage, attachment, levy, seizure, distress or execution in favour or at the instance of any person other than an Indian or Band.
- Physical location of many First Nations in remote locations makes the community unattractive to investment.
- Relative size of the average First Nation makes it almost impossible to have a circular flow of money within the community as there is not sufficient wealth to build an economy.
- Inability to make quick and legally binding decisions at the First Nation Council level which satisfy the requirements of lenders/investors

### ***On Changes That Have Impacted Economic Development***

- Those First Nations where Development Corporations have been set up, or where Tribal Councils with Economic Development Corporations are in place, have been more active with the ability to invest and start up projects based on an independent assessment of viability and benefits.
- Some Economic Development Officers cited a simple change, such as younger councillors, as having a positive impact.

### ***On Information Technology***

- Most communities do not have a detailed Information Technology Plan, however most First Nation administrative staff are computer literate. In about half the First Nations, upgrades are currently underway, as well as hook up to the Internet, and training is ongoing.
- The overall ranking for information age preparedness as ranked by Economic Development Officers and Administrators is about 5 out of 10.

### ***Other Comments***

- In the northern/remote/small bands where limited funds are available for economic development, some communities are looking at working together to develop “regional plans” where revenues may be pooled for joint projects.

In summary, the questions posed provide a good “snap shot” of the revenue generation environment as it stands today. However this snap-shot will be quickly dated. Consequently, these questions should be continually asked within the community. First Nations leaders should be asking themselves,

and their organizations, these questions on an on-going basis to stay focused in these dynamic and challenging times.

First nations are only now beginning to realize the importance of economic development. Up until this point in time, the decisions made in this area were determined by many other non-economic factors. The research and findings made this very apparent in many First Nations.

First Nations are only now beginning to realize that business and economic factors will be the driving force behind the revenue generation needed to fund their self-government.

As First Nations take responsibility for their future in terms of managing their own resources, and controlling their own destiny, the need for revenue generation to fund their government will take them forward.

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## 5 REVENUE GENERATION INITIATIVES

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As was evident in the interviews, most First Nations generate some form of internal revenue at this point in time. The main source at present which is probably to be expected, is focused on revenue generated from natural resources available to the communities. In most (if not all cases) these revenues are taken into the community as a source of capital for re-investment in future projects.

**Presently these revenues are not used to assist in the costs of running the local administration.**

Many First Nations are running successful “joint venture” arrangements with non-Aboriginal partners. However, in most cases (i.e. smaller communities) the motivation is employment and skill development as opposed to “profit”. These are considered to be more important than the need to generate profits. The larger First Nations are more profit oriented. In this instance, the fact that most of the First Nations fall into the smaller (in size) category leads to the conclusion that most are not presently profit oriented.

Also where land claims settlements are nearing fruition, and where self-government is within sight, it is the expectation of the First Nations that the land claim “settlement dollars” will be used to satisfy all the community needs. They also acknowledge that there is a need to “now” focus on development opportunities and the creation of wealth within the First Nation communities.



The revenue generating ideas uncovered and put forward in this project, as indicated in the project outline are focused on six (6) critical market segments and were reviewed with the First Nations location in mind. Generally speaking, the local demographics are a direct correlation of the geographic location and size of the First Nation community. That is to say that “rural” equates with a small population, and “urban” generally equates with a larger population.

The opportunities which are presented in the above categories offer a wide range of potential revenue generation for a First Nation government. While many are what could be classified as pure economic development opportunities, others are derived from the fact that a community will be self-governing in the future. The ability to exercise the governmental powers necessary to move forward will lead to many of these ideas being explored and implemented by the new First Nation government.

In the taxation section, which was described earlier in this document, there were also a number of revenue generation opportunities which were expanded upon. Once again, these types of revenue generating opportunities will most likely only be successful with the establishment of the new First Nation order of government in Canada. Further, with the power and authority to implement and control, the taxation ideas put forward also offer a direct stream of revenue back to the administration of the new First Nation government.

Eighteen sample “revenue generating” ideas have been selected and put forward as reasonable places to start. The list is by no means comprehensive. Ideas, concepts and opportunities are limitless given an environment conducive to pursuing “wealth creation”.

The revenue generation ideas are broken in six (6) market segments of:

- Natural Resources/Eco Tourism;
- Information Technology;
- International/Inter-Tribal Trade;
- Domestic Sources of Capital;
- Off Shore Investment/Capital Sources; and
- Community Economic Development.

Like many examples of new ideas and the future earning potential of these opportunities it is really difficult to project revenue generation potential of each one without exhaustive market segment analysis. However, it should be noted that the 5 - 10 year revenue generating potential of these opportunities are estimates (i.e. educated guesses) by people in the Millennium Group of Sixdion Inc. who have many years of experience in the business and economic development fields.

All have experience in First Nation based economic development and we feel that these volumes of revenue can be generated given a new reality for First Nation government in Canada.

## 5.1 NATURAL RESOURCES/ECO TOURISM

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### **(#1) Energy, Mining, Forestry**

The geographic location of most First Nations in Canada leads to the need to develop opportunities in this sector. Most of the opportunities to date have been in the area of natural resource extraction. It is time to look at value added processes as opposed to shipping raw material (look for further vertical integration).

**Best Fit Communities:**

Northern communities and more remote areas offer the best geography for resource development.

**Current Practices:**

Most of the First Nations are still only involved in extraction of resources. Some more developed ones are involved in value added processes prior to the resource leaving the community. Oil production has led to the establishment of some capital pools and spin-off businesses in Alberta. Detailed information available from Canadian Aboriginal Minerals Assoc.

<b>5Yr./10 Yr. Revenue Potential:</b>	\$50M - \$500M
<b>General Economic Impact:</b>	The short term impact is jobs and the long term impact is general wealth creation and stability once these more progressive agreements are made. First Nations have to begin to be involved in the profit of these resources in all areas prior to actually being at the consumer level.
<b>Barriers and Risks:</b>	Risks in this area include a limited resource base in most cases (i.e. non-renewable resources). Nearly all of these types of activities also require a substantial capital investment. Also there is a general lack of training and industry knowledge presently.
<b>Supporting Literature:</b>	Aboriginal Community & Mining Company Relations - Canadian Aboriginal Minerals Association.
<b>Recommended/Needed Policy Changes:</b>	Need more Aboriginal people trained as ecologists, engineers, etc.
<b>Suggested First Steps:</b>	Joining the Canadian Aboriginal Minerals Association.

## **(#2) *Eco Tourism***

Capitalize on the European interest in the Aboriginal culture. Target the German and Japanese tourists as they seem to be the most interested and also have the disposable income to spend in Canada. The picturesque topography, cleanliness and diverse ecology make this a natural for many First Nations.

<b>Best Fit Communities:</b>	All First Nation communities have an opportunity to develop a tourism sector in their economy. Best potential in remote communities where there are few other resources.
<b>Current Practices:</b>	Canadian Aboriginal Tourism Association has considerable expertise and information on this area. Have compiled information on ranges, variations and diversity of operations as well as looking at future opportunities.
<b>5Yr./10 Yr. Revenue Potential:</b>	\$50M - \$400M



<b>General Economic Impact:</b>	Substantial in terms of employment and appropriateness of businesses for group tours. Tourism is a definite stimulus to a First Nation's economy as it brings outside dollars into the community. Many local craft people can individually benefit from this activity. As well all the local service businesses can also derive direct revenue from sales/service to tourists.
<b>Barriers and Risks:</b>	Seed capital, local business, marketing expertise and the planning necessary to implement this type of activity are cited as barriers. Risks are the same as any business as all the fundamentals have to be addressed.
<b>Supporting Literature:</b>	Aboriginal Tourism in Canada - published by NITA (Native Investment Trade Association). Publications available from the Canadian Aboriginal Tourism association.
<b>Recommended/Needed Policy Changes:</b>	More front end education needed on important issues in this industry such as market research before construction.
<b>Suggested First Steps:</b>	Joining the Canadian Aboriginal Tourism Association.

### **(#3) *Tourism (General)***

Work closely with the surrounding non-Aboriginal communities to develop tourism and bring dollars into the community. There is a definite need to take rightful ownership of the First Nations tourism trade and begin to reap the financial rewards as opposed to being exploited by the non-Aboriginal operators.

<b>Best Fit Communities:</b>	Developing and Fragmented because of their generally remote settings.
<b>Current Practices:</b>	There are currently only a few First Nations that have a fully developed tourism plant operating in their territories. In most cases the First Nations have been or are being "exploited" by the non-Aboriginal community nearest to them as a draw for tourists.
<b>5Yr./10 Yr. Revenue Potential:</b>	\$50M - \$400M

<b>General Economic Impact:</b>	Tourism is a definite stimulus to a First Nation's economy as it brings outside dollars into the community. Many local craft people can individually benefit from this activity. As well all the local service businesses can also derive direct revenue from sales/service to tourists.
<b>Barriers and Risks:</b>	Tourism requires the development of the resource base to make it attractive for tourism. There is also normally some local opposition in the form of a feeling of "exploitation" if they cater to the European image of the North American Indian.
<b>Supporting Literature:</b>	See #2 - Eco-Tourism.
<b>Recommended/Needed Policy Changes:</b>	See #2 - Eco-Tourism.
<b>Suggested First Steps:</b>	See #2 - Eco-Tourism.

## 5.2 INFORMATION TECHNOLOGY

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### (#4) *Transaction Processing*

The Information Technology offers ample opportunity for many First Nations to participate in the new economy. Location is no longer an issue and so there are tremendous opportunities for First Nations to develop through strategic alliances, and an ability to become part of the process phase of many data systems. The ability to process data ranging from basic "data-entry" to "transaction processing", such as medical or insurance claims processing, makes this a real opportunity that most communities could take advantage of now.

<b>Best Fit Communities:</b>	All communities that have adequate communications services can participate in this area.
<b>Current Practices:</b>	Very few large scale opportunities have been developed in this technology area. There is a certain level of preparedness at the First Nation level but not sufficient local infrastructure or business "savvy" to yet be a major player in this market.
<b>5Yr./10 Yr. Revenue Potential:</b>	\$0-\$100M

<b>General Economic Impact:</b>	This offers the opportunity to transfer both jobs and business activity to the First Nation community. Jobs will offer immediate impact in terms of disposable income and long term skills development and training will offer transportable skills and employability.
<b>Barriers and Risks:</b>	The primary barrier is most likely to be the development of the infrastructure to secure this type of business. This type of work offers the best opportunity for First Nations to participate in the “new” economy.
<b>Supporting Literature:</b>	General Information Technology literature discusses market segments such as this at length. Further, insights can be obtained by looking at what the Province of New Brunswick has done to attract projects such as transaction processing and help desk services.
<b>Recommended/Needed Policy Changes:</b>	Ensure that the Aboriginal Procurement Set-Aside Program encourages the development of Aboriginal information technology expertise via small and large contracts.
<b>Suggested First Steps:</b>	Interested parties and communities should look to enter the market via industry partnerships.

### **(#5) *Data Conversion and Help Desk Services***

This is a definite opportunity over the next 5 - 10 years. Information that is currently paper based will need to be converted to electronic format. Much of this work has been sent “off shore” to date and there is no reason why this technical process cannot be handled in the First Nation communities. Opportunity is high and overhead is low so that it is an ideal market segment to concentrate on. Data conversion can range from converting paper based information to electronic form, up to electronic to electronic conversion such as the conversion old legacy computer programs to new more modern programming languages.

<b>Best Fit Communities:</b>	This type of business is ideally suited to any First Nation that has the appropriate communications infrastructure.
<b>Current Practices:</b>	Most “data conversion” business has been sent “off shore”. There is no reason why this cannot be done in Canada and it offers an excellent chance for local jobs and an on-Reserve location.

<b>5Yr./10 Yr. Revenue Potential:</b>	\$0-\$100M
<b>General Economic Impact:</b>	This area offers mainly job creation and limited skill development. Increased local spending power and local business development.
<b>Barriers and Risks:</b>	There is a certain amount of “security” needed for some of these contracts. Information may be “sensitive” and require assurance of security.
<b>Supporting Literature:</b>	General Information Technology literature discusses market segments such as this at length. Further, insights can be obtained by looking at what work is being sent “off-shore” to places like India.
<b>Recommended/Needed Policy Changes:</b>	Ensure that the Aboriginal Procurement Set-Aside Procurement Program is developed to encourage the development of Aboriginal information technology expertise via small and large contracts.
<b>Suggested First Steps:</b>	Interested parties and communities should look to enter the market via industry partnerships.

### **(#6) *Creation of Business Centres on First Nation Communities***

Since most of the work in the new technology area is information processing and an ability to utilize the information in more ways, the opportunity to move “whole scale” operations and processes to First Nations is definitely achievable. There are certain advantages (i.e. favorable tax situations) which make the development of business centres on First Nations not only a possibility but also profitable.



<b>Best Fit Communities:</b>	Communities nearer to urban markets and good transportation would be best fit. However, any community can participate through technology.
<b>Current Practices:</b>	Some communities have developed industrial parks in the past. These new technology based centres will be more acceptable (environmentally friendly) and offer more skill development to the owners and employees alike.

<b>5Yr./10 Yr. Revenue Potential:</b>	\$0 - \$100M
<b>General Economic Impact:</b>	These large scale operations will offer employment and wealth creation at the community level. Reserve location will offer tangible benefits to the employees and also give a competitive edge to the business (e.g. Tax).
<b>Barriers and Risks:</b>	Capital for construction of infrastructure (as usual) will pose a problem. Mind set of non-Aboriginal business community may resist a move to the community.
<b>Supporting Literature:</b>	Check out the literature available on the “incubator malls” etc., and make the changes to have it apply to the new information age businesses. These are community based initiatives which can be sponsored by the First Nation to encourage business development in the community. They offer incentive for business in the community and by pooling resources allow companies to grow and have various support services in their early stages of development.
<b>Recommended/Needed Policy Changes:</b>	Need to begin to cultivate solid business relations with the rest of Canada’s business community.
<b>Suggested First Steps:</b>	Participate in the Set-Aside program and look at securing the provision of technology based service business to the communities, such as transaction processing.

### 5.3 INTERNATIONAL/INTER-TRIBAL TRADE

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#### (#7) *Use of Favourable Trade Rulings*

There appears to be great opportunity to strike agreements with Tribes in the US using favourable rulings for international trade into the US. This offers definite strategic advantages as they are closer to much bigger (i.e. the world’s largest) markets and would be a definite point of sale for many of the natural resources controlled by Canada’s First Nations. The movement of natural resources across the border will have to be clarified.



<b>Best Fit Communities:</b>	Established and Developing First Nation communities with a close proximity to the US border. The communities require a reasonably sophisticated level of organization to engage in international initiatives.
<b>Current Practices:</b>	Limited use of this opportunity. Most Aboriginal markets and businesses are “young” and have only looked at local and maybe regional markets to date.
<b>5Yr./10 Yr. Revenue Potential:</b>	\$10 - \$100M
<b>General Economic Impact:</b>	Once again, these opportunities offer huge potential in terms of bringing foreign capital into First Nation communities. Probably most effective in export ready products and markets who are strategically located near the border.
<b>Barriers and Risks:</b>	Laws of international trade will have to be reviewed and clarified as they apply to Aboriginal peoples of North America. NAFTA will probably have to be reviewed.
<b>Supporting Literature:</b>	Native Business Opportunities: The New Reality International Investment & Trade in Native Economic Development published by NITA.
<b>Recommended/Needed Policy Changes:</b>	Set in place the necessary policies to encourage and support international trade between the First Nations of Canada and Tribes in the US.
<b>Suggested First Steps:</b>	Set-up a North American business summit between Tribes of the US and First Nations in Canada interested in exploring this opportunity.

**(#8)*****Creation of Aboriginal Free Trade Zones***

The Aboriginal people of Canada and the US enjoy many benefits of being the First Peoples of North America. By utilizing the special status of the territories controlled by these independent nations there are many opportunities which surface in light of the present situation. The development of Aboriginal “free trade” zones is definitely a possibility as First Nations rights are defined and used for economic gain.

<b>Best Fit Communities:</b>	Established and Developing. Again, the interested communities will need a good level of organization and development.
<b>Current Practices:</b>	None in Canada. Some exist in the US Tribes.
<b>5Yr./10 Yr. Revenue Potential:</b>	\$0 - \$50M
<b>General Economic Impact:</b>	Possible to have a very dramatic effect on the economy of a First Nation. Ability to trade and get into the US market with Tribes in the US makes this one opportunity that would have an overall effect across all sectors of a local First Nation economy.
<b>Barriers and Risks:</b>	Getting favourable rulings from the governments of both Canada and US. represents the biggest barrier of this opportunity.
<b>Supporting Literature:</b>	Some academic information available in Canada and other information on US Free Trade Zones.
<b>Recommended/Needed Policy Changes:</b>	Government stimulus of the Aboriginal economy through favourable business rulings will allow for the business development to take place in the community.
<b>Suggested First Steps:</b>	Do basic research at the community level.

**(#9) *Inter-tribal Business Activity***

Many Aboriginal nations around the world are just now realizing the “real” concept of economic development and trade. There is a certain level of comfort and a definite cultural motivation to create business relationships and more importantly profit centred opportunities on an Aboriginal to Aboriginal basis. Also there are straight investment opportunities to be looked at as many Aboriginal nations control large pools of capital which could be invested and leveraged in Canada’s First Nation communities.

**Best Fit Communities:** Established and Developing.

<b>Current Practices:</b>	Very few Aboriginal nations around the globe are involved in this type of nation to nation relationship. Opportunity exists in various areas including New Zealand, South America and some Asian countries. Some of these countries are further progressed than Canada's First Nations but look to them for market potential.
<b>5Yr./10 Yr. Revenue Potential:</b>	\$10 - \$400M
<b>General Economic Impact:</b>	Huge economic impacts will be felt when this opportunity is developed. An ability to bring in foreign cash reserves.
<b>Barriers and Risks:</b>	Risks can be mitigated with "due diligence" and homework to access international markets effectively.
<b>Supporting Literature:</b>	NITA publications.
<b>Recommended/Needed Policy Changes:</b>	Commitment to research and education in this area. Also need product export development assistance.
<b>Suggested First Steps:</b>	Contact New Zealand Trade Ministry and get more information on Maori trade initiatives. Contact Foreign Affairs Canada and Export Development Canada.

## 5.4 DOMESTIC SOURCES OF CAPITAL

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### (#10) *Canada's Consolidated Revenue Fund*

Many millions of dollars are held in Trust for First Nations of this country by the federal government. Through a process of negotiation there is no reason why these funds cannot be used as a leverage tool to bring new sources of capital into the First Nation communities. A well developed plan and a sound business case would enable these dollars to be the lever to generate new wealth into the First Nations.

<b>Best Fit Communities:</b>	Not applicable.
<b>Current Practices:</b>	Government of Canada (DIAND) presently controls this fund.
<b>5Yr./10 Yr. Revenue Potential:</b>	\$0 -\$50M



<b>General Economic Impact:</b>	Could be widespread if structured and administered effectively.
<b>Barriers and Risks:</b>	Will DIAND run the risk of being sued for breach of fiduciary obligations?
<b>Supporting Literature:</b>	Calvin D. Helin: Doing Business with Aboriginal Canada Makes Sense.
<b>Recommended/Needed Policy Changes:</b>	Could be done with changes in DIAND policy.
<b>Suggested First Steps:</b>	Review existing literature and continue to analyze the possibility. Discuss with DIAND officers.

**(#11) *Create a Federally Sponsored Aboriginal Venture Capital Corps.***

This mechanism has been successful in the non-Aboriginal community as a way to form pools of capital and stimulate economic growth through private business development. This scenario will need tax credits and certain guarantees, however, specific funds set up to invest in Aboriginal opportunities would be a definite stimulus to the First Nation economies.

<b>Best Fit Communities:</b>	Established, Developing or Fragmented.
<b>Current Practices:</b>	Native Venture Capital Corp. is set up in Alberta. This is a venture capital company established in Alberta to invest in Aboriginal businesses. It has been in existence since the early 1980's and had investment from various sources in Alberta including the government and private sector.
<b>5Yr./10 Yr. Revenue Potential:</b>	\$0 - \$100M.
<b>General Economic Impact:</b>	Could be substantial as a means of supplying equity and start-up capital to the Aboriginal community.
<b>Barriers and Risks:</b>	Needs to be a market driven private enterprise venture capital structure.
<b>Supporting Literature:</b>	See government literature and publications as well as information from NITA on various conferences they have hosted in this area.

<b>Recommended/Needed Policy Changes:</b>	May have to look at favourable tax credits and other incentives to have people willing to create a “riskier” investment capital pool.
<b>Suggested First Steps:</b>	More detailed research is needed to explore this concept and offer it to the financial community. As Aboriginal people begin to participate in the Financial sector (like the First Nations Bank of Canada and local Credit Unions) the use of the vehicles can become a reality. A lot can be learned from existing ventures in this arena.

### **(#12)      *Accessing Pension Funds/mutual Funds for Infrastructure***

It is recognized that there are huge pools of capital in the market place. The ability to make First Nation communities attractive to this type of investor would bring significant revenues into the First Nation. Once again in the present setting some form of federal government intervention would be needed.

<b>Best Fit Communities:</b>	Established, Developing or Fragmented.
<b>Current Practices:</b>	Being done to a limited degree by some financial institutions.
<b>5Yr./10 Yr. Revenue Potential:</b>	\$0 -\$100M
<b>General Economic Impact:</b>	Could be substantial.
<b>Barriers and Risks:</b>	Must be private sector and non-governmental to be effective.
<b>Supporting Literature:</b>	Several publications by NITA and Calvin Helin would address this issue.
<b>Recommended/Needed Policy Changes:</b>	Have to “loosen” the present pension/mutual fund investment policies.
<b>Suggested First Steps:</b>	More research.

## **5.5            OFF SHORE INVESTMENT**

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### **(#13)      *Immigrant Investors Program***

The use of the Immigrant Investor Program (IIP) has definite possibilities for the creation of venture capital pools which could be targeted to the Aboriginal community. This is a federal government program giving visa’s/citizenship to immigrants who invest money into this program for business development in Canada. The proposal here is to have some of this money diverted to an Aboriginal

specific pool for investment/use in First Nation economies/communities. Once again the lure of the Aboriginal culture and more importantly the marketing of the First Nation community as a viable place to invest and is critical to the success of this type of financing. Capitalization on the “newly discovered” economy is feasible when it is realized that First Nations control both land and other resources.

<b>Best Fit Communities:</b>	Established, Developing or Fragmented.
<b>Current Practices:</b>	Doesn't apply to Aboriginal communities.
<b>5Yr./10 Yr. Revenue Potential:</b>	\$0 - \$550M
<b>General Economic Impact:</b>	Could provide capital which will impact directly on communities for immediate wealth generation.
<b>Barriers and Risks:</b>	The Immigrant Investors Program (IIP) as it stands has no Aboriginal component to it. The government has never looked at the Aboriginal market as a place to invest the foreign pools of capital raised through the program.
<b>Supporting Literature:</b>	IIP has various publications and literature available through the Federal government and the provinces. Handled by the Ministry of Finance.
<b>Recommended/Needed Policy Changes:</b>	Need to change IIP program to target Aboriginal needs.
<b>Suggested First Steps:</b>	Have the Aboriginal community represented on the Provincial boards who control the program.

#### **(#14) *Aboriginal Trade Missions***

Once again this is an area that has more potential than most people would realize on the surface. The selling of Aboriginal First Nations into Asia (i.e. China and Japan) as well as Europe (i.e. Germany) offers significant opportunity to negotiate business joint ventures and also foreign investment into the First Nation communities.

<b>Best Fit Communities:</b>	All.
<b>Current Practices:</b>	Calvin Helin has organized an Aboriginal trade mission to China in 1994. Has plans for one to New Zealand in February 1997 and to China in 1997. First Nations are just now exploring the possibility of international trade.

<b>5Yr./10 Yr. Revenue Potential:</b>	\$0 - \$400M
<b>General Economic Impact:</b>	This opportunity has to be looked at from the potential to market First Nation products to the international market. Or, have deals made to market foreign goods into the Canadian market via an Aboriginal community/business.
<b>Barriers and Risks:</b>	The main barrier is knowledge of the foreign markets and their “ways” of doing business. Have to familiarize yourself with their customs and be prepared to market and sell the First Nation as a quality business partner.
<b>Supporting Literature:</b>	See 5.3, P42
<b>Recommended/Needed Policy Changes:</b>	Provide First Nations with the literature and knowledge they will need in order to make a trade mission effective from an economic standpoint.
<b>Suggested First Steps:</b>	Begin to utilize all information at hand.

### **(#15)            *Technology Transfer***

Given the boundary-less market of the new information technology age there are countless ways to strike deals with off-shore sources. The ability to transfer skills and transmit data effortlessly offers many unique opportunities for Aboriginal people to bring technology based business into their community. Again marketing is the key. Opportunities in technology range from developing products for larger technology companies to operating Internet based businesses.

The environment for these types of opportunities is the same as the technology options discussed above, but the source of customers in this case is clearly international.

## **5.6                    COMMUNITY ECONOMIC DEVELOPMENT**

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### **(#16)            *Aboriginal Bond Issue***

This is seen as one of the most cost effective ways for a government to raise capital. The money is leveraged into the community through a bond issue and secured by the “new tax base, which can be used to create the infrastructure which the new First Nation government will need. The main area of concern in this idea is the attractiveness of the bond on the market. Therefore a steady revenue stream is needed or a government guarantee (i.e. federal).

<b>Best Fit Communities:</b>	Established.
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<b>Current Practices:</b>	Nothing in Canada yet but has been explored by the Westbank First Nation in BC. Westbank has worked a deal with the BC government to establish the First Nations Finance Authority Inc. The basis premise is raising money through bond issue using the BC Treasury's credit rating and proven track record. Contact Deanna Hamilton @ First Nations Finance Authority - Kelowna, BC. (604) 769 - 5445
<b>5Yr./10 Yr. Revenue Potential:</b>	\$0 -\$100M
<b>General Economic Impact:</b>	Could provide capital by pooling funds. Offers the First Nation government its "cheapest" source of capital. Can be used directly by the government for community needs and will have a dramatic effect on the whole community including improving social and health standards.
<b>Barriers and Risks:</b>	Need a stable community and a good tax base. Most First Nations do not have this at present.
<b>Supporting Literature:</b>	Robert Bish: NITA National Conference.
<b>Recommended/Needed Policy Changes:</b>	Have the government look at participating in this revenue generation product and work with the First Nation government to implement (i.e. guarantees etc.)
<b>Suggested First Steps:</b>	More Research.

### **(#17) *Entrepreneur Training***

Aboriginal leadership must realize that it is very important to nurture the entrepreneurs in the community. Much like the outside economy it will be the Aboriginal private sector which will build the economic base so desperately needed to move towards self government. The ability to create a long term sustainable community will be directly related to the local government efforts in building the entrepreneurial framework of the community.



Business development in a First Nation community drives the circular flow of money. The development of entrepreneurial skills, particularly in the youth, is essential to future flows.

<b>Best Fit Communities:</b>	All communities.
<b>Current Practices:</b>	Most First Nations lack the overall business skills to have a sound private sector base. Training is done ad hoc .

<b>5Yr./10 Yr. Revenue Potential:</b>	Will allow more “spins” of money in the community through the money multiplier effect by having more goods and services supplied in the community.  \$0 - \$10M depending on the size and location of the First Nations.
<b>General Economic Impact:</b>	Training will develop the skill level of the community and have a positive impact on the local economy.
<b>Barriers and Risks:</b>	Isolation is a factor in training.
<b>Supporting Literature:</b>	Entrepreneurship training is offered by most colleges and universities and large financial institutions. Plenty of literature available.
<b>Recommended/Needed Policy Changes:</b>	First Nations need to recognize the impact entrepreneurs have on their drive towards self-sufficiency.
<b>Suggested First Steps:</b>	Make economic development a priority in the community.

### **(#18)            *Gaming***

This is probably the most controversial issue (in Canada at least) that the First Nation communities must deal with. From a “pure” economic development aspect it offers by far the most “wealth creation” that any First Nation could enter into at this point in time. It also offers the most controversy at the basic levels of beliefs in the community. However, well managed and locally accepted, it offers the opportunity for the new First Nation government to generate quick revenue which can be transformed into long-term sustainable revenue.

<b>Best Fit Communities:</b>	Established.
<b>Current Practices:</b>	Gaming is provincially controlled. Some First Nations are involved.
<b>5Yr./10 Yr. Revenue Potential:</b>	+ \$1B
<b>General Economic Impact:</b>	Gaming offers the greatest benefit to any First Nation from a pure economic standpoint. The revenue generation potential is huge.
<b>Barriers and Risks:</b>	Social concerns have to be addressed by the community prior to entering this market.

<b>Supporting Literature:</b>	Various publications available from the US on the impact of gaming on Tribes.
<b>Recommended/Needed Policy Changes:</b>	Open the market for Aboriginal gaming.
<b>Suggested First Steps:</b>	First Nations and the Federal Government should negotiate a deal to establish gaming in the manner best suited for a particular First Nation community.

## 5.7 OTHERS

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In Sixdion's search and investigation into this area, many creative ideas were uncovered and some which are not included above but which we feel have merit are listed below:

- Flow Through Share Mechanism;
- Tax Credits;
- Aboriginal Business Investment Credit;
- Aboriginal Savings Tax Credit.

These are government sponsored investment vehicles offering tax credits to people/investors who would place money in various areas (those listed above) which are targeted at Aboriginal initiatives. People would get tax credit/savings by placing their money in pools/initiatives for Aboriginal development.

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## 6 CONCLUSION AND RECOMMENDATIONS

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Sixdion approached this project with our sights set and clearly focused on the future. The future not only from a sense of time, but from the perspective that First Nations will once again be responsible for what their future brings. Gone will be the days when their future to a great extent will be controlled by outside forces (i.e. the Indian Act). Instead, the new First Nation government, with all the necessary “tools”, will once again not only talk about planning for their future generations, but will take full responsibility for them.

### 6.1 CONCLUSIONS

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Sixdion’s field research and intimate knowledge of the Aboriginal community in Canada led to the similar conclusions that are known to most people.

The obvious conclusion: First Nations communities of Canada are in generally poor economic health and that the federal government holds both the barriers (i.e. Indian Act) and the advantages (i.e. financial resources) at this point in time.

And herein lies the problem:

**First Nations today are not focused on “strategically positioning” themselves for the future because they do not have the autonomy or tools to do so.**

First Nations as a whole are categorically in desperate financial shape with differing degrees of dependencies. The main sources of revenues as would be expected, are tied directly to the resources that the First Nation’s presently control. This means that the majority of opportunities presently lie in the natural resource sector. In the First Nation communities where taxation authority has been exercised it is tied to the land (i.e. property tax, leases, resource royalties etc.). These offer limited revenue generation at best, and are the lowest denominator to non-Aboriginal governments.



As for other barriers to revenue generation, section 89 of the Indian Act, as well as the lack of business skills of the people in the community, are the primary barriers. Another barrier is fragmented leadership and the lack of community involvement in major initiatives. Once again, these are all points that have been heard before.

So where do First Nations go from here? How do they fund First Nations Governments? What are the next steps?

#### ***A New Way of Doing Business Is Needed***

There needs to be a completely new way of “doing business” and a different (but not entirely new) way of developing the First Nations of Canada. A new reality.



It is this new reality which is at the heart of sustainable economic and social development.

When the First Nation government (as we have described earlier) makes its appearance, the idea that culture, demographics and other such issues will impact on an ability to generate sustainable revenue is really immaterial. The new First Nation government will be one that is accepted and respected because of all of these factors, and not in spite of them. We will see a government which represents the people and the community, and manages its development accordingly.

**Very practical decisions and tangible results begin to surface when the power and authority to make decisions and implement “community driven” solutions becomes a reality. Self-government in the true sense of the word will drive the development of leadership and strategic decision making skills.**

The future is here today for the First Nations communities in Canada. There is a real and critical need to meet the challenge of self-government head-on. The best chance for success lies with the most valuable resource of the community—the people. The information technology age only serves to magnify the importance of the community members in what is referred to as the “knowledge based economy”. The advantage to this new age and new economy is that First Nations armed with their youthful population, and a new order of government, will be able to soar in this “new world”.

Aboriginal youth represents a much larger proportion of the Aboriginal population when compared to the rest of the Canadian population. This presents both a problem and more importantly, an opportunity. The expected baby boom, which accompanies these types of statistics will put a further strain on Aboriginal governments’ need for revenue generation in the future. However, a youthful population means that First Nations have a supply of their most important resource, an eager and young work force anxious to secure the skills necessary to contribute in the new economy.

### ***Risks and Rewards***

The opportunities are huge, and so are the risks. To achieve lasting revenue generation, First Nations self-government must be recognized by all parties, the federal government included, to be just that, a new order of government in Canada. The government-to-government relationship and subsequent fiscal arrangements will be negotiated. The risk of not accelerating a new order will be little, or no real economic progress, and an environment incapable of generating significant revenue. The result will be the status quo.

The rewards, however, make all of the risk and all of the efforts worthwhile. Sixdion has described only a selected number of ways and means revenues can be generated by a First Nation with self-government becoming a reality. The revenue potential of the gaming opportunity alone, is enormous.

## 6.2 RECOMMENDATIONS

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The concepts and ideas presented in this report centre around the exciting possibility of forming a new regime of government within the Canadian framework. Not only an exciting prospect, but one which we know will clearly position the First Nations of Canada as true orders of government, looking after themselves and moving into the 21<sup>st</sup> century.

However, developing recommendations for actions and policy changes that foster sustainable revenue generation to support self-government is at best difficult, as a paradox stands in the way.

### *The Paradox*

The base reason for the difficulty in offering recommendations for actions and policy change at the Federal government level is that the idea of self-government within the Indian Act is almost an oxymoron. The whole idea of self-government and self-sufficiency is to govern oneself. The whole idea of the Indian Act is that Canada handles the affairs of the Aboriginal community.

And as has been discussed throughout this report, the pursuit of revenue generation without the elements of a Strategically Positioned First Nation, which includes an effective First Nation model of government is, for all intents and purposes, futile.

So as you can see a paradox is reached:

**If the Aboriginal community has true self-government there will be no need for the Indian Act. With the continuation of the Indian Act there will be no true self-government for the First Nations.**

Consequently, the major recommendation that can be put forward, would be to recognize that revenue generation to fund self-government will in fact not be achievable within the existing Indian Act framework. The process needs to be taken to a new level. The real issue that must be addressed is that of dealing with the First Nation as an equal partner at the negotiating table. New government-to-government relations must be forged that makes wealth creation feasible. Further, DIAND must recognize the inter-dependency between effective economic development and self-government.

The Crown must continue to work towards a new order of government which will have a relationship with Canada—but not be under Canada like the old Indian Act Band Council.

### *Practical Starting Points*

So where can Canada and First Nations start to implement policies and solutions that support real “revenue generation” today?

The following recommendations are put forward as steps toward spawning fresh approaches for revenue generation in the Aboriginal community:

**To the Federal Government:**

- In order for a First Nation to fund self-government, it must be a true order of government. Clearly, the inherent right to self-government means different things to different people (i.e. Canada vs. First Nations).  
  
Establish definitions acceptable to both sides and negotiate the process on a government-to-government basis.
- The limitations of the Indian Act are more detrimental than beneficial in the area of revenue generation. Recognize this situation and take steps (i.e. Section 89) to allow for revenue generation at the community level to be done in an “air” conducive to business development with the risks and benefits of the general marketplace.
- Recognize that in order for First Nation self-government and revenue generation to take place, it must be done in conjunction with the Federal Government, and not a take it or leave it situation.

**To the First Nations:**

- Clearly define what “self-government” means to the community/territory and begin to implement the changes and policy/leadership decisions which must be made to bring it to fruition. Position the community to serve the people, and plan for the future on local terms, not on someone else’s.
- Focus on the future and leave the “old baggage” behind and begin to move into the new era of government, leveraging on the information age to benefit the community and to position it in the global arena.
- Utilize the one resource which is available to all: a young population eager to learn and ready to use the skills of technology to bring new opportunities and revenue to the community.
- Stand back and take a realistic assessment of the community and take the initiative to make the “hard” decisions which are essential to move into the future, and to building A Strategically Positioned First Nation.

As for short term actions and steps, there are very few micro activities that will have a major impact. The issues are well known, universal, and have been there since Economic Development in First Nations was made a DIAND priority in 1978. Only substantive change will achieve the desired results.

However, in anticipation of the removal of barriers, we recommend the following:

- The development of community economic/planning diagnostic tools, such as what was presented in this report.

- Investigate new, and consolidate existing “best (and worst) practices” inventories into a form such as an Internet Web site that is available as a tool for First Nations Entrepreneurs.
- Fund the development of a pilot “enterprise model” First Nation as per section 2.2.
- Continue to contract with Aboriginal firms for support of policy development and underlying research, but not for “set-aside” procurement reasons. But for the reason that only Aboriginal firms can bring the “grassroots” perspectives needed to support real change and results. Quality requests for proposals, evaluation due diligence and market forces will ensure that Aboriginal contractors support their bids with the right skills through partnering and development.
- Modify the Aboriginal Set-Aside Procurement Policy so that it has a direct impact on, and for, community based business development. In its current form it is more likely to only have an effect on urban-based Aboriginal businesses. 50% of the total Set-Aside target should be set for “reserve” based development.

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**Appendix A:**  
*Interviews Background*

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## A INTERVIEWS BACKGROUND

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This appendix contains summarized questions and answers and the names of the interviewee list.

### A.1 INTERVIEW QUESTIONS AND SUMMARIZED ANSWERS

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***Q Does your Council/First Nation government generate any internal revenue other than direct federal/ provincial/ territorial transfer payments?***

Most First Nations generate some form of internal revenue although very few provided specific information, i.e. dollar amounts.

Most revenues are generated from natural resources available. Many communities have or are in the process of creating Development Corporations or commissions which will be the economic arm for projects. The intent of these is to generate funds, with the approval of member communities or the First Nation, to complement programs presently in operation at the community level.

The majority of communities have successful enterprises or initiatives which generate revenues but the revenues are not used to assist with running of local administration. Funds are used to provide capital for future projects.

For those First Nations (particularly in the Yukon) who are in the process of settling land claims and will become self-governing Nations, land claim settlement dollars are used for all community needs, i.e. administration, education, roads, economic development. The attention has been focussed on claims activity for the past twenty years and the shift now will be to look at development opportunities and economic benefits.

Smaller First Nations (those with memberships of less than 300) indicated that the amount of funding from DIAND was very small and insufficient to even provide seed capital. Hence, these communities are much more active with the surrounding non-Aboriginal communities in developing Tourism (mostly) to draw outside dollars into the community. In other cases, Joint Ventures have been started with outside companies in Forestry and logging initiatives.

***Q Are there any community owned profit making joint ventures or partnerships with outside entities operating in your community?***

Slightly over half of the contacts indicated that Joint Ventures were operating. Some cited problems with previous projects with outside parties and the political will now is to only consider joint ventures with other First Nations.

### ***Q How successful are they?***

Most Joint Ventures were entered into to provide employment and skill development for First Nation members. This was considered to be more important than to generate profits. This general finding is more reflective of smaller First Nations whereas those communities of larger size are more interested in profit which then will sustain employment.

Those Joint Ventures that are operating are successful with any failures due primarily to poor management. In most cases, management was the non-Aboriginal party's responsibility and they did not deliver.

Also, those that are successful have separated "business" from First Nation Council and communities which continue to struggle tend to operate their business with control or decisions being made by the First Nation Council.

### ***Q What do you perceive to be revenue generation opportunities for your community?***

As a general finding, future revenue generating activities were to expand existing projects or sectors, i.e. mining, logging, forest, tourism, golf course. Again, this is based on a recognition of the Natural resources available in each community. Human resources have been developed to ensure adequate supply of labour in each development project.

Some communities are looking at integrating strategies from each community into a regional plan. "Spin off" benefits are then more recognizable and tie in with existing businesses.

### ***Q What do you feel is the long-term potential of these opportunities? (5 year/10 year)***

A more detailed list of projects planned grouped by sample groupings over the next five years:

#### URBAN

- ∩ Targeting tourism and manufacturing initiatives;
- ∩ BC- forestry, fishing, aquaculture, real estate development (leasing land); and Gaming.

#### REMOTE

- ∩ Expansion of forestry and harvesting industry, sawmill operations, maintenance of fishing and related tourism; and
- ∩ Dam for energy purposes (JV with outside companies), looking at mining.

SELF-GOVERNMENT

- Ĉ Strip mall to lease space to Aboriginal and non-Aboriginals; and
- Ĉ Cattle, chicken processing - agricultural based industry.

RURAL

- Ĉ Expansion of gaming and related tourism.

NORTH

- Ĉ Mining, tourism, maintenance of window manufacturing company;
- Ĉ Yukon First Nations still in pre-planning stages; and
- Ĉ Taking stock of land claims dollars and how to use them.

TAXING BANDS

- Ĉ Business park with user fees and leases to non-Aboriginal companies;
- Ĉ Expansion of golf course;
- Ĉ Contracts with government (procurement) and army; and
- Ĉ Strip mall, bingo hall, profits from gaming (terminals) shared with the Province.

***Q Do any of these opportunities leverage your existing resources (human/natural/physical) to create a much larger potential development?***

In all cases significant existing resources will be leveraged to realize these opportunities. Again the resources being leveraged vary from First Nation to First Nation. Those in the West and North are primarily leveraging Natural Resources and are also looking to have transfer of skills to their members through employment to improve the condition of their human resources. In the more Urban First Nations, dollars are primarily being leveraged with funds coming from Tribal Council funds or development corporation funds.

## ***Planning and Business Development***

***Q Does your First Nation have a documented community economic development strategy/plan?***

About 50% of those interviewed have a documented economic plan that is current and being implemented. The balance of communities are now looking at developing a plan. Those in the far North, i.e. Yukon, are working with other First Nations to develop a Yukon wide plan. Again, this is based on the size of each community and a similar status, vis-à-vis, land claim settlements.



***Q How current is it? & Is it considered a usable plan?***

In some cases, plans were done in the past and are very outdated. These are being redone with more input from the EDO or Council to ensure that the plan is useable and comprehensive. Smaller communities are looking at this exercise more from a community development perspective versus an economic strategy.

***Q Is it being implemented? & Who is responsible to see that it is being implemented?***

In all cases the EDO or First Nation Administrator is responsible for implementing any economic plans. In one instance, councilors are given portfolios to manage with one councillor responsible for handling economic development. In the cases where the FN is affiliated with a Tribal Council, their plans are rolled up into a larger, regional plan to ensure there is no duplication of effort; that First Nations are not competing with one another and where best to locate various ventures. This is often supported by a portion of economic development dollars pooled from member First Nations for joint projects.

***Q Is entrepreneurial/business training taking place in your community?***

Entrepreneur training is occurring in almost all communities but on an ad hoc basis. Once there is enough interest to run a course or training, a proposal is funded normally through Pathways.

***Q Does your First Nation have a marketing plan?***

Very few First Nations have a Marketing Plan. However when discussing the idea, most thought it was a good idea and are now planning to develop a Market Plan distinct from their Economic or Community Plan. In most cases this was similar to a community profile where population, demographics, governance, services, and resources are highlighted to provide information to potential joint venture partners. Some communities in the Yukon are developing Internet World Wide Web pages including this information which will act as a marketing tool.

***Q Do you look outside your community for revenue generation opportunities? (i.e. the other provinces, the USA, Europe, Asia)***

Outside sources of revenue are integral to smaller communities as they do not have the population to sustain any small business. This is primarily why the Tourism sector has become a priority. Again, Joint Ventures are preferred with other First Nations to bring in capital, expertise and/or management.

Off shore opportunities are primarily in the area of expanded marketing distribution for existing operations, i.e. logging, mining, fishing.

***Q Do you belong to any business development or business networking associations (Aboriginal or otherwise)?***

Business associations are maintained more through those First Nations which are Tribal Council members. The Tribal Council acts as an association and planning body where training, conferences, etc. are sponsored. Any larger outside interest in partnering is also assessed through the Tribal Council office and staff. This has been found to be a good practice and member First Nations have benefited with respect to employment primarily.

Some communities are involved with tourism associations as well as neighbouring municipal governments and chambers of commerce.

## ***Information Technology***

***Q Does your First Nation have an information technology plan?***

The Alliance Tribal Council for example had a feasibility study done for setting up all communities on E-mail and looking into the feasibility of Video conferencing. The Video conferencing was not looked at from a “profit-making” angle only but as a communication tool for members, as they are fairly spread out along the coast.

The cost was deemed too high at this time to set all of the members up with Video - Conferencing and it was generally felt that we should wait for technology to improve and stabilize in the market first. Other than this initiative most offices are networked and some are hooked up to the Internet. They have found the Internet to be a useful tool in doing basic research and for E-mail.

***Q Is your community looking at Information Technology as a strategic issue (economic development issue), or as a technical (administrative) issue?***

(See next question)

***Q What information technology training is taking place in your community?***

Most communities do not have a detailed Information Technology Plan, however most First Nation administrative staff are computer literate. In about half the First Nations, upgrades are currently underway, as well as hook up to the Internet, and training is ongoing.

## ***Q How would you rate your community's Information Age preparedness?***

The overall ranking for information age preparedness as ranked by EDOs and Administrators is about 5 out of 10 with the major gap in getting all members, and First Nations to get to the same competency level.

## ***Economic Indicators***

### ***Q How do you measure economic success in your community?***

The primary economic indicators of success are employment and profits for reinvestment in economic projects. In communities in the North or those that are very small, where little economic activity is occurring, an overall subjective indicator of "community health" is used. They look at the level of basic services in health, education and housing as a major indicator of community success. Most of these communities are just now looking at economic sectors for development now that land claims dollars are becoming available, or as DIAND dollars continue to get cut. These communities are also working more with outside communities on initiatives such as Tourism, Nature Trails (Eco-Tourism), etc.

### ***Q Does your community have access to existing financial resources?***

Most communities have access to ACC funds which provide business loans. In about half of the communities, Banks have provided loans and credit facilities.

### ***Q Do you have access to non-reserve based capital?***

Aboriginal Business Canada has been accessed as well in all areas except the East and West coasts. Most of the uptake on this program was found to be in Ontario and the Prairie provinces.

The Bank of Hong Kong has assisted First Nations on the BC coast.

### ***Q Do you feel your community has the tools (management, systems, subject knowledge) to capitalize on potential opportunities?***

In most cases, the EDO's felt that the communities lack the necessary business skills to undertake large projects. Also, in smaller communities there are insufficient dollars to "kick start" any economic activity.

Again, Tribal Council associations who have set up capital pools were cited as being very beneficial in spurring revenue generating projects. Also, they have the additional resources in place to assist in the development of Business Plans, as many people do not have the necessary skills to prepare to do the proper research, prepare the plan, and then implement it.

***Q Is there any particular resource pool (or program) that has proved to be valuable in your development efforts?***

Tribal Council Investment Group was noted as a valuable resource pool for development. Each member First Nation invests \$70,000 (one time) and funds are used as equity for joint projects.

The Province of Manitoba gave a rebate for taxes paid by First Nations over a 6 year period (some First Nations received \$4M). This was used for economic development initiatives as well as enhancement of community services.

Land claims money is crucial to remote, and small First Nations who have a very small economic base.

## ***Barriers***

***Q WHAT are the existing barriers/pitfalls/roadblocks, as you see them, which prevent your community from generating internal revenue and/or creating wealth (i.e. sustainable sources of wealth) in your local economy?***

In general, a barrier noted by most communities was that there is not enough individuals in the communities with appropriate business skills. Many also mentioned the restrictions due to the Indian Act (section 89).

Some indicated a lack of political leadership where community plans can be set with greater community support.

***Q Do you have any examples of revenue generation approaches or projects that did not work for your community?***

There have not been a great deal of failures in recent years cited by most First Nations. In those examples given, the primary problem was in the non-Aboriginal partner not fulfilling their end of the deal, i.e. management and marketing - contracts. The First Nations were looked upon in the past as a source of capital and inexpensive labour, where a strong competitive strategy was often overlooked. The Joint Venture or partnership agreements that were developed were not comprehensive allowing the non-Aboriginal party to walk away. As a result, in some cases First Nations will only consider Joint Ventures with other First Nations. However, most First Nations are looking at Joint Ventures with outside parties as a way to bring in expertise, capital and provide stable employment. With a higher level of education evidenced in EDO's and First Nation Administrators, due diligence is being exercised and proposals are being critically assessed on the basis of benefits back to the community.

***Q WHAT has to be changed (at a policy level/local council level/federal government level) in order for your community to begin to generate revenue from your internal resource base?***

Changes that have impacted on economic development are fundamentally based on the Council - their style. Those First Nations where Development Corporations have been set up or Tribal Councils with Economic Development Corporations are in place, have been more active with the ability to invest and start up projects based on an independent assessment of viability and benefits. Other First Nations where the Council has more control or this is the style, other issues are given priority. This is often the case with smaller First Nations where the number of people will not sustain an economic base and the priority is on social issues and “community health”.

Some EDO’s cited a simple change, such as younger councilors, has effected change. The younger generation is more interested in economic development as a means to self-sufficiency.

### ***Other Comments***

***Q Do you have any other comments or suggestions you would like to add.***

General summaries were given by interviewees and the following represents those summaries based on emergent categories:

#### NORTHERN/REMOTE/SMALL BANDS:

In most cases, limited funds are available for economic development.

Some of these communities are looking at working together to develop “regional plans” where revenues may be pooled for joint projects.

Yukon First Nations are in a similar situation where land claims will be settled soon and use of these funds is now the task at hand. Economic Development opportunities are just now being seriously considered.

#### TRIBAL COUNCILS:

This is the approach that has been taken by tribal councils contacted primarily in the prairie provinces and northern Ontario: Economic activities have been separated through the establishment of Development Corporations or capital pools acting very much like venture capital. These funds are generally only used to provide equity for joint or regionally based projects - where employment is created for several adjacent reserves and/or natural resources must be contributed or shared.

A shared approach is a necessity to ensure opportunities exist. As independent Nations, these communities are much too small and in many cases remote to sustain any retail or service based businesses.

URBAN:

These communities are situated in higher population and traffic locations, where they have been able to capitalize on consumer markets. Hence more opportunities abound such as strip malls, bingos, and other gaming activities. Also, individual members are able to start up small businesses which are self-sustaining creating one or more jobs. In most of these communities the political will is also in tune with economic development as a means to a healthy community.

These findings will provide a good back drop to further analysis of financial statements for each First Nation to quantify revenue generating activities and match up the impact these have had on each First Nation given their individual circumstances.

Each community is unique with the possible exception of those in the Yukon. Each has significantly different circumstances. Priorities around economic development then vary accordingly.

## **A.2 INTERVIEWEES**

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Documented interviews were obtained from the following:

- C Assembly of Manitoba Chiefs, Ejay Fontaine
- C Hartley Bay EN, Kevin Leaf
- C Nishnawbe-Aski Nation, Lindsay LeGarde
- C Pacheñaht First Nation, Rodney Thur
- C Sioux Valley Dakota First Nation; Ken Whitecloud
- C Kahnawake Mohawk Council ; Jack LaClair
- C Alliance Tribal Council, Jennifer Sinclair
- C Six Nations Of The Grand River, Barb Bomberry
- C Dana Naye Ventures; Catherine Pool
- C Ta'an Kwach'an Council, Ruth Irvine
- C Tsuu T'inu Nation, Todd Meguinis
- C Millbrook First Nation, Lloyd Johnson

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*Appendix B:*  
*Bibliography*

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**B Bibliography**

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