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INDIAN ECONOMIC DEVELOPMENT EVALUATION

BRITISH COLUMBIA REGION

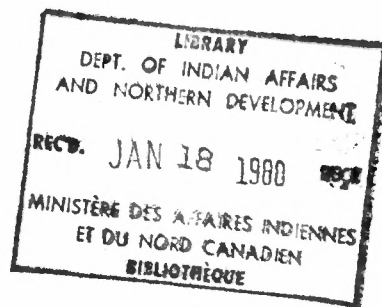
EXECUTIVE SUMMARY

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Summary

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EXECUTIVE SUMMARY

Prepared for
the

EVALUATION BRANCH
CORPORATE POLICY

DEPARTMENT OF INDIAN & NORTHERN AFFAIRS

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EVALUATION PURPOSE

The purpose of the evaluation was: (1) to document the changes in the rationale, policies and objectives of the Economic Development Activity since the inception of the Indian Economic Development fund (IEDF); and, (2) to determine the effectiveness of various economic development approaches used in B.C. during the period in question.

EVALUATION APPROACH

The work was done in two phases. In the first phase the history of the programs since 1972 was studied; the mandates were determined; and the general evolution of today's activities was documented. The second phase involved the review and assessment of 115 projects at some 14 sample communities.

The sample communities were not chosen at random, but rather deliberately selected to display a high degree of diverse economic activity over the decade. The fourteen communities range from B.C.'s largest band to one with less than 90 people. They include B.C.'s most remote band and one surrounded by an affluent Vancouver residential area. The band's economic foci include ranching, logging, fishing and traditional hunting and guiding and they are located throughout the Province.

The sample is skewed towards bands having the largest amount of economic development activity during the past decade.

At sample communities all economic development projects were studied regardless of whether they were a success or failure. The projects were assessed in terms of their own, as well as program, objectives.

In view of the multiple funding sources to projects, all major program sources were studied rather than simply the DIAND program component.

EVALUATION ISSUES

The evaluation issues fall into five areas:

1. The overall impact of the Economic Development Activity
This includes employment and personal income creation, creation of viable ventures, reduced transfer payment dependency, etc.
2. Project Related Issues
This includes the overall success/failure of projects, the factors that led to success/failure, etc.
3. Delivery System Issues
Included in these issues was delivery and co-ordination of funding, technical advice and training as well as their adequacy.
4. Indian Perception Issues
The expressed viewpoints of the Indians on the above issues and the effectiveness of various programs and departments are included.
5. Community Based Issues
This focussed on issues relating to community based economic development, community readiness and effects.

MANDATE, OBJECTIVES & POLICY

The Mandate of the Activity, which has not changed during the decade, can be stated as follows:

"To assist Indians in developing and expanding viable business opportunities and to provide job opportunities for Indian people on and off-reserve."

Objectives established for the IEDF and the other components of the activity are in accord with this mandate. The objectives are not quantified nor particularly precise. During the decade the documented objectives did not change yet their interpretation varied radically. Initially, the IEDF objectives were interpreted in an expansionary environment, the major emphasis was on disbursing the IEDF funds to realize the benefits as quickly as possible. By 1976 it became evident that few projects were succeeding and that the loan fund was very nearly insolvent.

The fund was stabilized over a three year period. During most of the stabilization period the IEDF became almost inactive. New loan clients were few and loans very small, as a series of more stringent controls were applied.

In the post-stabilization period loan policies were relaxed to some degree but loan activity never reached its previous levels.

While neither the mandate nor objectives had changed, policy and procedures were more exacting than in the early 70's and regional funding authorities had decreased. At the same time interest rates increased while grants and contributions became more readily available from DIAND and other sources.

INPUTS

In the early 1970's the Department's principal support was through IEDF loans and guarantees, and to a lesser extent, by contributions. In the mid-70's "Socio Economic" programming was added in the form of programs that allowed near viable projects to be partially subsidized with social assistance funds. Finally, in the 80's a relatively unstructured program,

known as the Development Project Fund (DPF) that assembled a host of minor program monies from Economic Development, Community Affairs and Education, was developed.

Simultaneously, greater sums of sectoral and program development funds were being administered by Indian Associations and Institutions.

The availability and use of funds from outside the Department increased from a very small portion in the early 1970's (complete data is not available) to 52% for the period 1976-82 as shown in the table below.

TABLE 1
ECONOMIC DEVELOPMENT FUNDING
B.C. Region (1976-82)
\$(000)

<u>Source</u>	<u>Contributions</u>	<u>Loans</u>	<u>Total</u>	<u>%</u>	
<u>DIAND: IEDF</u>	4,570	2,642	7,212	10	} 48%
Other	23,315	3,602	26,917	38	
<u>DREE</u>	21,713		21,713	31	} 52%
<u>CEIC (LEAP only)</u>	11,325		11,325	16	
<u>FCC</u>		973	973	1	
<u>PROVINCE</u>	2,804		2,804	4	
	<u>\$ 63,727</u>	<u>7,217</u>	<u>70,944</u>	<u>100</u>	

The following IEDF table shows the reversal from the extensive use of IEDF loans and guarantees in the early 1970's to the increasing demand for contributions monies commencing in 1976-76. Loans exceeded contributions by a ratio of 3 to 1 prior to 1975 and nearly the reverse since then.

TABLE 2
SUMMARY OF INDIAN ECONOMIC DEVELOPMENT FUND (IEDF) DISBURSEMENTS
B.C. Region

<u>Year</u>	<u>Loans & Guarantees</u>		<u>Contributions</u>		<u>Total</u> <u>(\$000)</u>
	<u>#</u>	<u>(\$000)</u>	<u>#</u>	<u>(\$000)</u>	
1970-73(1)	371	4,112	43	827	4,939
73-74	62	3,684	47	819	4,503
74-75	59	1,950	52	712	2,662
75-76	66	4,957	74	1,160	6,121
76-77	54	2,402	47	1,047	3,449
77-78				(2)	3,938
78-79	50	779	121	2,588	3,367
79-80	18	352	32	1,218	1,570
80-81	39	896	44	1,402	2,299
81-82	52	1,142	212	2,189	3,333

(1) Includes IFAP

(2) Data confused, may include stabilization

The following Table 3 shows the distribution of sample funds by source. The sample represents some 31% of funding over the decade.

TABLE 3
ECONOMIC DEVELOPMENT FUNDING
14 SAMPLE COMMUNITIES 1970-71 TO 1981-82

<u>Source</u>	Loans and Contributions (\$000)	<u>%</u>
DIAND	5,231 ¹	24
Other Gov't	12,155	55
Band Equity & Commercial Lender	<u>4,636²</u>	<u>21</u>
Total	22,022	100

1 - \$2,329 in Loans

2 - Contributions and Loans not separable

IMPACTS & EFFECTS

a) Community based development has been significant on many reserves. While not all progress can be attributable solely to economic development, significant, very positive, changes have occurred. Many reserve communities have outgrown the capacity of DIAND and others to deliver. The patchwork of isolated programs from several sources preclude the implementation of coordinated multi-year plans.

Developing bands differ radically in interests, opportunities, size, culture and other characteristics, as well, as in their geographic and economic circumstances. Narrowly defined and centrally controlled programs inhibit the growth of their development capabilities. Because of these factors, it is recommended;

- that a new program to provide for the establishment of Community Based Development Corporations be established (see following detailed recommendations).
- that programming be decentralized as much as possible; and,
- that programming recognize the vast diversity of bands.

b) The programs offered by DIAND have been a success. The prevalence of multi-program use precludes attributing success to a single program but DIAND staff have been an important element in assisting bands to utilize DIAND, DREE, Province and CEIC resources.

Some 436 full time job equivalents (249 full time and 309 part time) were created. Of these, 245 full time job equivalents (112 full time and 203 part time) have survived to date.

Although no specific quantified job creation or other objectives were ever in place, the programs have met their qualitative and implied objectives.

An investment of \$18,003,000 was required or \$41,300/job created. Considering the 248 viable positions, the investment is \$72,600 per job. This compares favourably with DREE guidelines whereby up to \$30,000 is provided to support 50% of the capitalization of a job creation indicating acceptance of job creation costs of \$60,000.

The need for additional job creation is well known. Given that the job creation costs of the present program collection is reasonably modest and the success known, it is recommended;

- that existing programs be continued;
- that program funding and human delivery resources be increased substantially; and,

- that a plan be developed district by district to meet the employment needs of Indians and that this plan be closely monitored.

c) Of some 90 projects where success/failure could be determined, some 45 have survived. Success, after much consideration, was practically defined as survival or completion, failure as meeting an unplanned end. Of the 90 projects, only two met no material objective.

The major causes of success and failure were isolated and described. On the basis thereof, it is recommended that;

- projects avoid new or different technology,
- advisory services as a crucial element must be made more available,
- advisory services quality must be improved; and,
- training in basic business management is essential and must be provided in a coordinated manner.

d) Delivery mechanisms inhibit program success.

i) The delivery system is fragmented and differs between sources. Multiple funding, while a necessity due to the deficiencies of many sources, causes severe difficulties in project development. No single program accepts any measure of responsibility for the success or failure of multifunded projects.

ii) Multiple funding with relevant multiple regulations and formats is further compounded by timing problems. Each source approves and disburses out of synchronization with all the others. Most make approvals and disbursements contingent on all the others. Delays and confusion are the norm.

iii) Staff turnover and vacancy is inexcusably high. DIAND has greater turnover and vacancy problems than all other agencies and yet is looked on for the most help and holds the greatest responsibility.

It is recommended:

- that DIAND as the principal agency participant accept the role of coordinating on a project basis the multiple funding process; and,

- that DIAND make a special effort to keep field positions, particularly in more remote areas, staffed on a constant basis.

e) The Department has difficulty filling several conflicting roles such as banker, developer, advisor, trustee and even bailiff. A series of advisory and adversary relationships occur. The decentralization of many functions would ease this problem and there is a DIAND willingness to turn over more program responsibility to the Bands. However, DIAND funding is a relatively minor amount particularly for larger projects. Therefore it is recommended that;

- a plan be developed whereby the major departments active in Indian economic development (DIAND, DREE, CEIC) would turnover responsibility for economic development to Indians. This is clearly a long-term task requiring the development of a suitable Indian institution. However, such an institution is now being proposed in B.C. and is under development.

The following are all of the recommendations from the report.

RECOMMENDATIONS

The following recommendations are directed towards:

- the improvement and modification of existing programs as well as the formal and informal aspects of the delivery system,
- the establishment of a new, more independent delivery system to meet the needs of those communities who have outgrown the capabilities of the present program selection.

It must be pointed out that most of these recommendations could be made of the non-DIAND programs encountered as well. The recommendations are based on findings in the field and conclusions that were valid for all economic development agencies in most cases.

The recommendations are categorized into:

- Short Term, (immediate),
- Medium Term, (next fiscal year), and
- Long Term activities.

SHORT TERM RECOMMENDATIONS

a) It is recommended that the IEDF and other DIAND Activity program mechanisms be continued. They have demonstrated success in fostering economic development. While revisions, additions and deletions to meet specific needs can be made from time to time, it is essential that a broad spectrum of program support be available to bands at early stages of their economic development. It is also imperative that the general funding levels from the available variety of sources be sustained.

b) DIAND must involve representatives of Indian people in the process of allocation of Economic Development funding resources at the national and Regional levels as it does at the district level.

In recent years the withdrawal of funds for special purposes at the National level before regional allocations are made, and at the regional level before further allocations, has increased in both frequency and dollar value in terms of Indian perception. It is without question very material now although its historical growth is clouded.

B. C. Indian leaders recognize that these national withdrawals are likely warranted and that in some cases B.C. Indians are the beneficiaries. At the Regional level the benefits are questioned more seriously.

Indian involvement in the entire allocation process from the national to the district levels including the "withdrawal" mechanisms would overcome a divisive force amongst Indian people that mitigates against economic co-operation at all levels. The potential benefits of co-operation are being lost. Indian involvement would also improve co-operation with DIAND and allow energies expended in serious inquiry and responses respecting allocations (that frequently escalates to involve media and M.P.s) to be channelled towards more useful work.

Furthermore, Indian involvement in these processes is a far more material measure to meet DIAND objectives respecting Indian participation, than other measures taken to date.

c) The funding resources available to Indians for economic development must be monitored by the DIA to be assured that economic development does not founder due to withdrawals of outside support. At this time both the Special ARDA program and CEIC's LEAP and other job creation programs are being reorganized. The department, with the bands, must take steps to assure that these resources which supplied more than 45% of economic development monies are not threatened.

d) The quality, timeliness and continuity of advisory services of a specific or technical nature must be improved and these services made universally available to developing bands.

This will require that:

- resources for advisory services be drastically increased,
- that the Department and bands be more demanding of outside advisors,
- that project personnel and the Band leaders be trained in the selection and use of consultants and the specification of work to be done.

e) It is recommended that the responsibility for appropriate training needs to meet general business needs, sectoral interests, and specific projects be assumed in its' entirety by a single authority, selected by Indian people. Currently DIAND education and economic development, hosts of CEIC programs and some native organizations, each with positive and negative attributes are in the training field.

e) The problems associated with multiple funding of projects serviced by existing programs must be reduced. Appropriate measures are:

- Inducement of the field program people to meet regularly to plan the co-ordination of delivery at the outset of projects rather than as problems arise.
- The institutionalizing of this planning so that it becomes a scheduled routine.
- Establishing at the regional management level, approval and disbursal cycles, and procedures which are synchronized. This will accelerate project implementation.
- The assumption by the DIA, because they are closest to the communities, of the responsibility for this co-ordination of the delivery of ARDA, 1st Citizens, and CEIC program benefits, and as a result, a greater measure of the responsibility for the success or failure of projects at developing bands.

f) The DIA must assure that effective staff is in place throughout the Province. This implies that:

- positions not be vacant,
- that steps be taken to reduce field staff turnover and the associated loss of experience and trust.

g) The differences between Indian communities must be recognized by the people who deliver economic development service.

It is recommended that:

- the general pooling of money at the Regional and district levels be further decentralized to the tribal council, area council and even band level as dictated by circumstances in each district,

- that sectoral programs must reflect district and community inputs and the sectoral pool being comprised of fishing and agriculture in B.C. must be, and be seen to be, disbursed equitably on an opportunity basis. An accounting and monitoring of the program as much as any change may suffice. Perception is much of the problem.
- that the Development Project Fund (DPF) be reviewed and monitored across the province to ascertain exactly how it is used and what real benefits are being realized. The diversity of current useage and delivery is such that many Tribal/District Councils could benefif from each other's experience and the results of such a review should be widely circulated. (The limited incidence of DPF useage in the sample was too small a base for conclusion).

MEDIUM TERM RECOMMENDATIONS

a) It is recommended that both funding and delivery resources be increased to allow Indian Economic Development to make real headway in resolving the problems for which it was designed.

The program has demonstrated effectiveness to date, but the needs far exceed current available resources.

b) It is recommended that on a task force basis at the regional level a five-year (or similar) plan be developed, district by district, that would meet the job creation needs.

c) It is recommended that a new vehicle be established to foster development in those communities (and groups of communities) that have outgrown the present delivery systems.

Such a vehicle should be a "response oriented" mechanism not another program. It must provide the opportunity for community specific local based programs to be designed and implemented.

Senior Management of the major funding authorities would identify resources to meet integrated community economic development plan needs, and to provide for local funding of small business endeavors or other imperatives dictated by community considerations.

The funding must be of a longer term than a single year or project.

The vehicle must not be rule bound and inflexible if it is to meet needs that don't fit into current programs.

The response mechanism must be developed in consultation with Indian people and members of those communities that are best equipped to participate.

CONTINUING RECOMMENDATION

It is recommended that a negotiated assumption of control of many aspects of Economic development by Indian people be commenced.

Indian interest in control of economic development is predicated on community based needs and initiatives. Current DIAND programming being of a broad scope but limited application provides little appeal for the assumption of control by Indian people.

Indian people seek control of economic development not DIAND programs.