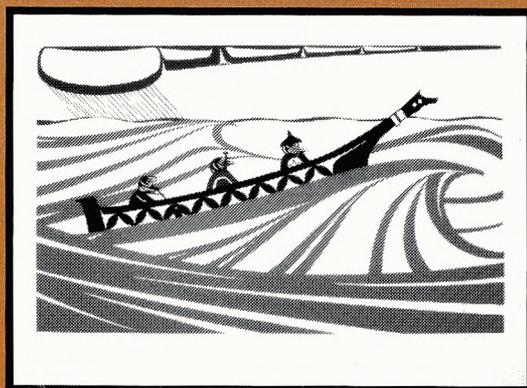
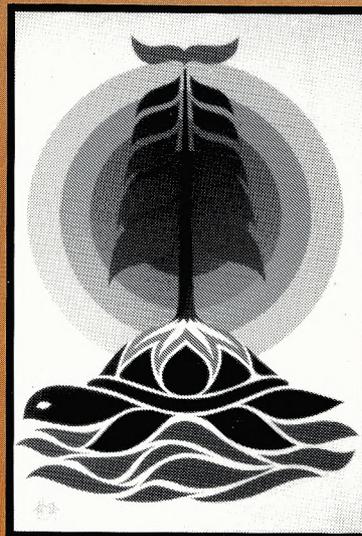
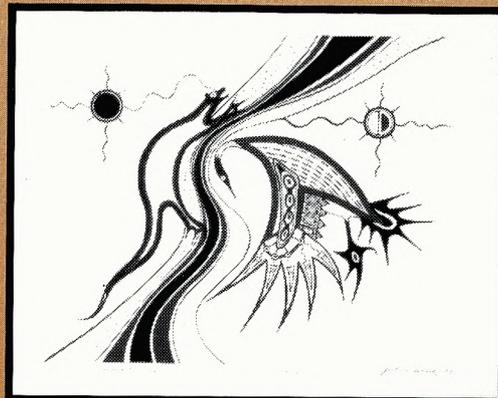




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VOLUME I

**APPENDICES TO THE EVALUATION
OF THE LONG-TERM IMPACTS OF
ALTERNATIVE FUNDING ARRANGEMENTS**

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VOL. 1
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**Evaluation Directorate
Corporate Services Sector
Department of Indian Affairs and Northern Development**



VOLUME I

**APPENDICES TO THE EVALUATION
OF THE LONG-TERM IMPACTS OF
ALTERNATIVE FUNDING ARRANGEMENTS**

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APPENDIX 1

**Terms of Reference for the Evaluation of the
Long-Term Impacts of Alternative Funding Arrangements**

Evaluation Directorate
Policy and Consultation Sector
Department of Indian Affairs and Northern Development

PROPOSED TERMS OF REFERENCE**Evaluation of Alternative Funding Arrangements**

BACKGROUND: In October 1983, the Special Committee on Indian Self-Government recommended administrative or policy changes under existing legislation permitting First Nations expanded authority to manage the affairs of their membership.

On November 7, 1985 Cabinet authorized the implementation of new funding mechanisms designed to permit more local control to be exercised by First Nations and related groups. On June 26, 1986 technical authorities were approved by Treasury Board, to implement Alternative Funding Arrangements (AFA) with eligible Indian Bands, Tribal Councils and their organizations commencing in 1986-87. AFA was made optional and is not a required step for attaining self-government.

An evaluation of the short-term impacts and the implementation process of AFA was completed in June 1989. The evaluation found that the short-term impacts of AFA were generally positive in nature. The Department implemented the majority of the evaluation's recommendations related to the AFA implementation process and audit refinements.

NEED: The Transfer Payments Directorate, Finance and Professional Services, and Treasury Board have requested that an evaluation be conducted of the long term impacts of AFA. The issues of Ministerial and local First Nations' accountability are also to be addressed as a basis for the evaluation as well as to inform other Departmental initiatives such as current and future devolution activities.

SCOPE: The evaluation will assess the long term impacts of AFA since its introduction in 1986. The evaluation will also involve a review of the issue of Ministerial and local First Nations' accountability.

ISSUES: The evaluation issues specified in the MOU with Treasury Board dated August 1986 were refined in consultation with the Evaluation Advisory Committee. The evaluation will address the following issues:

- the extent to which AFA has enhanced recipients' management capacity and enabled them to design and deliver effective programs in accordance with their own needs and priorities;

- the extent to which AFA confirms and/or modifies the accountability of participating groups or bands to their local communities;
- the extent to which the Minister's requirements for accountability have been met;
- the extent to which AFA recipients have experienced a change in Departmental controls and/or a change in their relationship with DIAND;
- what, if any, have been the other impacts of AFA; and,
- what improvements can be made to AFA?

APPROACH:

The evaluation will be directed by a Senior Evaluation Manager and will be conducted in two phases to be undertaken concurrently. The first phase will address the central evaluation issues while the second phase will focus specifically on the issue of Ministerial and local First Nations' accountability.

AFA Evaluation - Phase I: The first phase of the evaluation will be conducted with in-house and contracted resources and in consultation with an Advisory Committee. This committee will be chaired by a representative of the Evaluation Directorate and will consist of representatives of three First Nations in Western, Central and Eastern Canada; Financial & Professional Services Branch at headquarters; and, Transfer Payments Directorate at the Quebec Regional Office.

Methodologies to be employed in this phase of the evaluation include: in-person and telephone interviews with all Departmental AFA managers and/or directors, and selected Senior Departmental Managers including Directors General and Regional Directors General; file reviews at headquarters and selected regional and district offices; telephone and in-person interviews with randomly selected AFA and non-AFA funded recipients; and, four on-site case studies will be conducted involving two First Nations visited in the previous evaluation and two other funded recipients.

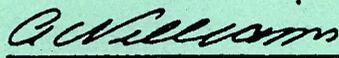
AFA Evaluation - Phase II: Accountability Issues: The second phase of the evaluation will consist of three distinct components. Two of these components will be directed by the Evaluation Directorate and the third component will be overseen by an Advisory Sub-Committee consisting of representatives of the Saskatoon District Tribal Council, Muskeg and John Smith Bands, Saskatchewan Region Office, Transfer Payments Directorate, Headquarters and the Evaluation Directorate.

The first component of the Accountability Review will be conducted by a team of academic researchers versed in Aboriginal issues. The second component will be managed by the Saskatoon District Tribal Council through the use of a Cree Consultant. The third component will examine the lessons learned on applicable mechanisms for actual and future devolution to First Nations and will be undertaken by the Evaluation Directorate.

RESOURCES: It is estimated that the evaluation will cost approximately 150K, including travel for First Nation representatives on the Advisory Committee.

TIME-FRAME: A draft report is to be completed in the fall and a final report will be tabled by the end of March 1993.

APPROVED:



A. Williams
Assistant Deputy Minister
Finance & Professional Services

JUN - 7 1992

Date

APPENDIX 2

Descriptive Overview of Alternative Funding Arrangements

Evaluation Directorate
Policy and Consultation Sector
Department of Indian Affairs and Northern Development

1. INTRODUCTION

1.1 Purpose of The Appendix

The appendix provides a profile of AFA and its terms and conditions. It also describes the different types funding arrangements offered by DIAND and provides a description of the provisions of each type of arrangement. Information regarding the number and amount of funding for each type of arrangement by region is also provided.

2. DEPARTMENTAL FUNDING ARRANGEMENTS

There are three main funding arrangements used by the Department: Comprehensive Funding Arrangements (CFA), Alternative Funding Arrangements (AFA); and Self-Government Financial Arrangements. These are described more fully below.

Comprehensive Funding Arrangements - Basic funding authority used with First Nations. Can include contributions, flexible transfer payments and grants. Each component has varying reporting requirements and levels of flexibility.

Alternative Funding Arrangements - An optional funding mechanism which First Nations may enter into. Designed to offer greater flexibility in funding allocation, program design and delivery of services.

Self-Government Financial Arrangements - Individual funding authorities unique to each recipient First Nation. Generally offers the greatest level of flexibility in program design, funding allocation and service delivery.

2.1 Reporting Requirements

Reporting requirements under AFA involve submitting to the Department an independent auditor's annual report. In addition, there is the annual management report and program statistical reporting requirements on items such as numbers of students enrolled in school, Band lists, and capital asset inventories.

The different funding mechanisms of CFA have different reporting requirements. Flexible transfer payments generally necessitate reports on service delivery, statistical reports and audits on the overall financial position of the recipient. Grants usually have no program reporting requirements associated with them. Contribution arrangements require financial and program progress reports in addition to annual audits.

Table 1 below provides a more detailed comparison of the reporting requirements of AFAs and CFAs.

TABLE 1
AFA AND CFA REPORTING REQUIREMENTS AND CHARACTERISTICS

AREA & SERVICE	ALTERNATIVE FUNDING ARRANGEMENTS		COMPREHENSIVE FUNDING ARRANGEMENTS	
	REPORTING REQUIREMENTS	FREQUENCY OF REPORTING	ADDITIONAL REPORTING REQUIREMENTS	FREQUENCY OF REPORTING
LRT				
Membership Administration	■ Registration & Band List	Daily		Daily
Lands Management (delegated)	■ Rentals receivable/collections ■ Transactions administered ■ Transactions under development	Updating Quarterly Annual	Updating	Feb 15
(without delegation)	■ Report on services provided	Annual		July 31
Environmental Assessment	■ Environmental Screening Reports	Project Specific		
Estates Management	N/A		Case Summary Forms	Case by Case
EDUCATION				
Elementary/Secondary	■ Student Roll/Statistics ■ School Evaluations Listing	Annual Annual	Evaluation reports Program certificates	Nov 30 Within 60 days Annual
Post Secondary	■ Student Roll/Statistics	Annual		Nov 30
Indian Studies Support Program		Annual		Sept 1
SOCIAL DEVELOPMENT				
Social Assistance	■ Case Months/Days in Care/costs	Annual	Summary Report	Various
Welfare Services				
- Child and Family Services	■ Days in Care and Rates	Annual	Summary Report	Various
- Adult Care	■ Days in Care and Rates	Annual	Summary Report	Various
- Family Violence	N/A		Standardized Format	Various
ECONOMIC				
Economic Development	■ Business, Resource and Employment Data	Annual		June 30
CAPITAL				
Capital Management	■ Capital Plan	Annual		May 15
Housing	■ Housing Activity/Inventory	Annual	Project Reports Completion Certificate	May 15 May 15

TABLE 1 CON'T

AREA & SERVICE	ALTERNATIVE FUNDING ARRANGEMENTS		COMPREHENSIVE FUNDING ARRANGEMENTS	
	REPORTING REQUIREMENTS	FREQUENCY OF REPORTING	ADDITIONAL REPORTING REQUIREMENTS	FREQUENCY OF REPORTING
Community Facilities O&M	■ Capital Asset Inventory	Annual		May 15
	■ Capital Asset Condition Report	Annual		May 15
	■ Capital Management Database	Annual		May 15
Fire Protection	■ Human/Capital Losses	Annual		
Policing	■ Constables employed/ Days worked	Annual		June 1
C-31 Funding		Annual		June 1
INDIAN GOVERNMENT SUPPORT				
IIMD				
Consultation and Policy Dev'l			Project plan	
Band Support Funding	■ Application for grant		Project plan	
Tribal Council Funding			Member report	
Pension Plan	■ Payroll and Contributions	Annual		July 31

AUDIT REQUIREMENTS

ALTERNATE FUNDING ARRANGEMENTS

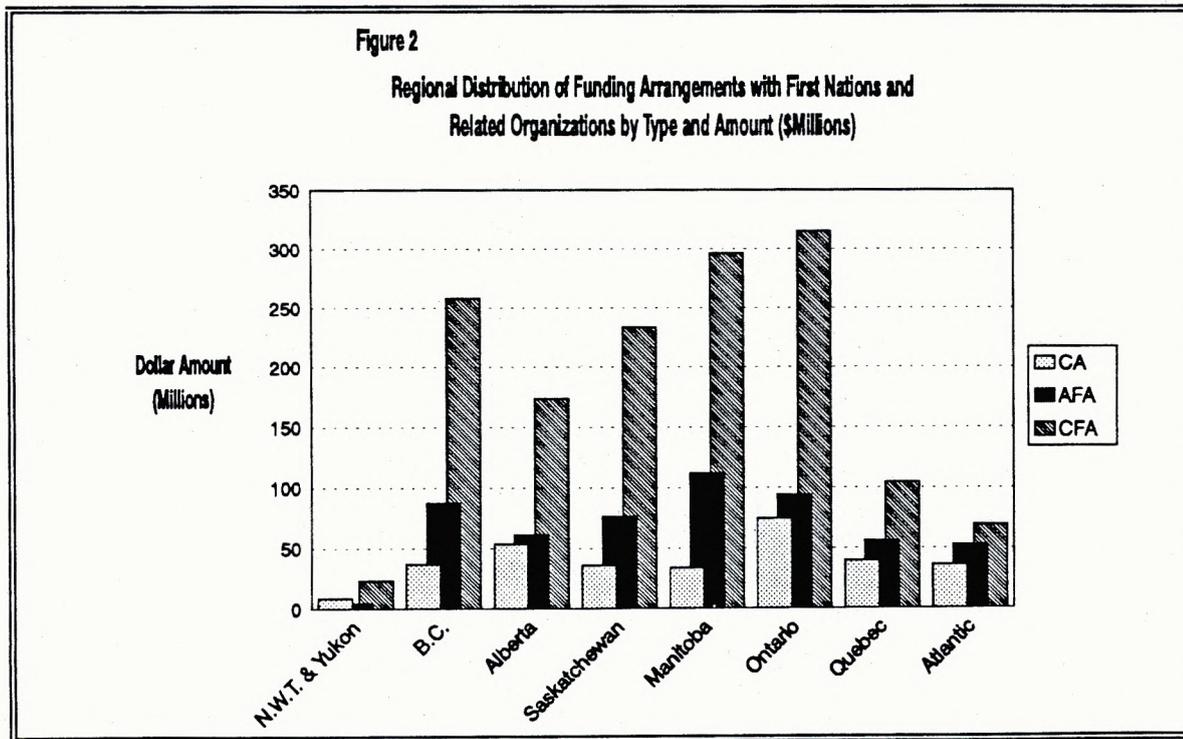
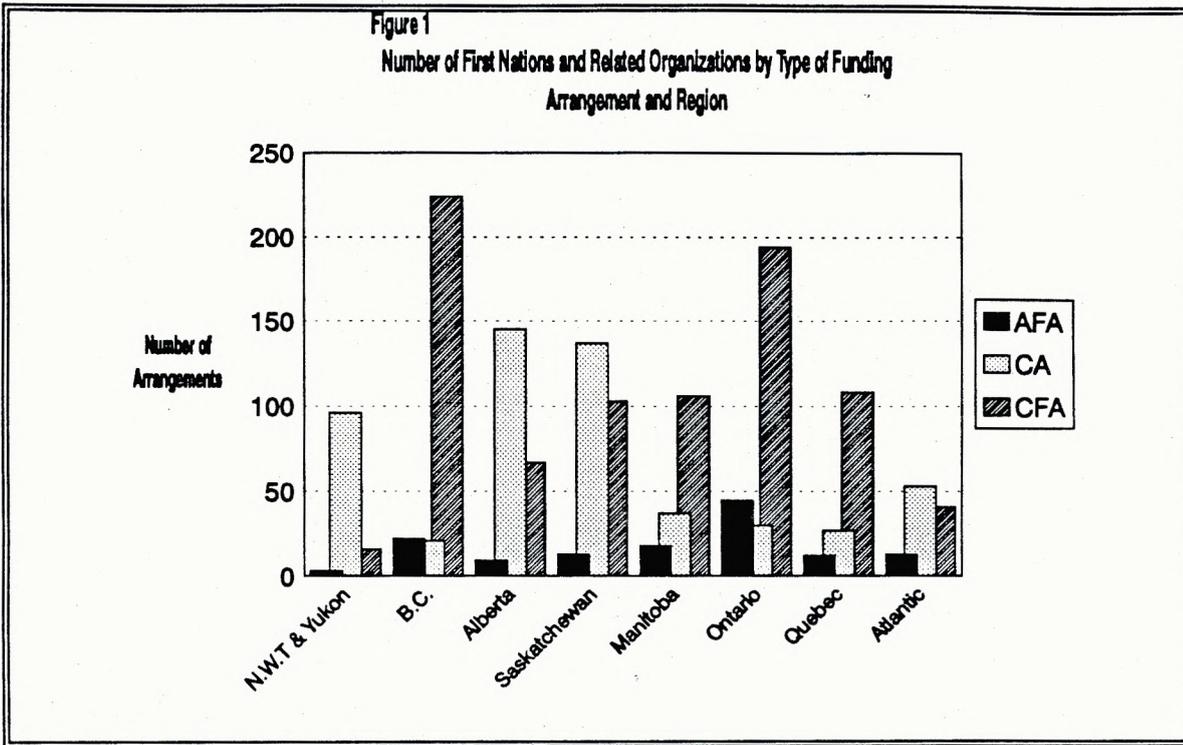
Auditor's Standard Report including all financial statements
 Auditor's Summary Report on Financial Health (optional)
 Audited Financial Schedules
 Special Audit information (ie. Capital Completion Certification for projects over \$50,000)
 AFA Annual Management Return

COMPREHENSIVE FUNDING ARRANGEMENTS

Auditor's Standard Report including all financial statements
 Auditor's Summary Report on Financial Health (optional)
 Audited Financial Schedules

2.2 Descriptive Overview

In the 1992-93 fiscal year there were a total of 135 AFAs in operation. The Band and Tribal Councils and other Native organizations covered by these arrangements received a combined total of \$543.2 million in 1992-93. The number of CFA agreements in the same fiscal year was 859, covering \$1472.6 million in funding. **Figure 1**, below, presents the number of funding arrangements by region for the 1992-93 fiscal year. **Figure 2** indicates the associated dollar values by region for the same year.



Comprehensive Funding Arrangements (CFAs) are the largest type of funding arrangement covering 66.5% of all monies transferred under Vote 15. AFA is the second largest representing 15.8%, followed by individual Contributions (14.4%), Grants (3.1%) and Indian Self-Government Arrangements (2%). Ontario has the largest number of AFAs in effect and 19% of the total DIAND funding comes through AFAs in that province. The Atlantic region maintains the highest proportion of AFA funding with one third of the total financing coming from that source.

DIAND funding arrangements cover financing for a variety of programs. Table 2 below shows the breakdown of funds by funding arrangement and program. With each type of funding arrangement, the major portion of the funding goes to education and social development programs.

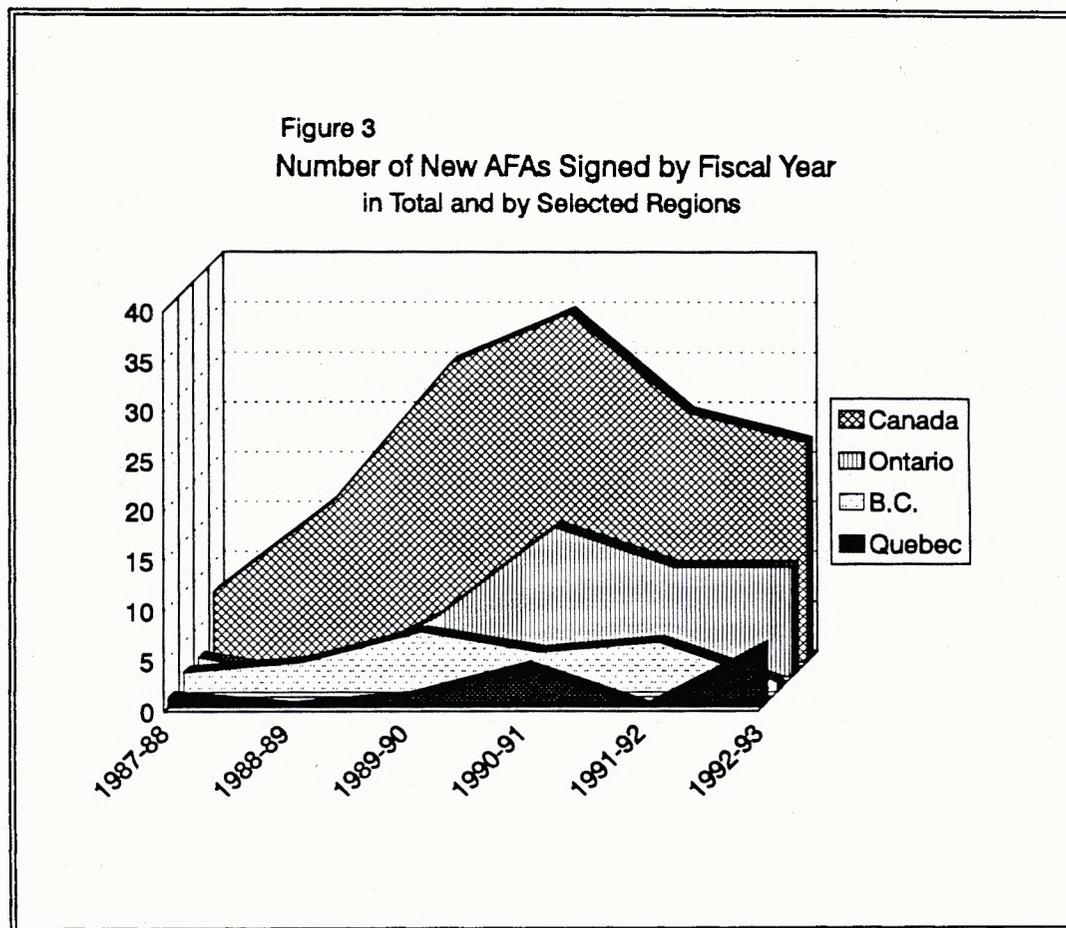
Table 2

Funding Arrangements
Amount Transferred by Program for Fiscal Year 1992-93
 (\$ Million)

Planning Element	AFA	CFA	CA
Self Government	.8	7.4	.3
Comprehensive Claims	0	3.3	.7
Economic Development	18.6	43.0	3.3
Lands, Revenues & Trusts	2.4	20.4	2.1
Education	194.7	440.2	106.9
Social Development	131.2	408.1	103.1
Capital Facilities & Community Services	129.9	395.0	73.4
Band Management	65.6	155.2	28.2
Total	543.2	1,472.6	318.0

Figure 3 below indicates the number of new AFA agreements signed each year since 1986 in total and by selected regions. As this chart reveals, the growth in the number of agreements steadily increased until 1990 and then declined. A

complete listing of the numbers of AFAs signed by region and year is available in **Annex 1** of this appendix.



3. ALTERNATIVE FUNDING ARRANGEMENTS PROFILE

3.1 Background

In October 1983, the Special Committee on Indian Self-Government submitted its report (the Penner report), which contains recommendations on the establishment of Indian governments. To this end, the report proposed that action should be taken in three areas. One of these areas, of which AFA is part, is administrative or policy changes possible under existing legislation. AFA represents one method of giving Indian Councils expanded authority to manage the affairs of their own people.

On November 7, 1985 Cabinet authorized the implementation of new funding mechanisms designed to permit more local control to be exercised. On June 26, 1986 technical authorities were given to implement AFA with eligible First Nations, Tribal Councils and related organizations commencing in 1986-87.

During 1989, an evaluation of the AFA process and its short-term impacts was conducted. The evaluation found that AFA has had a positive impact on the level and quality of services provided to Band members.

Following the evaluation, and the development of a national model agreement in 1988, several changes were made to the program. These consisted of items such as revisions to the Audit Guide to ensure that: data is available on a systematic basis; a uniform standardized management assessment for consistency in determining the eligibility of bands for entry into AFA; and a standardized presentation on AFA so that the differences between the various DIAND funding mechanisms are well explained.

Table 3 on the following page presents the services eligible under an AFA agreement.

3.2 Objectives

As stated in the MoU of May 28, 1986 the objective of AFA is to create a new relationship that will:

- a) enable Indian Bands/Tribal Councils to redesign/establish programs to meet their community priorities;
- b) enable Indian Band/Tribal Councils to apply funds in accordance with community needs;
- c) foster accountability of Indian Bands/Tribal Councils to their local communities; and,
- d) foster the accountability of Indian Bands/Tribal Councils to the Minister without compromising ministerial accountability to Parliament.

Table 3
Services eligible for inclusion in an AFA Agreement

Programs		Services
Economic Development	✓	Institutional Training (Sub-Component of ICHRDS)
	✓	Business Development
	✓	Indian Community Human Resource Strategies
	✓	Resource Development except for Resource Access Negotiations
	✓	Indian Delivery System
Band Management	✓	Band Support Funding
	✓	Tribal Council Funding
	✓	Band Employee Benefits
	✓	Comprehensive Community Based Planning
	✓	Indian Management Development
	✓	Indian Pension Plan Funding
Capital Facilities and Community Services (O&M and Capital)	✓	Acquisition and Construction of Infrastructure
	✓	Acquisition and Construction of Education Capital Assets and Facilities
	✓	Recreation Programs
	✓	Community Capital Facilities Service Delivery Assets and Facilities*
	✓	Housing
	✓	Policing (Solicitor General)
Education - Post-Secondary	✓	Instructional Services
	✓	Student Financial Support
	✓	University/College Entrance Preparation
	✓	Guidance and Counselling Management Support
Education - Cultural	✓	Community/Education Centres
Social Assistance	✓	Basic
	✓	Special Needs
	✓	Service Delivery
Welfare Services	✓	Individual, Family & Adult Care
	✓	Rehabilitation
	✓	Community Social Services

* Individual Projects less than 3 million.

3.3 The AFA Process

The above objectives are accomplished through a two phase set of activities; the first leading to the development and implementation of AFA and the second involving follow-up audits and evaluation of the results.

The first phase, entering an agreement, entails five main steps. The first step in the process is that the First Nation or related organization requests entry into an AFA through a written request to the Regional Director General.

Secondly, an orientation session presenting the process and preliminary activities leading to negotiations is delivered by the regional representative of DIAND. In order to enter into an agreement, the First Nation must then enter the next step, undergoing a management assessment. The assessments evaluate management and administrative strengths, and commitment to using AFA to meet community needs and priorities as efficiently and effectively as possible. The entry process is to identify the degree of management development required to meet the eligibility criteria.

If the management assessment is positive, the next step in the process is negotiations which are undertaken by a negotiating team made up of Departmental and Recipient representatives. Once negotiations are successfully completed, an agreement is signed. Both parties are then responsible for implementing the agreement.

The second phase of the process entails follow-up activities. The Recipient must supply the Department with annual financial and non- financial statements in accordance with the AFA Audit Guide and the agreement's terms and conditions. If an agreement's terms and conditions are not met, the Minister has an obligation to ensure that remedial action is taken.

3.4 Intended Impacts of AFA

As stated in the MoU of June 1986, the intended impacts of AFA are as follows:

- Band/Tribal Council's management skills highlighted;
- increased amount of activities administered and managed by Band/Tribal Councils;
- increased flexibility for Band/Tribal Councils to modify programs to suit their needs; and,
- enhanced accountability of Band/Tribal Councils to their constituents.

Further details are presented in the logic model on the following page.

Logic Model for Alternative Funding Arrangements

ACTIVITIES

AFA Agreement Development

Follow-Up

SUB-ACTIVITIES

Information Dissemination

Entry Process

Negotiation

Agreement Development

Implementation of Agreement

Audit

Remedial Action

OUTPUTS

Information sessions on AFAs to Bands Tribal Councils

Management capacity assessed

List of areas of agreement/ disagreement -Base budget

Draft & final agreement

Implementation plan

Audit report

Recommendation

LONG-TERM IMPACTS

Increased knowledge of AFA on the part of First Nations Tribal Councils.

Strengths and Weaknesses of Band's/Tribal Council's management capacity are assessed.

Decision whether Band/Tribal Council will proceed.

Better understanding of positions of both parties.

Better understanding of current system.

Mutual agreement on how Bands/ Tribal Councils will meet DIAND's minimum program requirements.

Increased activities administered by Bands.

Enhanced accountability of Chief & Council to constituents.

Increased flexibility for Bands/ Tribal Councils to modify programs to suit their needs.

DIAND's method of operation adjusted.

Assurance that AFA funds are managed according to the terms and conditions of the agreement.

Assurance that the mandatory services and related minimum requirements are met.

4. TERMS AND CONDITIONS OF AFA

4.1 MINIMUM PROGRAM REQUIREMENTS

As part of AFA, minimum program requirements are specified in the agreement. The AFA recipient is obliged to fulfill the requirements with respect to the delivery of programs and services. These minimum program requirements are established to enable the Minister to fulfil his obligation for accountability to Parliament, to ensure that essential standards are met, and to fulfil responsibilities from the Indian Act and Treaties.

For example, the Band/Tribal Council is required to provide information on membership to maintain the Indian Register. Educational services must be provided at a level that would allow pupils to transfer to the provincial school system without academic disadvantage and to provide University and College entrance preparation for students. Social Assistance programs are to be administered in accordance with recognized criteria of objectivity, impartiality and confidentiality. Pension plans offered to Council employees must be fully portable and must conform to the Federal Pension Benefits Standards Act. Capital and Housing projects should have a budget and work schedule and are to meet specified building and public safety code requirements. A detailed outline of the minimum program requirements can be found in Annex 2 of this report.

Annex I

Number of New AFAs Signed by Fiscal Year and Region

Region	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	Total
N.W.T & Yukon	0	1	0	1	1	0	3
B.C.	2	3	6	4	5	1	22
Alberta	0	0	4	1	3	1	9
Saskatchewan	2	4	3	3	1	0	13
Manitoba	0	5	7	4	2	0	18
Ontario	2	0	6	15	11	11	45
Quebec	1	0	1	4	0	6	12
Atlantic	0	2	3	3	2	3	13
Total	7	16	30	35	25	22	135

ANNEX 2

MINIMUM PROGRAM REQUIREMENTS

The Council shall abide by the following Minimum Program Requirements with respect to the delivery of the programs and services listed below. These Minimum Program Requirements are established to enable the Minister to fulfil his obligation for accountability to Parliament, to ensure that essential standards are met and to fulfil responsibilities which use from the Indian Act and Treaties.

NOTE: The Agreement will contain only the Minimum Program Requirement for those programs the Council is undertaking to deliver.

1. Membership Administration

The Council shall provide information to the Minister for the purpose of maintaining the Indian Register and, in the case of bands not controlling their own membership rules under section 10 of the Indian Act, for the maintenance of band lists in accordance with the DIAND Indian Status and Membership Field manual, as amended from time to time.

2. Land Management

The Council shall administer land transactions in accordance with the DIAND Program circular H-10 as amended from time to time.

3. Elementary/Secondary Education

Council shall ensure that registered Indian students ordinarily resident on reserve have access to education from (specify grade levels). Council shall ensure that education standards enable students to transfer within the school systems of the Province of without academic disadvantage. School capital projects shall comply with DIAND school space accommodation standards.

4. Post Secondary Education University and College Entrance Preparation

Council shall ensure that Post-Secondary Education/University and College Entrance Preparation programs for treaty/status Indian living on and off-reserve are administered in accordance with eligibility criteria and allowance schedules which are formally defined and publicly available. Administrative decisions shall be subject to appeal through an established process to ensure equitable management of the programs.

5. Social Assistance & Welfare Services

Programs for Basic/Special Needs. Individual and Family Care and Adult Care will be administered to residents of reserves/lands recognized by the Minister in accordance with:

- an objective needs test
 - a formally defined and publicly available benefit schedule specifying rates, conditions and criteria for eligibility
 - provisions to ensure equitable treatment of all reserve residents
 - an impartial process for the appeal of administrative decisions
 - procedures to ensure confidentiality of client information.
- * The Council must also comply with the terms and conditions of the 1965 Canada-Ontario Welfare Services Agreement and abide by all applicable provincial legislation and regulations in order to qualify for the provincial share of contributions which is not included in the Base Budget.
- * Applicable to Ontario only

6. Indian Pension Plan Funding

Pension plans must be fully portable, available to all eligible Council employees irrespective of occupational group, designed so as to meet, as applicable, the requirements of Revenue Canada and to conform to and be registered under the Federal Pension Benefits Standards Act - 1985 with the Office of the Superintendent of Financial Institutions Canada.

7. Community Capital

7.1 General

The Council shall provide for the preservation of public health and safety and the environment, and the protection of the Federal Government's investment in capital assets.

7.2 Capital and Housing

The Council agrees that Capital projects shall be planned and implemented according to the following generally accepted project management principles:

- 1- all projects will have a well defined and formally approved scope of work, schedule, and budget;
- 2- a qualified project manager will be appointed for all projects;
- 3- feasibility studies will be carried out when deemed necessary by the Council;
- 4- all new facilities shall be designed to meet code requirements as outlined in 7.5 all designs for projects having a total estimated cost of more than \$50,000 or not normally within the competence of a technician/technologist shall bear the stamp of a professional engineer or architect;
- 5- all projects will be inspected and certified by qualified inspectors for compliance with code requirements;
- 6- all housing construction must be inspected by CMHC designated inspectors for compliance with code requirements at the following stages: site, foundation, framing and insulation, and completion.

7.3 Facilities Operation and Maintenance

Operation and Maintenance of community infrastructure and education capital facilities shall be carried out in accordance with the following maintenance procedures:

- 1- Band Capital assets shall be recorded in an inventory of band assets;
- 2- performance/level of service standards shall be identified for all assets;
- 3- minimum maintenance activities shall be identified for all assets;
- 4- all activities shall be assigned to a responsible person to ensure their completion;
- 5- a record shall be kept of all maintenance activities performed.

7.4 Fire Protection Services

The Council shall provide fire protection services.

7.5 Codes

The Council shall 1) adhere to the following codes in the construction of new facilities, the operation and maintenance of existing facilities and the provision of fire protection services and as well 2) designate an enforcement agency.

- 1- National Building Code of Canada (NBC) and supplements (Associate Committee on the NBC, National Research council) or provincial equivalent.
- 2- Guidelines for Canadian Drinking Water Quality (Health and Welfare Canada).
- 3- Guidelines for Effluent Quality and Waste water Treatment at Federal Establishments. (Environment Canada)
- 4- National Fire code of Canada (NFC). (Associate Committee on the N.F.C., National Research Council) or provincial equivalent.
- 5- Code of Good Practice for Handling solid waste at Federal Establishments (Environment Canada)
- 6- CMHC Septic Tank Standards (Canada Mortgage and Housing Corporation)
- 7- Canadian Electrical Code. Part 1, 2 and 3 (Canadian Standards Association Parts C22.1, C22.2 and C22.3) or provincial equivalent.
- 8- Canada Labour Code. (Labour Canada) or provincial equivalent.
- 9- Gas Pipeline Systems. (Canadian Standards Association). (Where gas distribution is owned and operated by band).
- 10- Design of Highway Bridges. (Canadian Standards Association) or provincial equivalent.
- 11- Canadian Environmental Protection Act (CEPA) and its related guidelines and regulations
- 12- EARP Guidelines Order (June 22, 1984)

NOTE: Other codes as appropriate may be added to suit particular requirements.

8. **Policing**

The Council will ensure that Band constables receive and maintain an annual certification from the R.C.M.P. or appropriate provincial authority (specify).

PROGRAM POLICIES OF THE COUNCIL

The Council shall adopt and apply the following policies in order to meet the Minimum Program Requirements in SS2. These policies are subject to change by the Council and the Minister will be advised of any such changes not later than 30 days after their adoption.

APPENDIX 3

**Atlantic Regional Review for the Evaluation of the
Long-Term Impacts of Alternative Funding Arrangements**

Prepared by

Égériex Inc.

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INTRODUCTION

This study is part of a comprehensive assessment of Alternative Funding Arrangements (AFAs) carried out by the Department of Indian Affairs and Northern Development. Its objective is to report to the Treasury Board on the long-term effects of AFAs, with special attention to departmental and band accountability.

Objective of this report

This report contains the results of the survey conducted at the office of the Department of Indian Affairs and Northern Development, Atlantic Region, located in Amherst, Nova Scotia.

Two survey methods were used: a series of interviews with Department personnel and a review of all files relating to AFA administration.

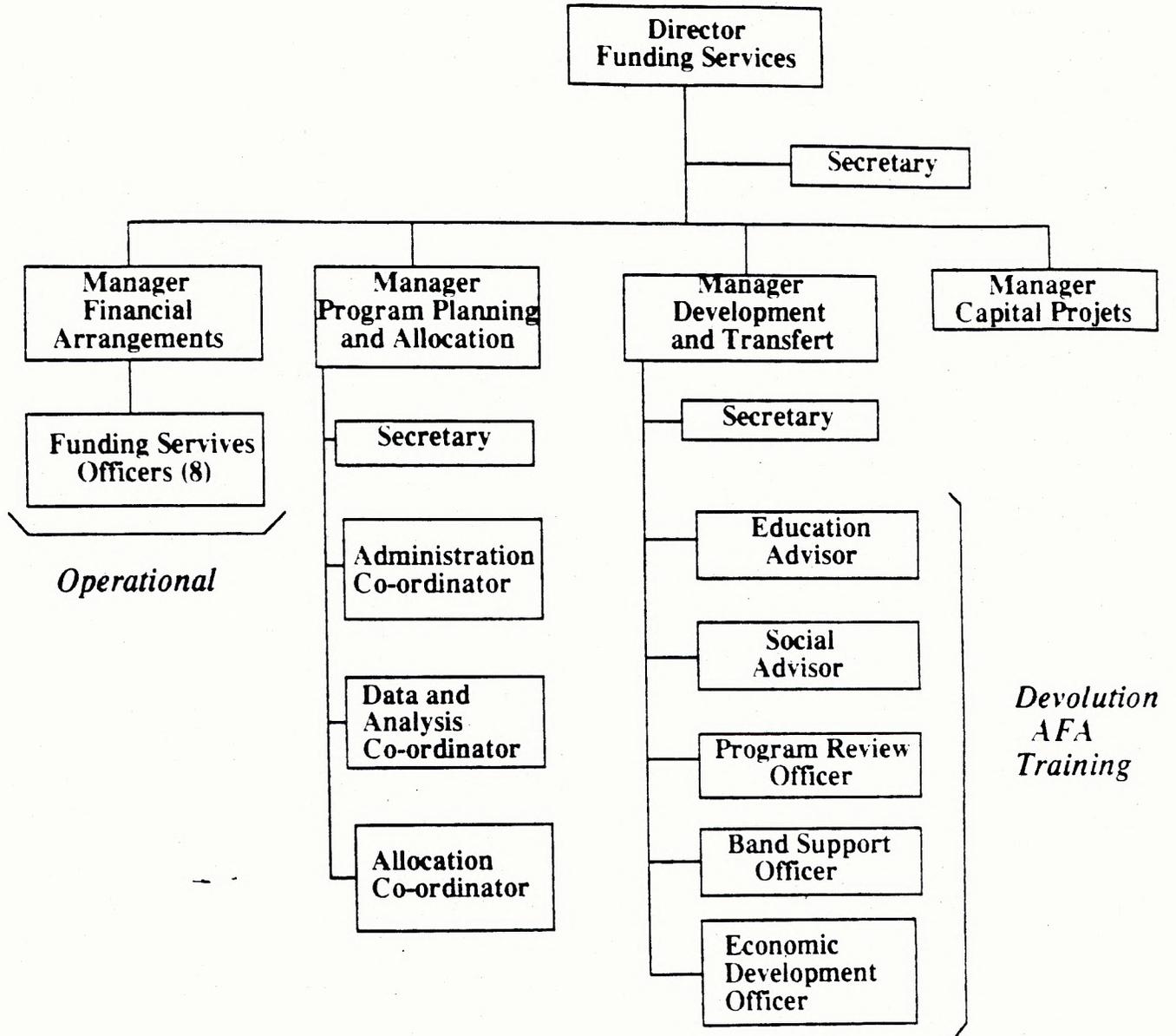
The report is in five sections: organizational structures; a profile of AFAs in the region; the development and follow-up process for AFAs; the effect of AFAs on administration and accountability; and proposed improvements. The report ends with a brief conclusion.

1. ORGANIZATIONAL STRUCTURE OF ALTERNATIVE FUNDING ARRANGEMENTS

In the spring of 1992, the regional office structure underwent an in-depth reorganization. The development and administration of AFAs, previously the responsibility of the AFA management unit, are now shared within the Funding Services Directorate: development and negotiation of AFAs is the responsibility of the Manager, Development and Transfer and operationalization of the agreements is the responsibility of the Funding Services Officers (FSOs). Table 1 shows the organizational chart of the Funding Services Directorate.

With respect to AFAs, the basic difference between the old and new structures affects interactions between the various intervenors. Previously, bands held discussions directly with unit directors (AFA, education, economic development, band support, etc.). Now, when an AFA is signed, the file is sent to the Funding Services Officer (FSO) who is responsible for establishing a link between the band and the Department units. In short, one person, rather than several, handles band-Department relations.

TABLE I
FUNDING SERVICES DIRECTORATE



2. PROFILE OF FUNDING ARRANGEMENTS IN THE REGION

The Atlantic region currently includes 11 bands, 1 nation council (6 bands) and 1 Inuit association which have signed AFAs. Table 2 shows a summary of AFAs in the Atlantic Region.

Six AFA projects are currently in the development stage:

- One band is deemed eligible: a band council has to be elected before proceedings can resume;
- Four bands have confirmed their interest in negotiating an AFA. In these cases, an assessment of their administration is required;
- One band has produced a first draft of the self-evaluation. The Department is waiting for instructions from the band council before resuming the process.

The files demonstrate differences in sectors administered by the communities. Table 3 shows the sectors included in the AFAs, by band.

Table 2
AFAs (Atlantic Region)

	Date Signeg	Effective from to	Total Value of AFA
<u>Bands (11)</u>			
Abergweit			
1st AFA	June 1/88	Apr.1/88-Mar.31/89	\$ 986,185
2nd AFA	Aug. 2/89	Apr.1/89-Mar.31/90	1,112,890
3rd AFA	Mar.31/90	Mar.31/90-Mar.31/95	5,947,763
Bear River	July 15/91	Apr.1/91-Mar.31/91	2,662,537
Burnt Church	Dec.18/90	Apr.1/90-Mar.31/95	28,335,705
Fort Folly	Mar.11/92	Apr.1/92-Mar.31/97	1,720,341
Lennox Island			
1st AFA	Feb. 7/89	Apr.1/88-Mar.31/89	1,225,690
2nd AFA	May 20/89	Apr.1/89-Mar.31/92	5,144,881
3rd AFA	Mar. 4/92	Apr.1/92-Mar.31/97	8,007,747
Saint Mary's	Feb. 4/92	Apr.1/91-Mar.31/96	18,249,443
Edmunston	Mar.12/92	Apr.1/92-Mar.31/97	1,968,948
Kingsclear	June 29/89	Apr.1/88-Mar.31/94	17,259,735
Eskasoni	Feb. 7/89	Apr.1/88-Mar.31/93	41,143,513
Chapel Island	Dec.13/89	Apr.1/89-Mar.31/93	9,440,027
Tobique	Aug.30/90	Apr.1/90-Mar.31/95	40,932,140
<u>NATION COUNCIL (1)</u>			
Confederacy of Mainland Micmacs (6 bands)	Aug.14/89	Apr.1/89-Mar.31/94	11,925,328
<u>ASSOCIATION (1)</u>			
Labrador Inuit Association	1992	1992/93 - 1996/97	N/A

TABLE 3

SECTORS INCLUDED IN AFAs BY BAND

	Land, Revenues and trusts	Education Elementary/ Secondary	Education post-secondary	Cultural Development	Social assistance	Welfare Services	Economic Development	Band Management	Indian Management Development	Capital Facilities and Community Services
Abergweit	X	X	X		X	X	X	X		X
Bear River		X			X	X		X		X
Burnt Church	X	X	X		X	X	X	X		
Fort Folly	X	X			X	X		X		X
Lennox Island	X	X	X		X		X	X		X
Saint Mary's	X	X		X	X	X	X	X		X
Edmunston	X				X			X		X
Kingsclear	X	X	X		X	X		X		X
Eskasoni	X	X	X				X	X		X
Chapel Island	X	X			X	X	X	X		X
Tobique	X	X	X		X	X	X	X		X
Conf. of Mainland Micmacs (6 bands)	X		X					X		X
Labrador Inuit association		X					X			

3. PROCESS

The AFA development and implementation process involves four main intervenors: the band, the Development and Transfer department (D & T), Funding Services Officers (FSO) and the Regional Steering Committee. Table 4 shows a chart of the AFA implementation process for the Atlantic Region.

3.1 Development of the AFA

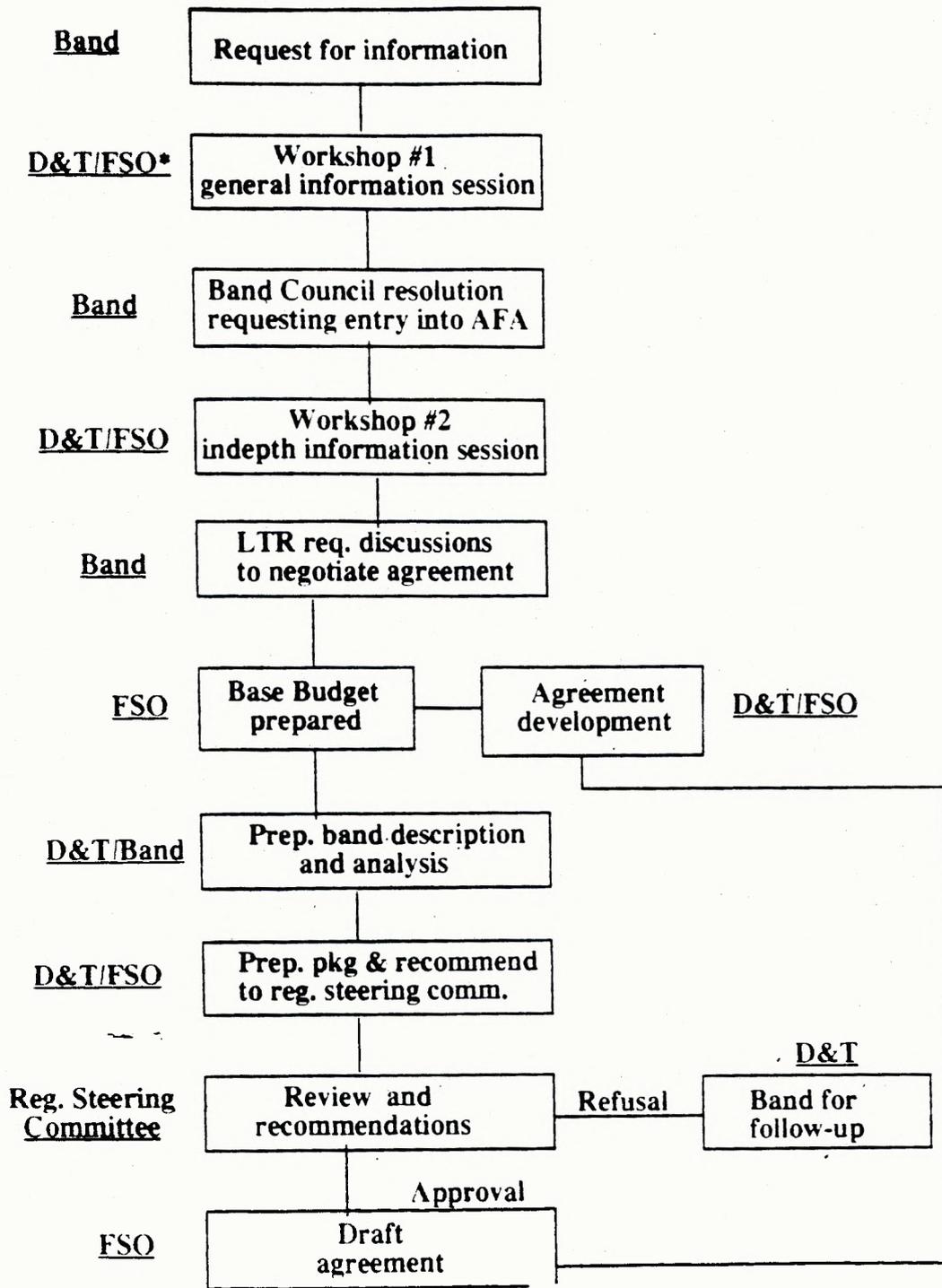
AFA development and negotiation are mainly carried out by Development and Transfer and the band. At this stage of the process, the FSO acts as an intermediary between the various intervenors.

At the outset, the bands are informed, by letter or Departmental staff, of the possibility of holding briefing sessions on how AFAs operate. General information sessions are held for interested bands to allow them to assess the possibility of registering with the AFA program. If the community decides to register, the band council submits an official registration application.

A formal negotiating process is initiated when the Department receives the application. The Department holds a second information session for the band, aimed at establishing discussion parameters and ensuring that the band understands the process. The band must provide an official letter indicating its wish to begin discussions for negotiating an AFA. A base budget is prepared and an AFA proposal (based on the DIAND model) is developed and submitted for review. The Regional Steering Committee subsequently analyzes and assesses the band's management capacity.

TABLE 4

AFA IMPLEMENTATION PROCESS
ATLANTIC REGION



*D&T: Development and Transfert
FSO: Funding Services Officers

3.2 Implementation of the AFA

The band administration is the main player in the implementation process. During the first year, DIAND officials provide support services and assistance as the band assumes responsibility. In subsequent years, contact with DIAND decreases as the band becomes more experienced.

3.3 Follow-up

AFA philosophy includes self-government for First Nations. In this spirit, follow-up is only done with respect to financial statements provided annually by the band. Independent firms, chosen by the bands, perform the audit, using the Audit Guide published by DIAND. DIAND officials do not exercise any other kind of control over the activities of AFA bands.

3.4 Strengths and Weaknesses

All those interviewed stated that the procedures and the responsibilities of all intervenors are clear.

However, the respondents observed certain difficulties or weaknesses in the development and implementation process:

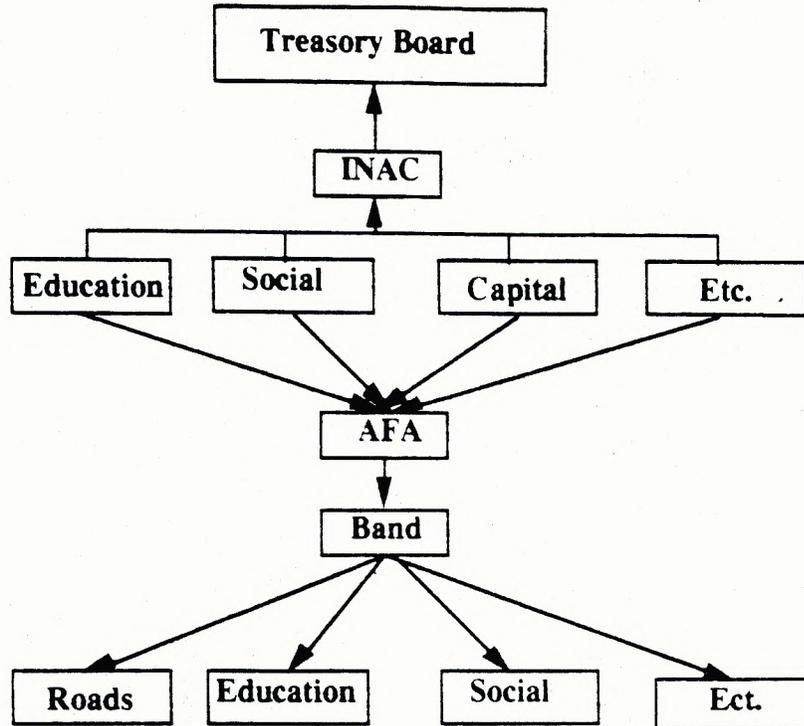
- Financial analysis: the length of time devoted to analyzing and assessing the application seems too short, making it difficult for DIAND officials to effectively judge the recipient's management abilities.
- Another difficulty concerns the composition of the Audit Review Committee, responsible for reviewing annual reports submitted by the recipients. Before reorganization, this committee had 11 or 12 members. Due to the number of members, it was becoming difficult for the committee to do a comprehensive review. Since reorganization, the Committee has been reduced to 3 or 4 members. However, the Committee is not yet operational and it is therefore impossible, at this stage, to assess its performance.
- With respect to the reorganization of the Department, some respondents questioned the FSOs' credibility with Indian bands. Traditionally, First Nations dealt directly with the directors of various Department sectors. The new structure restricts bands to interacting with only one representative: the FSO. This therefore raises a question: do the FSOs have enough authority to deal effectively with the band?
- Another problem raised by the respondents deals with AFA flexibility with respect to programs administered by other Departments (Health and Welfare,

etc.). The bands are requesting the same flexibility from these programs as that offered by AFAs but the structures of other departments prevent them from meeting these demands.

- With respect to the audit, some respondents mentioned that the audit guide is incomplete and not very effective. It has not been amended since the AFA program came into effect. It is the qualitative, rather than the financial aspect of the audit which is causing problems. In effect, the current auditors are not concerned with assessing the results and quality of the programs. Government officials know the amounts spent on a given program but know nothing of the nature, effectiveness and quality of the services provided to the band members. Moreover, to whom are these audits directed? It would seem that the audit guide is written more for departmental than band accountability.

- A major weakness in the process mentioned by the respondents concerns the system of justifying resources to the Treasury Board. AFA philosophy requires that the AFA be developed on the basis of a lump-sum amount which the band allocates as it sees fit. In order to do this, DIAND must justify obtaining the funds in accordance with the Treasury Board system which, in turn, requires that the funds be justified for one or several programs (education, economic development, capital, etc.). To make the AFA budget compatible with Treasury Board standards, DIAND officials must therefore translate First Nations' requests (lump-sum amounts that can be spent as the band sees fit) in accordance with the Treasury Board's system (funds allocated by sector). Therefore, to make resource allocation more closely reflect AFA realities, it would be preferable that the Treasury Board make certain amendments to its system. Table 5 shows a diagram of the system currently in place.

TABLE 5
CURRENT RESOURCING JUSTIFICATION



4. IMPACT

The respondents seemed to have difficulty measuring the impact of AFAs on the number of services offered to the band members. In the Maritimes, the formation of nation councils coincided with the introduction of AFAs. One of the reasons these Councils were created was to offer services to band members. It is therefore difficult to assess the impact of AFAs on the volume of services offered to the First Nations by DIAND.

Some respondents observed that the introduction of AFAs marked a profound change in the Department's relationship with the bands. It is now more a relationship between governments. Now, more attention is paid to policies and less to programs.

As well, a major impact observed subsequent to the introduction of AFAs concerns the decrease in the number of complaints from band members. Having detected changes in their council's relationship with DIAND, members now address their complaints to their representatives.

The respondents also indicated that the AFAs seem to influence the quality of services offered to the band members. Increasingly, the programs seem to be adapted to the needs of the community. For example, one band uses the money saved in the social

assistance program to build 3 or 4 additional houses each year. Another band takes money right from general funds to invest capital for a new community centre (gymnasium, health services and band office).

4.1 Accountability

4.1.1 Community Accountability

The respondents observed that the bands accountable to their members before registering for AFAs continue to behave in the same manner. In other words, AFAs have not changed how bands account to their members.

Conversely, the bands who never used to inform their members of administrative decisions are continuing in the same vein. For example, under Section 7.2 of the standard AFA, a band must allow its members access to its financial statements:

"The Council further agrees to make available to band members copies of the audited financial statement, and auditor's and (sic) opinion as set out in the Alternative Funding Arrangements Audit Guide."

However, to circumvent the members' rights in this section, one band which has never informed its members posts its financial statements on a bulletin board in the office at 2 p.m. and takes them down at 5 p.m.

The Department has not taken any formal action to promote increased accountability of band Councils. However, complaints received from the members are referred directly to the band Council. This policy has had the effect of decreasing the number of complaints to the Department. Moreover, in cases of fraud, the Department asks that the complainant contact the police.

4.1.2 Ministerial Accountability

All respondents maintained that AFAs have changed nothing with respect to ministerial accountability. Transferring the control of resources to the band has not in any way reduced ministerial responsibility. On the contrary, AFAs could well place the Minister in an awkward position vis-à-vis the House of Commons. Neither the Minister or DIAND officials seem to be able to establish exactly how the funds are used based on the information contained in the financial statements they receive from the bands.

Moreover, the structure of the AFA itself, added to the current political context, would leave the door open to some abuses. For example, Department officials are very concerned over the financial situation of one AFA band. The band signed a

five-year AFA for \$41 million. Current short-term debt is estimated at \$5.5 million and can be attributed to several factors:

- a full-employment policy developed by the band Council;
- acceleration of the capital program, facilitated by the opportunities offered by the AFA (construction of a swimming pool-bowling alley complex using AFA funds);
- lack of control over social assistance payments.

The debt breakdown is as follows: \$3.5 million in current accounts payable (long past due) and \$2.5 million (for the complex) due when the AFA expires.

In theory, the Department cannot intervene in the file because the AFA is spread over five years. What will happen if the deficit continues to grow? Who will foot the bill? The majority of respondents concluded that under the Indian Act, the Minister is still accountable for the management of these funds.

4.2 Departmental Monitoring

With respect to departmental monitoring, one respondent's comment sums up the majority position: "as long as the Department is responsible, monitoring levels cannot be reduced."

Review of the files shows a fairly substantial number of amendments made to the AFAs since their implementation. Some AFA's, signed in 1989, have had as many as 22 amendments since that time. The following are some examples of the reasons given for amending an AFA, as they appear in the files:

- For delivery of contract administration training to member bands (\$1,483.70)
- Economic Development - Kingsclear Economic Development Conference. Band Management - Increase in Advisory Services & admin. on July 31/91. Education, Post Secondary - Counselling Adjustment and Advisory Support, 1991/92 (\$83,222)
- Economic Development: Indian Taxation. Lands, Reserves & Trusts: Indian Registration Systems Course, Halifax, NS June 24-28, 1991. Education: Post Secondary - Counselling. Capital: O&M Infrastructure: Systems Training - Yellowknife Albert Julian. Band Management: tribal Council Services - July 1991 Update (\$135,844)
- Indian Government & Tax Conference, Whistler, B.C. Nov 12-15/91 (\$5,000)

- To provide CMM engineer with dollars to acquire information on Native Public Works Unit in the Ontario region. (\$600)
- Social assistance advisor/development project. (\$12,500)

Table 6 shows the number of amendments introduced in 1991-92 and 1992 up to the time the files were reviewed.

TABLE 6
NUMBER OF AMENDMENTS MADE TO AFAs - BY BAND

BANDS	SIGNATURE	1991-92	1992-93
Abergweit		4	1
1st AFA	June 1/88		
2nd AFA	Aug. 2/89		
3rd AFA	Mar. 31/90		
Bear River	July 15/91	1	2
Burnt Church	Dec. 18/90	8	2
Fort Folly	Mar. 11/91	-	2
Lennox Island			
1st AFA	Feb. 7/89	8	1
2nd AFA	May 20/89		
3rd AFA	Mar. 4/92		
Saint Mary's	Feb. 4/92	-	1
Edmunston	Mar. 12/92	-	-
Kingsclear	June 29/89	6	5
Eskasoni	Feb. 7/89	6	4
Chapel Island	Dec. 13/89	3	2
Tobique	Aug. 30/90	8	4
Confederacy of Mainland Micmacs	Aug. 14/89	9	2
Labrador Inuit Association	1992	-	-

On the issue on amendments, the respondents provided us with four different answers:

- a) Amendments are made in response to price or volume increases. An attempt is now being made to decrease the number of amendments by regrouping them at the end of each month.
- b) When carrying out a project, First Nations are accustomed to receiving the funds immediately. Therefore, they request immediate payment of the funds promised in the AFA as soon as a project is started. A large number of amendments had to be made in response to this problem.
- c) Treasury Board decisions with respect to resources often arrive late, thus necessitating a large number of amendments to adjust the AFAs.
- d) Regional office employees do not adhere to AFA philosophy. Files are still managed as they were for contribution arrangements. This lack of compliance could be attributable to the possibility of job losses resulting from Native self-government. The amendments allow staff to feel useful and justify their presence.

4.3 Other Effects

The respondents had the impression that the long-term effects of AFAs could well result in a simplification of DIAND internal procedures. DIAND's future activities could very well become support to management rather than direct intervention in band administration.

At the band level, the AFAs allow bands to reach a higher level of self-government. The respondents maintain that in these cases, the AFAs have reached their objective. However, for other bands, the process seems much slower and these bands may well need more sustained support from DIAND officials.

5. SUGGESTED IMPROVEMENTS

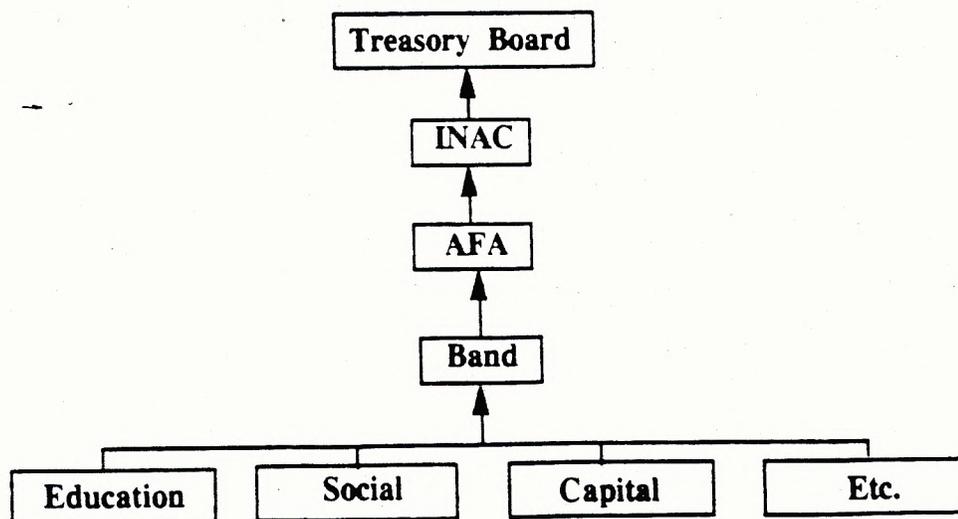
Interviews with the respondents elicited the following suggestions:

1. With respect to the audit guide, it was suggested that an audit of the results of programs administered by the bands be included. In such a context, it is possible that other professionals (other than CAs) could be authorized to perform certain kinds of audits of a more qualitative nature.

2. With respect to monitoring, a better definition of the point at which a band is deemed to be in financial difficulty was requested. Under the AFAs, a band experiencing difficulty during the first year can straighten out its financial situation in subsequent years. Currently, there is no milestone indicating when a band is incapable of righting its financial situation.
3. How can the value of a withdrawal be assessed when the funds forecast for and allocated to a program are spent differently? For example, a nation council manages programs for 6 bands under an AFA. In the event that one member withdraws from the AFA, there is no formula for calculating the amount by which to reduce the AFA. Another example: a sum of \$10,000 is granted to a band for post-secondary education under an AFA. Of this amount, \$5,000 is spent for road construction. In the event that the band wants to withdraw from the program, by what amount will the AFA have to be reduced? Currently, there is no rule and these questions definitely need to be answered.
4. To correct weaknesses in the Treasury Board's resourcing system, the respondents would like to see it adapted to make is more compatible with AFA philosophy. It was therefore suggested that the amounts granted be calculated, based on data and band requirements, as lump-sum amounts, rather than by allocations to different programs. The Treasury Board would only have to grant a single amount under the AFA negotiated with the band. A diagram of the proposed model is shown in Table 7. Within such a system, bands would be required to provide precise and verifiable statistics in order to perform an assessment of the amounts requested.

TABLE 7

PROPOSED RESOURCING JUSTIFICATION MODEL



6. The respondents would like to see included in future agreements clearly stated sections providing for environmental audits of band projects. Currently, the agreements do not contain any clause regarding respect for the environment for First Nations projects.

CONCLUSION

Several respondents remarked that the rate of implementation of AFAs is both too slow and too fast. It is too fast because DIAND and the Treasury Board have not had time to adapt their respective systems and cultures to AFA philosophy. It is too slow because DIAND should have initiated this type of program long ago.

With respect to the process, the recent departmental reorganization raised several questions and concerns for DIAND employees. Before the reorganization, each sector was capable of assessing a band's administrative ability. Currently, external tools and resources appear to be available: self-evaluation, external auditors, studies undertaken by outside firms, etc.

However, doubt remains as to DIAND's ability to assess the various reports provided by the bands. With bands providing a minimum of information, added to staff downsizing, can DIAND still adequately assess the bands' administrative capacity and ensure an effective follow-up to the implementation of AFAs?

For several DIAND employees, the AFAs represent a logical step towards more complete self-government. However, the implementation of AFAs forces DIAND to come up with new approaches and new models that will more closely resemble grants. If the government wishes to make headway, amendments would be required to the process, the legislation and the resourcing system. These actions can be summed up in a few words: "minimize Ministerial responsibility and increase Indian accountability."

APPENDIX

Persons Interviewed

Six persons were interviewed for this study:

- Director General
- Director of Finance, Administration and Data Processing
- Manager, Development and Transfer
- AFA Director under the former structure
- Two Funding Services Officers (FSOs)

NUMBER OF DOCUMENTS CONSULTED

Approximately sixty documents dealing with the negotiating process, AFAs and financial audits for all AFA bands were consulted.

APPENDIX 4

**Québec Regional Review for the Evaluation of the
Long-Term Impacts of Alternative Funding Arrangements**

Prepared by

Égériex Inc.

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INTRODUCTION

This study is part of a national evaluation of Alternative Funding Arrangements (AFA) carried out by the Department of Indian Affairs and Northern Development. Its objective is to report to the Treasury Board on the long term impacts of AFAs with special attention to departmental and band accountability.

Objective of this report

This report contains the results of the regional review conducted at the Department of Indian Affairs and Northern Development, Quebec regional office.

Two survey methods were used: a series of interviews with Department personnel and a review of all files relating to the administration of AFAs.

The report is in five sections: organizational structures; a profile of AFAs in the region; development and follow-up procedures for AFAs; the impact of AFAs on administration and accountability; and suggested improvements. The report ends with a brief conclusion.

1. ORGANIZATIONAL STRUCTURE OF ALTERNATIVE FUNDING ARRANGEMENTS

In the Quebec region, several intervenors are involved in the development and implementation of AFAs.

A) Funding Department

1. Implements national policy;
2. Encourages bands to apply for AFAs;
 - coordinates signing of the AFAs;
 - renews AFAs;
 - establishes base budget;
3. Ensures annual comprehensive follow-up (statistical) by a review committee.

B) AFA Steering Committee (Associate Director General; Funding Director; Director of Finance, Administration and Data Processing; Deputy Head, AFAs). This committee deals with band applications:

1. handles conflict management (e.g. base budget);
2. studies applications;
3. reviews bands' self-evaluations;

4. handles internal monitoring;
5. makes recommendations to the band with respect to management processes.

C) Department of Finance, Administration and Data Processing

1. confirms and certifies that the base budget is fair and reasonable;
2. administers the financial system according to the AFAs (TPMS-SGPT).

2. PROFILE OF FUNDING ARRANGEMENTS IN THE PROVINCE OF QUEBEC

Six (6) bands in Quebec have signed AFAs since the program came into effect. Two (2) bands are also currently deemed eligible. Table 2 is a summary of AFAs in the province.

TABLE 1
SUMMARY OF ALTERNATIVE FUNDING ARRANGEMENTS (QUEBEC)

	DATE SIGNED	EFFECTIVE FROM TO	TOTAL VALUE OF ARRANGEMENT
BANDS (6)			
Kitigan Zibi			
Anishinabeg			
1st AFA	Oct. 27/87	Jan.7/87-June 30/90	\$14,808,581
2nd AFA	June 26/90	Jan.7/90-June 30/95	32,978,768
Kahnawake	June 28/90	Sept.1/90-June 30/93	61,285,846
Uashat and Maliotenam	June 22/90	July 1/90-June 30/95	47,607,815
Betsiamites	July 5/90	July 1/90-June 30/95	60,794,744
Montagnais - Les Escoumins			
1st AFA	Oct. 1/87	July 1/87-June 30/90	1,934,550
2nd AFA	July 5/90	July 1/90-June 30/95	6,021,548
Montagnais - Lac St. Jean	March 5/90	July 1/89-June 30/94	38,351,227

TABLE 2
SECTORS INCLUDED IN ALTERNATIVE FUNDING ARRANGEMENTS
BY BAND

	Land Revenues & Trusts	Elementary Secondary Education	Post Secondary Education	Social Development	Social Assistance	Welfare Services	Economic Development	Band Management	Capital Facilities & Community Services
Kitigan Zibi Anishinabeg	X	X	X	X				X	X
Kahnawake	X	X	X		X		X	X	X
Uashat and Maliotenam	X	X	X		X	X	X	X	X
Betsiamites	X	X	X	X	X		X	X	
Montagnais Les Escourmins		X	X	X				X	X
Montagnais Lac St-Jean		X	X		X			X	X

3. PROCESS¹

All those interviewed considered the process and the intervenors' roles to be very clear. From the respondents' point of view, the policies implemented by the head office allow the Department sufficient flexibility in developing systems adapted to the region.

In Quebec, the AFA development and implementation process includes seven main stages: (1) information; (2) admission; (3) eligibility assessment; (4) preparation of the AFA; (5) implementation; (6) annual audits; and (7) assessment.

3.1 Information

The first stage involves developing a regional information strategy for promoting AFAs. The AFA regional administrator recommends strategies which are then approved by the Indian Services regional director.

This strategy involves developing and adopting methods of communication, coordinating the process, making internal and external submissions, sending

¹ Information in this section is from a document titled "Regional Process for AFA Management" prepared in cooperation with programs and services directors for the region.

documents to the interested parties; responding to questions from bands and organizations and obtaining clarification of AFA policies and procedures.

3.2 Admission

At this stage, the band receives information on the procedure for admission to the AFA program. A band council resolution authorizing application for admission must be obtained. The band then receives instructions concerning band profile and self-evaluation. DIAND management is called on to assist with the review and final drafting of the profile.

3.3 Eligibility Assessment

This stage involves two steps: (1) analysis of the self-evaluation and other pertinent documents and (2) recommendations.

3.3.1 Analysis of the self-evaluation and other pertinent documents (e.g. auditor's final report)

A) Preliminary analysis:

- a) The AFA regional administrator prepares a table showing, for each planning item, variances between the amounts paid and amounts spent and between units and unit costs forecast in the AFA and units and unit costs indicated on the financial statements.
- b) Meetings are held with program managers to elicit their comments on the observed variances.
- c) If necessary, the band manager is asked to provide clarification or additional information.
- d) The summary chart showing the band's status is sent to members of the Audit Review Committee.

B) Audit Review Committee meeting:

- a) The regional audit coordinator reports on the band's overall financial position as shown in the financial statements.
- b) A summary report is presented, including an analysis of variances, proposals on measures to be taken if necessary and comments on the programs' minimum requirements.

C) Action Plan

The committee develops an action plan for all financial statements, including the non-AFA portion

3.3.2 Recommendations

- A) If the band is deemed eligible:
 - a) The band council is informed.
 - b) The AFA development process is initiated.
 - c) A schedule and work plan are proposed.
- B) If the band is deemed ineligible:
 - a) Measures required to make the band eligible are identified.
 - b) The resulting proposed financial management plan is negotiated with the band.
 - c) Regional involvement in the implementation of the negotiated plan is coordinated.

3.4. Preparation of the AFA

The AFA is prepared by a joint working committee composed of departmental representatives and band members. The AFA regional administrator is responsible for coordinating the committee's duties, including follow-up and progress reports. The administrator is also responsible for preparing a first draft of the AFA and obtaining the approval of the two parties concerned.

The program directors subsequently approve budget and expenditure forecasts in the AFA. The finance director approves expenditures and budget levels and ensures that the AFA conforms to AFA financial requirements.

The file is then transferred to the regional steering committee which recommends, approves or proposes amendments. If necessary, the amendments are negotiated with the band council. The AFA regional administrator finalizes the AFA and obtains the band's signature.

3.5 Implementation of the AFA

Implementation is divided into ten phases:

1. obtain program funds at the beginning of the fiscal year;
2. obtain the band's cash flow forecasts and, if necessary, negotiate changes, taking into account budgetary liquid assets;
3. obtain the band's annual capital expenditure plans;

4. amend the capital expenditure plan in accordance with amendments to AFA capitalization plans;
5. obtain information from the AFA regional director on policy changes or new policies in various sectors (programs);
6. obtain information from AFA bands on changes in policy and AFA management terms;
7. prepare amendments to AFAs;
8. approve budget amendments before the regional director general signs;
9. verify that amendments conform to departmental requirements; and
10. approve amendments (departmental signature).

3.6 Annual Audits

Annual audits are done according to the Department's audit guide. The finance director sends confirmation of AFA revenue and other funding arrangements to the auditor.

In the event of a delay, the AFA administrator will contact the band council. If the delay is unwarranted, the AFA steering committee will recommend measures which will be decided on by the regional director general.

The Band Audit Review Committee reviews the auditor's report and sends the results to the regional director, Indian Services.

In the event that minimum conditions or other clauses in the AFA are not respected, the Band Audit Review Committee will identify possible corrective measures and make recommendations to the AFA steering committee which will decide what steps should be taken. The regional director, Indian Services, relays the decision to the band and the regional audit coordinator is responsible for follow-up.

3.7 Assessment

This phase involves coordinating regional involvement in assessing the impact or effects of AFAs. The AFA regional administrator and the AFA regional steering committee analyze the AFA management process and recommend changes.

3.8 Strengths and Weaknesses

Generally, the respondents indicated that the roles and responsibilities of each intervenor are clear. However, there is some confusion over information to be sent to the DIAND head office (e.g. statistics to be reported and monitoring and follow-up procedures to be implemented).

Over the years, the process described above has been successful. The Quebec regional office has always paid particular attention in choosing the bands eligible for an AFA, with the result that AFA bands function well under this system.

No new AFAs have been signed since the reorganization. Thus it is difficult to identify the strengths and weaknesses of the process under the new structure. However, several respondents anticipate management problems with respect to the allocation of responsibilities within the new structure. Will the new intervenors (PM4), being relatively low on the hierarchical ladder, be able to acquire the necessary credibility with the bands and thus make the new structure operational? Will the bands be content to negotiate future arrangements with PM4s, rather than with higher-level staff?

Furthermore, PM4s will have to deal with both AFA and non-AFA bands, which could lead to confusion on the part of the employees as to the role and attitude to adopt with AFA and non-AFA bands.

With respect to the rate of implementation, some respondents felt that the current process goes at the band's pace and that on the whole, there are no problems. On the other hand, some respondents felt that the AFA implementation process is too slow for the following reasons:

1. some bands are experiencing serious financial difficulty;
2. First Nations management fear band council interference in program management (fear of losing complete control of their budgets);
3. uncertainty about the future (multi-year budgets);
4. fear of losing assistance from government officials (technical aid);
5. fear of losing "rainy day" capitalization funds.

4. IMPACT

The respondents noted that a major impact of the AFAs is that they allow bands to handle their own affairs and make their own decisions. It seems that the more experienced the bands become in administering AFA projects, the more initiative they take. Moreover, because bands want to create surpluses, budgets are managed differently. The increase in self-government has also had the direct effect of decreasing the number of requests from bands and nation councils.

With respect to flexibility, there is a certain flexibility within programs themselves. Several programs have been modified to make them compatible with community customs (e.g. social assistance, education, etc.). On the other hand, the inter-program flexibility offered by AFAs would be little or not at all used because band structure

is patterned after departmental structure and creates a compartmentalization of sectors.

4.1 Band-Department Relations

The implementation of AFAs led to a decrease in requests for technical aid. However, these were not radical changes because bands were already very advanced with respect to self-government when they signed AFAs. However, the respondents remarked that the bands which had only recently signed AFAs made more requests for resources to DIAND than earlier bands did. In these cases, it took about one year for the bands to attain the desired level of self-government which corresponds to AFA philosophy.

4.2 Accountability

4.2.1 Community accountability

The Department does not seem to have any information relating to bands' accountability to their populations. It is assumed that services are being provided because there have been no complaints from the populations. On the other hand, some respondents reported a shortcoming in this area. It would seem that DIAND knows more about band council activities than some Indian populations do. However, the Department has not modified its operations to ensure accountability of the band councils.

With respect to the environment, several respondents deplored the lack of means for verifying compliance with standards, as stipulated in the AFAs. The Department should not be accountable for the technical quality of the projects if the band does not provide the means to verify their quality.

4.2.2 Departmental accountability

There seems to be some confusion among DIAND employees over departmental accountability, in that they are caught between Department requirements and what happens on the reserve (difficulty in knowing exactly how the funds are being used). However, the respondents all agreed that the Minister does not know the results of projects carried out by the bands. The Minister knows how much is disbursed under the terms of the AFA but is unable to explain how it is used.

4.3 Departmental Monitoring

The respondents mentioned that Departmental monitoring has declined substantially. On the other hand, bands are providing less information and band cooperation seems to be decreasing.

Some respondents are of the opinion that the Minister remains accountable for AFAs in accordance with the Indian Act, making it necessary that all information be

obtained so as to ensure accountability. The respondents think that more specific information should be made available.

4.4 Other Effects

Some effects of the AFA manifest themselves within the Department. AFA bands make fewer and fewer demands on DIAND resources. Furthermore, since the implementation of AFAs, the Department has instituted some changes aimed at modifying employee attitudes and behaviour to better reflect AFA philosophy.

5. SUGGESTED IMPROVEMENTS

The following are suggestions proposed by the respondents.

1. Request clarification on information to be obtained from the bands. The bands are cooperating less and less with DIAND, making it difficult to obtain information (e.g. it is virtually impossible to check the band register). The Department must either accept not knowing how the funds are used, or clearly indicate to the band exactly what information is required from them and take measures to obtain that information.
2. Certain respondents have heard that DIAND will be requiring the bands to submit a report, before AFA funds are granted, stating that they will respect environmental standards. The respondents feel this would be a step backwards. They would prefer a comprehensive third-party environmental assessment of AFAs, ensuring that band projects comply with minimum technical standards.
3. Bands do not seem to be taking advantage of all the flexibility offered by AFAs. It was therefore suggested that bands have access to more information about AFA flexibility. For example, brainstorming sessions could be held with the bands and an AFA publication issued emphasizing the untapped possibilities offered by AFAs.
4. With respect to programs administered by other agencies, the Department could decrease some of its interventions. For example, CMHC must often be involved in housing projects -DIAND's job is to grant subsidies. In these cases, DIAND guarantees loans and often participates in assessing files. It has therefore been suggested that DIAND leave this to CMHC and cease intervening in their files. For example, when CMHC mentions to DIAND that a band is having some problems, DIAND intervenes and puts pressure on the band. In such cases, DIAND would not intervene, allowing CMHC to deal directly with the bands.
5. A review of funding formulas was suggested, with a view to making them more comprehensive. Moreover, it is considered important to go back to using multi-year budgets (5 years) instead of annual budgets. This formula would force the bands to make use of the program's flexibility.

6. The respondents indicated that certain bands find it difficult to deal with several intervenors and various departments, and would like to see all programs regrouped under one AFA.

CONCLUSION

The respondents maintain that AFAs mark a normal and logical progression in departmental programs. However, in its present state (departmental accountability) increasing the level of self-government would be difficult without first introducing in-depth procedural and legislative changes (information systems, Indian Act, etc.).

Several respondents were concerned about the difficulty in obtaining information from the bands. In their present state, AFA's could be construed as an invitation to dishonest and opportunistic administrators to commit fraud. However, there has not yet been any indication of such an occurrence.

The Quebec regional office has been very careful in selecting bands eligible for an AFA. They have also paid particular attention to implementation and to monitoring staff adherence to AFA philosophy. These measures have led to a high success rate for the AFA program in Quebec.

APPENDIX 1

Persons Interviewed

Persons interviewed for the purposes of this study:

- Director, Funding
- Associate Director General
- AFA Regional Director

Number of Files Consulted

Approximately thirty files dealing with AFA negotiation and audit procedures for all AFA bands were consulted.

APPENDIX 5

**Ontario Regional Review for the Evaluation of the
Long-Term Impacts of Alternative Funding Arrangements**

Evaluation Directorate
Policy and Consultation Sector
Department of Indian Affairs and Northern Development

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Appendix 1: Description of AFA Agreements in the Ontario Region
Appendix 2: Detailed Overview of the AFA Process Within the Ontario Region

1. INTRODUCTION

1.1 Purpose of the Report

This report is one of six regional reviews being undertaken for the evaluation of the Long-Term Impacts of Alternative Funding Arrangements (AFA). The reviews provide one basis of information for the national evaluation of AFA. The report includes a description of methodologies undertaken during the review, an overview of AFA activities within the region, and the findings of the review.

1.2 Purpose of the Regional Review

The Ontario Regional review examines the status of AFA as of November, 1992. Specific issues addressed within this review include the long-term impacts of AFA, Ministerial and First Nations' accountability, strengths and weaknesses of the AFA process, and the functionality of the Agreement.

1.3 Methodology

The Ontario Regional review was conducted over seven days, from November 23-25th (regional office), November 19 - 20th (Southern District), and November 30th and December 1st 1992 (Western District). It included a review of Departmental files, and interviews with Department senior management and personnel involved in the delivery of AFA. The interviews undertaken are outlined below.

REGIONAL INTERVIEWS	NUMBER
Regional Director General	1
Associate RDG	1
Director, Funding Services	1
Director, Financial Operations	1
Funding Services Managers	2
District Directors	2
A/District Directors	2
Funding Service Officers	7
Administrative Officer	1
TOTAL	18

The file review examined 28 agreements (60% of all AFAs within the region). Three types of files were reviewed: Band/Tribal Council specific files, general AFA administrative files, and Band/Tribal Council Audit files.

2. OVERVIEW OF ALTERNATIVE FUNDING ARRANGEMENTS IN THE ONTARIO REGION

2.1 Status of AFA Activities

There are a total of 45 AFAs within the Ontario Region. Appendix 1 presents a detailed listing of the AFAs within the region.

The region is currently initiating a series of pilot projects of transferring block funding through an AFA. All services are to be included within the AFA. Non-capital funds are to be transferred as a base budget, and annual increases over the five year agreement are to be based on the average annual increases in population and inflation (CPI). The region has undertaken extensive study of the implications of such a funding transfer and the pilot projects are targeted to begin sometime during the next year to two years.

2.2 AFA Process

The process followed within the Ontario region to develop AFA agreements is depicted in Chart 1. Appendix 2 provides a detailed account of the process followed.

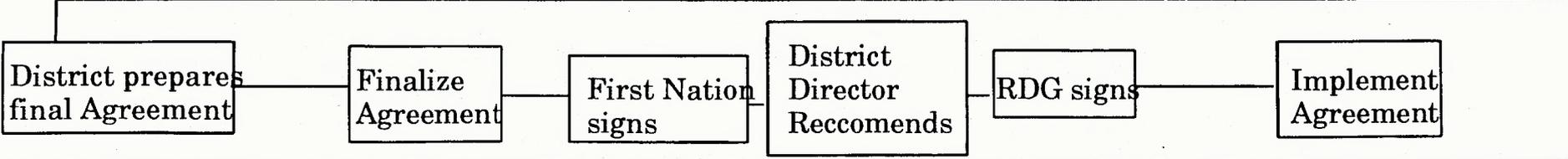
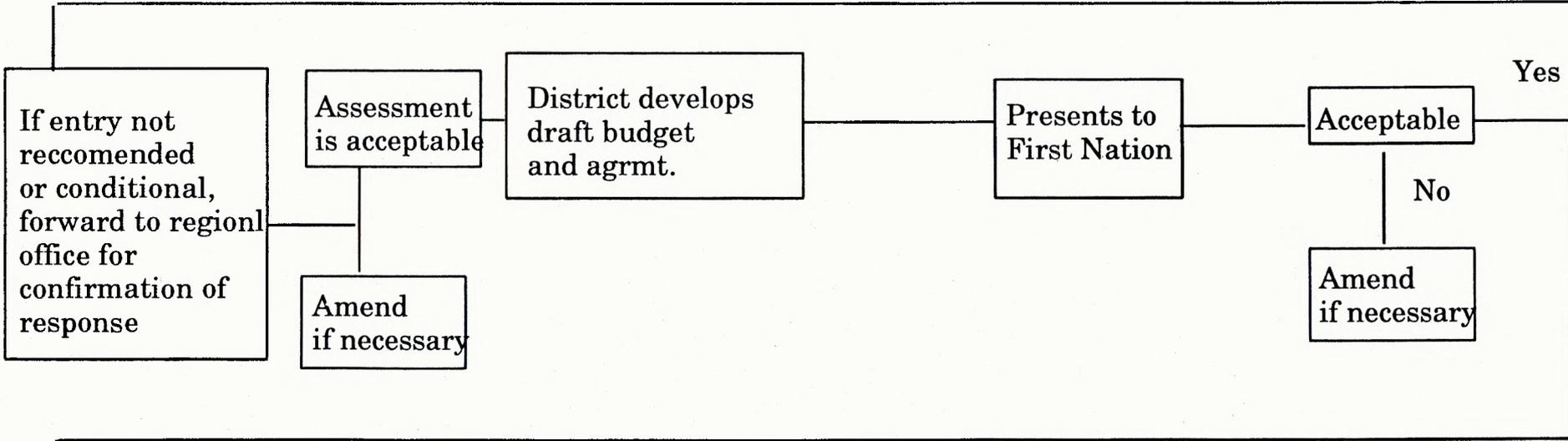
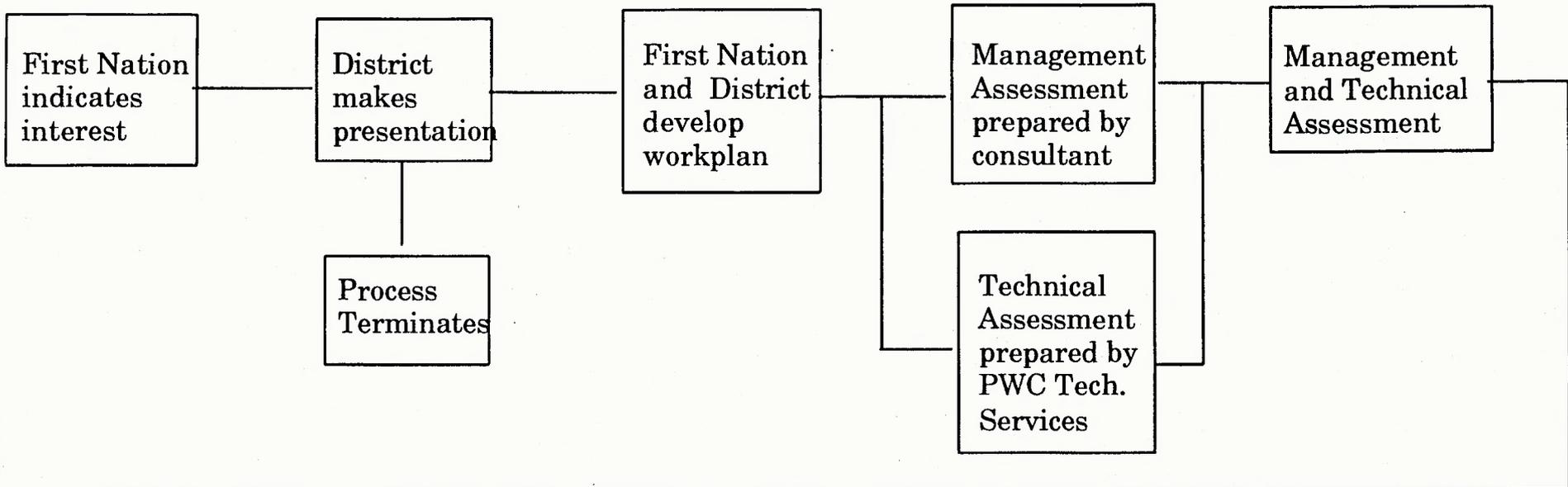
Within the process, Bands request information regarding AFA and the District Office provides presentations on AFA with the assistance of the regional office where requested. If the Band wants to continue in the process, confirmation is submitted to the district office and a Management and Technical Assessment are undertaken.

If the assessment is approved by the Department and the Band, both parties develop the initial base budget and agreement. Based upon the files reviewed as part of this case study, the time required from the Band first submitting a (BCR) and the Agreement being signed is on average 16 months, and ranges from 12 to 24 months.

2.3 Roles and Responsibilities

Overall, the region maintains comprehensive policy and procedures regarding the development and implementation of AFA. These guidelines are currently being modified to reflect the department's reorganization initiative.

AFA PROCESS IN THE ONTARIO REGION



The specific roles and responsibilities within the process are provided in Table 1 on the following page. Based upon the interviews, the roles and responsibilities within the process are clear; however, it was noted that as a result of reorganization, further clarification of the roles within the District offices is required. Particularly, the roles between Priorities, Planning and Analysis, and Financial Services Officers need further fine-tuning.

2.4 Strengths of the AFA Process

- **The entry assessment is a major strength of the process.**

According to respondents, a major strength of the AFA process is the entry assessment stage. Some respondents even suggested that if funding were available, they would recommend that the option to undertake a management assessment be made available to all Bands no matter what funding arrangement they are under. Within the Ontario region, the assessment is viewed not so much as a means to enter into AFA, but a practical exercise unto itself.

The Management Assessment provides a forum for parties to communicate with one another and clarify any outstanding issues. The extent to which the entry assessment is carried out is a large factor in the community's understanding of AFA and the extent to which it's authorities are utilized. It brings to the Band's attention their strengths and weaknesses and makes them look at how things can be done differently.

- **The introduction of the Notice of Budget Adjustment is viewed as a strength.**

The introduction of the Notice of Budget Adjustment is viewed as a strength of the AFA process. It has decreased the amount of paper work involved and has made it easier to transfer funds through the AFA as opposed to issuing a contribution or CFA.

- **Listing programs by element, as opposed to activity, within the agreement saves time in the long-run.**

Within the Ontario Region's AFA, the listing of the programs available under AFA are by program element as opposed to activity. This way, if a First Nation decides to expand the number of activities they want to administer, a Notice can be used rather than using an amendment. This reduces the time required by the Financial Service Officer to administer agreements.

**Table 1
Primary Roles and Responsibilities**

First Nation	District	Regional Office	Headquarters
<ul style="list-style-type: none"> ✓ Undertakes management\technical assessment with the Department or third party (eg: Tribal Council\Consultant) ✓ Undertakes terms and conditions of Agreement ✓ Utilize the agreement to the benefit of the community 	<ul style="list-style-type: none"> ✓ Markets AFA with the assistance of region ✓ Develops and implements AFA ✓ Undertakes adjustments and amendments to Agreements ✓ Undertakes cash flow activities ✓ Monitors terms and conditions of agreements ✓ Conducts audit review and follow-up activities ✓ Collects reports and maintains DIAND databases 	<ul style="list-style-type: none"> ✓ Coordinates with regional organizations to ensure consensus and approval on policy changes ✓ Provides training and advise to districts ✓ Liaises with H.Q and districts ✓ Approves agreements and amendments ✓ Performs a quality control function over agreements and audits ✓ Ensures standardized regional application of terms and conditions 	<ul style="list-style-type: none"> ✓ Undertakes policy and process development ✓ Provides assistance to region and districts where requested

2.5 Weaknesses of the AFA Process

- **Further decentralization of the AFA process should be considered.**

Most interviewees within the district felt that further decentralization should continue. Specifically, delegating the authority for signing AFAs and amendments should be transferred from the regional office to the district level as is the case with CFAs.

- **The Department should consider expanding the type of financial performance information requested within the audit.**

According to respondents, another weakness in the AFA process is that in the audit there is often no combined revenue and expenditure sheet that clearly provides the overall deficit/surplus position. It was noted that the Department should consider utilizing various additional financial indicators.

- **According to respondents, there is too much reliance upon Notices of Budget Adjustments, and that AFA is being treated similar to CFA in that Agreements are adjusted as soon as any changes are required.**

According to respondents, there is too much reliance upon amendments and adjustments to transfer funds. Respondents noted that only one or two notices a year should be done to an agreement (eg: one at beginning of fiscal year and another in July); otherwise, it is very difficult for recipients to properly plan, hence the potential benefits of AFA are constrained. One of the reasons for amendments and adjustments is the nature of the Department's budgeting process whereby each level of the organization (Headquarters, regional and district offices) holds back a percentage of their budget for allocation during the course of the fiscal year. However, respondents also noted that with reorganization, the number of adjustments to budgets is likely to decrease as now one person is responsible as opposed to many individual programs.

3. **LONG-TERM IMPACTS OF AFA**

3.1 Management Capacity

- **The management assessment has positive impacts upon recipient's management capacity.**

The AFA entry management assessment assists Bands in identifying management weakness and strengths, and is viewed as a major force for changing management structures. For some, the assessment has resulted in formalized structures and

organizational charts, job descriptions, and increases emphasis on maintaining written files.

Respondents maintained that the multi-year aspect of AFA provides First Nations the ability to control expenditures over the long term and hence assists in developing more efficient operations. Further, respondents noted that AFA requires less time on the part of recipients to administer the agreement which is also a source of administrative savings.

3.2 Program Flexibility

- **According to respondents, the flexibility of both AFA and CFAs is used by First Nations all the time and has legitimized previous practices.**

Officials identified several types of flexibility provided through AFA. It provides recipients the ability to allocate funds themselves, they are able to implement new programs or provide ones important to them, and enhance basic service levels. Under AFA, there is also more flexibility as to the timing of projects. For example, First Nations can utilize AFA to implement major capital projects early.

3.2.1 Perceived Impediments to Utilizing the Flexibility of AFA

According to respondents, a primary impediment to the use of AFA flexibility is the level of resources available to recipients. The amount of flexibility that can be exercised is limited by minimum program requirements which drive costs. External costs incurred by Bands are also a factor. For example, provincially driven rates such as licensing for teachers or hydro costs affect the amount of resources available for creative programming.

The program menu available under AFA is also perceived as an impediment to utilizing the flexibility of AFA, as not all programs are available under the Agreement. One particular program not on AFA in the Ontario Region is Social Assistance because of the Ontario Region's unique delivery of social assistance based upon the 1965 agreement between Canada and the provincial government. As only 20% of social assistance funding is from DIAND, with the province responsible for the rest, respondents stated that there is no real benefits for Bands to take social assistance through five year fixed funding.

Another factor limiting the flexibility of AFA is that new Departmental initiatives often do not reflect the philosophy of AFA. For example, the new Careers program is viewed as a re-allocation of existing funds from IMD; hence, program funds formerly available under AFA are now only available through contributions. This limits the flexibility of AFA as First Nations must undertake additional terms and

conditions such as a plan to access funds and specific reporting requirements. According to those interviewed, for AFA First Nations, program development should be locally driven.

3.3 Program Development and Delivery

- **Overall, once on AFA, there is a tendency for First Nations and Tribal Councils to take a more global approach to programming by integrating programs towards community objectives.**

According to respondents, AFA First Nations and Tribal Councils are utilizing the policy development authorities under AFA, but the extent to which this is done varies. Overall, once on AFA, there is a tendency by First Nations and Tribal Councils to take a more global approach to programming by integrating programs towards community objectives.

Under AFA, some First Nations are undertaking innovative approaches to financing housing construction through utilizing community and individual financing. First Nations are also coordinating their policy development efforts. For example, the Fort Francis Tribal Council established household policies so that population flows are not affected by individual member First Nation policies.

Through AFA, First Nations are developing education policies for things such as post-secondary education criteria, rate structures, and separate appeal bodies. According to respondents, such efforts spawn committees and assists in developing the capacity to deal more effectively with the provincial government and non-native school boards.

Respondents noted that there are real attempts by First Nations to increase efficiency in programs such as education as they view the dollars as theirs; whereas with a CFA there is greater difficulty thinking this way. AFA bands are also investing in businesses as a group and pursuing business ventures.

On the basis of the file review conducted as part of the regional review, several instances were found of Bands/Tribal Councils developing new programs as a result of entering into an AFA (21% of recipients reviewed). These programs are in education (50%), capital (42%), and housing (8%).

- **With respect to the delivery of programs, the major impacts of AFA have been in the area of housing and education.**

According to respondents, First Nations under AFA are delivering their housing programs more aggressively with more households being built and more renovations being undertaken. Under AFA, capital funds are said to flow sooner, with less restrictions on plans, and a streamlined administrative process.

AFA Bands are also making better use of the Post-Secondary budget than FTP Bands. For example, some Bands place more restrictions on post-secondary funding and redirect these funds into bursaries and incentive awards at the high school level to enhance attendance. The Moose Deer Point Band was cited as one example of where participation rates have increased as a result of this.

3.4 Other Impacts

3.4.1 First Nations and Tribal Councils

Respondents also noted other impacts resulting from the introduction of AFA. It provides recipients with a greater sense of autonomy and they are more responsive to their own needs. First Nations are also using the Agreement as collateral to obtain financing.

AFA has also lead to increased workloads for First Nations as they are now developing policy and procedures. In order to compensate for this, they are pressed to improve their organizations and accountability of staff to increase effectiveness. One example of this is the Curve Lake First Nation where noticeable differences have occurred. They have undertaken infrastructure development through their savings by establishing their own priorities and making program efficiencies so that more funds could be placed into capital.

3.4.2 Department

For the Department, respondents stated that AFA has simplified the funding process; however, the complexity of arrangements has increased.

AFA has also decreased Department workloads in certain areas as there is less involvement in the day to day affairs of First Nations. However, undertaking an AFA amendment involves more work than a CFA, as it is more complex to amend a multi-year agreement. It is anticipated that as more First Nations adopt AFA, and Departmental staff advance in the learning curve associated with processing AFA, workloads should reduce.

3.5 Accountability

3.5.1 Local Accountability

- **Overall, respondents noted that local First Nation accountability appears to be increasing and AFA has had a positive impact on this.**

According to respondents, AFA highlights awareness of the need for sound accountability systems as a result of the entry assessment and the changed role undertaken by the Department and First Nations. The Department no longer monitors day to day activities, just minimum program requirements, while the entry process assists in identifying what systems exist at the local level and how they can be improved.

Respondents noted the number of lost elections as an indication of the increased desire on the part of the community for accountability, as some Bands are experiencing increased demands for accountability by members. Chief and Council demonstrate their accountability via reporting program results and audits.

Other respondents, however, felt that there is still a need for more accountability tools so that individual Band members are more informed of Chief and Council activities. It is argued that such tools should be inserted within the agreement so that members can utilize it to further accountability. The review of the management assessments indicates that most First Nations have well established accountability procedures prior to entering AFA such as monthly meetings and distributing the audited financial statements.

- **Although respondents felt that the Chief and Council are in the best position to deal with individual Band member concerns, it was questioned whether there should not be additional avenues through which individuals could proceed.**

Overall, according to respondents, the number of requests for information by individual Band members is no more than those Bands on CFA and tend to be less. During the initial assessment process it is stressed that under an AFA, accountability rests primarily between the Council and Band members. As such, the Department's response to individual Band member requests for information are referred to Chief and Council. Although respondents felt that the Chief and Council are in the best position to deal with individual Band member concerns, it was questioned whether there should not be additional avenues through which individuals could proceed.

3.5.2 Ministerial Accountability

- **Generally, respondents felt that ministerial accountability is being maintained as there are enough terms and conditions in place.**

While current reporting is viewed as sufficient for meeting Ministerial Accountability requirements, one area of concern is the attestation of auditors to the expanded audit section which provides program statistics. Some auditors find it difficult to attest to the data as it is often difficult to verify. Overall, however, respondents have not found an instance where they did not have enough information to respond about a specific First Nation or where they could not just go to the First Nation and ask.

However, officials interviewed noted some areas that should be reviewed and clarified. First, there is a need to clarify the Minister's responsibilities with respect to environmental issues.

A second issue is whether the Minister remains accountable for those areas where the Department has provided no funding or whether the Minister retains some residual responsibilities. Particularly with the flexibility of AFA and its emphasis upon locally driven priorities, Department officials have no clear resolution to this issue and do not anticipate that it will become much clearer under self-government.

Others questioned the implications of enforcing the terms and conditions of the agreement. If a First Nation is found to be in non-compliance with the agreement's terms and conditions, some respondents questioned how far the Department can realistically go in ensuring compliance. If the Department strictly enforces the terms and conditions, it could be accused of meddling in the internal affairs of First Nations.

It was noted that the Department should consider looking at Ministerial Accountability from a contract perspective: responsibility ends when the contract is fulfilled. Hence, once funds are provided to Bands so they may deliver services to their members, the Minister should have no other accountabilities and should not be involved in the affairs of the First Nation. It was felt that such areas need to be clarified, especially as it is anticipated that as resources become more constrained, this issue will grow.

- **Overall, respondents felt that Ministerial accountability could be clearer under the Departmental Estimates.**

With the flexibility of AFA, it is difficult to ensure that the funds received from Parliament on a program basis match up with that which is allocated.

Respondents noted that as more recipients enter AFA, this issue will only increase. Currently, the Department is able to track program information through the cooperation of recipients, but if First Nations do not see it in their benefit, they will not cooperate.

- **There is 100% compliance with the financial reporting requirements of AFA.**

Overall, respondents under AFA comply with the financial reporting requirements within the agreement. According to respondents, the quality of audits have been noticeably increasing over the past five years as more First Nations computerize their accounting systems.

- **Overall, respondents felt that DIAND has modified its operations in response to the shift towards local accountability.**

Two initiatives, AFA and the recent Department reorganization, were cited as examples of how the Department has modified its operations in response to the shift towards increased local accountability.

With AFA First Nations and Tribal Councils, there are less visits by DIAND officials and dealings are generally more distanced. The Department's role is more in response to questions rather than undertaking any problem solving activities on behalf of recipients.

Reorganization is also viewed as contributing towards the shift towards local accountability. It dissolved program lines so that the Department is not involved with direct program delivery and now deals primarily with funding arrangements with less or no direct contact with First Nations.

4. THE FUNCTIONALITY OF AFA

4.1 Communications

- **Respondents noted the close relations and clear communications between the Department and AFA First Nations and Tribal Councils as a strength.**

Overall, there is less contact occurring between the Department and AFA and non AFA First Nations. Although, most respondents felt that the amount of communications between the Department and First Nations on AFA are less, this experience is not consistent across all districts. Some districts within the region continue to advance budgets on a 'piecemeal' basis through amendments and adjustments as opposed to advancing as much of the budget at the start of the

fiscal year as possible. This precipitates increased communications between First Nations and the Department.

4.2 Role of AFA within the Spectrum of Departmental Funding Arrangements

- **Respondents maintained that the role of AFA within the Department's spectrum of funding arrangements is to provide an option for First Nations to manage more of their affairs.**

Respondents did not view AFA as a final step towards the goal of First Nations managing their own affairs, but a useful alternative to the Department's default financial arrangement.

A major element of the success of AFA within Ontario is what was mentioned as the 'Mystic of AFA' in that only the best managed Bands are allowed to enter. This adds to the pride of getting into the arrangement that one does not have with FTPs.

While FTPs provide similar financial flexibility as an AFA, it also makes AFA more realistic in what it is promoted as -- another way of funding which is more responsive to local needs. According to respondents, the primary differences between AFA and CFA is that FTPs do not involve the ability to reprogram and do not have a multi-year option for planning purposes.

Within Ontario, where deficits occur for First Nations under FTPs, the Department takes action; however, under AFA because the deficit could be part of a Band's long-term planning horizon, deficits are dealt with differently. Formal Financial Management Plans (FMPs) are not required, although, an action plan or letter of explanation is.

4.2.1 Functionality with other funding mechanisms

- **Respondents maintained the need to ensure that the differences among funding mechanisms are well understood and explained among Department personnel.**

According to respondents, no problems have occurred as a result of the range of funding arrangements used by the Department. Respondents noted the need for more capital funds to be transferred through an AFA as opposed to using contributions; although, respondents noted that one potential limitation is that where cost estimates are tight, recipients would have to absorb cost overruns.

Before the introduction of Notice of Budget adjustments, there was a tendency to transfer additional funds through contributions or a CFA, but now with NOBs it is easier to adjust the AFA.

Some respondents noted the tendency among some Department personnel to treat AFA like CFA by relying too much on amendments and adjustments to transfer funds. Respondents maintained the need to ensure that the differences among funding mechanisms are well understood and explained among Department personnel.

- **According to respondents, other Departments and agencies are not keeping pace with the needs of First Nations with regards to the way in which funds are transferred.**

Respondents agreed that funding from other Departments should move towards an AFA type of an arrangement or should be included within AFA in order to enhance the policy and program development aspects of the arrangement. They felt that as minimum terms and conditions are already in place, no accountability issues would be encountered with such a move.

4.3 Rate of AFA Implementation

- **Overall, respondents felt that the take-up of AFA in Ontario is appropriate. Although some would like it to be faster, all agreed that it is up to First Nations to decide whether or not they want to enter.**

The region advocates AFA through presentations to First Nations, but does not adopt a high-pressure marketing strategy -- AFA is presented as another funding option.

AFA's are well known among First Nations and there is a lot of interest in the funding arrangement. Some respondents were unsure if this reflects genuine interest in AFA, or whether Bands want it as a means to secure funds as AFA funding is allocated first.

AFA is becoming easier to market, however, there are some First Nations which continue to remain against AFA as it is viewed as a step in devolution. Some First Nations have traditionally viewed the Crown as an ally, and view the relationship as one of equals and they are concerned that the Crown is attempting to get out of its responsibilities. Further, they view that they are already self-governing and do not want an arrangement that is marketed as a step towards self-government.

4.4 Departmental Controls

- **Overall, respondents felt that AFA has reduced the amount of Departmental controls experienced by recipients.**

With AFA, the Department and First Nations are able to discuss capital and non capital areas as opposed to individual program areas and there is less involvement by the Department in program delivery issues. Nevertheless, the full shift has not fully been achieved with the majority of recipients as there is still a tendency to deal with issues on a line item basis and then apply it globally.

There is no clear indication of what impact AFA has had with regards to reporting. In terms of audit reporting, respondents felt that the AFA requires more work on the part of recipients than with a CFA; however, this has since changed with the new audit guide. On the other hand, with program reporting, AFA should involve less reporting than a CFA, however this depends upon the number of individual program areas included in the recipient's AFA and how each of them are funded (ie: funding is fixed for the term of the agreement, based upon reimbursement of actuals, or adjusted annually). If the Band has a lot of programs included in their AFA, then there is a reduction in reporting, however not all programs available to First Nations under AFA are adopted.

In addition, some program requirements under AFA go against the overall intent of the agreement. The required reporting for the Economic Development program was cited as an example of this. Recipients are required to report on program specific results which respondents state goes against the philosophy of AFA which attempts to move towards global budgets, with the Band deciding its priorities.

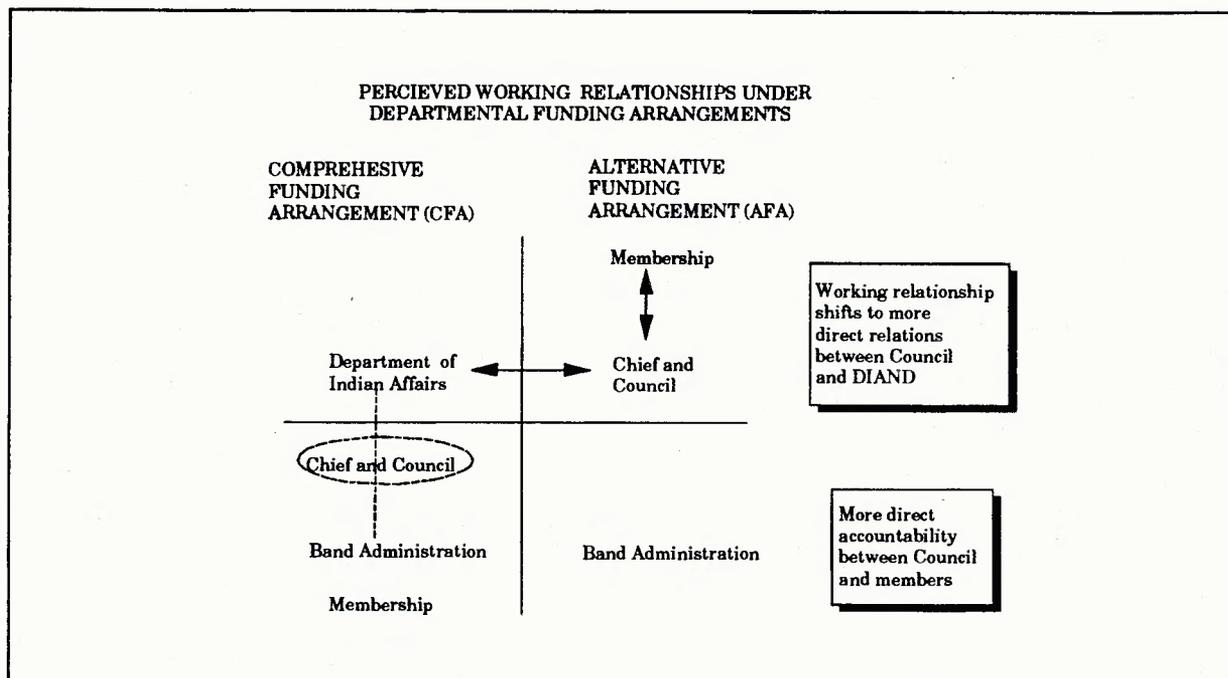
There is a strong perception that there are too many reports required under AFA the way it is currently being implemented and this amount has increased since the original AFA. First Nations are also questioning whether AFA is more onerous than a CFA as this issue remains unclear.

4.5 DIAND/Recipient Relations

- **Overall, relations under AFA are described as more independent, with less contact. It has assisted in enhancing relations between the Department and First Nations.**

One interviewee described the impacts of AFA on Department/Recipient relations by comparing it to those under CFA. This relationship is described in Chart 3. For CFA Bands, relations with the Department occur at the administrative level and the Council facilitates this. With AFA, however, more authority is vested at the Council level as opposed to the Department; hence, the Council is more

responsible for directing the affairs of their community. As the membership asserts accountability, AFA enables the Council to respond to their needs. This places the local membership in a better position to have an accountable Council as it possesses more authority.



5. CONCLUSION AND OBSERVATIONS

Process: Within the Ontario Region, the entry assessment is viewed as a major strength of the process. According to respondents, a weakness of the current process is the reliance upon Notices of Budget Adjustments and amendments to flow funds to AFA recipients. Based upon the file review, each agreement within the Southern District is amended or adjusted 4.3 times per year on average; whereas the Western District amends or adjusts each agreement 2.7 times per year on average.

Long-Term Impacts: The management assessment undertaken as part of the AFA entry process has positive impacts upon recipient's management capacity. It assists Bands in identifying management weaknesses and strengths and is viewed as a major force for changing management structures. The flexibility of both AFA and CFA is used by First Nations all the time and has legitimized previous practices. Overall, once on AFA, there is a tendency for First Nations and Tribal Councils to take a more global approach to programming by integrating programs towards community objectives, however the extent to which this occurs varies. Under AFA, First Nations are undertaking innovative approaches to financing housing construction and are developing education policies for things such as post-secondary education criteria and rate structures. With respect to program

delivery, the major impacts of AFA have been in the area of housing and education in that recipients are making better use of their budgets to achieve community objectives.

Accountability: Overall, respondents noted that local First Nation accountability appears to be increasing and AFA has had a positive impact upon this. The terms and conditions of AFA are viewed as sufficient for maintaining Ministerial accountability, although several issues were raised, such as accountability for non-Departmental funds, that need further consideration.

Functionality: Respondents maintained that the role of AFA within the Department's spectrum of funding arrangements is to provide an option for First Nations to manage more of their affairs. Respondents maintained the need to ensure that the differences among funding mechanisms are well understood and explained among Department personnel. However, the functionality of AFA with the funding mechanisms of other Departments could be improved as other agencies are not keeping up with the needs of First Nations with regards to the way in which funds are transferred.

Appendix 1
Description of AFA Agreements in the Ontario Region

SIGNED AGREEMENTS

BAND/TRIBAL COUNCIL	ENTRY DATE	EXPIRY DATE	AMOUNT OF AGREEMENT
MOOSE DEER POINT	1st 1987	1990	1,934,262
	2nd 1990	1995	4,587,530
HIAWATHA	1st 1987	1989	1,050,228
	2nd 1989	1994	4,213,621
SCUGOG ISLAND	1st 1991	1996	911,704
CHIPPEWAS OF RAMA	1st 1990	1995	13,083,919
MISSISSAUGAS OF NEW CREDIT	1st 1991	1996	8,796,820
ALDERVILLE	1st 1990	1993	2,033,944
OMEGAWAHJ TRIBAL COUNCIL (6 Bands)	1st 1991	1994	1,149,117
CURVE LAKE	1st 1989	1994	12,961,701
WASHAGAMIS BAY	1st 1991	1996	3,020,250
KETTLE POINT	1st 1991	1996	9,312,375
CHIPPEWAS OF SARNIA	1st 1991	1996	5,790,948
AKWESASNE	1st 1992	1995	7,692,000
NIPISSING	1st 1988	1994	14,094,268
BIG ISLAND	1st 1989	1994	3,513,614
WEST BAY	1st 1989	1994	15,545,460
PWI-DI-GOO-ZING T.C.(10 Bands)	1st 1989	1994	4,852,237
KINGFISHER LAKE	1st 1989	1994	7,013,711
ONEGAMING	1st 1989	1994	9,725,348
COUCHICHING	1st 1990	1995	16,047,188
BIG GRASSY	1st 1990	1995	6,732,254
U.C.C.M (5 Bands)	1st 1990	1995	1,866,181

SIGNED AGREEMENTS (cont.)

BAND/T.C	ENTRY DATE	EXPIRY DATE	AMOUNT OF AGREEMENT
LAC LACROIX	1990	1995	2,869,082
WAPEKEKA	1st 1990	1995	6,418,968
SHIBOIGAMA (5 Bands)	1st 1990	1995	4,616,096
BEARSKIN LAKE	1st 1990	1995	8,996,113
WUNNUMIN	1st 1990	1995	9,330,859
FORT. SEVERN	1st 1990	1995	8,700,547
PIKANGIKUM	1st 1992	1997	32,813,825
POPLAR HILL	1st 1992	1997	6,875,105
CAT LAKE	1st 1992	1997	9,345,860
MUSHKEGOWUL (7 BANDS)	1st 1990	1995	26,228,676
SERPENT RIVER	1st 1991	1996	5,782,940
MISSISSAUGA	1st 1991	1996	5,806,080
SPANISH RIVER	1st 1990	1995	12,346,900
WHITEFISH RIVER	1st 1990	1995	6,963,390
HENVEY INLET	1st 1990	1995	2,983,809
KASHECHEWAN	1st 1992	1996	17,653,010
CHAPLEAU CREE	1st 1992	1997	1,891,800
MOOSE FACTORY	1st 1992	1997	40,201,720
STANJIKOMING	1st 1990	1995	2,869,082
NAICATHEWENIN	1st 1992	1997	4,976,500
OJIBWAY 1850 TREATY T.C.	1st 1992	1997	-N/A-
BIMOSE T.C. (10 FNs)	1st 1992	1996	5,043,815
FLYING POST	1st 1991	1996	203,755
LAKE NIPIGON	1st 1992	1995	196,521

Appendix 2
Detailed Description of the AFA Process In the Ontario Region

1. Introduction

This appendix provides a detailed description of the process followed for developing and implementing AFAs within the Ontario Region. The primary steps within the process are the marketing, assessment, budget development, and implementation stages.

As part of the file review conducted for the regional review, the Quality of Service Project was reviewed. This initiative, launched by the Ontario region in April 1990, was aimed at improving AFA delivery.¹ The project was intended to: improve the timing of departmental processing of AFA agreements; develop clear and consistent information packages, program requirements and standard agreements; clarify the roles and responsibilities of the department and of First Nations; and, promote an environment that optimizes client satisfaction. After the conclusion of this study, a number of workshops were held by both DIAND personnel and First Nations.

2. AFA Process

2.1 Marketing and Presentation

The first step within the AFA process is the initial presentation of AFA. Interested Bands invite DIAND staff to make an AFA presentation and join the process as indicated by passing a Band Council Resolution (BCR), or a letter of intent, which is sent to the District Office requesting entry into AFA. Promoting and initiating interest in AFA is a district office responsibility.

2.2 Management and Technical Assessment

Following AFA presentation(s), Bands wishing to pursue AFA must undertake a management assessment, which may include a technical assessment as well if capital funding is involved, and is conducted according to a set of established criteria. Each management assessment includes the development of a community profile of a Band/Tribal Council and a review of its membership records and of policies and regulations related to the financial, administrative and personnel management regimes.

The National Entry Assessment Guide is used within the region. In Ontario, assessments found on file were conducted either by DIAND staff or by First Nations, mostly through the use of a consultant or a third party.

¹Ontario Region Quality of Service Project 1990-91: June 1991.

Table 1 summarizes partial results of management assessments of the Bands/Tribal Councils reviewed showing the most common weaknesses encountered for each of the qualifying Bands/Tribal Council assessed.

Table 1 Review of Management Assessments	
IDENTIFIED WEAKNESSES OF FIRST NATIONS	% of Bands and T.C.s*
FINANCIAL MANAGEMENT	
Lack of financial and accounting control mechanisms; no approved financial policy and administrative manuals	18%
Deficit financial positions	11%
ORGANIZATIONAL	
Inadequate training for staff and council	18%
No organization chart with job descriptions and formalized lines of communication	11%
ADMINISTRATIVE	
Lack of administrative systems and procedures eg: formalized documentation, policy making and priority setting	15%
DIVISION OF ROLES AND RESPONSIBILITIES	
Political interference into administrative matters of program directors by elected officials	7%
ACCOUNTABILITY ISSUES	
No formal conflict of interest guidelines	11%
Audit findings not presented at general meetings	4%
Lack of proper information flows and feedback to membership	4%

* percentages are not mutually exclusive

According to the table, 18% of the Bands and Tribal Councils were found to require improvements in the areas of financial management and organizational

structures; while 14% had need for more training. Table 2 below outlines the most commonly cited strengths identified in the management assessments.

Table 2 Identified Strengths of First Nations' Within the AFA Management Assessments	
◆	Council and staff are dedicated to their jobs and to the welfare of members
◆	Solid administrative record for the programs to be included in the AFA
◆	Council has adopted and/or is to implement formalized policies, and financial review systems
◆	Possess the management and financial capacity, including the capacity to deal with change/increased responsibilities
◆	Sound accountability systems, both administrative and political
◆	Clear audits for last 3 to 5 years

2.3 Base Budget Development

First Nations and Tribal Councils which qualify after the assessment are then invited to enter into the negotiation process. The process begins with setting the base budget, and expenditure and cash flow plans of the applicant.

The methods selected by First Nations to have funds transferred under AFA by program are presented in Table 3 on the following page. As this table shows, few Bands choose to have their funding fixed for the duration of the agreement, except in the area of economic development, and a relatively large number of Bands choose not to include programs within their AFA.

Table 3
Methods of Transferring Funds Through AFA

	Fixed for term of AFA	Fixed each year	Reimbursed based on actuals	Not in AFA	Total AFAs Reviewed
Education: Elementary	-0-	-14-	-0-	-6-	-20-
Education: Post-sec	-12-	-0-	-0-	-8	-20-
Economic Development	-9-	-7-	-0-	- 4-	-20-
Social Assistance	-0-	-1-	-7-	-12-	-20-
Welfare Services	-0-	-1-	-7-	-12-	-20-
Band Management	-0-	-19-	-0-	-1-	-20-
Capital	-16-	-1-	-0-	-3-	-20-
LRT	-0-	-10-	-0-	-10-	-20-
PENSION PLANS	-0-	-0-	-6	-14	-20

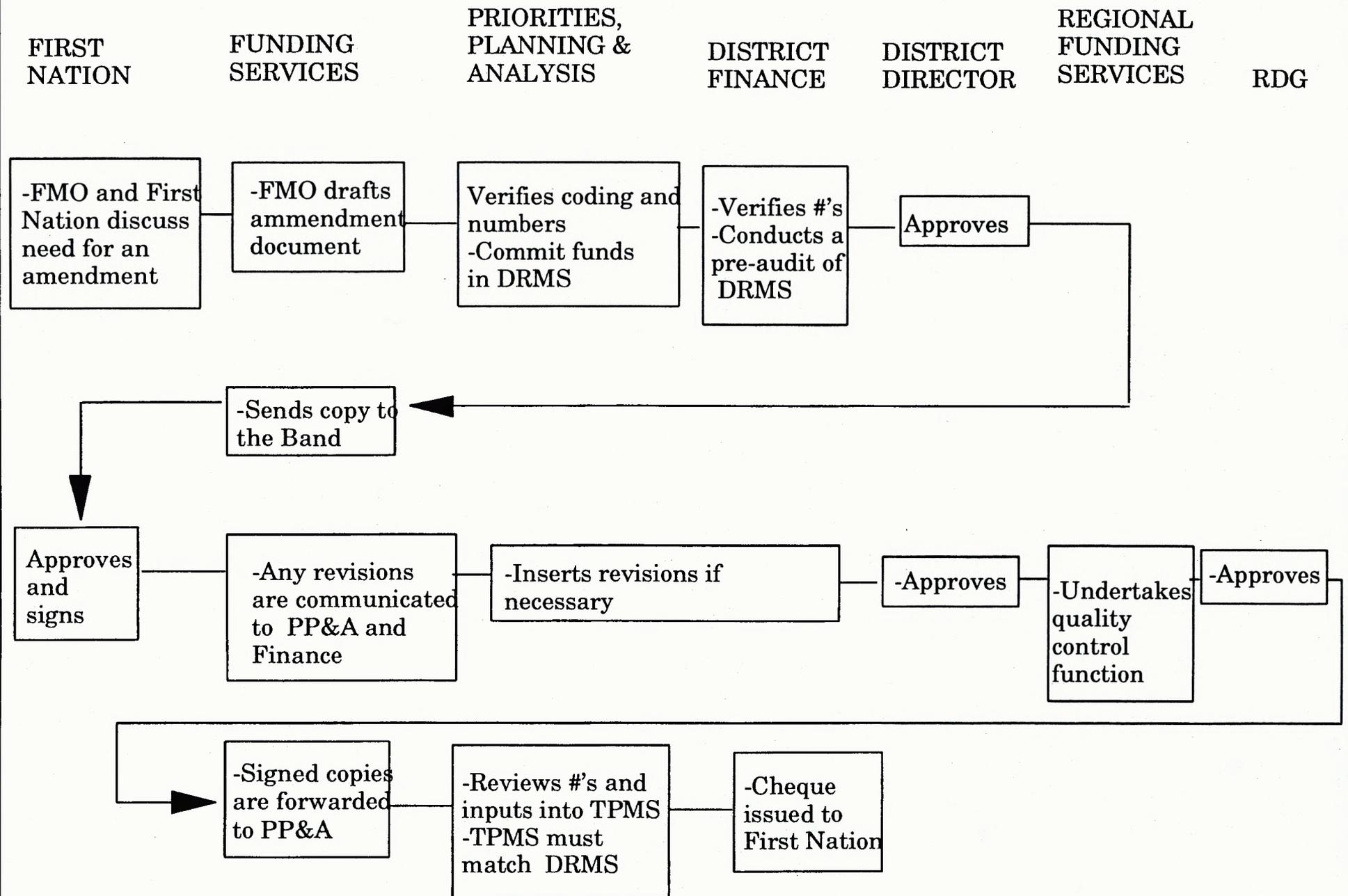
2.4 Renewal/Amendments

Based upon interviews with respondents, the process for amending an AFA are outlined in Chart 1.

Essentially, amendments are made where a change to the terms and conditions agreements is required, whereas a notice of budget adjustment (NOB) is used where a change to price or units is required and the amount of the change does not represent more than 10 percent of the base budget.

Amendments and Notices of Adjustment to the agreement are made to either increase or decrease budget commitments. In general, capital housing allocation, minor capital in education and major capital works of less than \$1.5 million are adjusted in the spring. Band support funding is adjusted in the summer.

AFA AMENDMENT PROCESS WITHIN THE ONTARIO REGION



The majority of adjustments are made in the fall as follows:

- ◆ elementary-secondary adjusted for nominal roll and post secondary for Banking days
- ◆ community facilities and O&M adjusted for price
- ◆ social assistance adjusted for price and volume
- ◆ home makers, home support and day care budgets adjusted according to levels approved by CMSS based on legal agreements and-or agreed upon program announcements
- ◆ pension plan funding adjusted according to audit reviews
- ◆ social development adjusted for CMHC 56.1 rental costs
- ◆ funding for new initiatives introduced

Table 4 on the following page presents the number of budget adjustments and amendments undertaken for the First Nations included within the file review.

As this table reveals, the utilization of notices and amendments to flow funds to First Nations varies greatly. In the Southern District, there are a total of nine agreements. Over the past four years, a total of 110 amendments and notices have been undertaken. On average, each of these agreements is either amended or adjusted 4.3 times a year. The percent of the base budget adjusted ranges from 1% to 39%.

Within the Western District, there are a total of 12 agreements. Over the past four years, a total of 87 amendments and adjustments have been made. On average, each agreement is adjusted 2.7 times per year. The percent of the base budget adjusted ranges from 1% to 110%.

**Table 4
Number of Budget Amendments**

Table 4 Number of Budget Amendments									
	Southern District				Western District				
First Nation	Year	Notices & Amendments	Approximate Annual Average	% of Base Budget	First Nation	Year	Notices & Amendments	Approximate Annual Average	% of Base Budget
Hiawatha	4	16	4	18%	Big Grassy	3	6	2	13%
New Credit	2	11	5	24%	Big Island	4	8	2	50%
Moose Deer Point	3	15	5	7%	Couching	3	8	2	35%
Kettle & Stony Pt.	2	13	6	9%	Flying Post	2	2	1	110%
Sarnia	2	13	6	21%	Lac La Croix	3	10	3	27%
Rama	3	16	5	28%	Lake Nipigon	1	1	1	10%
Alderville	3	6	2	39%	Naicatchewen'n	1	2	2	1%
Scugog	2	4	2	1%	Ojibway 1850	1	7	7	18%
Curve Lake	4	16	4	5%	Ojibways of Onega	3	13	4	10%
					Pwi Di Goo Zing	4	19	4	86%
					Stnjikoming	3	6	2	10%
					Washagamis Bay	2	5	2	12%
TOTAL		110	4.3				87	2.7	

APPENDIX 6

**The Evaluation of the Long-Term Impacts
of Alternative Funding Arrangements**

Manitoba Regional Review

Prepared by

T. K. Gussman Associates Inc.

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AFA EVALUATION PHASE II
MANITOBA REGIONAL REVIEW

1. INTRODUCTION

1.1 PURPOSE OF THE REPORT

This report is one of seven regional reviews being prepared for the evaluation of the Alternative Funding Arrangements (AFA) initiative. An earlier evaluation, completed in June 1989, examined the implementation process and the initiative's short term impacts. The regions examined in this evaluation are Atlantic, Quebec, Ontario, Manitoba, Saskatchewan, Alberta, and British Columbia.

The Manitoba review examines the status of AFA up to August, 1992. Specific issues of interest were accountability (Ministerial and First Nations), the long-term impacts of the initiative, assessment of departmental controls, and the strengths and weaknesses of the AFA process.

1.2 METHODOLOGY

The Manitoba regional review was conducted over four days from August 18-21, 1992 primarily through interviews and file reviews. A classification of officials interviewed appears in the following table:

REGIONAL INTERVIEWS	NUMBER
Regional Director-General	1
Associate RDG	1
Finance	2
Funding Service Officers	5
AFA Officers (Past and Present)	3
Program Officers	3
TOTAL	15

Note: the "number" of interviews means the number of individuals participating in an interview. In some cases, more than one individual was interviewed in a sitting.

The instruments utilized for the interviews were prepared by the Evaluation Directorate and reviewed by the consultants. The following interview guides were prepared:

- a) RDG and Associate RDG
- b) Finance Officers
- c) Program Officers
- d) Funding Services officers

In addition to the interviews, two file reviews were carried out at the Manitoba regional office. The first was a "Generic File Review"¹ of all AFA bands in the province and the second examined the files of the Norway House band, which was selected to be the subject of a case study. File reviews were utilized to obtain written information concerning the issues evaluated.

2. FINDINGS

2.1 ORGANIZATIONAL STRUCTURE OF AFA

The Department has undergone restructuring in Manitoba. Under the new organization, specific program areas except for education have been eliminated. Program delivery has shifted almost entirely to the bands with the assistance of the Funding Services Officers (FSOs). The latter are responsible for assisting bands in the implementation of programs on-reserve, providing advice where required, and liaison with the department. In essence, the FSO has become a principal information source for bands on all programs. The assumption being made with such a structure is that the roles of the bands and the department are continuously changing. Therefore, a flexible organization is required to aid bands in eventually achieving self-government.

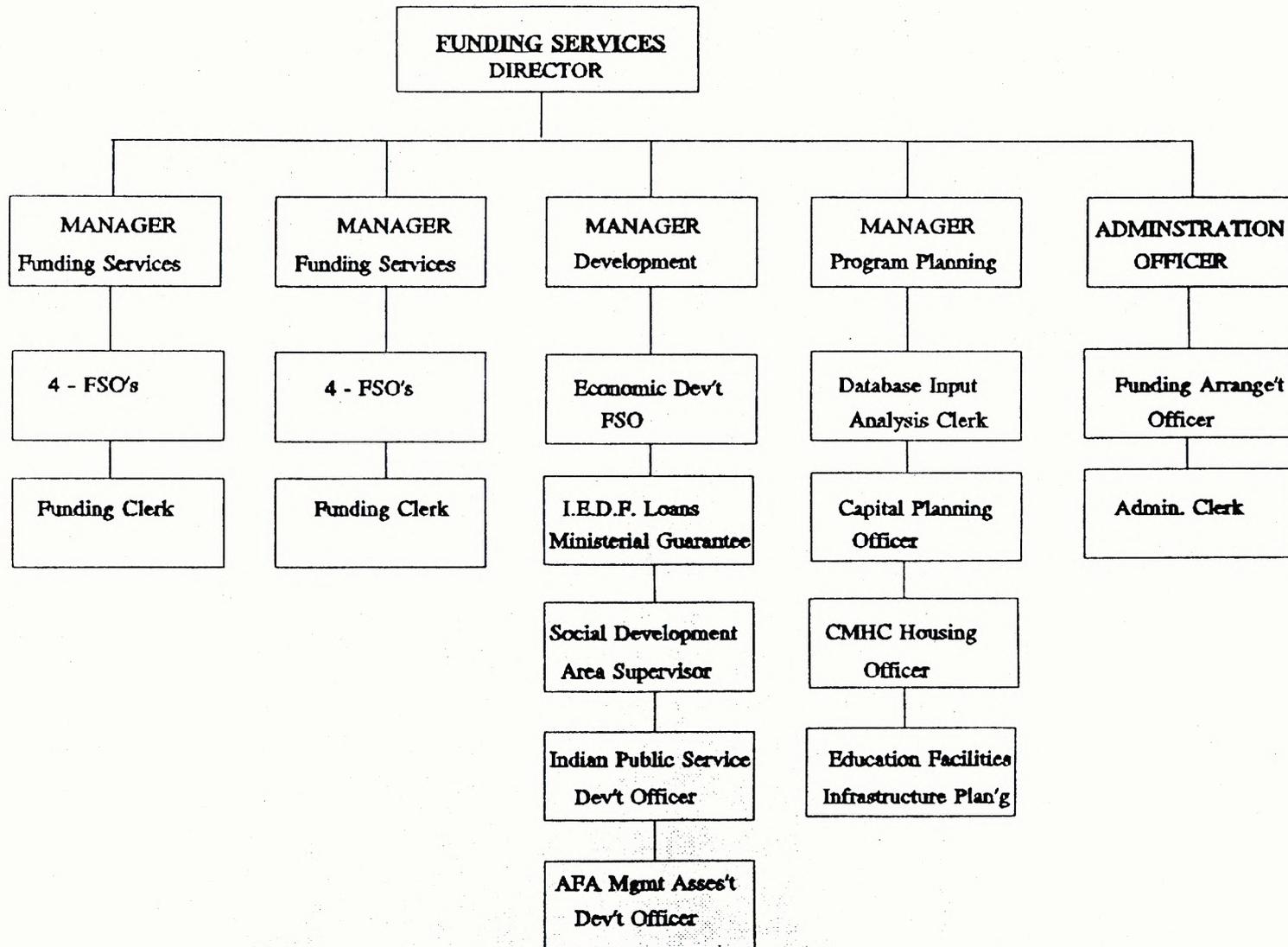
The Manitoba office is divided into two service areas, the North/East region, and the South/West region each led by a Director of Funding Services. These regions are subsequently divided into two zones, led by Funding Services managers who report to the relevant director. The "Organization of the Manitoba Regional Office" (Exhibit 1) illustrates the regional organization. Within each region is a manager of development who provides advice on government programs (through a team of experts) to departmental officials and to bands.

Specifically, the manager of Development has the following responsibilities: a) to improve the functioning of programs for bands; b) to provide assistance to bands for implementing programs such as "The Family Violence Program", or "AFA" which includes training; and, c) to provide expert advice to the Funding Services Officers (FSOs) on departmental programs.

The AFA Management Assessment Development Officer is responsible for AFA specifically. Duties include promotion and training for bands, coordinating management assessments, conducting regular evaluations of current AFA bands, the coordination of planning for second generation AFA agreements, liaison with Headquarters on current issues related to AFA, the provision of expert advice to FSOs on issues of relevance, and developing remedial action plans for bands where required.

¹Specific files reviewed were "General", "Communications", "Technical", "Correspondence", and "Capital Projects".

ORGANIZATION OF MANITOBA REGIONAL OFFICE



2.2 PROFILE OF FUNDING ARRANGEMENTS WITHIN MANITOBA

The following table² provides a description of the eighteen bands, tribal councils and institutions in Manitoba that are under AFA. It indicates the date individual agreements have been signed, their respective terms, and the overall value of the agreements.

NAME	DATE SIGNED	EFFECT FROM	EFFECT TO	\$ VALUE
Barren Lands	89/06/19	89/04/01	94/03/31	9,379,565
Buffalo Point	91/06/28	91/04/01	96/03/31	1,387,296
Crane River (1)	89/03/10	88/04/01	91/03/31	3,683,650
Crane River (2)	91/04/08	91/04/01	92/03/31	1,720,480
Crane River (3)	92/03/10	92/04/01	95/03/31	5,287,200
Cross Lake	91/04/02	91/04/01	96/03/31	80,328,576
Dakota Tipi (1)	88/08/05	88/04/01	90/03/31	607,668
Dakota Tipi (2)	90/03/23	90/04/01	95/03/31	4,850,713
Fort Alexander	90/07/23	90/04/01	95/03/31	34,456,654
Fox Lake (1)	88/03/21	88/04/01	91/03/31	6,201,285
Fox Lake (2)	91/04/02	91/04/01	96/03/31	7,833,376
Mathias Colomb	90/02/21	89/04/01	94/03/31	35,907,280
Norway House	88/08/05	88/04/01	93/03/31	77,612,752
Peguis	90/07/17	90/04/01	95/03/31	66,102,648
Roseau River	89/11/24	89/04/01	94/03/31	21,129,019
Shamattawa	89/06/19	89/04/01	94/08/31	12,538,152
Swan Lake	88/05/26	88/04/01	93/03/31	8,266,601
The Pas	89/11/24	89/04/01	94/03/31	25,874,367
Dakota Ojibway TC	90/02/28	90/04/01	95/03/31	12,868,912
Keewatin TC	89/11/24	89/04/01	94/03/31	25,509,648
Swampy Cree TC	89/11/24	89/04/01	94/03/31	9,265,409
Opasquiak Education Auth.	90/04/04	90/04/01	95/03/31	21,565,450
TOTAL	18			472,376,701

²NOTES: a) Numbers in parentheses indicate organizations in first or second generation.
b) TC indicates a Tribal Council.

Although there are 18 individual organizations (ie. bands, tribal councils, and institutions) participating in AFA, total bands represented either individually or indirectly through a tribal council amount to 39.³ In 1993, two bands will enter negotiations for their second generation agreements, Norway House and Swan Lake. In addition, two bands (Ebb and Flow and Split Lake) have requested information for entry into AFA in 1991/92.

SUMMARY OF AUDIT SUBMISSIONS

The following table, which summarizes the audit statements of AFA bands from 1986 to 1991, indicates that many bands are in deficit positions. Although some band deficits may be intentional (eg. major capital project) all positions have nonetheless been recorded according to submitted audit statements. Appendix A further delineates the source of band deficits as accurately as possible. Of course, funding deficits cannot necessarily be attributed to specific program areas. Hence, untraceable funds have been assigned to the "Other" category. It is interesting to note from Appendix A that the majority of deficits are accumulated as a result of capital housing projects. As well, the cumulative deficit for AFA bands from 1986 to 1991 was \$6,931,400.⁴

Fiscal Year	# of AFA Recipients	# of Audits Submitted	# of Yearly Deficits	# of Serious Deficits (8% over budget)	\$ Amount of Yearly Deficits
1986/87	0	0	0	0	0
1987/88	1	1	0	0	0
1988/89	5	3	1	1	322,687
1989/90	12	12	8	3	2,032,605
1990/91	16	16	13	8	4,637,292
1991/92	18	n.a.	n.a.	n.a.	n.a. ⁵

³Membership in tribal councils is as follows: Keewatin (11 bands); Swampy Cree (6 bands); and Dakota Ojibway (8 bands). Therefore, 25 bands are indirectly involved in AFA combined with 14 directly.

⁴The information in Appendix A was tabulated and supplied by the Finance Directorate, Manitoba Region, DIAND in August 1992.

⁵DIAND -Manitoba Region, Finance Directorate, August 1992.

SCOPE OF THE AFA AGREEMENT

In Manitoba, the scope of AFA is determined by the aboriginal organization. A band, tribal council or institution can choose either to include specific programs within its agreement and how they are to be funded (ie: five-year fixed, yearly fixed, or reimbursed for program expenditures. The latter option is not considered part of AFA. The following tables describe specific areas that are included or excluded under AFA. It should be noted that this description provides the foundation upon which an aboriginal organization may choose to negotiate.

Lands, Revenues and Trusts

SERVICE	Included	Excluded
Membership and Entitlement	X	
Lands	*	
Funds & Treaty Management		X
Litigation Support		X
Funds		X
Specific Claims		
Environmental Protection		
Estates		X

* Resource Access Negotiations is excluded.

Social Development

SERVICE	Included	Excluded
Social Assistance - Basic Needs	X	
Social Assistance - Special Needs	X	
Social Assistance - Service Delivery	X	
Child and Family Services	X	*
Family Violence	X	
Adult Care	X	
Rehabilitation	X	
Community Services	X	

Economic Development

SERVICE	Included	Excluded
Community Economic Development	X	
Commercial Development		X
Research and Advocacy		X
Resource Development	X	*

Elementary/Secondary Education

SERVICE	Included	Excluded
Instructional Services -Band Operated School -Provincial School -Federal School	X X	X
Student Accommodation Services	X	
Student Transportation Services	X	
Student Financial Assistance	X	
Education Instructional Support Services (Provincial)	X	
Guidance Counselling	X	

Post-Secondary Education

SERVICE	Included	Excluded
Indian Studies Support Program	X	
Student Support Program	X	
University/College Entrance Preparation	X	
Management Support	X	
Guidance Counselling	X	

Band Management

SERVICE	Included	Excluded
Funding for Band Governments	X	
Indian Management Development	X	
Comprehensive Community-Based Planning	X	
Management Support Services	X	
Consultation and Policy Development		X

Community Capital Facilities

SERVICE	Included	Excluded
Acquisition and Construction of:		
-Infrastructure Assets & Facilities *	X	
-Education Assets & Facilities *	X	
Recreation Programs	X	
Community Capital Facilities Service Delivery	X	
Housing	X	
Recreation	X	
Policing	X	

* Individual project less than \$3 million.

2.3 THE AFA PROCESS

The Manitoba region AFA process is depicted on the following page. It provides a step-by-step description of the requirements for implementing AFA. Section 2.3 analyzes individual components of the implementation process.

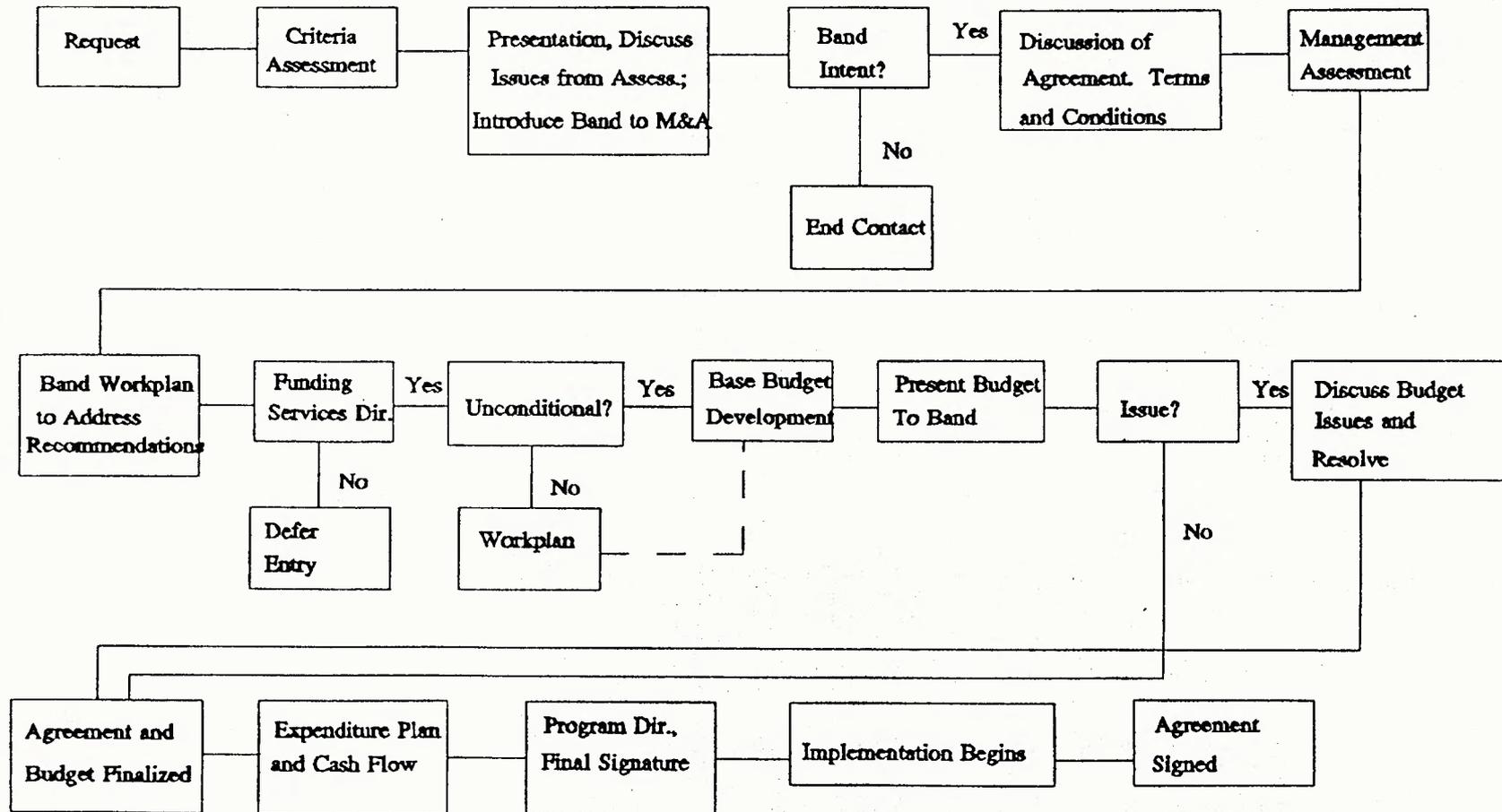
2.3.1 ENTRY PROCESS

According to officials interviewed, the following roles and responsibilities have been identified for the Department and the Band/Tribal Council in the entry process.

Band/Tribal Council

- the band initiates contact with the Department via a letter or band council resolution requesting information about the program.

THE AFA PROCESS IN THE MANITOBA REGION



- the band/tribal council demonstrates that it understands the intent of the program and whether it is able to meet the eligibility requirements (provided by the department).

Department

- the department prepares an on-site presentation to the Band/Tribal Council outlining the goals and objectives of AFA.
- Department determines via existing program managers whether the Band/Tribal Council is eligible for AFA according to the eligibility criteria.

2.3.2 MANAGEMENT ASSESSMENT

Band/Tribal Council

- the Band/Tribal Council determines the process it wishes to employ for conducting the management and accountability assessment: self assessment; joint band-department assessment; or independent assessment.
- conduct the assessment according to the criteria outlined by the department.

Department

- explain to the Band/Tribal Council what is expected from the management and accountability assessment.
- provide any assistance to the Band/Tribal Council where required.
- review the assessment and determine those components that require improvement.
- provide feedback to the Band/Tribal Council and suggest how it can address those concerns identified by the department.
- determine whether the Band should be admitted into the program conditionally, unconditionally, or defer entry.

2.3.3 NEGOTIATION

Band/Tribal Council

- the Band/Tribal Council must determine the needs of its community and whether they are reasonable or applicable under the agreement.
- the Band/Tribal Council must demonstrate how it will meet the requirements and policies as stipulated under the agreement including the flow of information between the community and the department, and between the community leadership and its members.
- negotiate the base budget with the department (Note: only the Social Assistance budget is "negotiated" over the length of the agreement, all others are formula-driven).

Department

- to clarify the terms of the agreement between the Department and the recipient.

- to negotiate the time frame of the agreement and the base budget.

2.3.4 FOLLOW-UP

Band/Tribal Council

- to ensure that the Band/Tribal Council has a reputable auditor and that audits are conducted and submitted to the Department in a timely fashion (ie. June 30)

Department

- to review the audit and to ensure that all requirements have been met.
- provide feedback to the Band/Tribal Council.

2.3.5 REMEDIAL ACTION

Band/Tribal Council

- to participate with the Department in preparing a remedial action plan.
- to implement and manage the plan.

Department

- to participate with the Band/Tribal Council in preparing the plan.
- assist in identifying problem areas and aid in resolving issues.
- to implement a regular monitoring system to ensure progress is being made.
- maintain a participatory relationship with the recipient.

2.3.6 STRENGTHS OF THE AFA PROCESS

Respondents agreed that the AFA process is optimal if the ultimate objective is to assist bands in achieving self-government.

It was agreed by all of those interviewed that the AFA process is somewhat flawed, but that it is the best one given the constraints of the Indian Act and the organization of the department generally. The process provides much flexibility for the bands/tribal councils to assess their management capacities and to demonstrate their abilities to govern their own affairs at the local level. The process provides both the department and the recipient with a clear description of expectations and division of responsibilities.

Built-in feedback loops at all steps are a major strength of the process.

Throughout the entire process of entering and implementing AFA, both the Department and the band/tribal council receive feedback which aids both parties in ensuring complete understanding of expectations and responsibilities. It was explained that many programs in the past were wrought with problems due primarily to a misunderstanding by each side of the other's expectations. This process attempts to clarify roles at the outset and reinforce those

roles throughout the exercise.

2.3.7 WEAKNESSES OF THE PROCESS

There is no clear division of roles and responsibilities between Headquarters and the regions.

Regional officials indicated that during and after the reorganization, the division of roles between Headquarters and the region became less clear. They explained that there is much disagreement over how AFA should operate. That is, regional staff have attempted to customize the process to suit the needs in Manitoba but they perceive Headquarters as somewhat unsupportive. Some respondents stated their understanding that Headquarters should have the responsibility for setting policy and providing direction, while the regions should be charged with implementation of those policies. "Confusion" was a common word used to describe the division of responsibilities at these levels. Such confusion has resulted in some reticence on the part of regional staff to promote the program given their uncertainty about the extent of their responsibilities.

Regional officials believe that the Management and Accountability Assessment should be conducted jointly between the department and the recipient, or by an independent body.

Most recipients have conducted the Management and Accountability Assessment using their own in-house resources. According to regional officials, self-assessments can not always be taken at face value since the recipient may have difficulty in maintaining impartiality. Some respondents suggested that the process require bands/tribal councils to conduct this assessment jointly with the department or through an independent body such as a consulting firm. In this way, departmental officials can have more confidence in the results.

A major weakness in the process is that it does not obligate the recipient to gauge or secure community approval prior to proceeding with implementation.

Although a band council resolution or a letter of intent is required from the band/tribal council before proceeding to implement AFA, there is nothing to oblige community leaders to assess the views of the community prior to entry. This, in the view of some officials interviewed, is a serious flaw in the process. It is ultimately the responsibility of the Chief and Council to decide whether the community should proceed or not with the program.

2.4 THE IMPACTS OF AFA

2.4.1 MANAGEMENT CAPACITY

In general terms, regional officials thought that the program has had a positive impact upon the management capabilities of the recipients. From the time interest is first expressed in the program, officials explained that the band/tribal council is being compelled to examine its management skills, systems, and human resources.

According to some, AFA has had a strong psychological effect on the bands. AFA

bands/tribal councils tend to have much higher expectations of themselves to succeed on their own. They feel that they have to prove to others that they have the ability to operate in a more sophisticated fashion than non-AFA bands/tribal councils. In fact, those bands/tribal councils which are considered by the department to be "border-line" cases, try even harder to prove that they can meet the requirements and expectations of the program.

All of the respondents argued that the greatest impact of AFA on recipients has been the fostering of decision-making ability on-reserve. Given the greater autonomy provided by AFA, bands/tribal councils have had to learn very rapidly that the decisions they make must be defended before their own communities (ie. accountability has shifted from the department to the community). No longer does the recipient refer to the Department for local problems or erroneous decisions. It was explained that some AFA communities are still learning to take responsibility for their decisions; that the funds they receive must be considered their own and that the department will not be receptive to assisting them if funds are mismanaged.

2.4.2 PROGRAM FLEXIBILITY

Officials explained that AFA provides a great deal of flexibility for bands to satisfy community needs. Such flexibility comes in the form of transferring money between programs except for social development which is governed by comprehensive funding arrangements (CFA). The flexibility of AFA largely lies with the fixed budget option as opposed to the reimbursement option in AFA where surpluses are recovered. Another source of flexibility for bands/tribal councils is the ability to approach banks and leverage money for various projects. Cross Lake was cited as one band that has accomplished this successfully. Flexibility is also present in the agreement in that surpluses are retained by the recipient. In addition, the recipient is exempt from the cash management policy of the department.⁶

Various impediments in utilizing AFA program flexibility were identified. An obvious impediment is a situation where the band/tribal council has used its money prematurely, seriously jeopardizing its cash flow. A second impediment was a practice of using program money to pay outstanding bills prior to covering immediate program requirements. A third area cited was the inability in some cases for the band/tribal council to plan future expenses beyond the base year since there is uncertainty as to whether the department will approve the agreed-upon budget. Some regional staff were concerned that this inability to plan restricts the recipient's manoeuvrability to anticipate departmental support for long-term projects and programs.

⁶Flexibility of the AFA agreement is set out according to "Regional Directives", Department of Indian Affairs and Northern Development, Directives 7007 - 7009.

2.4.3 PROGRAM DEVELOPMENT

According to most officials interviewed, bands/tribal councils are beginning to develop their own programs but it has been a long and slow process. Most new program examples provided have been cases where the community has redesigned an existing program. Bands/tribal councils are still unsure as to the latitude they have with the department and as such are being very cautious about program design options. It was explained that because AFA is still a relatively new program and a significant shift away from the contribution agreement format, bands are discovering how to make program decisions independent of departmental intervention. From this standpoint, regional officials suggested that this was a positive impact but not to expect any significant program development until community needs have been fully assessed and the necessary budgetary systems put in place to plan accordingly. Bands that have been experimenting in program development include Fox Lake, Norway House, and Pukatawagon.

One area of concern was that some regional staff believe because a band/tribal council is in AFA, it no longer requires departmental assistance in the form of advice or training. This has caused some apprehension at the community level, according to some officials, since there is great uncertainty as to how to use this new flexibility and program development option. It was argued that band operations and methodologies are not going to improve quickly and that more effort was required from regional staff to aid individual communities in achieving greater autonomy.

2.4.4 PROGRAM DELIVERY

Some respondents have observed a positive impact of AFA on program delivery. They noted that communities now have direct responsibility for service delivery and are realizing that the quality of this service rests with them and no longer with the department. In this regard, quality of service has been observed to be improving but the officials interviewed were uncertain as to how much of this improvement can be attributed to AFA. They argued that AFA has tended to act more as a catalyst for change rather than the source or impetus for change. Most AFA bands/tribal councils appear to be taking their responsibilities for service delivery very seriously, and this change in attitude has been responsible for an increase in quality.

With respect to the number and types of services being offered at the community level, regional officials have observed no real change. They attribute this observation to the fact that bands/tribal councils are still learning how to provide these services and as such, only minor adjustments are being made to current service programs.

2.4.5 ACCOUNTABILITY⁷

a) Accountability to the Community

Many officials questioned the assumption that AFA has influenced the accountability of band/tribal council leaders to their communities. Almost all of respondents stated that they observed little significant change in community accountability since the implementation of AFA. They argued that accountability mechanisms and practices in most cases have traditionally been part of the community culture or that there has been a history of the opposite. Politics at the community level generally determines the level of accountability to the membership. Under the AFA agreement, community members have the right to see the annual audit. Many respondents suspect that some communities are not providing audits on request.

AFA has had some impact on accountability with respect to the level of reporting required. Some respondents suggested that the fewer reporting requirements, the more flexibility the leadership has to transmit information to their communities. However, if the community has a history of low accountability to its members, then this increased flexibility offers little incentive. Some of the funding services officers said that they have raised questions of accountability to Chiefs and Council but that their comments have had little influence. Many reserves that fall into this latter category have had long traditions of keeping information closely guarded in order to protect their positions in upcoming elections. Some officials interviewed have observed that communities are just now beginning to understand that they are responsible for their own decisions and that individuals in the community wish to know how business is carried out. In some instances, community leaders simply did not or do not realize that questions of community business were often directed at departmental officials. With the responsibility for program delivery and funding resting with the Chief and Council, such inquiries at the departmental level are declining in frequency.

When asked whether officials receive requests for information from band members regarding the operations of their communities, most said that written requests are few, but that there are more verbal requests for audit reports, or information regarding Bill C-31 as it relates to AFA. They noted that their usual response is to advise individuals to work through their own Chief and Council as per the agreement.

⁷It was noted in the file review that the Manitoba region follows national accountability guidelines as noted under the standard agreement.

b) Accountability to the Minister

According to officials interviewed, controls on bands/tribal councils have been significantly reduced. Consequently, accountability to the Minister has become unclear. There is some question as to what Ministerial accountability is with respect to native communities. In the past, the department had the ability to impose restrictions on the use of funds, and to require the community to report regularly according to standardized reports. Under AFA, such controls have been lifted except for the annual requirement of producing a certified audit of band/tribal council finances as well as program statistical reports. Regional staff describe themselves now as "advisors" to communities, moving toward becoming a "funding agency". In their view, such a role provides little control over band/tribal council activities.

There was a unanimous negative response to the question of sufficiency of current controls under the agreement to ensure ministerial accountability. It was argued that the annual audit and statistical reports do not accurately reflect community activities or provide a basis for future funding. Respondents do not believe that reporting requirements can be further reduced, suggesting that the program now receives the minimum acceptable. Some went so far as to suggest that reporting requirements be made more stringent while others thought that asking for more reports is not in keeping with the spirit of AFA, which is seen as an intermediate step towards self-government.

2.4.6 OTHER IMPACTS

Three officials identified other impacts they attribute to AFA. One individual said that some communities are asking whether there is a hidden agenda to AFA explaining that they feel a sense of isolation since program implementation. This respondent believes the department may be subtly moving communities toward self-government that may not wish to pursue that option. One of the impacts therefore, is that communities are becoming increasingly wary of departmental initiatives which may have a direct or indirect "flavour" of self-government.

Two other officials suggested that AFA was having a positive benefit in the communities. The program has fostered a sense of community confidence in making decisions, as well as creating a desire to learn new ways of performing routine tasks such as budgeting or planning.

2.5 THE FUNCTIONALITY OF AFA

2.5.1 COMMUNICATIONS

Respondents believe there are clear communications between the department and communities regarding initiatives not under AFA, but said that bands/tribal councils often ignore them until such time as they ascertain how an initiative could benefit them. Information on such new initiatives is normally disseminated via communiques, newsletters, facsimile, or directly through the FSO. When asked how such initiatives are implemented with AFA recipients, these officials said that funding is difficult to secure for AFA bands/tribal councils.

2.5.2 FUNCTIONALITY OF AFA WITH OTHER FUNDING MECHANISMS

Most officials interviewed see no difference between AFA and Flexible Transfer Payments (FTPs).

Respondents were asked to comment about how AFA relates to other funding arrangements available to the community. In general, they saw very little difference between AFA and FTPs since both offer some degree of flexibility in transferring money between programs when required. In addition, the community is able to maintain surpluses, accountability is primarily to the community, planning periods could be up to five years under either arrangement, and reporting is very similar. Regional officials believe these aspects of both arrangements to be significant and that AFA offers the band/tribal council marginal benefits beyond FTP.

Regional officials believe the functionality of AFA with other arrangements to be problematic both administratively and conceptually.

Respondents noted the existence of cases where an AFA band/tribal council is engaged in various Indian Affairs programs not included in AFA. Such programs are generally operationalized through a contribution agreement which in the view of the officials is contrary to AFA. They argue that AFA is premised upon flexibility and that offering other programs through contribution agreements sends mixed signals to the community. Operationally, the two arrangements require different reporting systems. According to regional officials, individual communities view such a circumstance as regressive since AFA encourages accountability to the community and a contribution agreement requires regular accountability to the Minister. The mixing of reporting, accounting, and control mechanisms is argued to be contrary to the philosophy and efficiency of AFA.

Respondents argue that all capital funding should be made available under AFA.

Although the officials interviewed understand the reasons for a restriction on capital funding to the community (ie. projects exceeding \$1.5 million exempt from AFA), they argue that operationally and conceptually, such a restriction is regressive. The argument posited was that bands are provided with substantial annual budgets and yet capital dollars are restricted. They believe that this conflicts with the precepts of the program. Clerically, the control on capital dollars places an undue burden on both the department and the community.

AFA has had a limited impact on the funding arrangements of other departments.

Regional officials observe that in recent years other government departments are considering altering their funding arrangements to match AFA. Departments such as Health and Welfare and Employment and Immigration, however, generally have short term or project-specific arrangements with communities, making an AFA arrangement difficult to operationalize. In addition, respondents noted that different departmental perspectives about the readiness of communities to assume complete responsibility for funding. Discussions are proceeding with Health and Welfare, in particular, to determine a means for allocating funds through an AFA arrangement.

Some officials expressed reticence over tying other departmental funds into AFA. They have difficulty with the idea of being accountable for other department's funds, given their problems in being accountable for DIAND funds. Ultimately, they argue, some significant issues must be resolved, such as accountability and operationalizing funding arrangements.

2.5.3 DIAND/RECIPIENT RELATIONS

Most officials observe a changed relationship between the department and individual communities but are uncertain as to the extent it stems from AFA.

Some respondents have seen a decrease in the level of consultation between the department and the communities, describing the relationship as more "sophisticated". Bands/tribal councils are becoming more analytical in their approach to consultation with the department. More complex questions have replaced consultation on minor issues. Bands/tribal councils have become more future-oriented, creating longer planning horizons, and generally requiring less assistance from the department over time. One official stated that bands/tribal councils have simply "moved to another level of discussion" but tempered this view with the observation that some regional staff have taken the approach that AFA bands/tribal councils no longer require assistance. This official explained that AFA recipients have "to be weaned off" the old contribution agreement arrangement slowly so as not to leave the impression that they are being abandoned by the government.

Many of the respondents acknowledged a change in relationship, are unsure about how much to attribute this change to AFA. They have noticed similar changes in non-AFA bands/tribal councils. As education increases on-reserve, less reliance on the department is expected. According to these officials, AFA is a catalyst for change but should not be regarded as the source of that change.

3. OBSERVATIONS AND CONCLUSIONS

The region currently has four requests from First Nations to initiate the AFA process, four other actively seeking entry into AFA and eight organizations currently negotiating second generation AFA renewals for April 1, 1994 and we will have four second generation and one third generation renewal for 1995. The region feels that a developmental approach is most appropriate at this time. In future only those First Nations who are completely ready will move into AFA. This approach may slow the process somewhat, however, with the intermediate step (of FTP) should prove more meaningful in the longer term.

There appears to be some resistance at the regional level for the continued implementation of AFA.

The various concerns voiced by regional officials, such as accountability, differences between AFA and FTPs, budget derivation, and limited influence on-reserve, appear to suggest some resistance to further promote the program. Although some have argued that interest in AFA has been waning among aboriginal communities, the reasons for this lack of interest may to some degree rest with the regional office, particularly with respect to its marketing. Some officials interviewed said that the regional office has been "reacting" to requests for

information concerning AFA but little "proactive" marketing has been observed in their view.

It was suggested by a few regional staff that some of this resistance could be traced to a reluctance to reduce departmental controls which may explain why a number of the respondents tended to favour FTPs as perhaps a superior funding mechanism. It would be difficult to postulate that regional staff do not understand the fundamental differences between the two types of arrangements (e.g. greater flexibility in the creation or redesign of programs, ability to leverage funds from financial institutions, exemption from the cash management policy). Their resistance, therefore, must be attributable to other less tangible reasons.

Improved communication between Headquarters and the regions would be beneficial.

Some of the resistance noted could be partly attributable to the level and type of communication and co-operation between Headquarters and the regions. In almost all interviews, there was a general dissatisfaction with the level of practical direction from Headquarters. There was an impression that directives and reports from Ottawa are plentiful, but little is forthcoming in the way of "practical direction" in solving routine problems resulting from AFA, which is still considered a new program by regional staff. Difficulties with funding allocation, policy application or funding formulas were areas commonly cited.

APPENDIX A
AFA FINANCIAL TABLES

AFA ORGANIZATIONS (DEFICIT)

ORGANIZATIONS	BAND SUPPORT	EDUCATION	SOCIAL DEVELOPMENT	CAPITAL HOUSING	COMMUNITY SERVICES	ECONOMIC DEVELOPMENT	OTHER	TOTAL	CUMULATIVE (DEFICIT)
Fiscal Year 1988/89									
Swan Lake							(322,687)	(322,687)	(211,550)
	0	0	0	0	0	0	(322,687)	(322,687)	(211,550)
Fiscal Year 1989/90									
Barren Lands							(28,722)	(28,722)	(66,819)
Crane River	(42,420)	53,829	63,670	(33,498)	(18,945)	(5,712)	(156,445)	(139,521)	122,297
Fox Lake							(139,770)	(139,770)	(118,068)
Mathias Colomb	13,555		(126,101)	(483,044)	39,565		(60,106)	(616,131)	(730,455)
Roseau River	(193,077)	116,431	(70,844)	(141,393)	(33,402)	(9,411)	(116,879)	(448,575)	(1,149,025)
Shamattawa							(93,660)	(93,660)	(89,804)
Swan Lake							(12,098)	(12,098)	(223,648)
The Pas							(554,128)	(554,128)	(212,379)
	(221,942)	170,260	(133,275)	(657,935)	(12,782)	(15,123)	(1,161,808)	(2,032,605)	(2,467,901)
Fiscal Year 1990/91									
Barren Lands							(83,167)	(83,167)	(149,986)
Buffalo Point	40,769	17,271		(28,315)	(113,385)		19,314	(64,346)	(2,823)
Crane River							(252,782)	(252,782)	(129,885)
Fort Alexander	(78,703)		26,559	144,876	(200,701)	(34,027)	(174,986)	(316,982)	(2,447,204)
Mathias Colomb	(41,783)		67,099	2,575	(7,670)		(88,529)	(68,308)	(798,763)
Norway House							(446,046)	(446,046)	156,483
Roseau River	(163,303)	(121,756)	(143,817)	(142,413)	(41,855)	(39,609)	(480,839)	(1,133,592)	(2,020,002)
Shamattawa							(196,906)	(196,906)	(286,710)
Swan Lake							(77,260)	(77,260)	(300,908)
The Pas							(1,092,340)	(1,092,340)	(1,305,079)
D.O.T.C.							(59,787)	(59,787)	555,779
K.T.C.							(761,490)	(761,490)	65,847
Opasquiak Ed. Auth.		(84,286)						(84,286)	(268,149)
	(243,020)	(188,771)	(50,159)	(23,277)	(363,611)	(73,636)	(3,694,818)	(4,637,292)	(6,931,400)

AFA BANDS CONSIDERED TO BE IN SERIOUS DEFICIT POSITIONS
AS REPORTED IN REVENUE AND EXPENSE STATEMENTS

BAND NAME	YEARLY TOTAL DEFICIT	CUMULATIVE (DEFICIT)	INAC FUNDING	CUM. DEF. / INAC FUNDING
FISCAL YEAR 1988/89				
Swan Lake	(322,687)	(211,550)	1,571,658	13.46%

FISCAL YEAR 1989/90				
Mathias Colomb	(616,131)	(730,455)	3,909,223	18.69%
Roseau River	(448,575)	(1,149,025)	3,963,874	28.99%
Swan Lake	(12,098)	(223,648)	1,650,582	13.55%

FISCAL YEAR 1990/91				
Crane River	(252,782)	(129,885)	1,546,922	8.40%
Fort Alexander	(316,982)	(2,447,204)	6,606,404	37.04%
Mathias Colomb	(68,308)	(798,763)	3,902,786	20.47%
Peguis	17,390	(840,497)	8,206,844	10.24%
Roseau River	(1,133,592)	(2,020,002)	4,062,523	49.72%
Shamattawa	(196,906)	(286,710)	2,483,264	11.55%
Swan Lake	(77,260)	(300,908)	1,681,803	17.89%
The Pas	(1,092,340)	(1,305,079)	6,341,770	20.58%

THE FOLLOWING BANDS HAVE FMP'S IN PLACE:

CRANE RIVER
FORT ALEXANDER
PEGUIS

REFERENCES

Department of Indian and Northern Affairs

- "Alternative Funding Arrangements Discussion Papers", Ottawa, October 30, 1991.
- "Alternative Funding Arrangements, Entry Assessment", Ottawa, August 1990.
- "Alternative Funding Arrangement, Regional Directives", Numbers 7003 - 7011, Winnipeg, December 1988.
- "Alternative Funding Arrangements, Signed Agreements", Winnipeg, March 31, 1992.
- "Alternative Funding Arrangements: Standard Agreement", Ottawa, February 1992.
- "An Overview of DIAND Funding Arrangements", Ottawa.
- "Appendices: for the Evaluation of Alternative Funding Arrangements", Ottawa, Evaluation Directorate, June 1989.
- "Planning Report for the Evaluation of Alternative Funding Arrangements", Ottawa, Evaluation Directorate, July 1992.
- "Review Norway House Band's AFA Social Development Program", Minutes of Meeting held May 19-20, 1992, Winnipeg.
- "Year-end Reporting Guide for DIAND Funding Arrangements", Ottawa, April 1992.

Other Sources

- Salasan Associates Inc., "Report on the AFA/Community Human Resource Development Workshop", held September 24-27, 1991 in Winnipeg.
- Salasan Associates Inc., "Research Report: Alternative Funding Arrangements, An Overview of the Department of Indian Northern Affairs AFA Program for First Nations", Ottawa, August 1991.

APPENDIX 7

**Saskatchewan Regional Review for the Evaluation
of the Long-Term Impacts of Alternative Funding Arrangements**

Evaluation Directorate
Policy and Consultation Sector
Department of Indian Affairs and Northern Development

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Region

1. INTRODUCTION

1.1 Purpose of the Report

This report is one of seven regional reviews being undertaken for the evaluation of the Long-Term Impacts of Alternative Funding Arrangements (AFA). The reviews provide one basis of information for the national evaluation of AFA. The report includes a description of methodologies undertaken, and the findings of the review.

1.2 Purpose of the Regional Review

The Saskatchewan regional review examines the status of AFA as of September, 1992. Specific issues addressed within this review include the long-term impacts of AFA, Ministerial and First Nations' accountability, strengths and weaknesses of the AFA process, and the functionality of the Agreement.

1.3 Methodology

The Saskatchewan regional review was conducted over four days, from September 23 to September 28, 1992. It included interviews with Department senior management and personnel involved in the delivery of AFA, and a review of Department files. The interviews undertaken are outlined below.

REGIONAL INTERVIEWS	NUMBER
Regional Director General	1
Associate RDG	1
Director, Finance	1
Director, Funding Services	1
A\Manager, Funding Services	1
District Managers	2
Funding Service Officers (District)	2
TOTAL	9

The file review included generic and AFA recipient specific files. The generic review included files and minutes of the regional AFA and Audit Steering Committees, regional policy and procedures, promotional materials, amendment logs, and the regional Audit review database. The recipient specific review included AFA and Audit files for the 13 Bands and Tribal Councils with AFAs, and the AFA assessment files for 5 Bands\Tribal Councils.

2. OVERVIEW OF ALTERNATIVE FUNDING ARRANGEMENTS IN THE SASKATCHEWAN REGION

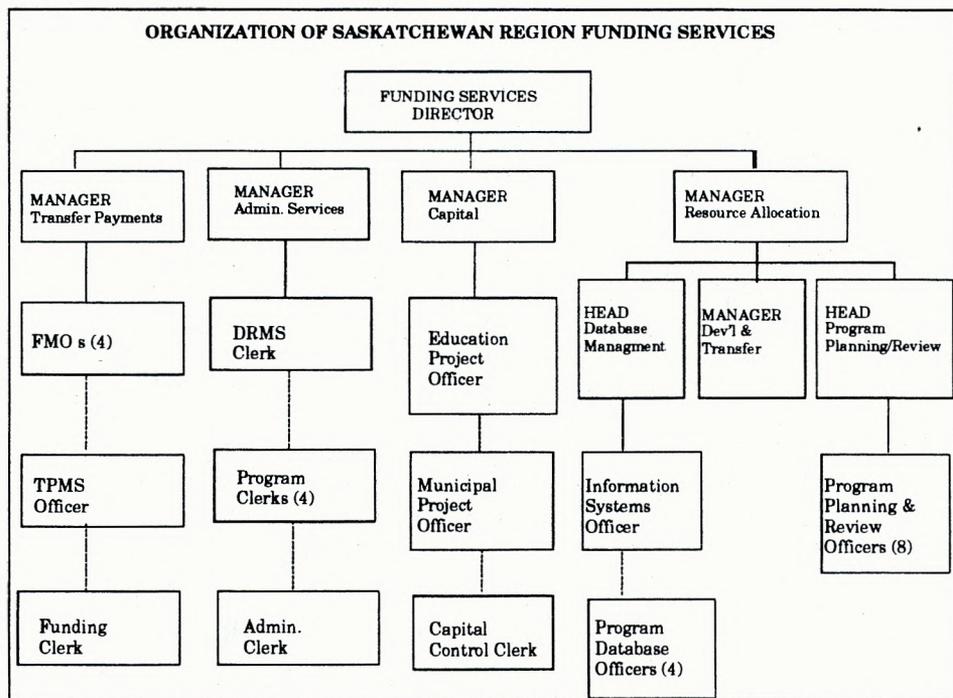
2.1 Organizational Structure of AFA

Within the Saskatchewan Region, there are four district offices which maintain the primary contact with First Nations. The current organizational structure of the Funding Services unit which is responsible for AFA is outlined in Chart 1.

The Department's reorganization initiative was implemented within the region as of April 1992. Prior to reorganization, AFA was primarily delivered through the regional office with the districts providing a support function. Now, the district takes the lead role with respect to the development and implementation of AFA. Each Funding Service Officer (FSO) is responsible for promoting and implementing AFA for the First Nations and Tribal Councils within their area of responsibility.

The overall roles and responsibilities of each level within the AFA process are outlined in Table 1 on the following page. These roles and responsibilities, along with the AFA policy and procedures, are currently being revised in response to reorganization and decentralization initiatives.

Chart 1



**Table 1
Distribution of Primary Roles and Responsibilities Within The AFA Process -
Saskatchewan Region**

Headquarters	Regional Office	District	First Nation/Tribal Council
<ul style="list-style-type: none"> ✓ Secure authorities with Central Agencies ✓ Approve AFA Terms and Conditions ✓ Adjust clauses within Generic National Agreement ✓ Approve fixed 5 year Social Development budgets ✓ Provide guidance and policy to regions ✓ Approve AFA program menu 	<ul style="list-style-type: none"> ✓ Interface and liaise with headquarters and districts ✓ Regional Steering Committee responsible for approval of entry assessments and final Agreements based upon district recommendations ✓ Approve budgets (other than Social Development multi-year fixed) ✓ Approve AFA Terms and Conditions which are outside of the Generic AFA ✓ Monitor quality of agreements and audits ✓ Provide training, policy and technical support and assistance to the districts 	<ul style="list-style-type: none"> ✓ Marketing and AFA presentations ✓ Formulation of AFA base budgets ✓ Implement AFA, including adjustments and amendments ✓ Quality control and monitoring of Agreements ✓ Audit reviews 	<ul style="list-style-type: none"> ✓ Undertake and Monitor Terms and Conditions ✓ Undertake reporting and accountability requirements to constituents and DIAND ✓ Utilize agreement to improve programs to the benefit community

2.2 Profile of AFA Agreements Within the Saskatchewan Region

Overall, there are 13 signed agreements in the Saskatchewan region, representing \$253 million over the term of the agreements. Table 2 below presents a summary of activities.

Table 2: Summary of AFA Status			
Signed Agreements	2nd Generation Agreements	Bands Developing Agreements	Deferred\Delayed Agreements
13	1	6	5

The Buffalo River Indian Band is currently finalizing its first agreement which is expected to be signed for the next fiscal year. As well, a pilot project is currently underway to develop multi-agreements with 5 member bands of the Meadow Lake District Tribal Council. Each Band will have an individual agreement, but attempts are being made to streamline this process by developing them all at once. The project has a steering committee made up of representatives of the Tribal Council, Regional and District Offices, and the five member First Nations.

Appendix 1 of this report provides a listing of the AFA agreements in the region, while a more detailed profile of AFAs within Saskatchewan is provided in Appendix 2.

2.3 AFA Process

The primary steps within the AFA process include the entry phase, management assessment, budget development, and follow-up. The region maintains two regional committees -- the AFA Steering Committee and the Audit Review Committee. The former monitors all aspects of AFA, whereas the audit committee reviews all AFA audits, and approves remedial action and financial plans where required. Committee members consist of the RDG, A/RDG, Director and Manager of Funding Services, Director of Finance, and a District Manager (Rotational).

A more detailed overview of the process followed within the region is presented in Appendix 2.

2.4 Strengths of AFA Process

- **Regional Steering Committees are viewed as a strength.**

Maintaining a regional steering committee to oversee the development and implementation of AFAs is viewed as a major strength of the process. It

provides a quality control function, ensures information flows to senior management, and assists in standardizing practices throughout the region.

- **AFA recipients prefer to have input into Agreement wording, but standardization allows for equitable decentralization.**

While many respondents noted that Bands prefer to have input into the wording of their agreements, several respondents identified the positive aspects which are derived from standardizing documents such as the generic AFA agreement and management assessments. Standardization allows for the process to be decentralized to the district level while ensuring equal treatment of recipients throughout the region.

- **The introduction of Notice of Budget Adjustments (NOBs) assists in implementing changes to Agreements.**

The introduction of Notice of Budget Adjustments is viewed as another strength of the process. Rather than adjusting changes in volume and price through amendments, which require signatures from both the Band and the Department, NOBs allow for rapid adjustments to occur. A final yearly amendment is made to each agreement which summarizes all adjustments, and inserts them formerly into the agreement. This yearly amendment also assists in ensuring that changes to agreements are carried throughout the term of the agreement.

2.5 Weaknesses of AFA Process

- **Marketing strategies which emphasize the self-governing aspects of AFA should be implemented.**

Respondents noted that the marketing of AFAs can be improved. Currently, there is no marketing strategy being practised within the region. Respondents felt that the marketing of AFAs has to be based upon the agreement itself and presented in terms of its self-governing authorities.

- **The training provided to Departmental staff needs to reflect the new decentralized organization.**

There is a need for specialized training for Funding Service Officers regarding AFAs. Now that the delivery of AFA has been decentralized to the district level, many FSOs are new to AFA. It is often difficult for the FSO to have all the answers to Band questions. A person dedicated solely to AFA within the region was also viewed as an area which should be examined.

- **The timing of the receipt of audits was identified by respondents as a major weakness of the process.**

Formerly, audits are to be received by the Department at the end of June, but often they are late and are received in the fall. By the time problems are identified, the agreement is already into the next year which does not leave much time for them to be addressed.

3 LONG-TERM IMPACTS OF AFA

Overall, the introduction of AFA has encountered varying degrees of success. For some recipients, AFA represents a dramatic change from past practices and provides them with increased responsibilities, and reduces their reliance on the Department. For others, however, the full utilization, and transition from rigid relations to more flexible, independent relations has not fully occurred or is still in the process of occurring.

3.1 Management Capacity

- **Often, AFA Bands do not maintain their initial level of management capacity, particularly in the area of reporting.**

The major impact observed by Regional officials is that AFA has assisted in separating recipient's administrative and political functions. This division has had positive impacts as it enables formalized practices to be carried on over time beyond the term of any one Chief and Council.

A major source for change noted by officials is the AFA assessments. Based upon the file review, assessment recommendations with regards to recipient management capacity addressed areas such as:

- documenting limits of authority of political and administrative positions;
- formalizing planning processes and policy development processes;
- documenting financial procedures; and
- developing hiring procedures.

According to respondents, once entered, some Bands do not maintain their initial level of management capacity, particularly in the area of reporting. As a result, problems occur during the renewal stage since the proper information to develop new budgets is not fully available. In extreme cases where information is not maintained, the Bands have to revert to actuals so that a base line of activity can be re-established.

3.2 Program Flexibility

- **The shift by AFA bands to fully utilizing AFA authorities is still underway.**
- **Limitations to the use of the flexibility of AFA were identified by respondents in areas such as resource allocation, capital program terms and conditions, funding levels, and the AFA program menu.**

Overall, respondents felt that AFA provides Bands with increased flexibility primarily through enabling them to transfer monies, retain surpluses, and adjust program policies.

Respondents viewed AFA as representing a shift in approach for Bands from DIAND adjusting levels of funding and terms and conditions of programs, to them managing available funds for the best interests of the community. While this shift is viewed as not being complete, respondents felt that there is evidence that it is underway.

Respondents noted specific forms of flexibility provided through AFA. It enables Bands to more effectively integrate their resources, enter into cost-sharing agreements with other Departments more easily, assists in securing third party financing, and assists in planning and budgeting through utilizing the more flexible cash flow requirements. Respondents stated that the more flexibility recipients are provided with, the better off they will be.

Four main areas were identified by respondents as impeding the use of the flexibility of AFA. Each of these are detailed below.

Resource Allocation: The first limitation is how resources are allocated under AFA. Currently, budgeting is done program by program and in some cases line item by line item. Bands often see this as their budgets, and therefore do not shift funds between established programs. In addition, there is a propensity by Bands to return to the Department if the program or line-item budget forecast is not accurate.

Capital Expenditures: The exclusion of capital expenditures above 1.5 million from AFA is viewed as another impediment to utilizing the flexibility provided by AFA.

Funding Levels: The amount of funding provided was identified as another limit to flexibility. For example, in certain instances, allowable maintenance costs are established at 20% of the overall cost of maintenance. These levels were viewed as not complementing Band requirements.

AFA Program Menu: The menu of programs available under AFA was also identified as a potential barrier to flexibility. Not all eligible programs are available under AFA. For example, separate funding agreements are used for new initiatives such as Treaty Land Entitlement, or established programs such as land management are not available under AFA. Further, there is no multi-year fixed funding for many programs except under Social Development - Basic Needs, Post Secondary, and CAEDS which is a recent addition.

3.3 Program Development

- **Respondents stated that they do not see dramatic evidence of Bands going the next step, and developing new programs or revising the policies of established programs.**

Table 4 on the following page outlines examples provided by respondents of how First Nations have utilized AFA. As this table reveals, utilizing the financial or program policy flexibility of AFA can be used to alter existing programs or initiate new ones.

Respondents noted several potential barriers which they view as impacting the use of the program development potential of AFA. First, is the lack of support provided to AFA Bands to assist them to fully utilize the authorities under AFA. Respondents stated that Bands often require advice and assistance on the implications of the agreement.

Respondents felt that recipients would benefit from having more information on examples of current practices being undertaken by other Bands within the region or across the country. Another barrier identified is that Bands may lack the resources required to devote to policy and program development as no funds are currently provided for this purpose.

Respondents also noted that there needs to be further reductions in the Terms and Conditions of Agreements. They pointed to the minimized terms and conditions of the second generation AFA agreement of Nu Chaa Nulth Tribal Council as an example of how the Department may further reduce the terms and conditions associated with AFA.

TABLE 3
Examples of AFA Utilization: Saskatchewan Region

Category	Type of Activity	Description	Perceived Impacts
Policy Development	Social Development	Social development policy was redesigned to distinguish between seasonal rates. This takes into account differing costs and needs of recipients (ie: benefits for heating costs are higher during the winter, etc.)	-Needs of band members taken into account
Program Flexibility	Economic Development	More effective integration of DIAND and CEIC funding. This reduces the time to obtain CEIC funding.	-Simplifies Band funding process -Implementation time reduced
Financial Flexibility	Economic Development	Transferred surplus from housing to contribute to buying a ranch off-reserve.	-Community infrastructure development facilitated
Financial Flexibility	Social Dev'l /Economic Development	Combined Social Development funds with CEIC Work Opportunities Program for labour costs to build roads	-Increased employment and infrastructure development
Financial Flexibility	Economic Development	Utilized financial flexibility to assist in building a conference centre	-Increased employment -Long term-planning undertaken
Program and Financial Flexibility	PSE/Economic Development	PSE funds combined with CEIC funds for adult education programs	-On-reserve skills demand targeted
Program and Financial Flexibility	PSE/Economic Development	Utilized flexibility to transfer funds and develop policy to acquire apartment building for students. Rent funds under PSE were utilized	-Participation rates of students increased

Another barrier to program development is the uncertainty within the communities over Treaty Rights. Some communities are reluctant to move away from established programming as they are unsure if this would impact treaty obligations.

The number of funding agreements each recipient has with the Department and other Departments was identified by respondents as another barrier which could be reduced in order to enhance program development. This is because each funding agreement has stand alone terms and conditions which serves to limit the amount of programming changes that can be made.

One respondent noted that having on-reserve social development policies different from provincial guidelines might be a barrier to policy development. If the policies are radically different, the migration of people on and off-reserve could be affected.

3.4 Program Delivery

- **Although difficult to assess, several recipients stated that AFA has enabled bands to enhance the quality of program delivery but question the impact it has had on quantity.**

Most respondents stated that the impact of AFA on the delivery of programs is difficult to assess. The main vehicle identified as providing such information is the Band's annual report to membership which bands are requested to send to the Department. However, this is not done by many Bands. The file review found two such reports submitted to the Department out of the 13 AFA recipients.

Several recipients stated that AFA has enabled Bands to enhance the quality of program delivery but question the impact it has had on the quantity of programs delivered. Respondents noted the simplifications in the processing of funds under AFA, such as the prompt flow of dollars, as a potential source of savings to the Bands. Such administrative savings may allow bands to devote more time to program delivery.

3.5 Accountability

3.5.1 Local Accountability

Generally, respondents felt that there is more local accountability under AFA as a result of the increased authority at the Band council level. However, respondents noted that it is hard to specifically define whether improved accountability is taking place and what impacts AFA has had upon it.

One respondent pointed to several indicators including increased appeals of Band council elections, increases in the number of people voting, less people voted in by acclamation, and general increases in community involvement as indications of enhanced local accountability. The respondent viewed AFA as a contributing to this.

Department personnel pointed to existing local accountability mechanisms as sub-committees; annual meetings, and annual or ongoing reports to the membership. The extent to which such accountability mechanisms are utilized by Bands varies. Some AFA bands submit their annual report to the assembly, but for some Bands there is no indication that this is done.

While most respondents felt that in general there is local accountability, there was unanimous opinion among respondents that the accountability measures within AFA should be more structured as they are not convinced there is enough accountability to Band members.

Several respondents noted that the Department was not clear up front in terms of its expectations of accountability. It assumed that the community would keep the Band Councils accountable as a result of the increased decision-making authority within the community. They questioned what should the Department accept as accountability in the community and how should it be enforced. One respondent thought that information should be provided by the Band on annual basis which demonstrates that the level of local accountability is the same as it was when the Band started AFA.

3.5.2 Role of DIAND in local accountability

Respondents noted that currently there is no mechanism to ensure Chief and Council report to members. They viewed the audit process as trying to reflect Band accountability processes through providing information useful to Band members. The expanded audit was to be done for Band members, but some respondents thought that this idea should be revisited, and stripped audits should be considered for performing this function.

Most questions from individual Band members to the Department regarding Band affairs occur during elections and deal with questions of potential misuse of funds or requests for Band audits. In the case of requests for information, the Department refers the individual back to the Band Council or suggests the individual obtain the information through Access to Information. For inquiries regarding Band affairs, the Department's response is to bring the inquiry to the attention of the Chief and Council.

3.5.3 Required Reporting

The only reporting required under AFA is the Audit and Band statistical report (annual expanded audit), and five year audit plan. In reality, however, most programs are funded through reimbursement of actuals; therefore, quarterly or annual reporting as dictated by Department programs is required. These include the nominal role, CIAS, which is kept up to date annually, and Band support funding documentation.

3.5.4 Monitoring of Reports

Monitoring of reports is done at the districts and the audit report roles up results at the regional level. Overall, there is 100% compliance with audit reports. The quality of these reports is also monitored, but officials say that due to time constraints, this type of monitoring is primarily done through spot checks. Some officials interviewed questioned the quality of reporting. However, the file review revealed that in instances where information was incomplete, the Department followed up with the Band and revisions were made.

3.5.5 Ministerial Accountability

Respondents stated that the current reporting requirements under AFA are sufficient to ensure Ministerial accountability. Further, they argue that current reporting goes beyond that which is needed to budget and ensure Ministerial accountability.

An additional accountability issue noted is the AFA menu selection. One respondent noted that having different agreements with different programs results in unclear lines of accountability since it creates problems in terms of control.

3.6 Other Impacts

AFA Furthers Devolution: Most respondents viewed AFA as contributing to Departmental devolution initiatives. This is because AFA contributes to recipients developing their own policies and administration.

Workloads: Several respondents pointed out the impact AFA has had on Departmental workloads. They suggest that AFA has not reduced these workloads but rather increased them compared to CFAs. Respondents pointed to three main areas under AFA that contribute to increased workloads: the open menu approach of AFA, the amendment and adjustment process, and the five year capital plan. For example, under CFA when an adjustment is done

to the agreement it is only for one year. However, under AFA, adjustments may be for the term of the agreement; hence, these adjustments must be carried forward. This is often a source of confusion for the Band and the Department.

Perceptions Towards Self-Government: One respondent pointed out the impact AFA has had on the general government and public perceptions towards self-government. AFA has assisted in furthering an understanding of the roles and accountabilities of First Nations.

4. THE FUNCTIONALITY OF AFA

4.1 Communications

- **Contact between the Department and AFA Bands has decreased.**

Overall, respondents stated that contact between AFA Bands and the Department has decreased. They noted that there is no formalized system for such communications. Within the region, new Departmental initiatives are usually communicated through presentations to Tribal Councils and the provincial Federation of Saskatchewan Indian Nations. Hence, communications regarding new programs filter down to Bands from these organizations.

4.2 Role of AFA within Department's Spectrum of funding Arrangements

- **Many Bands now do not view AFA as providing many benefits over a CFA-FTP type of an arrangement.**
- **The primary role of AFA is to allow those recipients with the management capacity to manage their own affairs.**

Respondents view the primary role of AFA as allowing those Bands and Tribal Councils with the management capacity to manage their own affairs. It is seen as an opportunity for Bands to get a flavour of what self-government would be like for them.

According to respondents, however, many Bands now do not view AFA as providing many benefits over a CFA-FTP type of an arrangement; therefore, the role of AFA in the Department's spectrum is diminished.

Respondents viewed the policy flexibility of AFA as its primary advantage over a CFA-FTP arrangement, followed by its long term planning aspects.

- **Respondents agreed that Departmental funding arrangements need to be more distinct and structured.**

Most respondents noted that FTP should have been introduced prior to AFA. They argued that this would have assisted in the take up of AFA since it would have assisted Bands in the transition from rigid to more flexible relations with the Department.

There was an almost unanimous view among respondents that there are too many grey areas between Departmental funding arrangements. Respondents felt that each funding arrangement needs to be more distinct and structured.

Some felt that there needs to be more incentive for Bands to enter AFA; while others felt that the agreement itself should be used as an incentive and that more work needs to be done in emphasizing the self-governing properties of AFA and assisting Bands to maximize their use of authorities provided through AFA.

However, one interviewee mentioned that from an operational perspective, CFA is more akin to AFA than were the previous Contribution Arrangements; therefore, the implementation of the two funding arrangements complement each other.

- **The introduction has had positive impacts on the funding arrangements of other Federal Departments, as AFA Bands have more flexibility and other Departments recognize their management capacity.**

There has been some successful implementation of AFA with other Department funding arrangements. AFA enables Bands to more easily enter into cost sharing arrangements with other Departments and governments. As well, other Departments often recognize that AFA Bands can properly manage their programs and therefore provide more management opportunities to them. Respondents viewed AFA as providing a basis for establishing government to government funding relations.

- **The initial interest in AFA expressed by Bands has reduced.**
- **Bands and Tribal Councils should approach AFA with a self-government development philosophy as opposed to resource expectations.**

As the AFA process is Band driven, respondents feel that the Department should not set targets, but rather the focus should be on assisting Bands to prepare so that they may be in a position to enter AFA if they so choose.

Overall, respondents agreed that the initial interest in AFA expressed by Bands has reduced. The initial implementation of AFA was cited as one potential reason for this decrease in interest. Formally, some Bands were provided with signing incentives, but now there is a strict adherence to no new funding increases as a result of entering an AFA. Respondents point towards this as also increasing the time required during budget renewals. As a result, Bands in their first AFA developed enhanced programs but now must carry them out without having the enhanced dollars to support them. For example, one band received double their usual economic development expenditures under their first AFA; however, now they are no longer getting such an amount.

Respondents pointed out that Bands which enter AFA with a self-government development philosophy have maximized their AFA and strengthened their administration capabilities, as opposed to ones which enter on the basis of resource expectations. All respondents felt that expectations need to be clarified and that Bands should view AFA for what it is and utilize its authorities.

4.3 DIAND/Recipient Relations

- **AFA has had varying degrees of success in changing DIAND/recipient relations**

AFA sets the stage for a changed relationship between Department employees and First Nations by setting the stage for self-government. It is also setting the stage for changing the relationship between other Departments and First Nations as it provides a model for a better way of doing business.

Overall, the introduction of AFA has reduced the dependency of Bands on the Department, although some Bands are still in a transitional stage. For some, AFA has resulted in dramatic changes where they have assumed increased responsibilities and have reduced their reliance on the Department. The Starblanket Band was provided as an example of a Band which has taken AFA authority to its intent. They have a long term agreement and maintain independent relations with the Department which assumes primarily a monitoring role.

For other Bands, however, the relationship has not changed or in some cases it has worsened. There are a number of reasons for this. One is resource expectations as cited earlier. Officials noted that another reason is that some Bands continue to rely on the Department and expect DIAND to maintain its old role - they have taken and adopted DIAND practices and keep identified programs.

- **The introduction of AFA has resulted in reduced controls of the Department over the affairs of First Nations.**

Respondents agreed that the objective of AFA to reduce the amount of controls over recipients has been achieved. One example cited is the Social Development program. Formerly, recipients had to follow Departmental policies and procedures whereas now they respect five fundamental conditions.

Areas identified where Department controls could be further reduced include: making all agreements 5 year fixed, extending AFA to more programs and reducing the amount of reporting requirements.

5. CONCLUSION

Process: With the Department's reorganization and decentralization initiatives, the District offices now have the primary responsibility for the development and implementation of AFA within the Saskatchewan region. Some of the main strengths of the process are the regional steering committee and the introduction of the Notice of Budget Adjustments. Identified weaknesses of the process include the need for marketing strategies which emphasize the self-governing aspects of AFA, training which reflects the new decentralized organization, and the need to improve the timing at which audits are received by recipients.

Long-Term Impacts: Overall, the introduction of AFA has encountered varying degrees of success. While some recipients are fully utilizing AFA authorities, others are currently in the transition from rigid to more flexible, independent relations. AFA has assisted Bands in changing the relationship between Department employees and First Nations by setting the stage for self-government. According to respondents, in most cases AFA assists Bands in improving their management and financial systems; however, the initial level of management capacity, particularly in the area of reporting is not maintained.

Accountability: The current reporting is viewed as going beyond that deemed sufficient to ensure Ministerial Accountability. In general, respondents felt that local accountability exists; however, respondents felt that the accountability measures within AFA should be more structured.

Functionality: According to respondents, the primary role of AFA is to allow those First Nations and Tribal Councils with the management capacity to manage their own affairs. However, officials suggest that many First Nations do not view AFA as providing many benefits over a CFA-FTP type of arrangement. Respondents agreed that the Departmental funding arrangements need to be more distinct. Although the initial interest in AFA has reduced, respondents felt that future efforts in marketing

AFA should emphasize the self-governing properties associated with the funding arrangement, as opposed to resource expectations.

Annex 1

**Overview of Alternative Funding Arrangements
Saskatchewan Region**

ALTERNATIVE FUNDING ARRANGEMENTS - SIGNED AGREEMENTS *

BAND/T.C. NAME	ON-RESERVE POPULATION	YEAR SIGNED	EFFECTIVE	TERM OF AFA (YRS)	AMOUNT
1 Ochapowace	451	01-Apr-91	31-Mar-96	5	\$16,659,459
2 John Smith	359	01-Apr-87	31-Mar-93	6	\$10,824,387
3 MLDTC		01-Apr-89	31-Mar-94	5	\$25,486,019
4 Starblanket	190	01-Apr-88	31-Mar-93	5	\$23,547,111
5 Makwa	608	01-Apr-88	31-Mar-91	3	\$13,017,754
6 Shoal Lake	425	01-Apr-88	31-Mar-93	5	\$8,142,346
7 Sakimay	218	01-Apr-88	31-Mar-92	4	\$7,701,534
8 Muskeg Lake	165	01-Apr-89	31-Mar-92	3	\$7,054,904
9 Sauteaux Band	419	01-Apr-89	03-Mar-94	5	\$12,986,394
10 SDTC		01-Apr-90	31-Mar-95	5	\$19,083,368
11 Island Lake	574	01-Apr-90	31-Mar-92	2	\$3,797,740
12 Lac La Ronge	3,222	01-Apr-90	31-Mar-95	5	\$58,476,661
13 Peter Ballantyne	2,387	01-Apr-91	31-Mar-96	5	\$46,513,675
13 TOTAL					\$253,291,352

* DIAND, September 1992

Appendix 2
Detailed Information on the AFA Process

1. Introduction

This appendix provides a detailed overview of the process followed to develop and implement AFAs within the Saskatchewan Region. It also includes information on the status of activities within the region such as the amendment process, and summary of the regional audit review.

2. Profile of AFAs

Chart 1 presents the number of agreements signed between 1987 and 1992. As this chart reveals, the number of AFAs signed has declined within the region since 1990.

Chart 2 presents the distribution of agreements within the region by length of agreement. As this chart reveals, seven agreements are for a duration of five years, and five agreements are for a duration of less than five years.

Chart 1

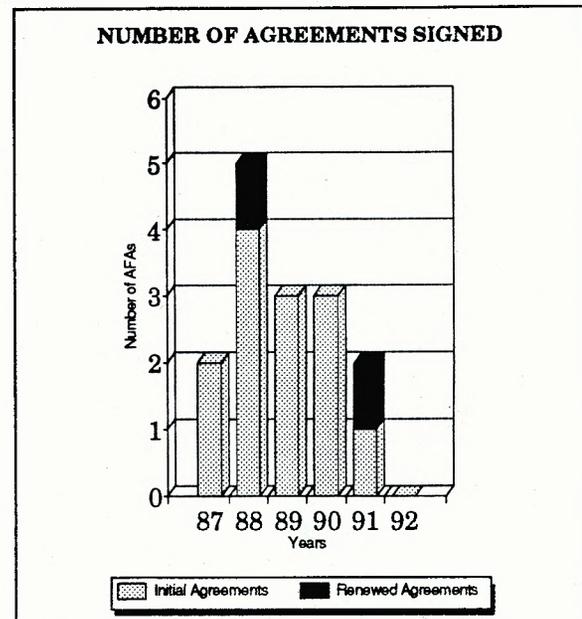
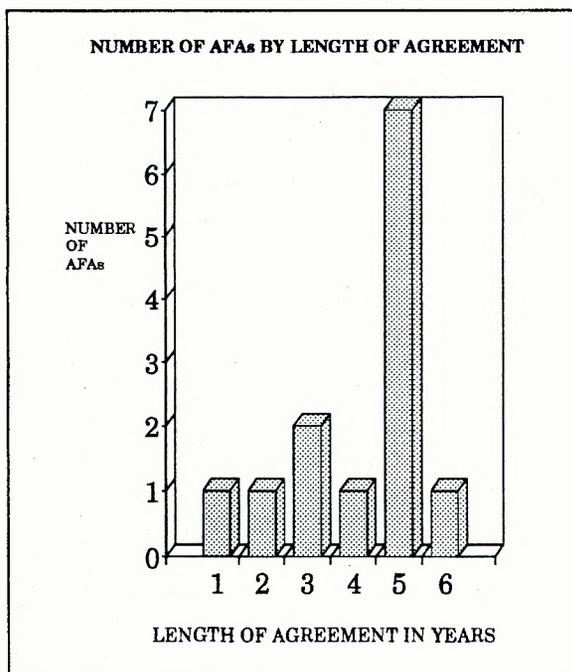


Chart 2

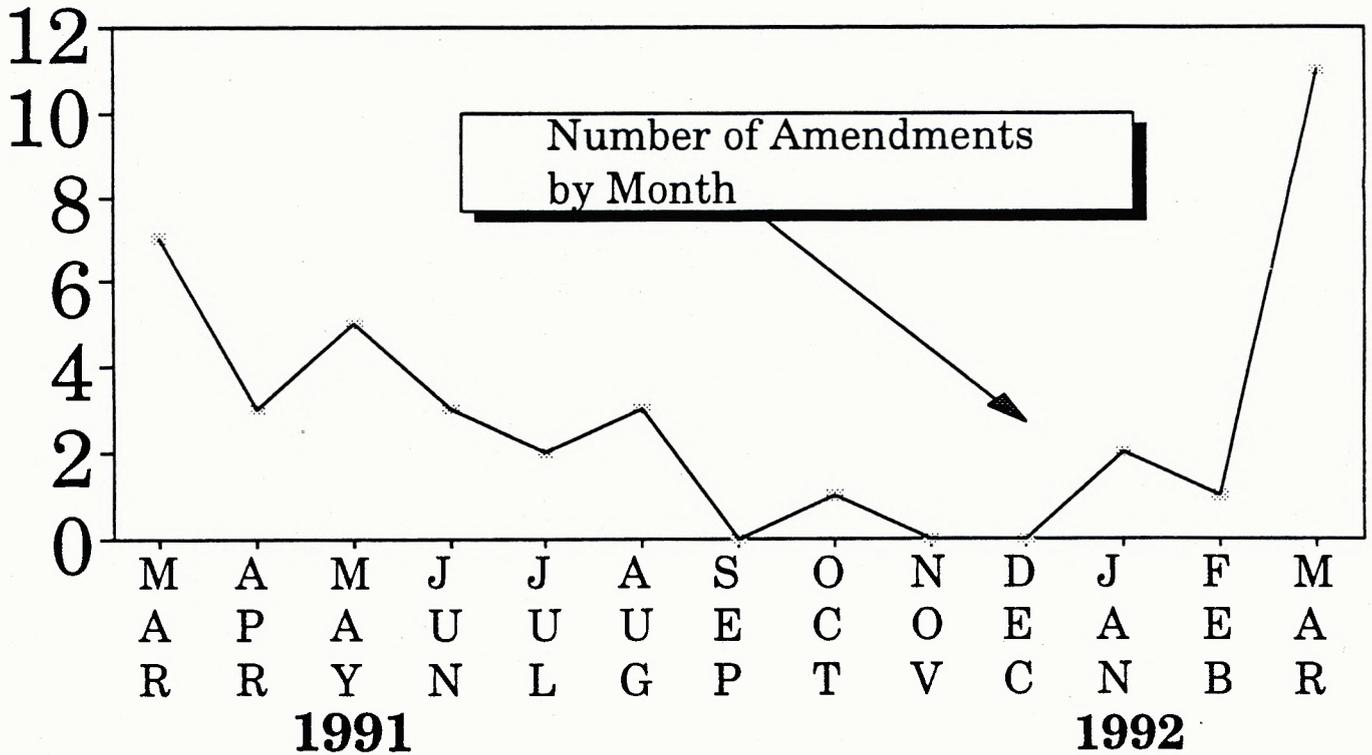
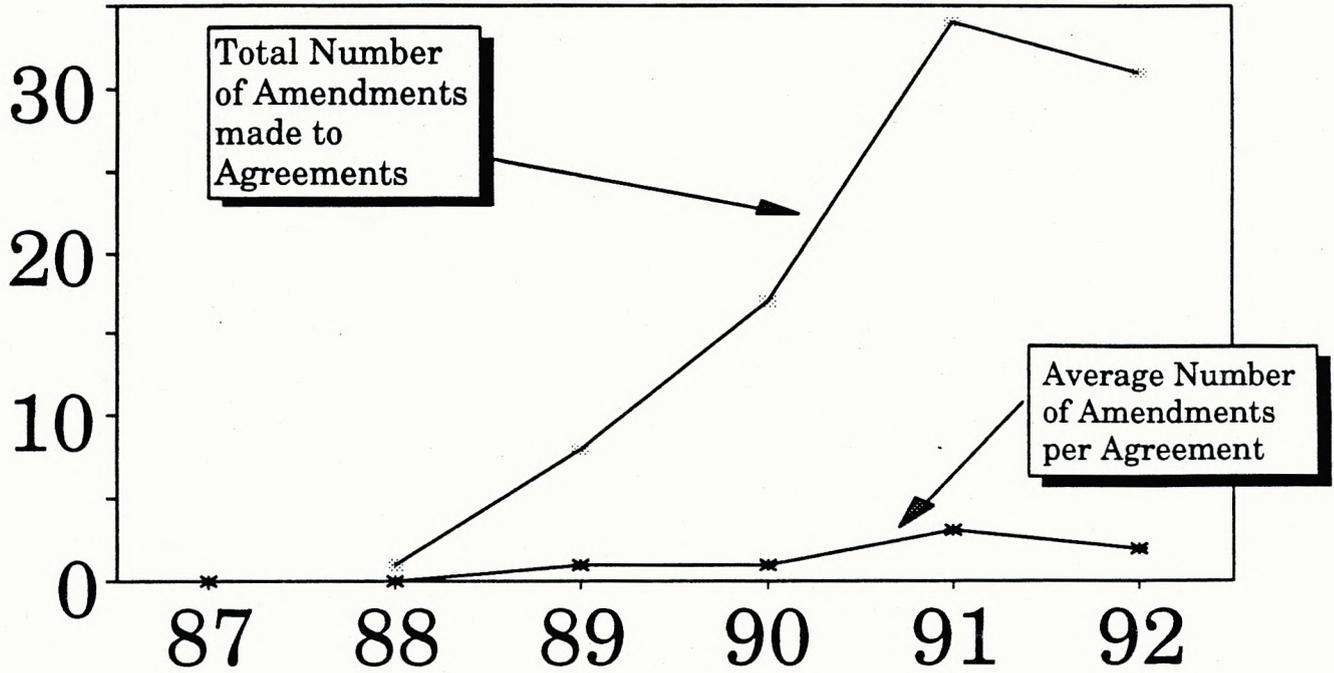


3. Amendments and Notices of Budget Adjustments (NOBs)

Charts 4 and 5 on the following page present the number of amendments made to AFA agreements within the region between 1988 and 1992, and the number of amendments to AFA for the fiscal year 1991/92 by month.

As this time series reveals, on average, approximately 3 amendments were made to each agreement during the fiscal year 1990/91. This dropped to an approximate average of 2 amendments per agreement during the fiscal year 1991/92.

**INAC SASKATCHEWAN REGION
AMENDMENTS TO AFA BY YEAR (1988-92) AND BY MONTH (1991-92)***



4. Summary of Audit Submissions

Table 1, below, summarizes audit submissions between 1987/88 to 1991/92. The AFA agreement requires Bands to submit consolidated audits, as well as a statistical report on the results achieved over the course of the fiscal year.

Of the audits reviewed, 6 audits were found lacking in information: 3 were combined audits as opposed to the required consolidated audits; hence some band enterprises were not included in the audit. Two bands did not submit the required statistical reports, one of which did not provide a statistical report for both years reviewed. In response to this lack of reporting, the Regional Office requested that the Bands comply with the AFA audit requirements.

Of the 10 agreements which existed during 1989/90, 8 had unqualified audit opinions, 1 had a qualified opinion and 1 had a denial of opinion. Of the 12 agreements which existed during 1990/91, 6 (50%) had unqualified opinions, 4 (33%) had qualified opinions and 2 (17%) had denial of opinions. These latter denial of opinions were primarily due to inadequate information. As of 1990/91, 4 AFA bands (33% of all bands on AFA over this period) had a Financial Management Plan (FMP) to reduce deficits. More detailed tables summarizing the results of regional audit reviews including information on the relevance of the various audit opinions for management and accountability requirements, are provided in Annex 1.

TABLE 1 Summary of Audit Submissions¹							
Fiscal Year	# of AFA Recipients	# of Audits Submitted	# of Yearly Deficits	% of Yearly Deficits	# of Serious Deficits	% of Serious Deficits	\$ Amount of Yearly Deficits (000's)
1987/88	2	2	0	0	0		
1988/89	6	6	2	0	1	6%	\$342
1989/90	10	10	5	50%	2	5%	\$980
1990/91	12	12	6	50%	2	6%	\$2,225
1991/92	13	8	5	63%	1	13%	\$5,468

¹ DIAND, Saskatchewan Region, September 1992

5. AFA Process

Based upon the interviews and file reviews, the following steps within the AFA process are undertaken by the Department and the Band/Tribal Councils within the AFA process in Saskatchewan.

5.1 Entry Process

Band\Tribal Council

- Band requests information about AFA and decides whether it wants to continue within the process

Department

- On receipt of request for information, the District arranges presentation on AFA. Where required, the participation of regional staff is requested.

5.2 Management Assessment

Band\Tribal Council

- Band undertakes a self-assessment and strengthens identified areas.

Department

- If the Band is serious about entering AFA, the District sets up a project team consisting of the First Nation and District representatives and provides the band with copy of the management assessment document for its completion.
- The District then prepares the following: a financial review of the Band's past three audit reports, updates the Band profile; and reviews Band policies to assess whether they meet minimum program requirements. The joint project team assesses the Band's eligibility to enter into AFA and submits recommendations to the Regional Steering Committee.
- The Funding Services unit at the Regional office reviews and circulates the assessment document and the Regional AFA Steering committee reviews and makes recommendations including areas which require additional work prior to entry.
- If the Band does not qualify, assistance is provided to address areas where they were deemed ineligible. If entry requirements are satisfied, the RDG approves the Band's entry into AFA. Conditional entry is also an option.

5.3 Budget Development\Budget Renewal

Band\Tribal Council

- The Band chooses which programs are to be included within its AFA and provides information required for funding databases and its budget proposals.
- If desired, the band proposes changes to the wording of generic agreement for optional clauses.

Department

- District explains the AFA menu to the band; formulates base budgets by program, coordinates with the Regional office for verification of database, develops volume projections and multi-year budgets and revises optional clauses where desired by the Band.
- Concludes agreement preparation by obtaining sign off (in principle) from the Band.
- The FSO secures concurrence on budgets, program requirements, and the Band's policy manual from the District Manager. The document is then forwarded to the region
- Regional Funding Services unit circulates the agreement for approval (Social Development multi-year fixed budgets are sent to H.Q. for approval).
- A presentation of the agreement is made by the District to the Regional AFA Steering Committee
- District follows up on recommendations by regional AFA
- A signing ceremony is then held.

5.4 Agreement Renewals

- District documents last 4 years under AFA based upon information provided by the Band. The District then revises formulas which are then sent to the Region Office for approval. Regional experts attend discussions with Bands when required.
- Budgets are approved by the AFA Steering Committee
- The Regional Funding Services unit reviews the wording of agreement, particularly where there has been changes since the development of the generic AFA.
- If approved by the Steering Committee, the RDG approves the agreement.

5.5 Implementation

Band\Tribal Council

- During implementation, the Band is to establish and maintain financial management systems and complies with the terms and conditions of the funding agreement.

Department

- District initiates amendments\adjustments as required and the Regional office verifies and processes amendments

5.6 Follow-up: Audit

Band\Tribal Council

- All AFA recipients are required to report program and expenditure information on an annual basis in the form of a consolidated, expanded financial audit to be submitted within 90 days of fiscal year end (ie: by June 30th of each year).

Department

- The District obtains and reviews the bands' audits to assess program delivery, record changes in the volume and cost of units, revise budgets for following fiscal year(s), and completes a management review for all Bands. The audit and management reviews are then sent to the Regional office.
- The Regional Funding Services unit refers potential problem areas to the Regional Audit Committee.

5.7 Remedial Action

Band\Tribal Council

- Develops and implements, where required, action plans and financial management plans.

Department

- The District facilitates the development, implementation and monitoring of actions plans, auditors' recommendations and financial management plans.
- The Regional Office provides advise and assistance to the Districts during this stage.

Annex 1

AFA Audit Financial Information

INAC SASKATCHEWAN REGION

POST AUDIT EQUITY RATIO SUMMARY (1987 - 1992) *

BAND/T.C. NAME	1991/92	1990/91	1989/90	1988/89	1987/88
1 Muskeg Lake	33.04	26.05	15.19	3.11	4.73
2 Makwa	22.75	37.49	26.64	15.15	5.47
3 John Smith	11.85	20.57	8.13	8.28	7.03
4 Meadowlake	5.06	4.01	5.95	4.08	0.94
5 Starblanket	-3.53	0.13	-0.63	-2.83	1.83
6 Island Lake	-4.75	-18.97	-16.04	-1.97	-1.02
7 Sakimay	-7.85	-10.03	0.55	8.08	4.53
8 Lac La Ronge	-18.77	-6.78	-4.89	-1.78	-3.81
9 SDTC	N/A	0.68	-0.19	0.79	0.46
10 Saulteaux Band	N/A	-0.74	2.38	1.09	-0.42
11 Ochapowace	N/A	-2.16	-4.51	0.49	0.99
12 Shoal Lake	N/A	-7.24	-23.57	-8.6	-10.24
13 Peter Ballantyne	N/A	-8.92	-7.94	-6.49	-4.83



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YEAR OF AFA AGREEMENT

* DIAND, Saskatchewan Region, September 1992

INAC SASKATCHEWAN REGION

SURPLUS (DEFICIT) ANALYSIS (1987 - 1992) *

BAND/T.C. NAME	1991/92	1990/91	1989/90	1988/89	1987/88
1 Muskeg Lake	1,087	788	446	390	73
2 Makwa	906	1,016	684	408	136
3 MLDTC	400	278	358	235	51
4 John Smith	(150)	429	213	191	116
5 Starblanket	(203)	7	(33)	(118)	60
6 Sakimay	(296)	(323)	(14)	180	107
7 Island Lake	(300)	(550)	(362)	(41)	(20)
8 Lac La Ronge	(4,519)	(1,112)	(767)	(235)	(426)
9 SDTC	N/A	40	(8)	13	17
10 Sauteaux Band	N/A	(26)	69	38	(10)
11 Ochapowace	N/A	(79)	(144)	15	23
12 Shoal Lake	N/A	(165)	(427)	(224)	(197)
13 Peter Ballantyne	N/A	(1,343)	(1,099)	(706)	(438)
13 TOTAL	(3,075)	(1,040)	(1,084)	146	(508)



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YEAR OF AFA AGREEMENT

* DIAND, Saskatchewan Region, September 1992

APPENDIX 8

**Alberta Regional Review for the Evaluation of the
Long-Term Impacts of Alternative Funding Arrangements**

Evaluation Directorate
Policy and Consultation Sector
Department of Indian Affairs and Northern Development

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- Appendix 1 Profile of AFA Agreements Within the Alberta Region
- Appendix 2 Detailed Overview of the AFA Process Within the Alberta Region

1. INTRODUCTION

1.1 Purpose of the Report

This report is one of six regional reviews being undertaken for the evaluation of the Long-Term Impacts of Alternative Funding Arrangements (AFA). The reviews provide one basis of information for the national evaluation of AFA. The report includes a description of methodologies undertaken during the review, an overview of AFA activities within the region, and the findings of the review.

1.2 Purpose of the Regional Review

The Alberta Regional review examines the status of AFA as of October, 1992. Specific issues addressed within this review include the long-term impacts of AFA, Ministerial and First Nations' accountability, strengths and weaknesses of the AFA process, and the functionality of the Agreement.

1.3 Methodology

The Alberta Regional review was conducted over four and half days, from November 16-20, 1992. It included a file review and interviews with Department senior management and personnel involved in the delivery of AFA. The interviews undertaken are outlined below.

REGIONAL INTERVIEWS	NUMBER
Regional Director General	1
Associate RDG	1
Financial Operations	1
Funding Services Managers	5
Managers, Capital and Environment	2
AFA Implementation Officer	1
Funding Service Officers	2
Program Analyst/Administrative Officer	2
TOTAL	15

The file review examined all agreements in the region. Three types of files were reviewed: Band/Tribal Council specific files, general AFA administrative files, and, Band/Tribal Council Audit files.

2. OVERVIEW OF ALTERNATIVE FUNDING ARRANGEMENTS IN THE ALBERTA REGION

2.1 Status of AFA Activities

There are nine AFAs in the Alberta region, involving 29 Bands who either have an agreement or are members of a Tribal Council which has one. As of March 1992, the region had three assessments underway and are close to signing an additional two to three more agreements. Appendix 1 to this report provides more detailed information on the AFA agreements in the region.

2.2 Organizational Structure

Chart 1 on the following page presents the Funding Services Directorate which is responsible for overseeing financial arrangements within the Alberta Region. A brief outline of each of the units involved in the AFA process is outlined below.

With reorganization, the region's AFA unit has been disbanded and the responsibility for developing AFAs rests with the regional AFA implementation unit, while the primary role of administering AFA rests with the Resource Allocation Unit and Field Services Officers (FSOs). The region maintains a AFA Steering Committee as the main policy making body. The role of headquarters is limited to policy clarifications and assistance in unique situations.

Implementation Unit: The region's AFA Implementation Unit is responsible for all aspects of developing AFAs within the region. It conducts presentations to First Nations and Tribal Councils, addresses questions and distributes information, and conducts orientations to First Nations and Department personnel.

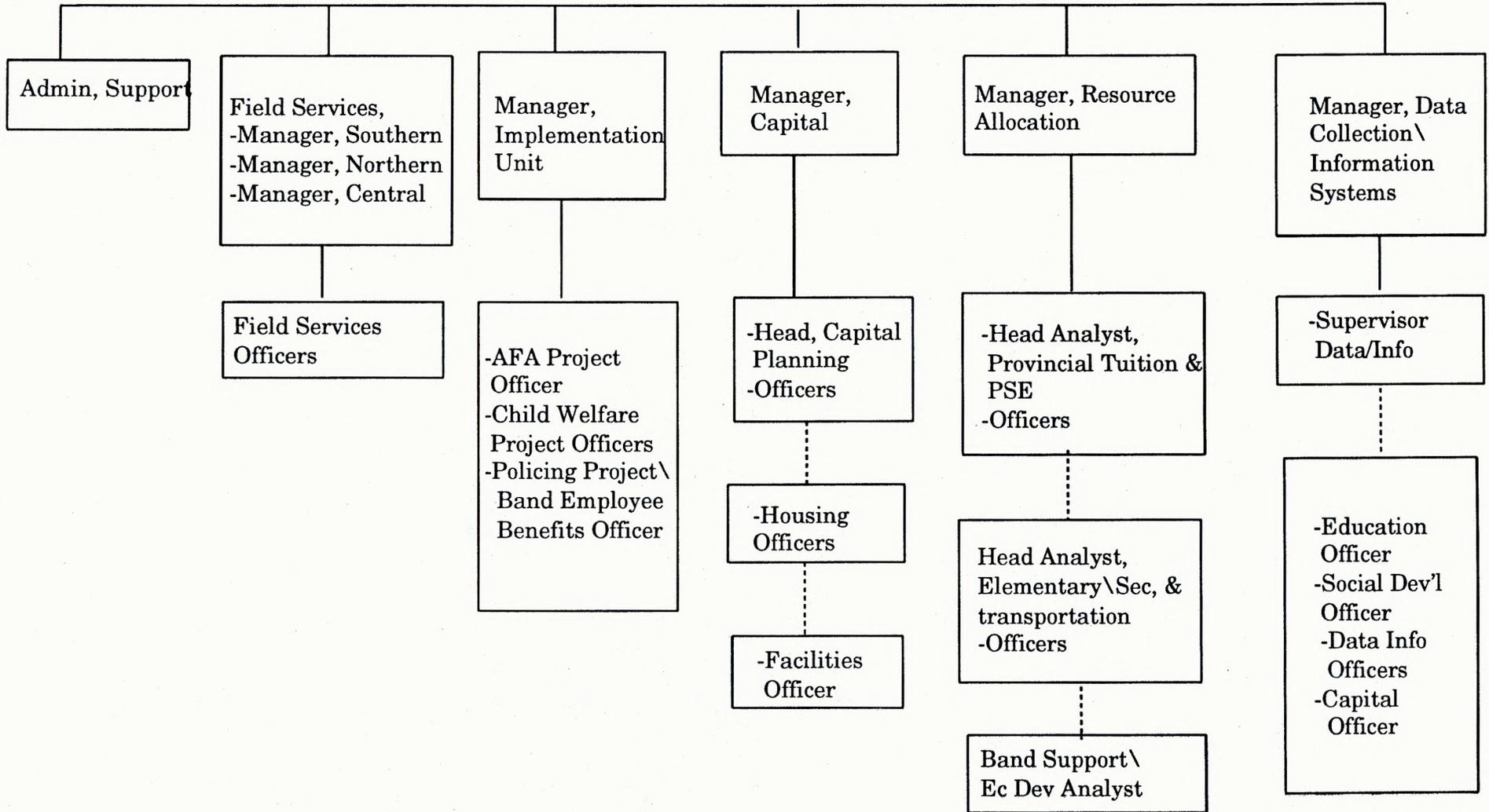
Resource Allocation Unit: The Resource Allocation Unit maintains the primary responsibility for all funding arrangements within the region. It confirms revenues allocated, responds to discretionary areas such as special projects, and processes agreements, amendments and adjustments.

Area Field Services: Field services within the region are organized through three Field Service units. Each unit consists of a manager and Financial Service Officers. These units maintain contact with First Nations, implement all financial arrangements and undertake monitoring activities. They also assist the Implementation Unit with AFA development activities.

Information Systems: The region's Information Systems unit collects information, maintains Department databases which effect funding (eg: nominal role, CAIS, education), and assists in compiling data and historical information for developing

OVERVIEW OF THE ORGANIZATIONAL STRUCTURE: FUNDING SERVICES, ALBERTA REGION

Director,
Funding Services



funding arrangements. It also monitors the receipt of reports in conjunction with the FSOs.

Financial Operations: With respect to AFA, the primary role of the regional Financial Operations branch is to undertake a quality control function. Its main responsibilities include reviewing the initial agreement, ensuring that the Terms and Conditions are in accordance with policy, reviews the cash flow process, releases funds, and reviews audits.

2.3 Roles and Responsibilities

Table 1 below outlines the primary division of roles and responsibilities within the AFA process in the Alberta Region.

According to respondents, overall there is a clear division of responsibilities for developing and implementing AFAs in the Alberta Region; however, respondents stated that further work is required in clarifying roles due to the recent Departmental re-organization, specifically with respect to the reporting and adjustment/amendment processes.

TABLE 1 ALBERTA REGION: AFA ROLES AND RESPONSIBILITIES			
	Implementation Unit	Resource Allocation	Field Services
Marketing AFA	✓		
Presentations	✓		✓
Entry Phase:			
a) Explain Role of Assessments to clients	✓		
b) Manage the completion of assessments	✓		
c) Conduct and Review study	✓		✓
d) Make recommendations to Regional Steering Committee	✓	✓	✓
Budget Development:			
a) Plan, co-ordinate budget process		✓	✓
b) Prepare documentation		✓	✓
c) Post Implementation Activities		✓	✓
Administration:			
a) Process-amendments and adjustments to agreement		✓	✓
b) Preparation of reports		✓	✓
Follow-up		✓	✓
Second generation agreements		✓	✓

2.4 AFA Process

The primary steps within the process are the entry, assessment, budget development and implementation stages. Chart 2 on the following page presents an overview of the process; while, Appendix 2 presents a detailed account of the process followed within the Alberta Region to develop and implement AFA.

Based upon a review of the files, the average processing time from the initial submission of a Band Council Resolution (BCR) requesting entry into AFA and the actual signing of the agreement is approximately 8 months and ranged from three to forty months.

2.5 Strengths of the AFA Process

- **The development stage brings First Nations and the Department together and assists in establishing good working relations.**

According to respondents interviewed, the initial development stage is viewed as having positive impacts. It brings the parties together using a team approach and assists in establishing good working relations. First Nations and the Department obtain a sense of accomplishment in developing the AFA and it provides a proactive opportunity to discuss opportunities and meet face to face.

- **Renewing agreements has been operationalized and is straightforward.**

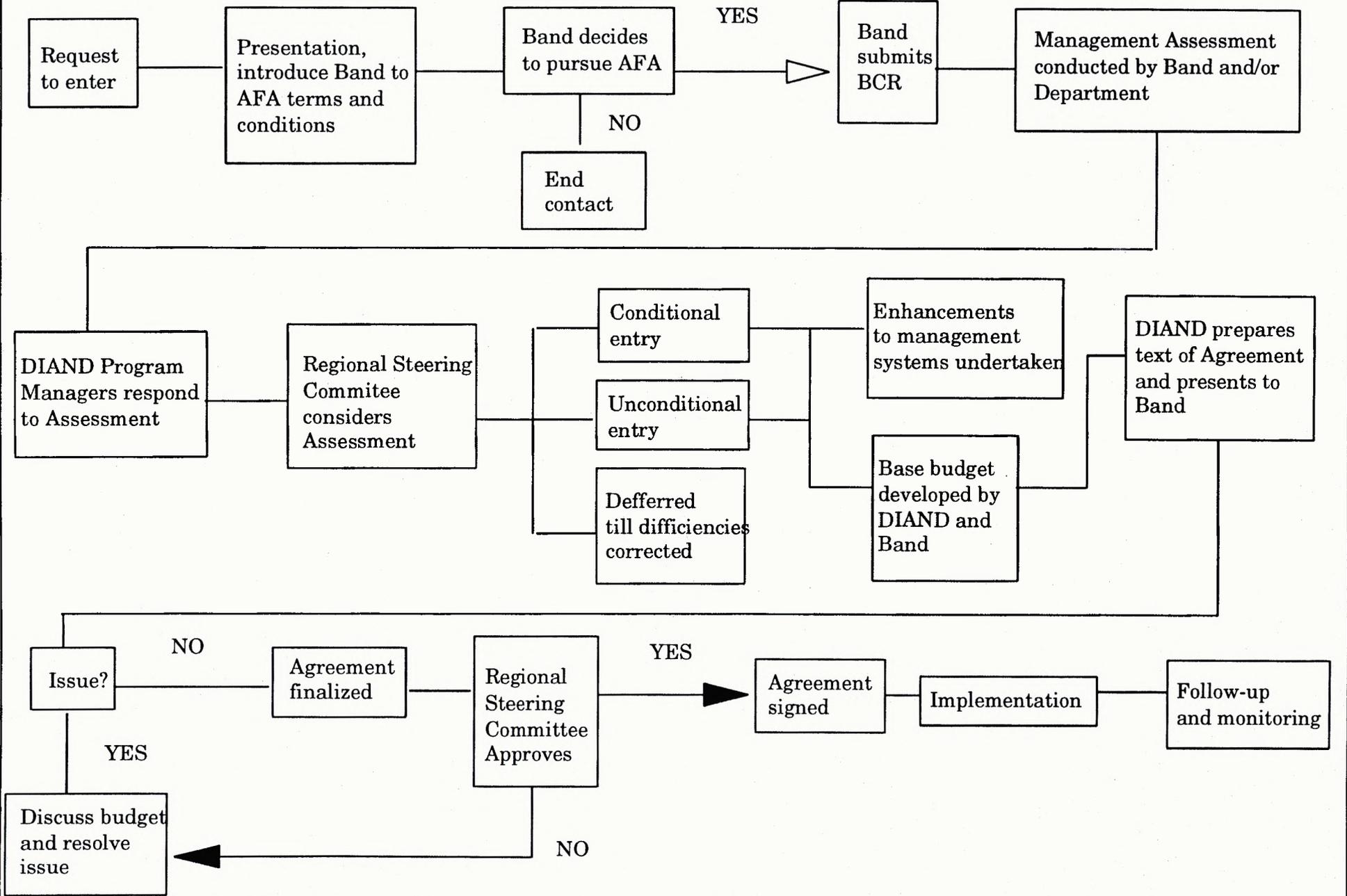
The renewal stage of the AFA process is operationalized and is simpler than the original development of the agreement. Both parties go through the agreement, and review the results achieved.

2.6 Weaknesses of the AFA Process

- **The initial marketing of AFA created unrealistic expectations among Department and First Nation personnel.**

According to respondents, AFA was originally marketed as a program as opposed to a funding mechanism/authority. The way it was originally marketed created unrealistic expectations and suspicion on the part of First Nations as to why it was being introduced.

ALBERTA REGION AFA PROCESS



- **Assessments should be conducted by a third party.**

In order to ensure that assessments are utilized by First Nations, and that those requesting entry into AFA have adequate management systems, respondents felt that assessments should be conducted by a third party so that Bands are more involved in the assessment stage. According to some respondents, some Bands enter AFA for the wrong reasons; hence, there is a tendency to have politically active Bands, rather than administratively secure Bands, entering AFA.

- **There are too many amendments and adjustments, and the adjustment document itself is too large.**

The introduction of adjustments to AFA through the Notice of Budget adjustment was intended to simplify the adjustment process but has increased Departmental workloads. According to respondents, adjustments are too spread out and should be combined so that they are conducted in specific period(s) throughout the year. For example, currently adjustments are made to Band Support Funding in July, Busing in October, Education in January, etc. Ideally, these would be held and processed together.

3. LONG-TERM IMPACTS OF AFA

3.1 Management Capacity

- **Overall, respondents felt that the impact of AFA on recipients' management capacities is either neutral or positive.**

Respondents stated that the extent of the impacts of AFA differ among and between Tribal Councils and Bands. As the roles of Tribal Councils vary, and most Tribal Councils are not involved in direct program delivery, the impacts of AFA also vary. According to respondents, the majority of AFA Tribal Councils did not experience any major impacts on their management systems. However, for some Tribal Councils, such as the Yellowhead Tribal Council, AFA has increased their management capabilities by providing them with increased ownership. It allows them more latitude in establishing their roles by providing them with a more accurate picture of the resources they manage.

At the Band level, the major impact identified by respondents is that it assists Bands in undertaking long-term planning and places increased decision-making at the Band Council level. It makes Bands more aware of resource considerations and compels them look more critically at their policies. AFA Bands are also looking at the efficiency of their delivery systems in order to generate additional funds; however, respondents noted that many non-AFA Bands are also undertaking similar exercises.

Based upon the file review, the management and technical assessment appears to have a positive impact on recipient's management systems. This is most evident in cases where the assessment identified gaps in management structures and recommendations were made for enhancements. The hiring of extra, more qualified staff and the implementation of staff training programs by some First Nation organizations as a condition of entry, is example of this influence.

While many of the Bands and Tribal Councils who entered AFA were found to have well-developed organizational structures, a few were put on "developmental status". Still others were only allowed to take over responsibility for a limited number of programs because they lacked the capacity to run other (mostly technical) programs.¹

3.2 Program Flexibility

According to most respondents, AFA Bands and Tribal Councils are utilizing the flexibility of AFA to move funds around. Many respondents mentioned that this flexibility has assisted Bands such as the Alexander Tribe in dealing with their deficits. However, it was noted that if recipients enter into AFA specifically for this purpose, they usually end up worse off as they may have inherent management problems.

AFA flexibility is also used to address growing staff requirements by combining funding sources on an ongoing basis as AFA provides greater stability to undertake this. As a result, AFA Bands and Tribal Councils can allocate staff to areas deemed a priority to them. This has led to a greater emphasis on prevention programs by some Bands, particularly in the area of Social Development. Some Bands have been able to undertake community capital projects by pledging future funding to obtain bank loans. Housing is another area where Bands have re-allocated funds by bringing forward construction activity.

Another flexibility provided by AFA is the cash flow. Under AFA, Bands are provided their first quarter cash flow up front which provides them with more room to undertake service delivery.

Overall, however, some respondents noted that the flexibility is not being used as much as it could be and that in many cases programming does not differ much from the original DIAND program menu. The findings of the file review are consistent with this view as little evidence was found of the use of the financial or

¹ These Bands are identified in several Minutes of meetings of the Alberta AFA Regional Steering Committee (Refs:1165-A-1, 4201-446, dates: 01/04/90; 01/03/91; 08/01/91; 04/02/92; et. al.)

program flexibility provided through AFA. An interesting case in this regard was the Blood Tribe Administration which has a policy of not transferring funds between programs and hence the use of flexibility would be in conflict with its policies on the use of surplus funds.

3.2.1 Impediments to Utilizing AFA Flexibility

Respondents were asked to identify any impediments recipients may face in utilizing the flexibility of AFA. The primary factors influencing the extent to which AFA flexibility is utilized include limitations in forecasting, recipient staff, and select program terms and conditions. According to most respondents, the utilization of AFA's flexibility is dependent upon the extent to which Bands are able to reduce their costs and utilize the multi-year aspect of AFA to achieve savings so that creative programming can be undertaken.

Prior to 1990, the trends in programs like Social Development and Education were quite stable; however, the ability to adequately forecast trends has been reduced due to the current economic climate. The Region is making efforts to address these developments by re-forecasting social development budgets. The extent to which AFA authorities are utilized also depends upon the people employed by recipients and the type of skills and vision they bring to their positions.

With regards to Departmental program terms and conditions, respondents viewed the condition that capital funds be used for capital purposes, as well as the limit of 1.5 million for capital projects, as impediments to utilizing the flexibility of AFA. A second impediment is the funding formula for Band Support Funding (BSF), as it does not provide stability in projecting the funds allocated through this program. This is because Band Support funding is dependent upon the total funding that the Band receives in any one year, and is not carried for the term of the agreement.

Two additional impediments to utilizing the flexibility of AFA were identified through the file review. First, the number of programs included under an AFA may be a factor in the extent to which AFA can be used. Second, the use of funding formulas based upon reimbursement of actuals, as opposed to fixed funding for the term of the agreement, may also limit the extent to which Bands can take advantage of the multi-year aspect of AFA to achieve savings.

3.3 Program Development and Delivery

- **Although respondents noted impacts in the area of program development and delivery, it is not to the extent that they had originally anticipated.**

According to respondents, the major impact of AFA with regards to program development has been in the area of Social Development.

Another example of impacts upon program development is that Bands have combined social development and educational programs. Bands have built in incentive allowances in their Social Development programs so that recipients are provided with funding to attend school. Further, Bands are not limited in the type of education they can fund as it is their decision. According to respondents, non-AFA Bands can undertake similar activities, however, they must submit any proposed policy changes to DIAND whereas AFA Bands are only required to submit their Social Development manual when entering AFA.

3.4 Accountability

3.4.1 Local Accountability

- **Local accountability is increasing among First Nations within Alberta.**

Respondents noted that overall, the extent of local accountability is dramatically changing as a result of increased expectations on the part of Band members. The perceived increase in local accountability is viewed as largely coming from Band members themselves as opposed to a top down approach by elected First Nation officials, or Departmental initiatives such as AFA. According to respondents, Band members now expect more from their elected officials, and are demanding more accountability.

The extent of local accountability, however, varies by Band and Tribal Council. Some Councils have adopted increased accountability mechanisms such as annual membership reports, pamphlets, and formal appeal processes which go beyond the formal accountability practices such as general membership meetings, and issuing audits.

Respondents viewed the Department as playing a limited role with respect to local accountability. The Department is viewed as having a responsibility to monitor and call Chief and Council to account if they have stepped over the boundaries of acceptable behaviour. Where illegal activity occurs, DIAND requests that a special audit be conducted, or, in severe cases, it will refer the matter to the RCMP. Some respondents felt, however, that there is not enough transparency at the local level, and thought that Band councils should be required to submit annual reports to their membership and have conflict of interest guidelines in place.

- **Some respondents felt that AFA has had positive impacts on local accountability.**

Some respondents felt that AFA has had positive impacts on local accountability. According to them, during the initial assessment stage, recipients are required to review their accountability practices and state what steps they should take in ensuring sound systems are in place. It also brings the community into the process and provides them with information on existing accountability mechanisms.

Based upon a review of the management assessments, most First Nations requesting entry into AFA have well established accountability procedures. Where accountability mechanisms were found to be deficient, they were enhanced through the conditional entry process into AFA.

- **DIAND has modified its operations in response to the increased emphasis on local accountability.**

According to respondents, the Department has modified its operations in response to the increased emphasis being placed on local accountability. Initiatives cited include AFA, general practices, and Departmental reorganization.

The reduced reporting required under AFA is one aspect of how the arrangement emphasises local accountability, along with placing increased decision-making power at the Band Council level. With AFA, requests of the community go to Chief and Council rather than to the Department. This is witnessed to a large degree with the Lesser Slave Lake Regional Council, as contact between the Department and member Bands has significantly reduced as these activities are now undertaken by the Tribal Council.

The way in which the Department responds to the questions of individual Band members is also changed in response to the shift towards local accountability. The Chief and Council are viewed as the appropriate level for all requests and, depending on the nature of the question, the Department will follow-up with the Chief and Council. Individuals who request information are advised to go to the Chief and Council, or through Access to Information.

The Department's reorganization initiative is also viewed as a response to this shift towards local accountability as it seeks to clarify lines of contact and responsibility by having one Departmental person meeting with Chief and Council.

3.4.2 Ministerial Accountability

- **According to respondents, the current financial information requirements under AFA are considered sufficient to ensure Ministerial Accountability is in place.**

Respondents stated that the current financial audit and monitoring process is sufficient to ensure Ministerial Accountability. Ministerial accountability is largely defined by respondents as the Department being able to account for funds provided to recipients for activities provided for under policy.

According to some respondents, however, there is a need to be clearer on what is defined by Ministerial Accountability. They felt that such a distinction should clarify Parliamentary information requirements and whether the terms and Conditions of AFA are consistent with these. Respondents do not feel that Ministerial responsibility should extend to the day to day decision-making of Chief and Council.

3.4.3 Department Estimates

- **With respect to the Departmental Estimates, the tracking of how AFA funds are received and allocated should be reviewed.**

With respect to the Departmental Estimates, it was noted that Ministerial Accountability could be improved with respect to AFA. Specifically, as funds are received by the Department on a program basis from Parliament, difficulties are encountered during the MYOP exercise as AFA funds are allocated on more of a community basis. Hence, it is difficult to ensure that the funds received and allocated are properly aligned. An additional factor is the tracking of AFA funds. Originally, a separate coding structure was to be created for AFA; however, this has yet to be done.

3.4.4 Reporting requirements

- **Any major reduction to current reporting requirements would require a change in how resources are allocated under AFA.**

Most respondents felt that further reductions in reporting should be reviewed so that only essential reports are requested. However, according to respondents, ultimately any major reductions in current reporting would require a change in the way resources are allocated as current funding formulas require a minimum amount of information.

For some respondents, reductions in reporting also brought to question whether ministerial accountability could be maintained. However, for others this was not a concern as they thought that current ministerial accountability is accommodated

through existing financial reporting, as opposed to the program reporting which is currently used to generate funding databases.

4. THE FUNCTIONALITY OF AFA

4.1 Communications

- **Communications between the Department and AFA First Nations and Tribal Councils are characterized by less contact.**

The introduction of AFA has resulted in a reduction in the amount of communication that takes place between the Department and AFA First Nations and Tribal Councils. Although many AFA Bands appreciate less contact with the Department, there is a perception on the part of some Bands that they are missing out on Departmental initiatives. However, according to officials interviewed, AFA and non-AFA First Nations and Tribal Councils are treated equally. Both are communicated with when new Department initiatives are established. Nevertheless, some respondents felt that there is a need to establish a formalized system of communications with AFA recipients in order to ensure that they feel they are being treated equally.

4.2 Role of AFA within Spectrum of Departmental Funding Arrangements

- **There is a need to ensure that the differences and opportunities of the various Departmental funding arrangements are well understood.**

According to respondents, the role of AFA within the Department's spectrum of funding arrangements is to provide greater financial flexibility and increased autonomy and independence through providing recipients with the ability to modify policy. Some respondents noted that these opportunities of AFA are often not well understood and the ability to modify funding and policy is often an underestimated authority.

Approximately half of the interviewees noted that AFA provides a greater level of flexibility than CFA and is an approach Bands should be encouraged to try. Flexible Transfer Payments maintain a Departmentally defined approach in program areas. With AFA, however, Bands can integrate their programming. AFA is still new and the differences between CFA and AFA are still developing. Respondents felt that it is important to send a clear message on the opportunities provided by each funding arrangement.

On the other hand, however, several respondents questioned the role of AFA as they view little difference between it and CFA. From a Departmental workload

perspective, they view AFA as requiring more paper work with similar, if not the same benefits as CFA. According to them, there is little difference between the two types of arrangements with regards to flexibility. The ability to modify policies and programs under AFA does not appear to constitute much of a difference between the two funding mechanisms because it is difficult to fully utilize this authority because of the lack of funding to First Nations for initiating policy and program changes.

Respondents questioned the use of AFA in those situations where program funding continues on a reimbursement of actual cost-basis where as opposed to being fixed for the term of the agreement. According to them, if actual costs are to be used, it would be better off to go with FTP as, from a Departmental perspective, it is easier to administer.

- **AFA is functioning well with the funding mechanisms of DIAND and other Departments.**

AFA enables First Nations to access funding from other sources as they have a confirmed level of funds and they do not have to return to the Department in order to obtain funding approval. Hence, it allows Bands to pursue other funding more aggressively and enter into cost-sharing agreements more readily.

Respondents agreed that there is a need to expand AFA so that other Departmental funding sources can be included and felt that the Department should examine moving towards one funding agreement between the government and AFA First Nations and Tribal Councils.

4.3 Rate of AFA Implementation

According to some respondents, the rate of take-up of AFA is dependent upon First Nations seeing the successes gained by Bands on AFA. As such, they felt that the rate of take-up is variable and will increase as more communication regarding AFA occurs between First Nations. Within such a perspective, DIAND can provide information and maintain its implementation unit, but ultimately the decision is with First Nations. Further, these respondents felt that the Department should not push too hard; otherwise First Nations may decide to adopt AFA too hastily. Hence, the Department should encourage Bands to consider AFA and present the opportunities it can provide.

According to other respondents, however, the rate of implementation of AFA has been reduced as a result of the introduction of CFA. According to them, there is not as much interest in AFA because there is perceived to be little difference

between the two arrangements and the audit requirements under AFA are viewed as greater than those under CFA.

Another factor identified in the rate of implementation of AFA is that currently there are many policy issues consuming the time of First Nations and as such interest in AFA has reduced. According to these respondents, there is a need to make the process for entering AFA more streamlined as the initial entry into AFA is time consuming.

4.4 DIAND/Recipient Relations

- **Overall, relations between the Department and AFA First Nations and Tribal Councils are characterized by less contact and more independent relations; however, some First Nations continue to expect the Department to maintain a more hands-on, program oriented role.**

Overall, relations between the Department and AFA First Nations and Tribal Councils are characterized by less contact and more independent. However, according to respondents, many First Nations still maintain expectations that the Department will solve problems for them. Such pressures are most notable in the social development and education programs where relations are not viewed as changing very much. In addition, respondents noted that the Department is still undertaking some functions they view as the responsibility of First Nations. Initially, many of these were to be adopted by Tribal Councils but some of these do not possess the capacity to do so. The region is currently reviewing this situation. However, others interviewed placed the onus on Department personnel to recognize the more independent nature of relations, and adopt such practices in their day to day operations.

Although the level of interaction has decreased between the Department and AFA Bands, the contact that does occur appears to be undertaken at higher levels as the relations have moved from program to program to government to government. This can result in irregularities in how First Nations are treated.

Another impact of AFA on Department/recipient relations is that it may increase the complexity of relations. In order to address Band affairs, it is more difficult to isolate the nature of the problem. For example, if the Band experiences problems due to forecasting social development units and wishes to invoke the unforeseen events clause, it is difficult to determine whether the problem is due to policy changes on the part of the Band or actual changes in the job situation.

- **As accountability mechanisms are different under AFA, the amount of reporting and monitoring activity undertaken by the Department**

has been reduced; however, as not all programs have been implemented under AFA, it is difficult to ascertain the extent to which such impacts have occurred.

As accountability mechanisms are different under AFA, the amount of reporting and monitoring activity undertaken is reduced. Bands are not required to have DIAND approve policy decisions, or be involved in their day to day affairs. However, respondents agreed that the terms and conditions of the agreement should be reviewed with the goal of further reducing Departmental controls to what is essential.

Based upon the file review, it is not obvious what impacts AFA has had on Departmental controls over First Nations. An internal document presents a contrast in terms of current reporting requirements under the AFA, but it is difficult to assess any reductions in reporting requirements since in many instances First Nations choose not to adopt all the programs currently available under AFA.²

5. CONCLUSION

Process: Overall, roles and responsibilities within the process are well defined; however, further clarifications are required due to reorganization. The development stage is viewed as a strength of the process as it brings both parties together, establishes good working relations and provides a forum to discuss opportunities. Renewing the agreements has been operationalized and is simpler than the initial development of the AFA. Identified weaknesses of the process include the initial marketing of AFA which created unrealistic expectations, an over reliance on amendments and adjustments to transfer funds through AFA, and the amendment document itself is too large.

Long-Term Impacts: According to respondents, the impact of AFA on management capacities of First Nations and Tribal Councils varies but overall it has been either neutral or positive. The flexibility to transfer funds between programs is being utilized, while the ability to modify policies is being used to a lesser extent. Respondents felt that more opportunities for communications regarding the successful use of AFA should be created. Although impacts were noted in the area of program development and delivery, it is not being used to the extent that was originally anticipated.

² AFA: Reporting Requirements; March 4, 1991. Ref. 4201-0, 4201-3.

Accountability: Local First Nation accountability is viewed as dramatically increasing as a result of increased expectations on the part of Band members, and AFA is viewed as having positive impacts upon enhancing local accountability. According to respondents, the current financial audit and monitoring process is sufficient to ensure Ministerial Accountability; although the Department's internal tracking of how AFA funds are received and allocated should be reviewed.

Functionality: With regards to the role of AFA within the Department's spectrum of funding arrangements, the role of AFA is to provide greater financial flexibility and increased autonomy and independence through providing recipients with the ability to modify policy. Respondents stated that there is a need to ensure that the differences and opportunities of the various funding arrangements are well understood and complement one another. Overall, relations between the Department and AFA First Nations and Tribal Councils are characterized by less contact and more independent relations.

Appendix 1
Profile of Alternative Funding Arrangements
In The Alberta Region

OVERVIEW OF AFAs IN THE ALBERTA REGION

BAND/TRIBAL COUNCIL	TERM OF AGREEMENT		AMOUNT OF AGREEMENT
	START	EXPIRY	
Siksika Nation	1st 1989	1990	7,214,478
	2nd 1990	1995	36,108,206
Yellowhead T.C.	1st 1989	1994	17,015,457
Athabasca T.C.	1st 1989	1992	1,427,702
Treaty Seven T.C	1st 1989	1991	1,353,880
	2nd 1991	1994	1,720,053
Alexander Band	1st 1989	1994	18,157,426
Lesser Slave Lake	1st 1990	1995	108,824,342
Cree (Mikisew) Band	1st 1991	1996	9,142,595
Stoney Tribal Admin.	1st 1990	1991	1,081,990
	2nd 1991	1994	16,278,219
TallCree	2nd 1992	1997	14,664,463
TOTAL (CURRENT)			223,338,463

Appendix 2
Detailed Overview of the AFA Process in the Alberta Region

1. Introduction

This appendix provides a detailed overview of the process for developing and implementing AFA within the Alberta Region. It includes the status of AFA activities, a brief overview of the process followed, a profile of the funding methods used within the region and the extent to which amendments and adjustments are utilized.

Table 1 below presents an overview of AFA development activities within the region between 1989 and 1992. As this table shows, there are a total of 9 agreements within the Alberta Region.

TABLE 1 ALBERTA REGION: AFA DEVELOPMENT ACTIVITY 1989-1992					
	1989	1990	1991	1992	Total
Number of written applications		10	6	6	22
Number of Bands/TCs declared eligible		6	2	1	9
Number of Signed agreements	5	2	2	1	9

2. AFA Process

The process followed within the Alberta Region is outlined below. The primary steps within the process are the entry, assessment, budget development and implementation stages.

2.1 Entry Process

First Nation\Tribal Council

- Band indicates interest in AFA
- If the Band wishes to pursue AFA further, it submits a Band Council Resolution (BCR) outlining its intent to pursue AFA

Department

- Meets with the Band Council and provides information outlining the terms and conditions of AFA, program menu, and general characteristics of AFA.

2.2 Management Assessment

First Nation\Tribal Council

- Undertakes a self-assessment conducted by consultants chosen by them and funded by the Department following the AFA National Entry Assessment

Department

- The Department reviews the assessment and conducts a review of audits
- Each program area is requested to respond to the request for entry
- The assessment is then reviewed by the Regional Steering Committee which either approves entry into AFA, approves conditional entry, or defers entry until enhancements are made

2.3 Budget Development

First Nation\Tribal Council

- Establishes the base budget, program terms and conditions with Department officials

Department

- Determines database information needs, funding formulae and other program criteria
- Identifies issues and their resolution and follow-up
- Prepares the text of the agreement and financial appendices (ie: base budget, expenditure plans and cash flow statements)

2.4 Follow-up

First Nation\Tribal Council

- Submits required program reporting and annual audit
- Reviews any adjustments and amendments

Department

- Monitors and reviews audits
- Ensures program reporting complete

- Undertakes budget adjustments and amendments

2.5 Remedial Action

First Nation\Tribal Council

- Deficits are the responsibility of the First Nations

Department

- Financial Management Plans are prepared at the request of the First Nation

3. Profile of AFAs

Table 2 below presents the main programs chosen by First Nations and Tribal Councils for inclusion in their AFA and how they are funded. AFA recipients may fund the programs under an AFA for the term of the agreement at pre-established levels, have them fixed on a yearly basis with adjustments to prices and/or units, or have the programs funded on reimbursement of actuals.

Capital Facilities, Economic Development and Post Secondary Education are the programs most often included in AFA within Alberta. No Bands have Band Management, Social Assistance or Welfare Services funded via fixed term.

Main Programs	Fixed for term of AFA	Fixed yearly	Reimbursed on actuals	Not in Agreement*
LRT	2	2		5
Education: Elementary	1	3		5
Education: Post-secondary	3	1		5
Economic Development	6			3
Social Assistance		2	3	4
Social Development		2	3	4
Band Management		9		
Capital Facilities/ Community Services		7		2

* Some programs may not be applicable as Tribal Councils do not necessarily operate these programs and hence they are not included in their AFAs. There are 3 AFA Tribal Councils in the Alberta Region.

4. Amendments & Adjustments

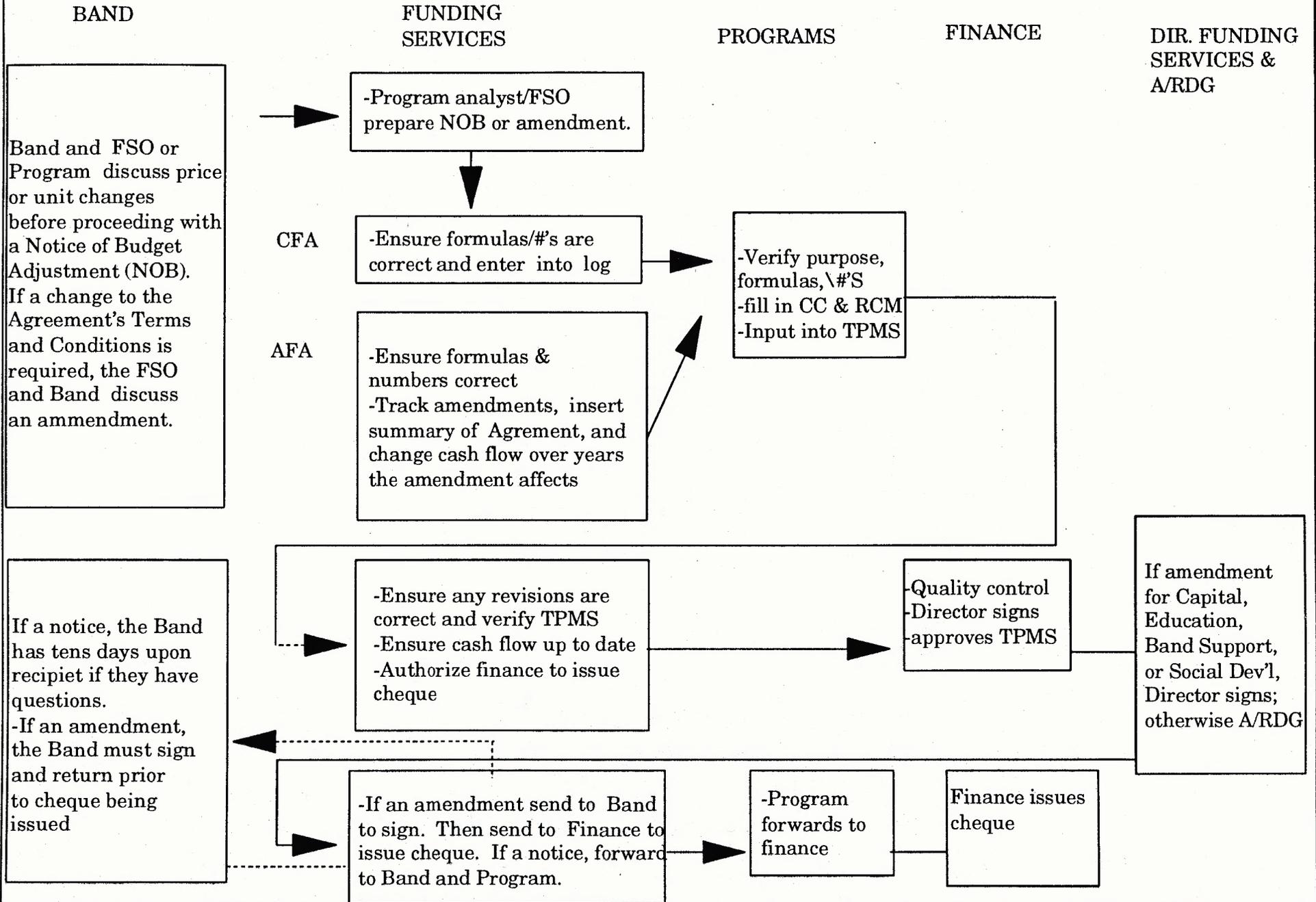
A notice of adjustment is used where a unit or price change is required. An amendment to the agreement is used when a change to the Agreement's terms and conditions is required. Chart 1 on the following page presents an overview of the process used to amend or adjust funding agreements within the Alberta Region.

The extent to which agreements are amended or adjusted in the Alberta region is shown in Table 3 below. A total of 82 amendments and adjustments were made over the last four years. On average, each agreement is amended or adjusted 4 times. In the case of the Alexander Band, the annual increase over the base budget through amendments and adjustments amounts to 7% of the total value of their AFA; whereas for the Siksika Nation, the value of their amendments and adjustments represent 28% of their agreement. The more amendments undertaken, the less of an arms length relationship that can be achieved as each one requires discussion and paper work.

TABLE 3 NUMBER OF BUDGET AMENDMENT AND ADJUSTMENTS				
First Nation	Years of Operation	Number of Budget Adjustments & Amendments	Estimated Yearly Average	Percentage of Agreement Amount
Siksika Nation	3rd year	15	5	28%
Alexander Band	2nd year	14	7	7%
Athabasca T.C.	4th year	7	1.7	12%
Cree Band	2nd year	6	3	10%
Treaty Seven T.C	2nd year	6	3	244%*
Lesser Slave Lake T.C.,	2nd year	12	6	7.5%
Yellowhead T.C.	4th year	17	4	8%
Stoney Tribe	2nd year	5	2	9.6%
TOTAL		82	4	

*Reflect two major adjustments for fiscal 92/93 and 93/94

PROCESS FOR ADJUSTMENTS AND ADMENDMENTS TO AFA



5. Audits

The rate of compliance of AFA First Nations and Tribal Councils submitting their audits is 100% in the Alberta Region. Of these, approximately 93% submitted their audits on time.³ Table 4 below presents an overview of the audit review of AFA recipients.

TABLE 4			
SUMMARY OF AUDITS: 1991\92 (Thousands of Dollars)			
Band\TC	Opinion	Operating Position	Cumulative Position
Alexander Band	Clear	113.3	-89.7
Yellowhead	Clear	-10.7	35
Athabasca	Clear	0	28.1
Cree Band	Minor qualif	103.4	-402.0
LSLIRC	Minor	-162.5	-703.2
Tallcree	Minor	220.9	-423.2
Siksika	Clear	1,210.6	2827.5
Stoney	Clear	20,585.6	19,139.6
Treaty Seven	Clear	16.5	16.5

³ Band Management: IFN Program Report Monitoring Summary, Alberta Region, 1991\92.

APPENDIX 9

**British Columbia Regional Review for the Evaluation of the
Long-Term Impacts of Alternative Funding Arrangements**

Evaluation Directorate
Policy and Consultation Sector
Department of Indian Affairs and Northern Development

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APPENDICES

Annex 1 Detailed Description of the AFA Process in the B.C. Region

1. INTRODUCTION

1.1 Purpose of the Report

This report is one of six regional reviews being undertaken for the evaluation of the Long-Term Impacts of Alternative Funding Arrangements (AFA). The reviews provide one basis of information for the national evaluation of AFA. The report includes a description of methodologies undertaken during the review, an overview of AFA activities within the region, and the findings of the review.

1.2 Purpose of the Regional Review

The B.C. Regional review examines the status of AFA as of September, 1992. Specific issues addressed within this review include the long-term impacts of AFA, Ministerial and First Nations' accountability, strengths and weaknesses of the AFA process, and the functionality of the Agreement.

2. METHODOLOGY

The B.C. Regional Review consisted of a series of interviews and file reviews conducted over the course of one week at the B.C. Region Head Office in Vancouver. Files relating to 14 Bands with AFAs and 3 Tribal Councils with AFAs reviewed. Additionally, the Evaluation Directorate reviewers reviewed general files, access to information files, management files and audit files from AFA and non-AFA bands. In total 72 files were reviewed. An enumeration of interviews undertaken is presented in Table 1 below.

REGIONAL OFFICIAL INTERVIEWED	NUMBER
Regional Director General	1
Associate Regional Director General	1
Director, Funding Services	1
Director, Finance	1
Regional FMOs	2
District FSOs	1
Manager, Funding Services	1
TOTAL	8

3. OVERVIEW OF ALTERNATIVE FUNDING ARRANGEMENTS IN THE B.C. REGION

3.1 AFA Process

A detailed description of the process followed within the B.C. Region is presented in Annex I of this report. As in other regions, the AFA process is undergoing change as a result of the recent Departmental re-organization and subsequent fine-tuning.

There are 22 AFA agreements in the B.C. region, covering 57 organizations (3 Tribal Councils and 54 Bands). As of 1992/93, the value of the agreements was \$75,208,111.

3.2 Roles and Responsibilities

- **Increasing familiarity with AFAs, and national standard information packages and agreements, have assisted in streamlining the process.**

According to respondents, increasing familiarity with AFAs and national standard information packages and agreements have gone a long way towards streamlining the process. Overall, the roles and responsibilities within the AFA process are clear. Nevertheless, there are concerns that the roles and responsibilities for dealing with an evolving AFA process need to be further clarified. For example, respondents noted that the Region may want or need to move AFA in a direction which Headquarters may not fully support or understand. It was felt that there is a need for more clarification as to the latitude and responsibilities regions have for seeking to improve and modify AFAs to meet the needs of their particular clients.

4. LONG TERM IMPACTS OF AFA

4.1 Management capacity

- **Respondents agreed that the development of increased management skills is crucial to the success of AFA. Overall, AFA has had positive impacts on management capacity.**

All respondents were of the opinion that the success of AFA depends on sound management at the band level. The development of increased management skills is viewed as crucial to the success of AFA.

Most interviewees were of the opinion that numerous Bands and Tribal

Councils had improved and increased their management capacity as a direct or indirect result of AFA. The standard AFA Entry Assessment helps participants entering into an AFA to identify the areas of their organizational structure and management practices and capacity that require improvement. A number of Bands and Tribal Councils are using the results of their Entry Assessments to develop blueprints for organizational change.

Additionally, AFAs can have the effect of compelling participants to upgrade their program design and delivery infrastructure in order to undertake the responsibilities and authority provided to them by AFA. Furthermore, the opportunity to retain surpluses under AFA provides an added incentive to manage programs in the most effective manner possible.

Some interviewees, however, felt that AFA had only resulted in minimal changes in the management capacity of participants as many of the Bands and Tribal Councils who enter AFA already have well-developed organizational structures.

4.2 Planning

- **The secured funding of AFA facilitates long-term planning, particularly in the area of capital projects.**

According to interviewees, AFA has had a definite impact on participants' long-range planning. Under CFA it is often very difficult to do any long-range planning because funds are subject to fluctuation from year to year. An AFA with guaranteed funds for up to five years is viewed as an improvement. Most interviewees noted the positive impacts of providing AFA participants with secured funding for a multi-year period. This security of funding is particularly important for capital projects which are often multi-year. Interviewees cited examples of Bands and Tribal Councils who had undertaken multi-year capital projects and programs that they would have been unable to do under a CFA.

Interviewees noted, however, that long-range planning could be further improved if the number of amendments to the agreement were reduced

4.3 Flexibility

- **Although respondents view AFA as providing increased flexibility for First Nations to design and deliver programs, there is uncertainty as to the extent to which participants utilize this flexibility.**

Various examples of First Nations which have taken advantage of AFA flexibility to improve their program design and delivery were cited during the course of the interviews. One Tribal Council delayed housing projects and used the funds to send students for post-secondary education. One Band significantly reduced its number of Social Assistance Recipients by combining Social Assistance funding with extended Work Opportunity and Employment Training programs (an option which would not have been possible except under AFA). In a similar vein, several other Bands developed programs to allow Social Assistance Recipients to study while still collecting benefits. New and creative problem-solving options are continually being developed by AFA participants and, in the estimation of many interviewees, even more could be accomplished if some of the impediments were removed and if Bands and Tribal Councils came together periodically to share their successes.

- **Impediments to the full use of AFA flexibility cited include resourcing, application of minimum program standards, and the matter of training and advisory support services.**

Several structural impediments to the use of AFA flexibility were cited.

Firstly, resourcing levels affect the ability of First Nations to transfer funds between programs and retain surpluses. Where there are resource constraints, this aspect of AFA is difficult to benefit from.

Secondly, some AFA participants perceive AFA Minimum Program Standards as impediments to flexibility. One example is in the area of post-secondary education. Currently, post-secondary funds can only be used for academic training, and not vocational training. This leads to the counter-intuitive result that an aboriginal student is eligible for post-secondary funding to study to be a Registered Nurse but not to be a Licensed Practical Nurse. While the interviewees making this observation realized the impacts on accountability that would result from a complete absence of program requirements and funding use restrictions, they stated that there was, nonetheless, potential for conflict between priorities and standards set by the Department and those set by First Nations communities.

Thirdly, there is the matter of training and advisory support. Designing and delivering new and innovative programs requires a substantial amount of planning, policy development and staff training. A Band or Tribal Council without the resources to commit to such initiatives cannot derive the full benefits of AFA flexibility no matter how much they would like to do so. Furthermore, even when Bands or Tribal Councils do manage to put together enough funding to develop the programs they need, they are frequently unable to offer salaries that are high enough to compete with municipalities and other

levels of government for the best program design and delivery personnel.

4.4 Accountability

4.4.1 Effects of AFA on local accountability

- **Most interviewees agreed that, as a rule, AFA participants did seem to have improved accountability to their constituents.**

Respondents observed that most AFA participants seem to have improved their internal accountability. One suggested explanation is that AFA Bands and Tribal Councils develop or improve their local accountability mechanisms in response to needs identified during the course of their AFA Entry Assessments.

Regional personnel observed that, in general, the participants who did not change their accountability mechanisms had no need to do so. Many of the Bands and Tribal Councils entering into AFA had sophisticated mechanisms (such as internal reporting requirements, regular constituent assemblies, question and appeal procedures etc.) already built into their constitutions and customs prior to entry into AFA.

However, respondents noted that a few AFA participants have done little to improve their local accountability mechanisms, particularly in Bands where members are not vocal in their demands for accountability. On the other hand, some AFA Bands and Tribal Councils apparently would like to improve their local accountability mechanisms and practises but are not sure how to go about the process.

4.4.2 Accountability issues

- **A decision should be made regarding to whom First Nations are accountable, and for what and to what extent the Department is accountable.**

According to respondents, accountability is becoming an increasingly important concept in the context of Aboriginal government. There is clearly a tension developing between the Department's policy of increased devolution of power and authority to First Nations and the general policy of maintaining traditional accountability for the use of "public" funds. One interviewee remarked that the current Department policies on accountability are contradictory and frustrating and that a decision should be made on whether First Nations are accountable primarily to their constituents or the Department.

One interviewee noted that some First Nations already have internal accountability mechanisms that are far superior to anything the Department could ever devise or enforce. He cited the example of a Tribal Council that had regular public budgeting and program decision meetings. When a decision was made to use housing funds for post-secondary education programs, all of the community was gathered to approve it. The young members who were to receive the education funding were identified, as were the families who would not be getting a new house as a result of the decision. The students were made to realize the cost of their education and all of the members participated in approving this use of the Tribal Council funding.

According to respondents, several Bands considering entry into an AFA expressed concern that entering into an AFA and accepting devolution of powers might constitute tacit consent to a reduction of Federal Government responsibility for First Nations. In response to these concerns, the Department sent letters stating that AFAs would not detract in any way from Federal Government responsibilities and obligations.

4.5 Other impacts

- **AFA has led to an unintended negative impact on administrative work-load but a positive psychological impact on participants.**

According to respondents, AFA has created extra administrative burdens for the Department. Several interviewees noted that this negative impact of AFA could be reduced or eliminated by reducing the number of amendments and the amount of reporting requirements of AFA.

There was general agreement among interviewees, however, that AFA had contributed to increased independence, self-reliance and pride among many of the participating Bands and Tribal Councils in the B.C. Region.

5. FUNCTIONALITY OF AFA

5.1 Communications

- **Overall, responses and file reviews indicate that the communications process is working well. However, clearer communications between the region and Headquarters is needed.**

The communications process between First Nations representatives and members and B.C. Region and District personnel has both formal and informal elements. Program information is regularly exchanged in set formats: updates

and bulletins from DIAND and reports from First Nations. Other information is frequently--and often informally--exchanged on a request basis.

Overall, the communications process appears to be good. Some interviewees, however, commented upon the frustrations that are caused by poor communications from Headquarters. Several interviewees pointed out that the timing of announcements and new initiatives is sometimes very questionable. They noted that it is a source of considerable frustration when Headquarters announces a new initiative at a point in the fiscal year when few Bands can take advantage of it because they have already done their budgeting for the year.

There are occasional instances of Band members requesting information or intervention from the Department. These requests are generally referred back to the Band Council with an explanation to the Band member.

5.2 Department-recipient relations

- **Relations in general appear to be good and interviewees anticipate that they will be further improved under the re-organized structure.**

Relations between the Department and the First Nations in B.C. appear to be good. The findings of the B.C. Regional Review indicate that the majority of the concerns voiced by AFA recipients appear to have been resolved to the relative satisfaction of all parties. Additionally, there did not appear to be any chronic concerns about any one issue.

Apart from frustrations with funding levels, most of the problems that arise appear to flow from misunderstandings and mis-matched expectations about the duties, rights and responsibilities of the parties involved. Interviewees anticipate that the direct relationship between First Nations and the new District FSOs will go a long way towards sorting out such problems.

5.3 Relations with AFA Bands and Tribal Councils

- **Most interviewees agree that AFA is contributing to the evolution of the relationship between First Nations and the Department.**

Most interviewees agreed that AFA has resulted in modifications to the relationship between the Department and Band and Tribal Councils. Responses indicate that AFA has resulted in decreased contact with First Nations. Many AFA Bands now have direct contact with Department

personnel less than twice per year. Although some Band personnel reportedly miss the face-to-face contact and occasionally call and request visits, it is clear that AFA is greatly contributing to the evolution of the relationship away from the historical constant presence of the Department.

However, such an evolution in relations is not constant for all AFA Bands and Tribal Councils. In practice, for some, AFAs are very similar to CFAs and thus have not lived up to their full potential.

- **AFA has resulted in reduced controls of the Department over First Nations, but interviewees suggested that controls could be further reduced.**

Interviewees were generally in agreement that monitoring and controls have been reduced by AFA. Two interviewees described the relationship as now operating on a "higher level of trust." One of these interviewees went on to state that many unnecessary controls have been eliminated under AFA, and "most of the remaining controls have been legitimized" by the more co-operative approach of AFA.

However, most respondents also agreed that controls could be further reduced. Most suggestions involved reducing reporting requirements. The most far-reaching suggestion was simply to move from the current AFA to a system of grants under which eligible First Nations would allocate and spend their allotted funds completely according to their own community priorities. Other suggestions favoured the current AFA system but with fewer reporting requirements, particularly in the area of statistics.

5.4 Reporting and monitoring

- **According to respondents, AFA Bands and Tribal Councils in B.C. comply with the broad AFA reporting requirements, but the extent of their compliance on specific reporting elements varies.**

Monitoring of reports requested under AFA used to be handled by both the Regional and District Offices. The primary monitoring tool under AFA is the annual audit and statistical report. Formerly, audit reviews were conducted by District Audit Specialists and information was passed back and forth between the District and the Region. Under the recent fine-tuning it is proposed that auditing be done through the Regional Office with input from District FSOs. The process has yet to be finalized.

There are two important aspects of compliance with reporting requirements: the overall percentage of participants who comply and the extent of the

compliance of each participant.

Based upon the file review undertaken as part of the regional review, there is general compliance with Departmental reporting requirements on the part of First Nations. If an AFA participant is unreasonably late with its audit, the Regional Office can cut off funding for everything but Education and Social Development. Letters to this effect were found in the files.

There are more grey areas with respect to the extent of compliance of individual AFA Bands and Tribal Councils. Based upon interviews, it is not unusual for a certain amount of requested information to be missing or incompletely reported. Interviewees suggested two primary reasons for this. Firstly, some Bands or Tribal Councils make honest mistakes or omissions, particularly during their first few attempts to provide the information in the required format. Such problems are usually sorted out in the audit follow-up process. Secondly, some participants fully provide certain information which they deem as unnecessary or redundant. It is then left to the discretion of Departmental staff to determine if sufficient compliance has occurred and to remedy the situation if it has not.

Several interviewees noted that much of the information requested in the annual Financial and Statistical Return is already available to the Department. This reporting requirement has subsequently been changed by the Department.

It was also noted that as First Nations become more independent, it will become increasingly difficult to justify "monitoring" their activities.

5.5 Functionality with other DIAND funding mechanisms

- **Interviewees noted that AFA is an important step between CFA and Self-Government arrangements but that the whole range of funding mechanisms should be revised into a clearly graduated series of options.**

According to interviewees, AFA is a useful and important intermediary option between CFA and Self-Government. However, according to some interviewees, AFA has not progressed sufficiently in relations to the changes with the Department's default funding arrangement and that the whole spectrum of funding mechanisms requires revision.

Nearly all of the interviewees noted that there is a decreasing distinction between AFAs and CFAs. There is a feeling that AFA will become decreasingly attractive to Bands and Tribal Councils.

Interviewees also noted that there are systemic problems with the conceptual and structural linkages between the different funding mechanisms. Many of the interviewees would like to see the whole range of funding mechanisms revised in an integrated manner in order to make each mechanism clearly distinct but logically located within a graduated series of options. This would greatly assist Department personnel in their efforts to help First Nations determine which mechanisms are most appropriate and desirable for their particular needs and capabilities and would greatly facilitate the transition from CFA to AFA and from AFA to Self-Government.

5.6 Functionality with initiatives from other departments

- **The functionality of AFA with other initiatives requires improvement.**

The B.C. Region is currently undertaking a pilot project under which one AFA Tribal Council will roll its Health and Welfare and Canada Employment (and possibly other) programs and services into its AFA. Such efforts are being undertaken to reduce duplication and better link with programs from other departments at the federal level so that the benefits of AFA can be expanded and better utilized.

5.7 Rate of implementation of AFAs

- **Responses were mixed regarding the rate of AFA uptake.**

Interviewee stated that AFA uptake rates are something that cannot - and should not - be measured and that every First Nation should be allowed to proceed at its own.

Overall, respondents felt that the rate of uptake in AFA is slow and there are First Nations in B.C. who were eligible for AFA and could greatly benefit from it but who had not yet signed on.

6. CONCLUSION

Long-Term Impacts: Overall, AFA has had positive impacts on program management and delivery for recipients within the B.C. region. The secured funding of AFA facilitates long-term planning, particularly in the area of capital projects. Although respondents view AFA as providing increased flexibility for First Nations to design and deliver programs, there is uncertainty as to the extent to which participants utilize this flexibility. From a Departmental perspective however, the AFA has had negative impacts upon workloads primarily due to the number of amendment and adjustments undertaken and the additional work related to amending a multi-year

agreement. Impediments to the full use of AFA flexibility cited include resourcing, application of minimum program standards, and the matter of training and advisory support services.

Accountability: Most interviewees agreed that, as a rule, AFA participants did seem to have improved accountability to their constituents. According to respondents, however, more clarification is required regarding to whom First Nations are accountable, and for what and to what extent the Department is accountable.

Functionality: AFA has great potential for facilitating the movement of First Nations towards self-government and the evolution of First Nation-Department dealings towards government-to-government relations. Nevertheless, this evolution has not taken place for all AFA recipients as in some instances the application of AFA does not differ much from CFA.

Appendix 1

Detailed Description of the AFA Process in the B.C. Region

1. INTRODUCTION

This appendix provides detailed information on the AFA process followed within the B.C. region. The primary steps include entry, assessment, development and implementation stages.

2. AFA PROCESS

2.1 Marketing

- **Much of the general AFA marketing is complete. However, a more selective and less "oversold" approach could be used to attract more participants.**

Within the B.C. region, two broad types of AFA marketing are undertaken: general and selective/specific. When AFAs were first introduced, general marketing was required to inform all of the Bands and Tribal Council of what AFAs were and how they could be beneficial. Departmental Headquarters and Regional offices distributed numerous AFA general information packages.

Now it appears that the majority of Bands and Tribal Councils are aware of AFAs. The B.C. Regional Review indicates that there are still potentially eligible Bands who have not entered into an AFA and who could benefit from

Many respondents felt that AFA should be marketed in a more realistic manner as many AFAs had originally been "oversold", creating distrust and false expectations. In his opinion, a lot more Bands would have signed up if AFAs had been presented as a logical and useful administrative system rather than as a panacea to solve all of the problems with existing funding arrangements. He observed that, despite the fact that the over-blown initial presentation turned some Bands away, a good number of these Bands could be brought on track if the right approach were used. It is these Bands that could be targeted with selective/specific marketing to show them what AFA could specifically do for them.

2.2 Information sessions

- **Information sessions and workshops can provide useful information and build trust. The recent re-organization will place more responsibility for this on FSOs.**

Once a Band or Tribal Council expresses interest in learning more about AFAs, there is generally an initial exchange of information by phone and mail. This

is often followed up with an on-site workshop or information session, presented by Department personnel and attended by the Chief, Council and Band members. These sessions can be a valuable way to build trust while providing detailed and specific information about what AFA could do for the Band.

Respondents anticipated that the newly re-organized system will result in improved information sessions and workshops because the District FSO will enhance continuity and trust by remaining the primary contact for Bands and Tribal Councils considering entry into AFA.

2.3 AFA Management Assessment

- **The B.C. Region uses the National Entry Assessment guide. The guide is beneficial for many Bands but other Bands may benefit more from a fast-track option.**

Assessments in the B.C. Region are now conducted according to the National AFA Entry Assessment guide. Formerly the assessments were conducted by staff from the Bureau of Management and Consulting within Supply and Services Canada. In the interest of providing Bands and Tribal Councils with increased input and participation in the process, assessments are now conducted by a consultant chosen by the Band or Tribal Council from a list of eligible independent consultants.

The National AFA Entry Assessment guide ensures standardization and equity of entry opportunities into AFA. However, one of the drawbacks of using the National AFA Entry Assessment guide is that it can be a lengthy process. While respondents felt that this process is useful and necessary for certain Bands and Tribal Councils, they stated that other Bands or Tribal Councils which already have advanced and sophisticated management systems may benefit more from a fast-track method of assessment.

2.4 Negotiation and Approval of Base Budget

- **The former negotiation and approval process was lengthy. Respondents believe that the re-organized process will be more streamlined.**

Prior to the re-organization and fine-tuning, the approval process for AFA budgets was lengthy. An AFA Internal Routing Notice shows that the involvement and approval of numerous individuals used to be required to approve an AFA base budget.

The first generation AFA with the Nuu-chah-nulth Tribal Council reportedly required 56 signatures before it could be signed off and finalized. Under the new process such delays will be reduced by making the District primarily responsible for marketing, negotiating and approving AFAs in their area.

2.5 Renewal of AFAs

Relatively few AFAs have been renewed in B.C. At the present time there are no national guidelines for renewal of AFAs; therefore the B.C. Region is working towards the development of one.

The file review and interviews have highlighted several issues which warrant serious consideration when developing an AFA renewal policy.

Firstly, there is the issue of re-assessment. Some interviewees questioned whether Bands and Tribal Councils should have to undergo a re-assessment in order to qualify for entry into a second generation AFA in cases where management practices have lapsed. Secondly, respondents expressed concern about how to determine whether or not an AFA participant has met minimum program delivery standards if it has modified its programs under AFA. Thirdly, respondents raised the issue of how planned and unplanned deficits be treated in the re-assessment process.

Fourthly, interviewees questioned whether historical budget patterns would be used during renegotiations so that First Nations that increased efficiencies in order to utilize AFA financial flexibility are not penalized. According to some respondents, a clearer message on this issue is required.

Notes sur les œuvres

Les habitants de la Côte Ouest

(Photo en bas à gauche)

Les Indiens qui demeurent présentement le long de la Côte Ouest du Canada sont de la même descendance d'habiles marins qui ont navigué sur l'océan du Nord Pacifique, bien avant l'arrivée des Européens, dans des canots taillés à la main. Afin d'assurer leur subsistance, ces habitants affrontaient quotidiennement les risques d'une région fréquemment appelée le "cimetière marin du Pacifique". Le "Westcoasters" est un hommage visuel pittoresque à la volonté indomptable et courageuse des habitants de la Côte Ouest.

et sur les artistes ...

Roy Henry Vickers

Roy Henry Vickers, un Tsimshian de la Côte, a passé son enfance à Kitkatla, un ancien village Indien situé sur une île à l'embouchure de la rivière Skeena en Colombie-Britannique. Plus tard, sa famille s'installa dans la région de Victoria où il suivit des classes d'art. Il ne pouvait pas comprendre les peintres européens et les "grands maîtres". Ainsi donc, il se tourna vers l'art de son patrimoine Tsimshian et c'est ici qu'il découvrit sa créativité.

Dans peu de temps, ses œuvres d'art donnèrent de grandes espérances et il fut admis à l'institution "Gitanmax School or Northwest Coast Indian Art" à Ksan, Hazelton en Colombie-Britannique. Suite à deux années d'études sérieuses à Gitanmax, Roy a évolué en un artiste de forte compétence et possédant une aptitude prononcée à sensiblement marier les formes contemporaines et traditionalistes. (Roy est aussi un talentueux conférencier à l'Université et acteur de télévision.) Ses sculptures et peintures font partie des grandes collections publiques et privées au Canada, aux États-Unis et au Japon.

Creation

(Photo du milieu)

Si nous utilisons les paroles de cet artiste "... les créations significatives sont guidées par les œuvres du Créateur et sont considérées sacrées. C'est de la nature que les peuples autochtones adoptent le symbolisme." Ainsi, la "Création" devint la première de ses peintures Iroquoises. C'est un œuvre qui décrit en symboles physiques une vision d'anciens concepts spirituels Iroquois : l'Île Tortue — la Terre, le Grand Arbre de la Paix — Fraternité et Unité, l'Aigle Gardien — le Gardiennage du Créateur, et le Soleil — notre Frère Aîné.

Arnold Jacobs

Arnold Jacobs est un artiste Iroquois des Six Nations qui se révèle en tant qu'interprète et historien de la culture abondante de son peuple. Suite à ses études en art spécialisé à l'école Central Technical de Toronto, Arnold continua de développer ses techniques distinctes au cours de treize ans d'expérience dans le domaine de l'art commercial. Ses travaux sont reconnus au niveau international.

L'expression créative d'Arnold est centrée sur les symboles de la terre et du ciel — tels que les eaux, les quatre vents, le tonnerre et le soleil. Pour lui, ces éléments et phénomènes vitaux sont aussi des forces spirituelles qui devraient nous inspirer une juste reconnaissance au Créateur.

**Traduction:*

"... meaningful traditions are governed by the works of the Creator, and are believed to be sacred. It is from nature that the Native peoples adopt symbolism."

"The Goose and the Mink"

(Photo en haut à droite)

L'oise et la martre du Nord offrent une représentation vive symbolisant la lutte interminable et universelle entre le bien et le mal, les forces de la vie et de la mort.

Nous voyons dans la création animée et inanimée — dans celle de la proie et du prédateur ainsi que dans les variations entre les soleils éclairci et obscurci — une accentuation du conflit continué entre ces forces et le sentier qui les divise.

Jackson Beardy

Jackson Beardy est le cinquième fils d'une famille de 13 dans la communauté indienne isolée d'Island Lake quelques 600 kilomètres au nord de Winnipeg au Manitoba.

À l'âge de 7 ans, il fut privé de son chez-lui et de son langage et passa douze années désorientées et traumatisantes dans un pensionnat. Jackson a donc vécu son adolescence à lutter pour se réconcilier avec les deux mondes des indiens et des blancs. C'est à ce temps-là qu'il partit vers le Nord en vue de réapprendre les usages et les préceptes de son peuple.

Plus tard, méconnu et ne connaissant aucun autre artiste Indien au Canada, il développa une forme d'art particulière décrivant les légendes traditionnelles et la nature en images créatives, symboliques et d'une coloration unique. Avec le temps, ses peintures ont pris place parmi les collections reconnues à travers l'Amérique du Nord et l'Europe. Sa mort récente en décembre 1984 fut une perte déplorable pour le Canada.