

Managing Change
A Proposal for Restructuring the
Resource, Economic and Employment Development
(REED) Branch,
Indian & Northern Affairs Canada
(INAC) B.C. Region

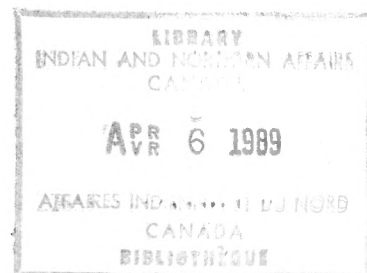
MANAGING CHANGE

A Proposal for Restructuring
the Resource, Economic and Employment
Development (REED) Branch,
Indian & Northern Affairs Canada
(INAC) - B.C. Region

Lionel Munaweera

Director,
REED Branch
British Columbia Region

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The reader should note, however, that the opinions expressed herein by the writer are not necessarily the opinions of the abovementioned individuals, or the Government of Canada, or Indian and Northern Affairs Canada (INAC). The opinions expressed should be considered to be those of the writer alone, and he takes full responsibility for them.

"The guts of the federal proposal is the entrenchment of self-government and the process of negotiation with the federal government, Indian communities, provinces and territorial governments with respect to what specific form that self-government might take."

David Crombie,
Federal Minister of Indian Affairs
and Northern Development

"It is not a question of separation. The Constitution already recognizes the right of aboriginal people to govern themselves. All we're saying is let's make it explicit. Indians are seeking domestic sovereignty over tribal lands, with the right to manage their own economic, political, judicial and educational affairs within Confederation."

Chief Joe Mathias,
Squamish Indian Band

"A land base and economic self-sufficiency are the keys to self-government."

Prof. Paul Tennant,
University of British Columbia

"The only conceivable aid agencies are those that are working toward removing the need for their own existence."

Monique Vezina,
Federal Minister of External
Relations

"Some of the riskiest work we do is concerned with altering organization structures. Emotions runs wild and almost everyone feels threatened. Why should that be? The answer is that if companies do not have strong notions of themselves, as reflected in their values, stories, myths and legends, people's only security comes from where they live on the organization chart. Threaten that, and in the absence of some grander corporate purpose, you have threatened the closest thing they have to meaning in their business lives."

Thomas J. Peters
and
Robert H. Waterman,
authors of "In Search of Excellence"

"But you can't build a pyramid upside
down."

George Watts,
Chairman, Nuu-chah-nulth Tribal
Council

MANAGING CHANGE

1. PREFACE

This proposal arises out of a commitment made by the Director, REED Branch, B.C. Region, INAC, to ensure that the Branch is geared towards:

- 1.1) Moving in a tangible manner towards the goal of Indian self-government; and,
- 1.2) Improving and then maintaining the effectivity, efficiency, economy, accountability and quality of services provided, while in the process of transferring such services to Indian control.

The eventual complete transfer of the REED Branch to Indian people is therefore considered in this proposal to be an unalterable given, within which parameter this proposal sets out a recommended structure to achieve 1.1 and 1.2 (above). The time frame suggested for achievement of a complete transfer is only notional and is necessarily flexible, in order to deal with whatever pace is realistic as the process of transfer takes effect.

Furthermore, this proposal is not a 'cast in stone' version of how the future will unfold in the REED Branch, B.C. Region. It is a paper designed to generate thinking, discussion, consensus and action on the process of managing change.

MANAGING CHANGE

2. <u>INDEX</u>	<u>PAGE</u>
1. PREFACE	viii
2. INDEX	ix
3. TABLES AND FIGURES	x
4. EXECUTIVE SUMMARY	1
5. BACKGROUND	3
6. A THEORETICAL NOTE	4
6.1) Overview	4
6.2) Organizational planning, development and design	5
6.3) Structure	8
6.4) Authority Relationships	9
6.5) The Integration of Structure and Authority	13
6.6) Viability (or "what works?")	14
7. EXISTING STRUCTURE AND ASSOCIATED PROBLEMS	16
7.1) Regional	16
7.2) District	17
8. SOME ALTERNATIVES FOR STRUCTURAL CHANGE	20
9. RECOMMENDED REVISED STRUCTURE AND ITS IMPLICATIONS . .	24
9.1) Base Year Structure - Regional Office	24
9.2) Base Year Structure - District Offices	29
9.3) General Implications	32
9.4) Specific Implications	32
10. A NOTIONAL TIME-TABLE FOR PHASING OUT	35
11. CONCLUSION AND RECOMMENDATIONS	40
12. SELECTED BIBLIOGRAPHY	43
13. APPENDICES	45

MANAGING CHANGE

<u>FIGURES AND TABLES</u>	<u>PAGE</u>
FIGURE 1 "An Organization Chart Depicting An Example Of Line, Staff & Functional Authority Relationships"	12
FIGURE 2 "Existing Descriptive Organization (Regional Office)"	18
FIGURE 3 "Existing Descriptive Organization (District Offices)"	19
FIGURE 4 "Recommended Organization Structure - REED Branch - B.C. Regional Office"	25
FIGURE 5 "Recommended Organization Structure - REED Branch - District Offices"	30
TABLE 1 "Percentage of On-Reserve Population in District Configuration Recommended in Figure 5"	31
TABLE 2 "A Notional Timetable for Phasing Out"	39

MANAGING CHANGE

4. EXECUTIVE SUMMARY

Although what we are basically dealing with in this paper is a structural issue (ie. restructuring prior to phasing out), it has to be viewed primarily in a political context. In fact, economic development cannot be separated from political reality.

Therefore, the political reality of Indian self-government applies as well to Indian control of Indian economic development. What this means is that Indian people must make the opportunity cost judgements related to the total development context of their communities. This paper lays out a proposed method and notional time frame (ie. minimum six years) for Indian people to be in total control of the economic development program in B.C. Region. However, it is up to the Indian people to determine if the proposed method and time frame are realistic and, through on-going review, determine if the process should be retarded (or even accelerated). This will depend to a great extent on the existence and ability of structures at the community level to take over as INAC hands over various components of its responsibilities.

At the organizational level within INAC B.C. Region, the question of phasing out has a somewhat different context. That context has three dimensions:

- The management of change;
- The protection of 'empire'; and,
- The individual career aspirations of employees.

The management of change entails an integration of theory and practice and an understanding that idealized theory does not reflect what is entirely possible in the light of practical reality. The management of change is best accomplished through a situational (or contingent) approach which permits maximum flexibility, in order to adjust to on-going change from the context of viability, or 'what works', in a particular situation. However, a situational approach, in a large system like the Federal Government, demands quite rightly that we operate within a structure and a set of authorities, since the alternative would be a level of confusion that will be totally unacceptable. This does not mean that the pyramid, or vertical hierarchy of large institutions like government, will not include such concepts as interdependency, networking, matrices and so on. It does, however, mean that the basic overall pyramidal nature of our organization should remain, while providing for communication channels to function in interlocking circles, where authority, power, respect and loyalty will tend to be collegial and earned, rather than paternal or maternal and dutifully rendered.

MANAGING CHANGE

In managing change, there will also be a need for clarifying the nature of the devolution process (see Appendix 1), for amending or supplementing existing authorities, and for appropriate legislative steps in certain areas. The bulk of what is proposed in this paper can however be accomplished through the larger proposals for 'block funding' (see Appendix 2), that are already underway in INAC under the name of 'Third Stream' activities. Described briefly, the 'Third Stream' pertains to any changes of policy that are possible under existing laws, that would enhance self-government, and are acceptable to designated representatives of Indian First Nations.

In terms of protection of 'empire', fortunately, there are no visible concerns since senior management in the Region is demonstrably in favour of moving quickly in the direction of Indian self-government.

In the context of individual career aspirations of employees, however, there are some serious considerations that have to be addressed. Paramount among these considerations is that the training and re-training of existing staff is integral both to restructuring and to phasing out. As INAC begins to facilitate the move towards devolution of REED Branch services, it will be imperative that current staff be provided with adequate training for upgrading and attaining new skills. Such skills will be required during the transition period, as well as in acquiring the marketability that will permit those employees whose services will cease to be required, to locate suitable employment in other departments or in the private sector. Therefore, it is important to recognize that the training process will have to begin immediately and that the training requirements already identified in the 1985/86 Performance Review and Evaluation Assessments for current staff be identified as priority within the Region and be effected expeditiously. In this context, it is of no use to merely say that the resources do not exist to enter into such training. Those charged with the responsibility for providing such resources should move immediately to obtain them, in order that staff be treated in an enlightened and fair manner during what will be a difficult period for some.

This paper sets out a plan of action, however, transforming a program so that it is fit for the future calls for more than a plan. Transformation needs only simple frameworks, but it also requires a change in management values. Most of all, it requires realism, courage and commitment. These qualities have been demonstrated in more than fair measure at the Indian and non-Indian political levels and at the senior levels of government. Furthermore, the writer finds meaningful to record herein that the most recent evaluation of the Indian Economic Development Fund (Appendix 4) recommends quite clearly that "the program adopt the option of gradual devolution of the IEDF Program to Native control."

MANAGING CHANGE

5. BACKGROUND

The Report of the Special Committee on Indian Self-Government (the Penner Report), together with the Government response to that Report, and the significant involvement of B.C. Indian leaders in major political issues at the national level have contributed to increased expectations for change in the Government/Indian interface in B.C. In particular, the need for change has recently been highlighted by increasing demands for a review of the roles and responsibilities of INAC in order to facilitate the transition to Indian self-government.

The REED Branch in the British Columbia Region has been noted as one of the programs that can be devolved to Indian people within a shorter period of time than most other programs delivered by INAC. This has generally been discussed both at senior management levels and in the Indian community.

In January, 1985, at the Pacific Planning Symposium meeting held in Fort St. John, the recommendations made by the Economic Development Task Force of the Pacific Planning Symposium were reviewed and INAC responses to these recommendations were discussed with the Indian community. During these discussions, the Director, REED Branch (B.C. Region), made an explicit commitment to review the existing REED Branch in the Region and table a proposal which would encompass two items:

- A revised organizational structure to better deliver services presently being delivered by INAC; and,
- A structure which would concurrently address the need to have in place a transitional organization, which could move at a pace dictated by Indian people, towards Indian takeover of the REED Branch in B.C. Region as part of the overall move towards self-government.

It was the general consensus that such a proposal would be very significant and extremely welcome. As a result, the Regional REED Branch is being reviewed herein, with a view to altering its current structure so that it can better deliver the services presently being delivered, as well as be better placed to devolve its roles and responsibilities in the transition towards Indian self-government.

MANAGING CHANGE

6. A GENERAL THEORETICAL NOTE

6.1) Overview

The effectivity and efficiency of an organization normally depends on three key considerations:

- strategy;
- structure; and,
- people.

Once it has been determined, for whatever reason, that an organization has to be reviewed, the effective approach does not begin with looking at structure. Rather, it looks at the total process of management.

Structure, defined as the design of an organization through which it is administered, follows strategy, and the most complex type of structure is the result of an amalgamation of several basic strategies.

Hence, when reviewing an organization, the first examination should be concerned with whether the organization has defined objectives and strategies for the future and a good idea of what resources it is going to operate with. No rigidity is advisable in questions such as what the span of control should be, or whether job descriptions be adjusted to people or people should adjust to job descriptions. On the contrary, the emphasis should be on a search for innovative and flexible organizational arrangements, including arrangements that may not have been considered by conventional organization theory, but are likely to suit the particular situation. This may include a wider application of matrix and project organization, the streamlining of communication channels and information flows (both horizontal and vertical), or a complete revision of centralization and decentralization of both decision making and particular operational activities in the organization.

In government, the search for innovative solutions poses several interesting problems. For instance, the key private sector consideration of the 'creation of a customer' and the consequent result of the generation of profit is, of necessity, absent in service oriented government departments. In place of this, the typical service oriented department, if not actually doing so, at least should focus on divesting itself of its 'customers' and consequently on the avoidance of loss as a resulting benefit to the government. This 'reduction in dependency' concept is an essential element in any downsizing of government. Furthermore, any attempt to tailor job descriptions to people is not practicable due to subjective concerns for 'fairness'.

MANAGING CHANGE

In the situation under review in this paper, the question of fundamental strategy has, fortunately, been covered. That strategy consists of two elements as outlined in the Preface. A further exploration of fundamental strategy is therefore neither considered necessary nor in fact appropriate.

The question of people, however, does pose another type of problem. Existing government systems, in their laudable emphasis on fair play and job security, unfortunately impose some constraints on imaginative measures in such areas as selection, motivation and mobility (not to mention classification, promotion and dismissal).

A related consideration, and one that is also based on the 'people equation' is the one of managerial style. This refers to the style in which the top manager, or top management team, fulfils the leading role in an organization. Many difficulties in organizations originate from the attitudes and behavioural patterns of top managers. The main reason for this lies in the very nature of management and leadership, because the attitudes and behaviour of people at the top are under constant observation by subordinate staff, who have a tendency to adjust their attitudes and behaviour to models set by their managers. Certain behavioural patterns thus spread over the whole organization and may become very deeply rooted indeed. In this way a particular organizational climate is created, which may determine to a large degree how people will act or react in various situations.

Therefore, in selecting people to function in a new or revised structure, one has to be extremely careful in assessing future potential against past performance, since past performance includes an intrinsic perception of and subsequent conformity with perceived senior management style.

6.2) Organizational planning, development and design

All managers responsible in any significant degree for formulating or staffing an organization structure should be guided by the premise that the only purpose of structure is to achieve objectives. Every organization (whether public or private) and every department or unit within, has a structure, whether formal or not, and whether management knows it or not. In any efficiently run organization, however, it is essential that a formal structure exist, that all employees know what the structure is, and govern themselves accordingly.

It is, however, by no means essential to have an elaborate chart to hang on the wall. The important thing is to make sure that the arrangement be both logical and practical, that it is viable, and that it focusses people's efforts solely on the achievement of meaningful short and long-range goals. The need to keep fat out of an organization needs little elaboration, as is the fact that management itself is essentially a simple thing, with the emphasis on creating and maintaining a climate for self-motivation. Management need not and should not be complex.

MANAGING CHANGE

One of the fallacies of our modern age is that a process or a thing must be either expensive or complex - and preferably both - to be worthwhile. However, from the beginning of recorded history, the great breakthroughs in human understanding and development have been brought about by two major forces:

- the search for truth and its application; and,
- an intense desire to reduce complexity to simplicity, with simplicity in turn ensuring stability.

Management can indeed achieve significant results through motivation by placing its reliance on a realistic and very practical blending of fundamental truths, applied in an orderly and planned manner to the sometimes chaotic variables of our environment.

In terms of the search for and application of truth, this is primarily a strategy oriented implication that, as previously noted, has been taken as a given in the context of this paper (ie. the fundamental and unalterable principle of eventual Indian self-government, which however it may either be finally defined or evolve, includes a transfer to Indian people of the responsibility and authority to manage their own economic development). What therefore remains to be addressed in this paper is the reduction of complexity to simplicity and the consequent desired result of viability in terms of a transitional structure that works, staffed with people who will make it work.

In addressing the 'people equation', before the structural question one has to address two realities; one being the fact that we are concerned here with eventual 'downsizing' and not 'staffing up', and the other being that we are again compelled to work within a given (ie, that of employee relations practice within the Federal public service). A key ingredient of this practice is the principle of job security - whether explicit or implicit. In fact, governments tend to attract people who, if they decide to make the civil service their career, are less interested in high current incomes than in security for an adequate standard of living.

However, considering the needs of employees is only one part of the equation. The other major part is to challenge their creative powers. As those who have considerable private sector and public sector experience will realize, the public sector places less emphasis on individual innovation than on teamwork. There are few prima donnas in the Federal public service, and even they are barely tolerated.

Effective committee work is therefore a source of esteem as well as of social satisfaction. The need for self-actualization is satisfied in the form of

MANAGING CHANGE

gaining and retaining influence over the exercise of governmental authority. Therefore, many people who achieve highly in the public service are motivated by participating and prevailing in the resolution of public issues.

Overall, the principle of 'job security' is meritorious and, in working within this principle, the following conditions should be considered as explicit in the context of the structural recommendations that are made in this paper:

- Structural change should first and foremost accommodate existing personnel prior to any question of hiring new personnel;
- It is imperative that existing staff be provided with adequate training both for upgrading existing skills and acquiring new skills, which will be required during the period of transition from an INAC managed REED Branch, to Indian management of their own program. Furthermore, training must also be provided for the acquisition of other marketable skills that will enable those employees whose services will cease to be required, to locate suitable employment either in other government departments or in the private sector; and,
- It goes without saying that the usual process of priority consideration within the public sector will apply to those employees eventually declared surplus as a result of the transition envisaged in this paper.

In the context of 'self-actualization', the department will get the best service from its employees by paying attention to them. This does not mean that employees should be mollycoddled, or that certain sensitive policy oriented planning activities will not take place, at least initially, within limited senior level working groups. It means that managers should sincerely encourage participation and make a commitment to people management, rather than merely dealing in paper, which results in crude decision making in human terms.

Some participatory management techniques are indeed well beyond the experimental stage in the Canadian public service, and their success may be duplicated to good effect. Examples are: Quality Circles, which has been in effect in the Canada Employment & Immigration Commission (CEIC) B.C./Yukon Region since 1981, and the Department of Supply & Services "Qualiserv" program which grew out of the 1978 Federal Task Force on Service to the Public.

Which brings us to organization structure, which is the primary focus of this paper.

MANAGING CHANGE

6.3) Structure

There are four classical concepts that have historically been considered the foundations upon which organization structure is built:

6.3.1) Division of Labour - Which increases productivity by harnessing the economic advantages of specialization. At its most basic level, the concept of division of labour:

- recognizes that there are physical limitations to all tasks;
- takes advantage of differing skill levels;
- reduces time expended in changing tasks; and,
- encourages the creation of specialized inventions and machinery.

In recent years, the concept of division of labour has been attacked on the contention that many jobs have been overspecialized. The benefits that came through the economies of specialization are now, some claim, being more than eroded by the diseconomies when people find themselves placed in jobs that require no diversity of skills, lack opportunities for commitment, and may be demeaning.

6.3.2) Span of Control - Also called the 'span of administration' or 'span of management', which defines the number of subordinates a manager can effectively direct. Although no definitive statement can be made regarding an optimum span, there is general agreement that spans at the top of an organization should be smaller than at lower levels in the hierarchy. There are a number of variables which determine the optimum span:

- complexity of work;
- similarity of tasks;
- degree of interdependence;
- degree of standardization;
- training and general capabilities of subordinates; and,
- level of subordinate initiative.

The characteristics of each particular organization/situation have to be considered before determining the span of control that is appropriate.

MANAGING CHANGE

6.3.3) Departmentation - The process of grouping activities is known as departmentation. Departments are similar groupings of work tasks and activities, thus, departmentation is the grouping of activities at any level in the organization, not just the 'departmental' level alone. Because the organization chart represents the relationship among the formal groups of activities that have been defined, the process of departmentation is the first step in the management function of organizing. There are six bases of departmentation and most complex organizations utilize all six:

- simple numbers;
- function;
- product or services;
- client;
- geography; and,
- process.

6.3.4) Unity of Command - The concept of unity of command was developed at a time when organizations were comparatively simple in nature. Briefly, this concept states that subordinates should not have more than one supervisor to whom they are directly responsible. More recently, innovations in the design of complex organizational structures frequently create situations where people have more than one supervisor. This is due to some administrative approaches which suggest that complex organizations need not necessarily be highly structured, with a clear division of labour, a defined hierarchy of formal relations, clear rules and policies, and impersonality. However, in those cases where relatively rigid structure is a requirement, the dictum that each person have only one direct supervisor is still sound advice.

6.4) Authority Relationships

It is difficult to understand organizational structures without an understanding of authority relationships, and it is equally difficult to understand authority relationships without an understanding of the sources or bases from which power emanates. Without going into great detail on the theory of power, suffice it to say that concern about power does not automatically render one Machiavellian. Actually, power may be exercised to secure other, more paramount goals and, in fact, the desire to influence others is a vital ingredient in the effective functioning of complex organizations. Five bases of power can be determined:

MANAGING CHANGE

- Coercive - Power that depends on fear and the control through force of basic physiological or safety needs. One reacts to this power out of fear of the negative ramifications that might result if one fails to comply. Dismissal, suspension, the assignment of unpleasant work, demotion and embarrassment are all examples of the use of coercive power;
- Remunerative - The opposite of coercive and comes from the ability to positively reward. It is based on the control and allocation of material resources and rewards. People comply with the wishes of another because this will result in positive benefits; therefore, one who can distribute rewards that others view as valuable will have influence over them. This is the traditional influence of managers over salaries/wages, commissions, fringe benefits, promotions, etc;
- Legitimate - Equivalent to formal authority and consists of those rights that a manager receives as a result of his/her position within a formal hierarchy. Especially in the private sector, such influence includes both coercive and remunerative powers, since organizations allocate such powers to positions, in order to allow managers to meet their responsibilities. However, legitimate power is broader than the power to coerce and reward. Specifically, it includes acceptance by members of the organization of the authority of a position. Legitimate power therefore lies not in relationships but in positions. Included as part of a manager's legitimate influence is her/his evaluative impact. Because managers perform the function of checking on others' performance to determine whether it is satisfactory, they have power. In many instances - and the military is probably the best example - legitimacy can be enough to maintain manager/subordinate relations and to complete organizational tasks;
- Expert - The influence one wields as a result of one's expertise, special skill or knowledge. People are far more likely to be influenced by someone who has expertise and reputation than one who has not. This applies in all types of organizations. Knowledge is power! For example, expertise explains the power that supportive administrative staff personnel sometimes hold over managers who function in the direct operations of the organization. Staff support services like systems and procedures, manpower planning, research and development sometimes gain considerable power as a result of their expertise (real or imagined), control of resources, or ability to influence/manipulate the system; and,
- Referent - Referent power develops out of admiration of another and a desire to mimic or be like that person. It is usually identifiable with the resources or personal traits of one person that other people believe are desirable. If you admire someone to the point of

MANAGING CHANGE

modelling your behaviour after him/her, then that person possesses referent power over you. The 'stars' in every field - the successful and famous doctors, politicians and corporate executives - possess power within their organizations which extends beyond that given by the organization or developed out of expertise. They influence others as a result of being able to shape other's behaviour.

Power, however, is a two-way street, possessed by both managers and their subordinates. Similarly, there are external forces that may utilize any of the five bases of power in order to influence an organization from the outside (Example: Clients, unions, suppliers, levels of government). Depending upon an organization's reliance upon these external forces, they can affect internal decision-making either moderately or quite dramatically.

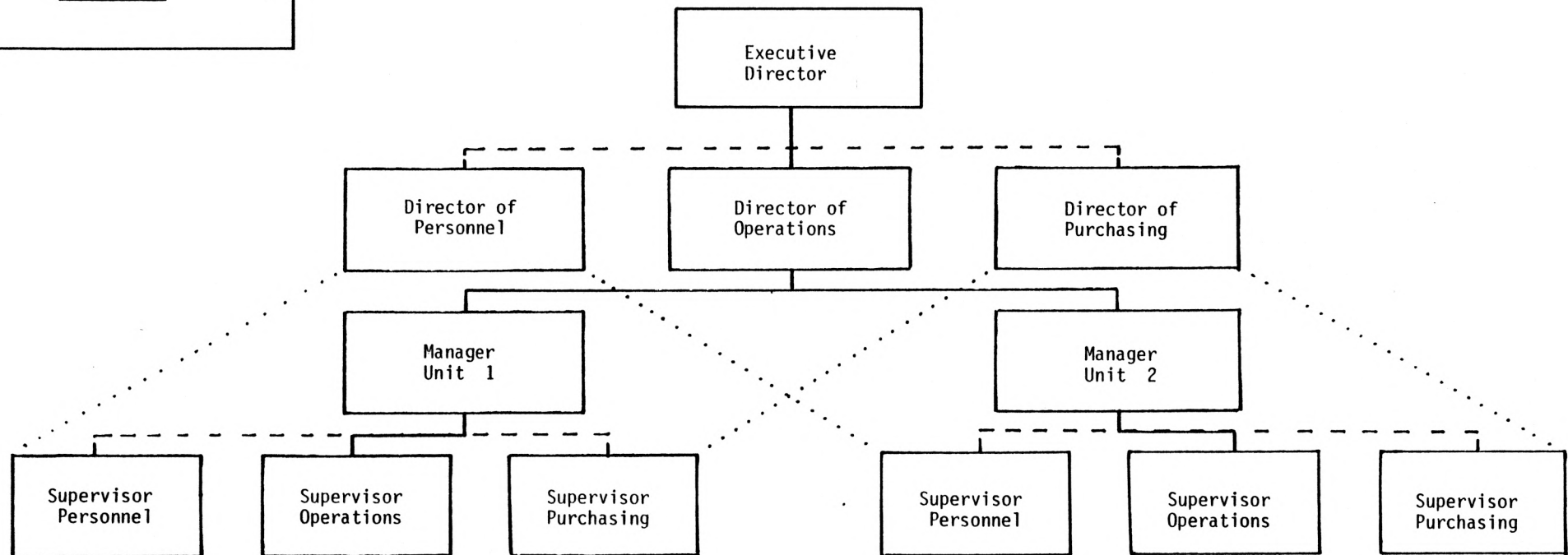
There are three basic authority relationships in all but the smallest organizations (as depicted in Figure 1):

- 6.4.1) Line Authority - Defined as having direct responsibility for accomplishing the objectives of an organization. The concept of line authority is not confusing. Basically it is the manager-subordinate authority relationship, in which we accept a manager's direct authority over a subordinate. The only constraint to defining line authority is that it must contribute to the direct achievement of organizational objectives;
- 6.4.2) Staff Authority - Supports the line in achieving the objectives of an organization. An advisory role. Supports the line by providing advice, services or evaluations. Exerts influence through the use of expert and referent power; and
- 6.4.3) Functional Authority - The authority that certain managers have over individuals or units outside of their own direct areas of command. Functional authority creates overlapping relationships and is therefore sometimes a cause of conflict. However, in large organizations, such authority usually increases efficiency because of specialization of skills and also improves co-ordination when those responsible for a particular activity have commensurate authority to ensure its attainment.

AN ORGANIZATION CHART DEPICTING AN EXAMPLE OF
LINE, STAFF AND FUNCTIONAL AUTHORITY RELATIONSHIPS

Chart Title - Titre de l'organigramme

FIGURE 1



— LINE
- - - STAFF
..... FUNCTIONAL

MANAGING CHANGE

6.5) The Integration of Structure and Authority

Authority and structure are tightly interwoven. The formal structure of an organization influences the formal authority relationships within it and vice versa. For example, line and staff authority relationships lead characteristically to a pyramid-shaped organizational structure. In contrast, heavy reliance on functional authority frequently leads to the formation of multiple-authority organizations composed of committees, project and matrix structures.

There is little need to summarize how line and staff authority creates a pyramid-shaped organizational structure. The practical application of concepts such as unity of command, departmentation, specialization, span of control, line-staff relationships and delegation results in the traditional pyramid shape. However, there may be some use in describing multiple authority structures.

- Committee Structures - When it is desired that a broad range of experience and backgrounds be brought to bear on a decision; when those who will be affected by a decision are allowed to be represented; or, when it is believed desirable to spread the workload, development of a committee structure may be quite valuable. Committees may be of a permanent or temporary nature. When permanent committees are established at the top level of an organization, they are referred to as forming a plural executive. Each member of a plural executive still retains certain lines of authority, but they work as a group on planning, and addressing long-range problems of a non-operating nature. There is evidence of an increase in this type of structure in complex organizations. Although there are advantages to this form of structure, it also has distinct disadvantages. When a number of executives are involved in a decision-making process, the cost of making those decisions is increased. Also, there is a risk that the decision will be compromised. Rather than have the best decision come forward, consensus may substitute a "safe" decision in place of one that might be in the best long-term interests of the organization. Finally, the problem of accountability also arises;
- Project Structures - A form of organization composed of temporary organizational units, each developed for the purpose of achieving a given objective. Once that objective is attained, the project unit disbands. This may take six months or even five to ten years. The project manager may select her/his staff from any and all parts of the present organization or may hire outsiders. A project structure can be desirable when an organization is confronted with a program that has specific time and performance standards, is critical to the organization, is unique or unfamiliar, and requires functions that are interdependent; and,

MANAGING CHANGE

- Matrix Structures - A more recent phenomenon and is used to describe the situation when a project framework is superimposed upon a basic functional hierarchy. The matrix, built upon the concept of functional authority, provides for the overlapping of authority. Members in a matrix organization have a dual assignment: to their project; and, to their functional department. It is a flexible and adaptive form of organization, which can achieve a series of objectives that use the knowledge and skills of participating specialists without relying on a one-way flow or a rigid functional allocation of authority. Matrix structures require a great deal of informal interaction and, since traditional managerial authority tends to be highly restricted, managers have to rely on expert and referent power to achieve objectives. Additionally, there are considerable opportunities for conflict. However, there are several advantages such as: faster response to client needs; flexibility; and, functional conflicts that often produce better balance among time/cost/performance factors.

6.6) Viability (or "what works?")

Cybernetics is the science of communication and control theory that is concerned especially with the comparative study of automatic control systems such as the nervous system and brain, and electro-mechanical communication systems. The term is also applied to the science of viable systems.

There are three cybernetic concepts that are useful to consider in the context of structural change:

- Requisite variety - Which postulates that any system which interacts with another system must have a degree of variety response capabilities equal to the variety of conditions in the system it interacts with;
- Stability functions - For a system to be viable, it must be effective in performing certain functions related to managing its own variety and applying this variety to creating effective external relations. In many systems, the adaptive planning function is a weak link, particularly in those organizations where it is most needed because of environmental complexity and uncertainty; and,
- Recursion - Which means that the stability functions of a system are the same as those of its subsystems. All functions must therefore be effective at all levels of an organization and all levels must have requisite variety.

MANAGING CHANGE

This proposal will have a multifaceted audience which includes:

- Indian people in B.C. at the level of:
 - * Individuals
 - * Bands
 - * Tribal Councils
 - * Institutions
 - * The Economic Development Task Group of the Pacific Planning Symposium
 - * The Pacific Planning Symposium itself
- Indian and Northern Affairs Canada at the level of:
 - * Senior management (in both B.C. and Ottawa)
 - * Management and other staff in B.C.

In fact, this audience itself is wrestling with the implications of "managing change" (see Appendix 3, for just one example), and therefore the proposal contained herein is but a part of a proposed and gradually emerging new direction. A new direction that is based, hopefully, on the concept of "what works" or, in the least, on what is most likely to work.

MANAGING CHANGE

7. EXISTING STRUCTURE AND ASSOCIATED PROBLEMS

Outlined hereunder are brief descriptions of the basic Regional and District organizational structures in the REED BRANCH and the major specific problems associated with these structures.

7.1) Regional

The present REED Branch in the British Columbia Region is structured around four (4) separate units each headed by a Unit Head reporting directly to the Director, REED Branch, who is a member of the Pacific Management Team and reports to the Director of Operations.

Several anomalies exist in the present situation, such as:

- the existing structure is not predicated on an ultimate move towards Indian self-government;
- the existing structure is not conducive towards the optimum delivery of existing programs. For instance, the entire Employment and Training area is understaffed and ill-equipped to provide the required quality and level of service;
- Resource Development Impacts (RDI), although funded out of the REED budget reposes administratively in the Public & Intergovernmental Relations (PIGR) Directorate;
- when functional authority is included, the Director's wide span of control does not allow for adequate emphasis on aspects such as planning, inter and extra-departmental interaction, and Regional policy which are an increasingly important part of management;
- the existing structure of the Advisory Services Unit is an anachronism which does not adequately address the emergence of and the need to support Indian sectoral institutions;
- staff at particular levels of classification (eg. CO-2) are being supervised by Unit Heads at identical levels of classification;
- the close relationships that should exist between Business Development and Employment Development could be better addressed through a tighter span of control; and,
- existing secretarial services could be rationalized through restructuring.

MANAGING CHANGE

7.2) District

The present structure in the Districts is mainly based on the central position of District Superintendent of Economic Development with support in most instances from a Business Services Officer (or Officers) as well as, in some instances, clerks. There are several exceptions as depicted in Figure 3.

The major problems from a structural standpoint are:

- a demonstrated lack of consistency in structure as well as in program delivery;
- an apparent lack of innovation in addressing possible emerging situations such as altering (or collapsing) District boundaries;
- possible understaffing in some Districts; and,
- probable overstaffing in some Districts.

The prevailing situation is judged mainly to be the result of a veritable revolving door in terms of the lack of continuity of incumbents at the level of Director of the REED Branch. The present incumbent is in fact the sixth (6th) Director to occupy the position within the space of approximately two (2) years.

This situation has led to a general lack of direction, manifested in the several problems described above. Furthermore, a major disappointment as far as the writer is concerned is the lack of movement (except in one District and to a certain extent in Regional Office) towards the recruitment and training of Native people to initially fill positions within the REED Branch in INAC, and subsequently transfer to Indian administrations when program transfer takes place.

B.C. REGION - ECONOMIC DEVELOPMENT BRANCH
EXISTING DESCRIPTIVE ORGANIZATION (REGIONAL OFFICE)

Chart Title -- Titre de l'organigramme

FIGURE 2

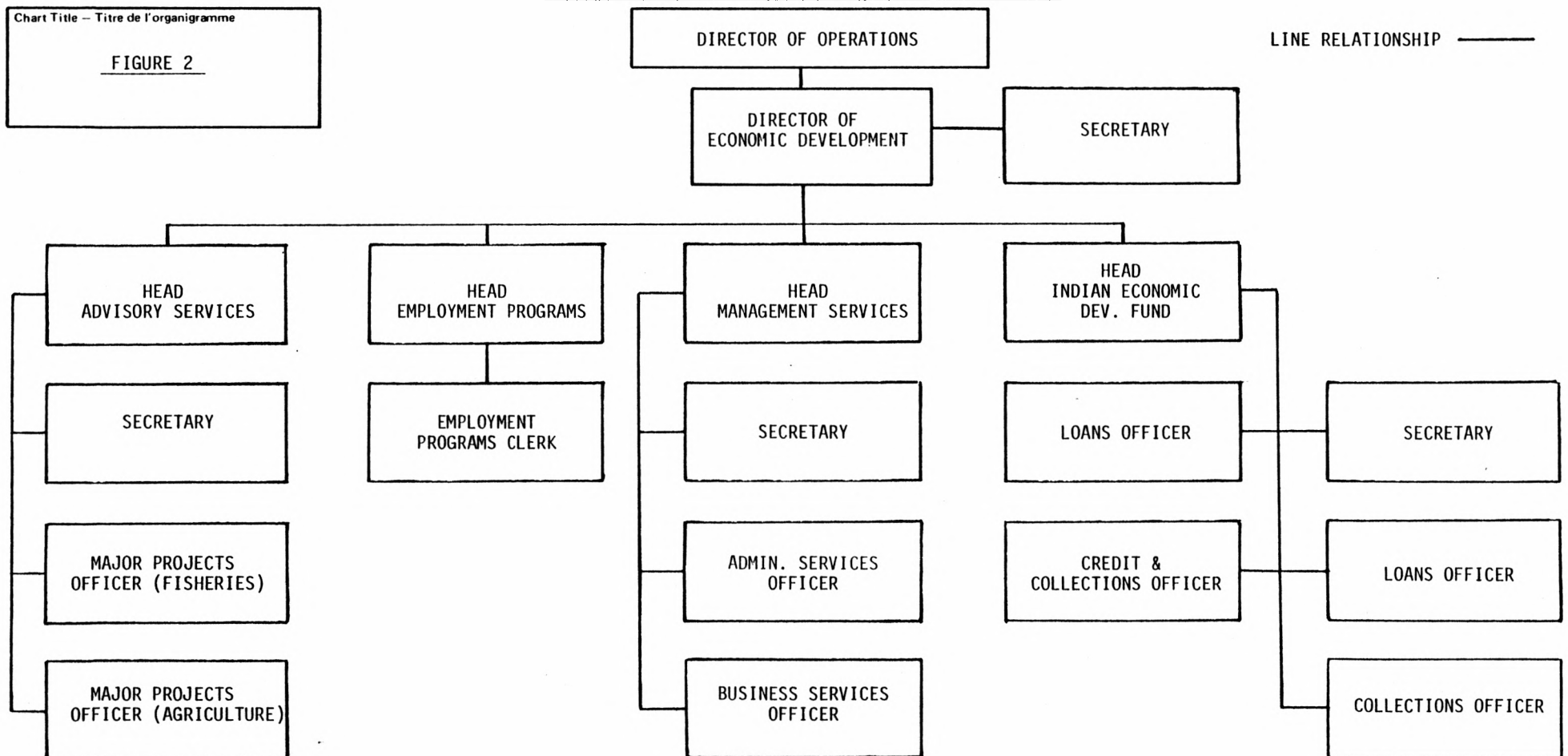
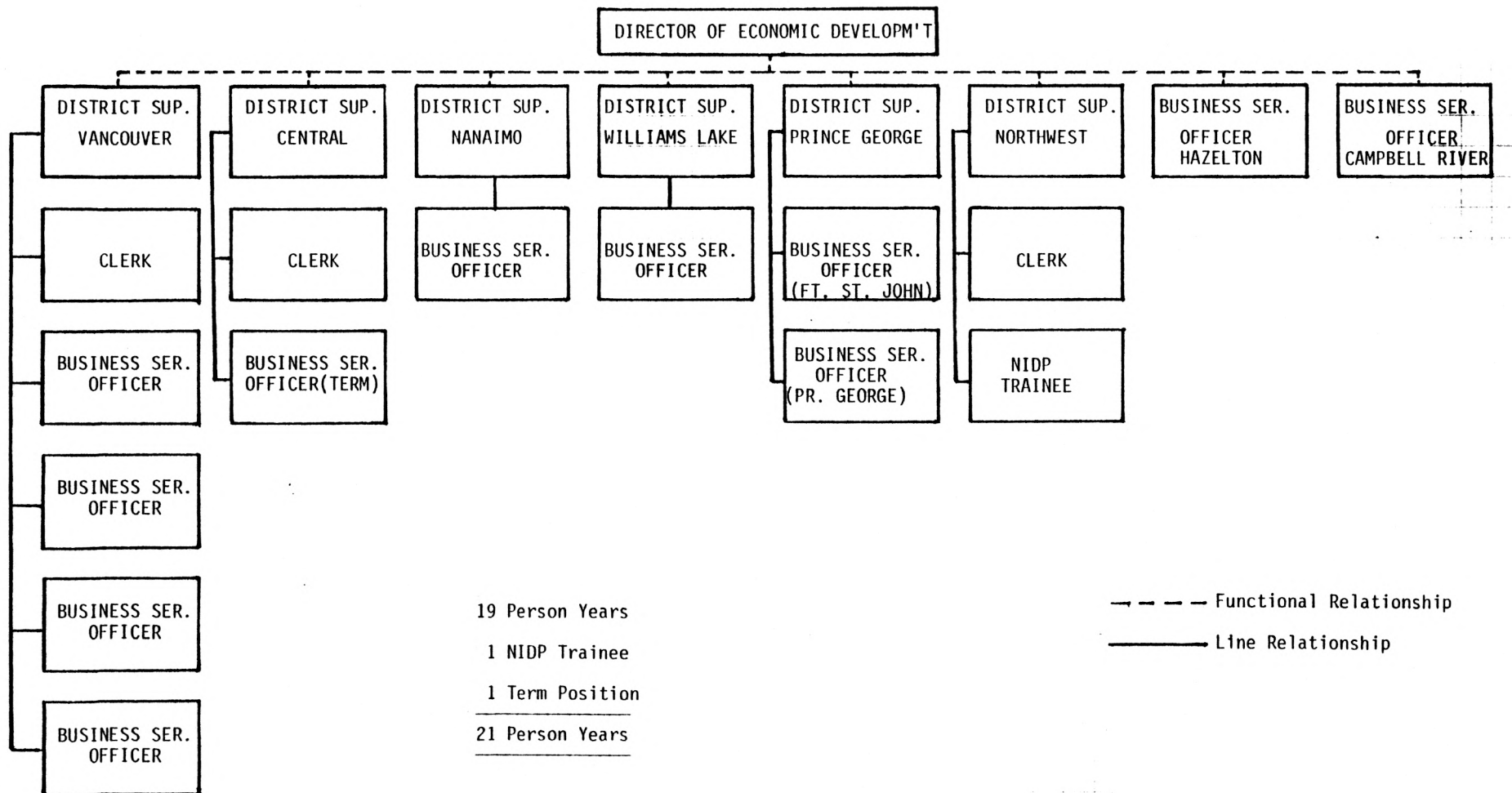


FIGURE 3

B.C. REGION - ECONOMIC DEVELOPMENT BRANCH
EXISTING DESCRIPTIVE ORGANIZATION (DISTRICT OFFICES)



MANAGING CHANGE

8. SOME ALTERNATIVES FOR STRUCTURAL CHANGE

Organizational change (including the structural change addressed herein) should be approached from a cybernetic rather than linear developmental context. In approaching change from such a standpoint, one has to address several general and specific factors that will bear on this proposal such as:

- Operations - Different Bands/individuals seek and require different services and levels of service;
- Structures - An adequate variety of structural relationships do not now appear to exist between INAC and Indian people. Neither does an adequate spectrum of structures appear to exist at the Indian community level to take over devolved programs. This concern over structures extends as well to the area of management at the community level. However, it must be noted that there are exceptions and also that concern over a lack of capacity (structural/managerial) cannot be allowed to be translated into bureaucratic foot-dragging over the pace of devolution. A key element to be considered in structural design is the idea of modularity, where unique features (even if subsumed in larger structures) retain a structural exclusivity which permits the addition or subtraction of staff without the necessity to either overhaul the main structure or create a major new division. This is merely a manifestation of the concept of project management, and the best example in INAC is the Indian Economic Development Fund (IEDF) Loan Improvement Process. Here, staff have been added to units for the purpose of 'cleaning up' a poorly performing area of activity (ie. collections). However, there is no need to retain all the additional staff once an acceptable equilibrium level of performance has been reached, combined with the implementation of required automated systems;
- Controls - It is difficult to achieve an adequate variety in the control function because of the desire to maintain efficiency standards and to be fair by being consistent. There are major areas of concern relative to the control function. These are: auditing/accountability controls which relate to accountability for the expenditure of public funds; and, personnel controls relative to personnel policy in a phasing out situation. Much more variation than presently available is needed in both these areas. In the area of auditing, for example, effectivity indicators may be more meaningful in the context of self-government than efficiency indicators. As regards personnel management, the traditional control-oriented approach to work-force management could be altered to a commitment strategy which assures employees of priority in training and

MANAGING CHANGE

retraining as old jobs are eliminated. However, commitment strategy is a two-way street and employees should also subscribe to client aspirations for self-government and demonstrably move in that direction;

- Devolution Processes - The pace of devolution and the alternative forms that devolution may take will vary regionally and by district. Region must therefore maintain the flexibility to adjust to such variations and in the structural context, this implies modular organizational structuring which will permit addition/subtraction of staff almost at will, depending on the situation at hand; and,
- Reformulation of the REED Branch - There is a comprehensive proposal being developed at the Ottawa level for reformulation of the REED program on a national basis with the stated objective of "supporting self-generating and self-reliant economic activity in Indian communities." Any B.C. proposal related to economic development must take this broad national thrust into account in restructuring its establishment, in order that we are fully able to cope with any restructured national program. A modular approach to Regional structure effectively addresses this concern.

Having considered the abovementioned factors, it is still necessary to also consider the sequential steps required in formulating a logical and practical organization structure. These steps are:

- Functional Analysis - Component operations or sub-responsibilities should be grouped under each major function so that the overall arrangement affords a clear view of the activity - anatomy of the portion of the organization under study;
- Functional Charting - The analysis of the operations or components of each function and their disposition, should be strongly conditioned by:
 - Analysis Yardsticks:
 - * Eliminate?
 - * Combine?
 - * Rearrange?
 - * Synthesize?
 - * Simplify? and,
 - The Evaluation Yardstick:
 - * Contribution to the organization's objectives.

MANAGING CHANGE

The 'new' organization which emerges must then meet sound management criteria; and,

- Structural Charting - Which is the end result of careful study and the application of practical experience. The completed organization chart must reflect a dynamic, effective structure.

Sound organization planning calls for two conditions to be satisfied in any organization structure. These are:

- an ability to meet long-range objectives; and,
- an ability to meet present (ie. short-range) requirements.

The medium-term (ie. 2 to 5 years) can be adequately addressed by ensuring the modular nature of the structure. This will permit adjustment as required.

After due consideration of the abovementioned factors, the following are possible alternatives:

- 8.1) Do Nothing: This will clearly not be acceptable either to the Indian people or INAC. On the one hand, the status quo does not address the need to move in the direction of self-government, and on the other, it is woefully inadequate to meet the needs of present day-to-day operations;
- 8.2) Get Out of Business Immediately: (ie. Close down REED Branch) There may be some attraction in this approach to those Bands/Tribal Councils who can 'go it alone'. However, such groups are in the minority. Prudence, federal responsibility and majority client interests will not be served by implementing this option;
- 8.3) Transfer the Program to Another Federal Department : This will not solve the problem, only confuse the issue. In fact, since no other Federal Department has an exclusive mandate to serve status Indian people, there could be a dilution of benefits to status Indian people by any move to a Department that is mandated to serve a larger or more diverse population;
- 8.4) Alter Structure in Order to Stay in Business on an Indefinite Basis: There may be some attraction in this approach to those bureaucrats who are only concerned with their own jobs and not the long-term interests of their clients. Implementation of this alternative is quite simple since it will entail only a relatively minor tinkering with present structure, without a need to address such concepts as modular structuring. This alternative will not be acceptable to Indian people and should not be acceptable within INAC; and,

MANAGING CHANGE

- 8.5) Alter Structure to Effectively and Efficiently Deliver Present Programs and Move in a Planned, Phased Manner Towards Transferring these Programs to Indian People: This approach should be acceptable to both Indian clients as well as INAC since it best serves the short and long-term objectives of all interests concerned. Implementation will entail retention of flexibility through modular structuring, and a plan for phasing out, including a phased reduction of staff. In that context, it will breed some insecurity among staff as well as clients. On the one hand, some staff will worry about future opportunities, while some clients will worry about severing an 'umbilical cord' that has been in existence, in one form or another, for decades. Progress, however, entails some pain and this is very definitely the preferred and recommended alternative from the point of view of the writer.

In recommending alternative 8.5 (above), one has to consider several aspects related to required external (ie. outside INAC) structures, the stages of program transfer, its pace, and the implications of program transfer. These aspects are addressed in the following section.

MANAGING CHANGE

9. RECOMMENDED REVISED STRUCTURE AND ITS IMPLICATIONS

Having selected alternative 8.5 (from Section 8 herein) the question arises as to how the recommended structure is to be implemented. The method utilized is to outline a base year organization structure for both Regional and District offices, briefly describe the positions that constitute the structure, and also outline the other related aspects that will impact upon proceeding to devolution from the base year. If the recommended structure is approved, the next step is to prepare job descriptions, have them approved and proceed with staffing the base year structure from within the present REED organization in B.C.

9.1) Base Year Structure - Regional Office:

The recommended base year organization structure is as outlined in Figure 4.

As can be seen from the organization chart, the classic structural concepts have all been utilized, along with concepts of integration. For example, all units are modular in design; spans of control are tight to permit, for example, the Director to engage in key broader extra-organization activities (liaison with banks, private sector, Indian groups) by freeing that position of some line and functional width; a matrix structure is evident in the area of administrative services, etc.

A brief description of some significant aspects of the various positions on the chart are as follows:

- Director Present duties. No change. More emphasis on areas such as planning, policy, intra and extra-departmental interface, tighter span of control;
- Secretary No change from present;
- Manager, Business & Employment Development
New position. Allows for greater integration at an operational level of employment development and business development;
- Head, Business Services
No change from present. Unit is structured on a modular basis and staff reductions have taken place within unit to reflect efficiencies that either are, or should be, a result of the Loan Improvement Process; the proposed transfer of program components to Indian organizations; and, the impending use of automated procedures;

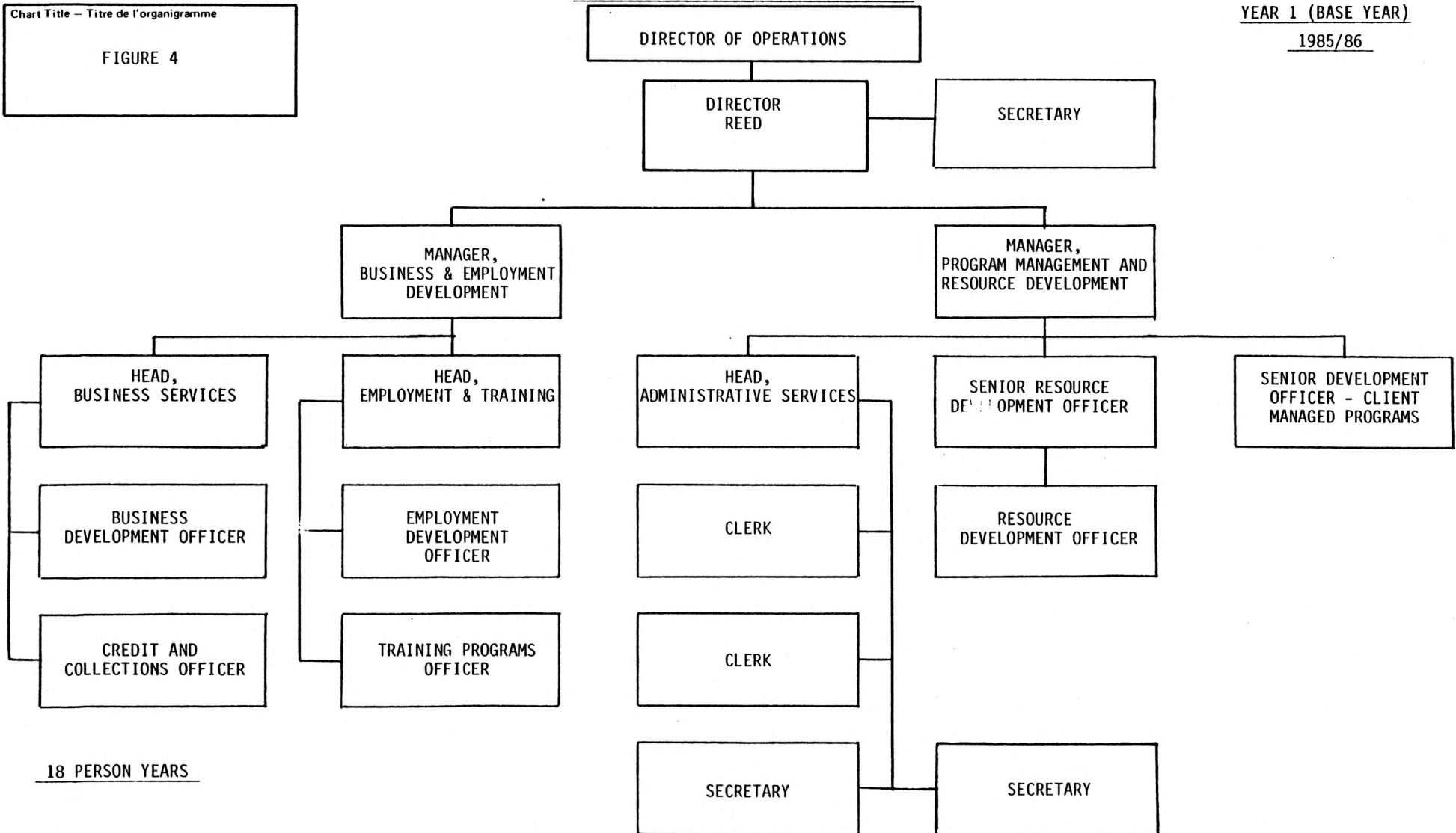
RECOMMENDED ORGANIZATION STRUCTURE

REED BRANCH - B.C. REGIONAL OFFICE

YEAR 1 (BASE YEAR)
1985/86

Chart Title - Titre de l'organigramme

FIGURE 4



18 PERSON YEARS

MANAGING CHANGE

- Business Development Officer
No change from present;
- Credit & Collections Officer
No change from present;
- Head, Employment & Training
An enhanced position in a newly constituted unit which will handle both employment development and training for employability;
- Employment Development Officer
New position to handle employment development programs;
- Training Programs Officer
New position to handle all training programs;
- Manager, Program Management & Resource Development
New position. Allows for an integration of program administrative activities in a matrix mode which will enhance effectivity and enable future person year savings. Will also establish a unique responsibility for relationships with Indian institutions and return to REED program the responsibility for RDI activities. Will enable a connection between RDI and Economic and Employment Development and establish a focal point for routine Branch planning activities.
- Head, Administrative Services
New position which will ensure effective administrative management within the program and will be an example of the practice of matrix management where required. For instance, the co-ordination and standardization within the Branch of responses to 'dockets' (ie. Ministerial inquiries);
- Clerk
● Clerk
New positions with integrated functions which will permit interchangeability. Will provide all program clerical services including those for IEDF and Employment and Training;
- Secretary
● Secretary
No essential change but located differently in the organization and having integrated functions to enable interchangeability;

*Is RDI not
a team activity?*

MANAGING CHANGE

- Senior Resource Development Officer
New position with responsibility for RDI and renewable and non-renewable resource development, primarily where Indian institutions are not involved on a sectoral basis;
- Resource Development Officer
New position to assist and share duties with the Senior Resource Development Officer;
- ✶ ● Senior Development Officer (Client Managed Program)
New position to interface with Indian institutions and assist in institutional development.

In summary, the Regional Office will require a total of eighteen (18) person years of which two (2) will be utilized by the senior management position of Program Director and the Director's secretary; seven (7) will be utilized by the Business and Employment Development Unit; and nine (9) will be utilized by the Program Management and Resource Development Unit.

The Business and Employment Development Unit will have the responsibility for delivering the following services:

- The Business Services Section
 - reviewing and analyzing all applications for direct loans and loan guarantees and processing them through the Regional Loan Board;
 - establishing and maintaining all security documentation required in connection with these loans;
 - on-going administration of the current loan portfolio, including all collection activities for delinquent accounts, with the exception of new fisheries and agricultural loans for which the responsibility for management is proposed to be transferred to the Native Brotherhood of B.C., and Western Indian Agricultural Corporation, respectively;
 - managing all non-repayable business development assistance in concert with District staff;
 - providing development support to projects directly or in concert with District staff as appropriate.
- The Employment and Training Section
 - administration of all Job Creation programs such as Indian Summer Canada, INAC Employment Initiatives, Work Opportunities, etc.;

MANAGING CHANGE

- administration of all Employment Training programs such as Occupational Skills Training, Training-on-the-Job, Placement and Mobility, etc.;
- co-ordination and administration of all new employment and training programs from INAC or other government programs such as those provided through CEIC.

*Plans to be revised
will
exist in
end.*

The Program Management and Resource Development Unit will have the responsibility for administering and delivering the following services:

- The Administrative Services Section will provide all administrative support services for the REED Branch, including:
 - administration related to all financial, human, and physical resources such as budget and person-year analysis, allocations, etc.;
 - co-ordination and monitoring of Work Plans;
 - co-ordination and overall responsibility for drafting of Operational Plans;
 - co-ordination of input, drafting of, and on-going review of the Program Human Resource Utilization Plans;
 - co-ordination and overall responsibility for on-going Program Activity reviews at District Offices;
 - establishment and maintenance of the Program Management Information System;
 - establishment and maintenance of a client data base system.
- The Resource Development Section
 - development, and financial assistance for new sectoral programs;
 - development, and financial assistance for the establishment of new Indian economic institutions;
 - development and financial support for Resource Development Impacts activities;
 - development and financial support for major resource development projects.

MANAGING CHANGE

- The Client Managed Programs Section
- on-going development support to currently established institutions;
- development support to newly established institutions.

9.2) Base Year Structure - District Offices:

The recommended base year organization structure is as outlined in Figure 5.

As can be seen from the organization chart, the main concepts utilized are modularity and consistent departmentation, with clear divisions of labour to overcome an administrative problem common in some Districts that lack clerical support in the area of Economic Development.

A brief description of some significant aspects of the various positions on the chart are as follows:

- District Superintendent
Present duties. No major change;
- Business Services Officers
Present duties. No major change. A common Job Description will be developed for all District Superintendents and Business Services Officers, with the major differences being ones related to number of clients and some specific sectoral variations pertaining to specific Districts;
- Clerk
Present duties. No major change. Common Job Description to be developed for all Districts;
- National Indigenous Development Program (NIDP) Trainee
Two (2) year training positions for Native recruits, for targetted CO-02 or CO-01 positions within INAC. The ultimate objective, however, being the transfer of such staff to Tribal Councils once devolution is accomplished.

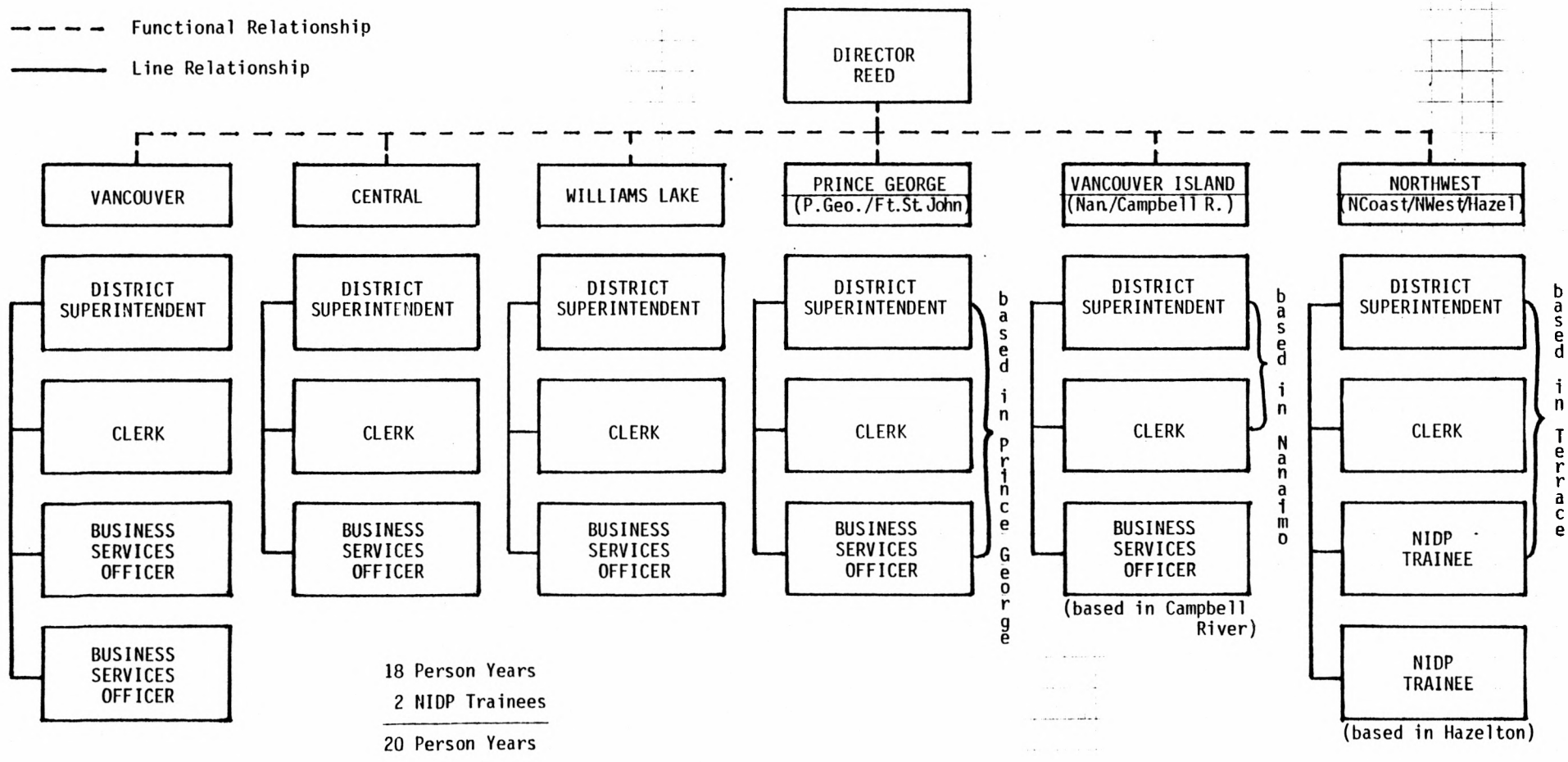
perhaps we could apply to some of the over

In summary, the Districts will require a total of twenty (20) person years distributed as per the organization chart (Figure 5). Districts will basically deliver the full spectrum of Business and Employment Development programs as described in 9.1 (above), albeit with a District focus, as well as provide for their own Administrative Services. Districts will not, however, usually provide major Resource Development or Client Managed Program support. On-reserve client populations within the suggested restructured 'Districts' are as depicted in Table 1.

FIGURE 5

RECOMMENDED ORGANIZATION STRUCTURE
 REED BRANCH - B.C. REGION - DISTRICT OFFICES

YEAR 1 (BASE YEAR)
 1985/86



MANAGING CHANGE

TABLE 1

PERCENTAGE OF ON-RESERVE POPULATION IN DISTRICT CONFIGURATIONS

RECOMMENDED IN FIGURE 5

VANCOUVER	21.99%
CENTRAL	13.19%
WILLIAMS LAKE	8.62%
PRINCE GEORGE	11.54%
VANCOUVER ISLAND	20.89%
NORTHWEST	<u>23.77%</u>
TOTAL	<u>100.00%</u>

NOTE: Weighted On-Reserve Population for B.C. Region
based on information prepared for Community
Infrastructure Capital Allocations 1985/86.

MANAGING CHANGE

The implications of the recommended revised structure are manifold, the major ones being as follows.

9.3) General Implications:

There will be:

- A requirement to shift the emphasis from one of providing support to individual project development, to one of providing a greater level of support to those Indian organizations that will be delivering services currently delivered by INAC;
- An increasing demand for the establishment of new Indian controlled institutions and organizations which will be capable of absorbing the responsibility for delivering Resource Development programs in areas such as fisheries, trapping, aquaculture, mariculture and tourism;
- A need to facilitate and strengthen inter-governmental and inter-departmental co-operation as well as to establish and maintain linkages between the Indian people and the private sector;
- A need to facilitate capacity building at the community level and to ensure a greater level of Indian input into the management of existing components within the overall REED Branch; and,
- A need to have high quality, selective program delivery as opposed to high quantity and low to average quality. This means that emphasis will have to be placed on improving managerial skills at the middle level and enhancing skills at the more junior levels, through provision of training intended to upgrade present skills and also provide staff with marketable skills as the move towards phase-out of the Program gains momentum in subsequent years.

9.4) Specific Implications:

- 9.4.1) Regional Office - The present total number of eighteen (18) person years will be maintained in Year 1 (Base Year). However, the recommended organization structure is considerably different from that existing at present and as a result, existing staff will have the opportunity of competing for new jobs within the Branch, if the revised structure is approved. The levels (ie. classifications) of these new jobs cannot however be precisely predicted until job descriptions are prepared and the positions classified. This, however, can only take place subsequent to approval by higher management;

MANAGING CHANGE

9.4.2) District Offices - There is a minor change in the total number of person years (from 21 to 20) to be maintained overall in Year 1 (Base Year), in comparison with Fiscal Year 1984/85. However, the recommended organization structure is considerably different from that presently existing. In particular, District boundaries have been collapsed in Nanaimo/Campbell River, Prince George/Fort St. John and North Coast/Northwest/Hazelton, to reflect the following factors:

- The Nuu-Chah-Nulth Tribal Council (comprising 13 Bands) needs minimal support (if at all);
- The District Superintendent and Business Services Officer in Nanaimo District have both acted in other positions for considerable periods of time with no real or perceived ill effects on the REED Branch - a clear indication that a reduction in staff is possible;
- North Coast Tribal Council has taken over serving their member Bands and gradual service reduction should be possible;
- An NIDP trainee has been hired for the Northwest District, thus easing the load on the District Superintendent;
- A similar NIDP position should be created in Hazelton in place of the present Business Services Officer position;
- In Prince George/Fort St. John, it is believed that the recommended complement of staff can carry out their duties effectively and efficiently, given the existence of Tribal Councils and a complexity that, in terms of size and access factors, is easier to manage than the recommended Northwest configuration; and,
- Clerical support has been recommended for all offices thus standardizing the establishment and also providing for much needed clerical services.

Another significant factor in the proposal is the reduction in total CO-01 positions from eleven (11) to seven (7), excluding the NIDP positions. This does not mean a recommendation to get rid of CO-01s overnight. However, it does mean that no new CO-01s can be brought in from outside when vacancies arise through attrition. Redundant positions will have to be phased out in an orderly manner over a period of two (2) years, and no CO-01s

MANAGING CHANGE

presently in term positions can have those terms extended. This should be the case until the levels come down to what is recommended.

Which brings us to the final major recommendation for change, the reduction of CO-01 personnel in Vancouver District. This writer knows of no justifiable reason for the presence of any more than two (2) CO-01s in Vancouver District, and if a reason exists, would indeed like to know what it is. Furthermore, the majority of the Bands in the Vancouver District are 'Urban', with resulting implications in terms of relative ease of access, sophistication in developmental terms, etc. In fact, even in terms of population, the revised Northwest 'District' configuration as depicted in Table 1 shows that the Vancouver District has a somewhat smaller population than the Northwest. The argument that Vancouver District has more individual communities to serve, is in this context, quite frankly a 'red herring'. Especially when one considers that most allocation formulae in the Canadian context are, in the final analysis, based on the number of people and not the number of communities.

Having said that, it is also the firm belief of this writer that there are several parties who should have input into any decision on accepting/rejecting this proposal. These are especially:

- Senior regional management;
- District Managers (in consultation with their District Superintendents of Economic Development); and,
- Indian people through various levels of representation such as Bands/Tribal Councils/Indian Institutions/The Economic Development Task Group/The Pacific Planning Symposium.

Therefore, any decision on downsizing of District Economic Development offices should not be made without full consultation and consensus from the abovementioned.

MANAGING CHANGE

10. A NOTIONAL TIME-TABLE FOR PHASING OUT

Once a desired base year structure has been put in place, the question of phasing out is reduced to a function of time - time itself being a function of receptivity (ie. the desire and ability of Indian communities to take over economic development programs, which would in turn dictate the time-table for phasing out). Therefore, the time-table suggested hereunder is purely notional and depends very much on what Indian people want to do in terms of taking control of the REED Branch in B.C. Region.

In this context, one has to also consider sub-regional variations and local needs, whereby the transfer time-table for each District could very well vary with other Districts. The Indian people in each District/Tribal Council area will therefore define how slowly or quickly they will take control of the REED Branch. Of major importance in this context is the establishment and success of community-baseds structure additional to Bands. Examples are: Tribal Councils, sectoral institutions and Indian controlled financial institutions. How such structures will evolve would indeed be interesting since we may very well witness groupings based not only on factors such as sector or geography, but on traditional language and cultural affiliations.

In addition, there is the reality of government or 'system' restrictions which will tend to slow the process of transfer. The best example of this factor pertains to the area of 'authorities'. Current financial and program authority restrictions will have to be amended or supplemented through legislation, in order to enable the transfer of some economic assistance programs to Indian people and/or Indian controlled organizations. If that is not done, downsizing cannot be effective. Although much can be accomplished in terms of transfer through the 'Third Stream' process now underway, much remains to be accomplished through legislation in order to enable on-going progress in the direction of Indian control. Any time-table for transfer therefore depends on the required authority changes taking place in an expedient manner.

The following is a suggested time-table for a phased transfer of control of the REED Branch in B.C. Region:

- Year 1 or Base Year:
As addressed in Section 9 herein (page 24);
- Year 2 or Base Year plus 1:
No change in organization structure from Base Year. This will enable the program to stabilize and prepare for future change;
- Year 3 or Base Year plus 2:
The following reductions in staff are recommended at the beginning of this year:

MANAGING CHANGE

- Regional Office: Two (2) person-years, one of which will be a Business Development Officer and the other the Resource Development Officer. In both cases, this would reflect an anticipated increase in the assumption of responsibilities by Indian organizations/institutions;
- District Offices: Five (5) person-years, one of which will be the District Superintendent (Central), with any residual REED Branch management in Central District being subsumed by Vancouver District (ie. a collapsing of District boundaries). Two (2) other positions in Central District will therefore also be redundant (ie. Business Services Officer and Clerk). Two NIDP trainee positions will revert to Indian organizations (ie. Tribal Councils) in the Northwest, on completion of the respective training periods. As for the reductions in Regional Office, these reductions are based on the assumption of responsibilities by Indian organizations/ institutions.

During the third quarter of Year 3, a review should be undertaken and completed, which would determine how the phasing-out process had proceeded up to that point in time. The review should include recommendations on appropriate further action as follows:

- Proceed as planned; or,
- Slow down process, with no change in staff, but change in time frame - which should be specified; or,
- Halt process, with no change in staff; or,
- Halt process and add staff - which should be specified.

Assuming that the review is positive and the recommendation at the end of Year 3 is to proceed as planned;

- Year 4 or Base Year plus 3;
The following reductions in staff are recommended at the beginning of this year:

- Regional Office: Three (3) person-years. These positions will be those of Employment Development Officer (with the position of Training Programs Officer consequently converted to Employment and Training Officer); one of the secretarial positions; and, the position of Senior Development Officer - Client Managed Programs. In all of these cases, the redundancies are based on the assumption of responsibilities by Indian organizations/institutions;

MANAGING CHANGE

- District Offices: Five (5) person-years. These positions will all be those of Business Services Officers. Here again the reductions are based on the assumption of responsibilities by Indian organizations/institutions.

During the third quarter of Year 4 a review should be undertaken and completed, similar to that envisaged for Year 3. This review would again determine how the phasing out process was proceeding and assuming that the review was positive, the process would proceed as follows;

- Year 5 or Base Year plus 4:
The following reductions in staff are recommended at the beginning of this year:

- Regional Office: Nil. No change from Year 4.
- District Offices: Ten (10) person-years. In other words, all Resource, Economic and Employment Development positions in District Offices will cease to exist, on the basis of assumption of those responsibilities by Indian organizations/institutions.

During the third quarter of Year 5 a review should be undertaken and completed, similar to that envisaged for Year 4. This review would again determine how the phasing out process was proceeding and assuming that the review was positive, the process would proceed as follows;

- Year 6 or Base Year plus 5:
The following reductions in staff are recommended at the beginning of this year:

- Regional Office: Four (4) person-years. These positions will be Director, REED Branch; Manager, Program Management & Resource Development; Senior Resource Development Officer; and one clerical position. Of the remaining positions, the position of Manager, Business & Employment Development will be redesignated (but not upgraded) to the position of Manager, Resource, Economic & Employment Development. Once again, the basis of these reductions will be the assumption of responsibilities by Indian organizations/institutions.

During the third quarter of Year 6, a final review should be undertaken and completed, similar to that envisaged for Year 5. This

MANAGING CHANGE

review would again determine how the phasing out process had proceeded and assuming that the review was positive, the final step in the phase out would be accomplished as follows at the beginning of;

- Year 7 or Base Year plus 6:
The position of Head, Business Services, and the positions of Credit & Collections Officer would be transferred to the Regional Finance & Administrative Branch for the purpose of administering any residual of the IEDF. All other positions in the REED Branch in B.C. Region would cease to exist and the Branch would be closed down. It may be thought advisable to retain one (1) position of an Economic Development Advisor either in the B.C. Regional Office (attached either to Public & Intergovernmental Relations or to Planning, Review & Management Support) or at our Ottawa desk (attached to REED Branch, NHQ) to address financial resources. However, this topic should be addressed during the final review and an appropriate recommendation made therein. A summary of the time-table for phasing out is depicted in Table 2 (herein).

MANAGING CHANGE

TABLE 2

A NOTIONAL TIMETABLE FOR PHASING OUT

YEAR	LOCATION	PERSON-YEARS		CUMULATIVE PERSON-YEARS
		RETAINED	REDUNDANT	REDUCTION
Base	Region	18	--	--
Year	Districts	20	1	1
(Year 1)	Total	38	1	1
(Year 2)	Region	18	--	--
	Districts	20	--	1
	Total	38	--	1
(Year 3)	Region	16	2	2
	Districts	15	5	6
	Total	31	7	8
(Year 4)	Region	13	3	5
	Districts	10	5	11
	Total	23	8	16
(Year 5)	Region	13	--	5
	Districts	--	10	21
	Total	13	10	26
(Year 6)	Region	9	4	9
	Districts	--	--	21
	Total	9	4	30
(Year 7)	Region	2*	7	16
	Districts	--	--	21
	Total	2	7	37

* NOTE: These two (2) PY's will probably be transferred to Finance and Administration.

MANAGING CHANGE

11. CONCLUSION AND RECOMMENDATIONS

Strategic planning poses three basic questions:

- Where are we?
- Where do we want to go?
- How do we get there?

This paper provides some answers to these questions from a perspective that is based on the fundamental principle that eventual Indian self-government is where we want to go. Given that guiding principle, and the knowledge that we are quite some distance away from that objective in terms of where we are now, what is set out herein is an approach to achieving the objective of transferring control of the REED Branch in B.C. Region to Indian people.

In amplifying the discussion on where we are now, one has to only recall the anomalies described in Section 6 of this paper to realize that the prevailing organization structure is neither conducive to moving towards self-government nor indeed, on a more basic level, to managing present programs whether or not self-government was an objective. The situation nevertheless is not that difficult to correct, given the will to develop and implement a plan for change.

All successful organizations exist because they have a valid reason for doing so. This reason is embodied in the mission statement of the organization, and be it private or public sector, the employees of an organization must believe in the mission statements if the organization is to achieve its mission, which may be of a one-time only or on-going nature. In the private sector, mission statements are usually built around the theme of the answer to the question "What is the purpose of our business?", which in most successful cases is answered in terms that revolve around the concept of "the purpose of our business is the creation of a customer." For example, IBM's mission statement of "excellence in everything we do", is a clear acknowledgement of a customer oriented strategy.

In non-profit, service oriented government departments however, "the creation of a customer" is a poor basis of mission, except for those bureaucrats who want to protect their jobs at any cost to the public. On the contrary, in government, given the need to work in the best interests of the public and thereby move in the direction of 'downsizing' or 'privatizing', the converse is generally true. In other words, departments such as INAC should be moving in the direction of divestiture of its 'customers'.

This does not mean a 'cut and run' policy, or a move towards shirking long-standing obligations handed down, for example, via the Treaties. It does mean, however, that the objective of moving towards Indian self-government is a

MANAGING CHANGE

profoundly appropriate and logical statement of mission, and given the statements of the Minister, there is no doubt that this indeed is an intrinsic part of INAC's mission. With regard to whether employees were either enrolled or not in the formulation of that direction, one has to answer by stating that no INAC employee who is working in the best interests of her/his client group can possibly disagree with Indian self-government as a desirable objective.

The questions of where we want to go, or what our mission statement is, have therefore been answered. What remains to be done is to define how we can get there in an orderly and successful manner. The answer to that question, in terms of the structural change required to facilitate movement in the desired direction is addressed in this paper to the following effect:

It is possible to move in a tangible manner towards the goal of Indian self-government; and, in doing so to improve and then maintain the effectivity, efficiency, economy, accountability and quality of services provided, while in the process of transferring such services to Indian control. In order to achieve these objectives, it is recommended that:

- INAC B.C. Region and the Economic Development Task Group of the Pacific Planning Symposium adopt the proposal made in this paper for an orderly, phased transfer of the REED Branch in B.C. Region to Indian people over a period of years to be agreed upon by Indian people, but not to be in less than six (6) years, in order that the change be manageable;
- Implementation of this proposal be contingent upon its adoption by the full Pacific Planning Symposium;
- Upon adoption, immediate steps be taken to implement the proposal, commencing with the writing of job descriptions and staffing of Regional and District offices as per organization structures specified herein;
- Upon adoption, immediate steps be taken towards training and re-training existing REED Branch staff, in order to fulfill organizational as well as personal career requirements arising as a consequence of phase out;
- Staff in REED Branch B.C. Region be given priority status in any hiring that takes place within the Federal Government in B.C.;
- No position in REED Branch B.C. Region (either Regional or District Offices) be staffed on a continuing full time (CFT) basis after a clear decision on commencement of phasing out has been taken;

MANAGING CHANGE

- REED Branch (NHQ - Ottawa) continue to take steps to facilitate an amendment of program authorities to permit divestiture of REED programs to Indian control. This should include amendments to accountability criteria that will permit effectivity oriented accountability standards as opposed to efficiency oriented standards;
- A study be commissioned under the auspices of the Economic Development Task Group of the Pacific Planning Symposium to determine the long term implications of an INAC phase out from delivering REED programs, and the structure that will be required to be in place in the Indian community to accommodate such a phase out. The funding for such a study to be identified for transfer to the Pacific Planning Symposium from the REED budget B.C. Region;
- Immediate steps be taken where possible to facilitate an exchange of personnel and information at the operational level between REED staff and the staff of Indian organizations/institutions, in order to ease the transition from departmental control to Indian control; and,
- Communities be encouraged to foster the increase of Indian students enrolling in Commerce oriented education in order to provide for future staffing requirements at the community level.

Adoption of the above-mentioned recommendations will begin a process that will lead to Indian people gaining control over economic development programs and their funding. It will also permit Indian governments to have the freedom to choose the types of organizational structures that best suit their developmental needs and, enable a great deal of innovative thinking and action at the community level.

One final point that needs to be mentioned in closing is the factor of potential cost savings to the Federal Government from the phase out proposed herein. A costs figure has deliberately been ignored, since it is the writer's view that no cost saving should accrue to the government from phasing out. Instead, it should be recognized that Indian communities will incur costs in taking over phased out programs. Therefore, all cost savings should be passed on to the Indian people through such arrangements as 'block funding'.

MANAGING CHANGE

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MANAGING CHANGE

APPENDIX 1

Some Correspondence On The Clarification
Of
The Nature Of The Devolution Process
In
The Indian & Inuit Affairs Program

Indian and Northern Affairs Canada
Affaires Indiennes et du Nord Canada

Deputy Minister Sous-ministre

Ottawa, Canada
K1A 0M4

CHRONO
ORIGINATOR
FLOATER
ADM'S DIARY FILE
DM'S DIARY FILE
DM'S OFFICE
DEPT'L SEC.
W. RUDNICKI
RUTH

March 7, 1985

Mr. J.L. Manion
Secretary of the Treasury Board
Place Bell Canada
160 Elgin Street,
Ottawa, Ontario
K1A 0R5

Dear Mr. Manion:

As agreed in our recent discussion, this letter is intended to clarify the nature of the devolution process in the Indian and Inuit Affairs Program.

For the past 15 to 20 years, the Indian and Inuit Affairs Program has been pursuing a practice known as "devolution", characterized by the transfer of administrative responsibility to Indian Bands and Tribal Councils for the delivery of authorized, local services. Such transfer of responsibility has had the natural effect of reducing the Department's requirements for person-years to directly administer the services transferred, while the requirement for Vote 15 contribution dollars has been found to be at least as much (often higher) as the Vote 5 O & M dollars (inclusive of salaries) previously required.

Unfortunately, there has never been a clear, common understanding of the nature of the process or of its resource implications. In this regard, there are four fundamental elements which characterize the devolution process. These are summarized below and elaborated in Appendix A:

. . . /2

- a) transfers are ultimately a function of Band decision-making, not the Department's;
- b) each potential transfer (or transfer reversal) is unique and must be dealt with on its own merits;
- c) devolution is a highly volatile and dynamic process, rendering forecasts of its incidence and implications quite unreliable; and
- d) devolution practices clearly cost more.

Therefore, the Department proposes to manage the devolution process as follows:

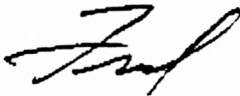
- a) Departmental management will exercise transfer and transfer reversal decisions in accordance with the Devolution Criteria in Appendix A. Should incremental resources be required to effect a particular transfer, these will normally be sought from and confirmed with Treasury Board prior to the transfer being finalized.
- b) The Department will continue to track actual transfers and transfer reversals as they occur, and record the resulting person-year and dollar implications (i.e. accrued savings and/or justified increments) in a centrally maintained ledger along with all relevant explanation/justification. For example, substantiation will be recorded for the retention of transfer-related person-years, salary dollars and O & M costs resulting from diseconomies of scale and/or staff role changes, as well as for incremental costs associated with program upgrading, all of which are described in Appendix A.
- c) The Department will report to Treasury Board, through the annual Multi-Year Operational Plan and Fall Update submissions (Appendix B elaborates):
 - forecasts of future transfers and their potential resourcing impacts over the planning period, for information purposes only (i.e. these forecasts should not be used for resource base adjustments); and,

- all transfer and transfer reversals which have occurred in the preceding period and their resourcing impacts, together with the substantiation for retention/addition of certain transfer-related person-years, salary dollars, O & M dollars, and negotiated program upgrading. In most cases, the corresponding resource base adjustments will have already been confirmed through Treasury Board Submission and Supplementary Estimates.

As you are aware, the Minister and the Department are exploring ways to expedite the transfer process and assess the implications of these transfers for both Indian Government and the Department. Until decisions are taken (probably this Spring) I suggest we defer formal Board approval of the process while trying to gain some experience in working with it.

The program Branch is reviewing a Departmental submission concerning the April 1, 1985 transfer to Indian Administration of seven federal schools and two federal student residences. The submission has been developed in accordance with the principals of process described in this letter and give us an excellent opportunity to test them.

Sincerely,



Fred R. Drummie
Associate Deputy Minister

Attachment

Appendix AIndian and Inuit Affairs ProgramElements of the Devolution Process

There are four fundamental elements which characterize the devolution process:

- a) Transfers are a function of Band decision-making, not the Department's. It is the responsibility of Departmental managers to provide the opportunity, means and support by which devolution can take place, and to negotiate the terms and conditions of each transfer agreement but not to unduly influence a transfer to take place beyond the express desires of the Band Council. Transfer reversals, on the other hand, can be a function of either Band decision-making (ie. "give back") or Departmental decision-making (ie. "take back").
- b) Each potential transfer or transfer reversal must be dealt with on its own merits. There are a number of factors which are normally taken into consideration, or, conversely, deciding to re-assume Departmental administration. (ie. "take back"). These are elaborated at Annex A to this Appendix.
- c) Devolution is a highly volatile and dynamic process. Although it is certainly possible, and undoubtedly worthwhile, to project the future incidence of transfers and estimate their potential resourcing impacts, certainty concerning a particular transfer exists only when the transfer agreement is actually signed and the Band begins to administer the Program. To effect adjustments to the Department's resource base (person-years and/or dollars) purely on the basis of transfer projections would be premature and unwarranted -- such adjustments should only be effected when a transfer actually occurs and is reported.

d) Devolution costs more (MIP Project 6.1 identified 20-30% more) yet the incremental costs vary with each transfer and cannot be generalized.

- (i) Vote 5 person-year and related dollar "savings" which accrue from the devolution process are not necessarily on a "one for one" basis -- that is, they do not necessarily equate to the total person-years and dollars formerly expended by the Department in directly delivering that program to the Band concerned. The fact is, the total Vote 15 funds contributed to the recipient, by way of transfer agreement, must provide for all necessary costs to enable the recipient to deliver the program in an effective manner. Such costs include the direct program expenditures (for example, social assistance payments to individuals), costs currently borne by other Departments (e.g. Office accommodation provided by Public Works), one-time "start-up" costs, as well as the ongoing costs associated with program management such as salaries and travel costs for staff to deliver and manage the program. In addition, suitable adjustments must be made to the essential administrative support provided through the Band Support, Tribal Council and Band Employee Benefit funding mechanisms.

However, having ensured that Vote 15 transfers are adequate and realistic, the Department must retain sufficient Vote 5 person-years and operating and salary dollars to enable it to manage the funding process and, where necessary, provide professional assistance to Band staff on technical matters. Only those current Departmental expenditures of both dollars and person-years which can clearly be identified as no longer necessary can be considered as offsets to the cost of program devolution.

- (11) In most cases a Band does not wish simply to assume a "packaged" program from the Department without being able to shape it somewhat to its own priorities and needs. Accordingly, a Band may wish to include an element of program upgrading, which it considers essential to meeting the program's objectives, as a condition related to the transfer. For example, the addition of a school librarian, where no such position formerly existed, but which is fully within Departmental policy authority, might well be considered by the potential recipients as vital to the success of their education program. It is fair to say that such small additional costs often become a critical element of the transfer negotiation process, and as such facilitate the devolution process, ultimately contributing to the success of programs transferred. For Departmental management to have no bargaining leverage in this regard, could severely jeopardize the total transfer negotiation process.

Annex A to
Appendix A

Indian and Inuit Affairs Program

Devolution Criteria

I. Factors Considered Prior to Devolving a Program to a Band or Tribal Council

Potential transfers of programs to local administration are evaluated on their own merits by the Regional office concerned in terms of:

A. Bands

1. The nature and size of the program being considered for transfer.
2. The Band's desire, as expressed by Band Council Resolution, to assume responsibility for program delivery and their willingness to comply with specific terms and conditions (to be specified in the resulting contribution agreement).
3. The perceived capacity of the Band to adequately manage/administer the program on behalf of its members as evidenced by:
 - a) a demonstrated awareness and understanding by the Band Council of the implications of local responsibility (particularly when no programs have previously been transferred);
 - b) a demonstrated capacity of the Band to manage and administer contribution funds associated with program responsibilities already transferred, as evidenced by audit statements and program reviews.

B. Tribal Councils

1. The nature and size of the program being considered for transfer.
2. The existence of a clear mandate from each member Band Council authorizing the Tribal Council to deliver the program or service on behalf of each Band.
3. Consistency with the existing policy on Tribal Council funding.
4. The perceived or demonstrated capacity of the Tribal Council to adequately manage/administer the program on behalf of its member Bands.

II. Basis for "Taking-Back" Programs from Local Administration

It should be noted that "take-back" (or "transfer reversal") is considered to be a last resort. Prior to such action the Department usually attempts less drastic, rehabilitative measures including:

- directly assisting the Band to improve its management practices by correcting specific deficiencies;
- providing resources to the Band to enable it to employ a management consultant or similar professional to assist in rectifying problems;
- arranging with the Band Council to employ a professional manager to act as the sole spending authority of the Band for a period of time;
- assisting the Band Council to implement recovery plans and adjust spending patterns to reduce deficits.

"Take-back" normally results from serious deficiencies in the management practices of the Band which might be characterized by one or more of the following:

- large financial deficits incurred;
- abuse in the expenditure of funds;
- services not being delivered to agreed upon standard;
- apparent inability of the Band Council to make responsible decisions.

Once a program has been taken back, the Department's efforts are concentrated on assisting the Band Council, by whatever means possible, to correct the cause of the problem and make possible a gradual return of responsibility initially under stringent conditions.

Appendix B

Indian and Inuit Affairs ProgramManagement of the Devolution ProcessProposed Reporting Mechanisms to Treasury Board.1. MYOP Addendum

- Forty-eight month national, informational forecast by planning element including:
 - a. anticipated incidence of transfers and transfer reversals by year;
 - b. resource base (person-years and dollars) for the services potentially being transferred (or taken back);
 - c. anticipated resource implications (e.g. person-year "savings"; total transfer-related dollar shifts from Vote 5/10 to Vote 15);
 - d. explanation and justification where the resource implications (c. above) differ from the corresponding resource base (b. above) by reason of:
 - required person-year (and related dollar) retentions associated with diseconomies of scale and/or Departmental role changes
 - dollar resource increments associated with "start-up" costs, costs currently borne by other Departments, adjustments to Band Support Formula or Band Employee Benefit funding, and/or negotiated (anticipated) program upgrading.
- This forecast will be compiled based on specific region-by-region information capturing, modified to take into account national realities and trends.

2. Fall Update/Main Estimates Addendum

- Twelve month (month 6 to 18) nation, informational forecast for the upcoming fiscal year, which updates, for that year, the informational forecast provided in the previous MYOP.

3. Supplementary Estimates

- Report of actual transfers and transfer reversals as they have occurred, together with natural and/or negotiated resource implications, for purposes of seeking resource base adjustments.

April 25th, 1985

Your file Votre référence

Director of Education

Our file Notre référence

" " Reserves & Trusts
 " " Band Support & Capital Management
 " " Economic Development
 " " Social Development
 " " Engineering & Architecture

E1001-1

Re: Residual Departmental Responsibilities

In the Department's discussions with various Indian groups regarding the numerous processes of devolution, it has become apparent that we have not accurately enunciated those programs and functions that are not transferable and must remain within the government's domain.

Treasury Board Minute 725973 dated May 13, 1974, lists the following functions and programs for which the Department must retain responsibility and administration because of statutory or other considerations.

Policing (Option 3b)	Estate Administration
Legal Aid	Indian Economic Development Fund ✓
{ Off-Reserve and On-Reserve	<u>Economic Incentives</u> ✓
{ Housing with CMHC Financing	{ Federal-Provincial Agreements with
<u>Sectorial Economic Programs</u> ✓	{ respect to Resource Development ✓
Land Registry	{ Band Election Appeals under
Land Surveys	{ section 74
Land Acquisition & Sales	Band Capital Funds
{ Federal-Provincial Agreements	Treaties and Annuities
{ with respect to Lands	Claims
Legal Services relating to Lands	Legislation

In addition to these programs and responsibilities I am of the opinion that certain management/administration functions will remain as residual responsibilities despite the fact that we may have transferred to Indian control every program and responsibility we are authorized to transfer. In this category some consideration should be given to the following elements:

Resource Justification
 Accountability to Parliament, Central Agencies & Headquarters
 Receiving audits from recipients
 Funding Allocations
 Contribution terms and conditions
 - cheque requisition
 - sections 25, 26, & 27 of the F.A.A.

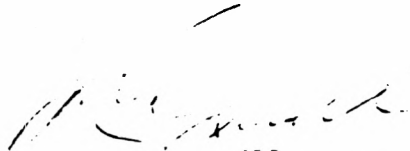
Monitoring and Evaluating
Policy initiating and development
- regulations
Responsibility for corrective action
Staff and staffing
Departmental organization and structure

This list is not intended to be exhaustive and I would ask that you give considerable thought with respect to your program area, those functions and responsibilities that you consider either non-transferrable or residual in nature.

I would also ask that you review the list of non-transferrable items contained in T.B. Minute 725973 to ensure that this list has not been altered or amended as a result of policy changes or Treasury Board decisions.

To facilitate this process I have asked Messrs. Rennie, Frizell and Brothen to coordinate your inputs and to prepare a final report. In this regard they will be contacting you within the next couple of days to arrange mutually acceptable times to discuss this issue with you. I have asked that this task be completed by May 17th, 1985, and I expect that interviews will take place during the week of May 6, 1985.

Thank you in advance for your cooperation in this regard.


L.M. Savill
Regional Director of Operations
B.C. Region.

cc: R. Frizell
J. Rennie
R. Brothen

MANAGING CHANGE

APPENDIX 2

"Indian Block Funding The Concept "



Your file Votre référence

Our file Notre référence

June 12, 1985

E1165-P3

Pacific Management Team
British Columbia Region

RE: Indian Block Funding

Attached for your information, is the most recent (May 29, 1985)
paper on "Indian Block Funding The Concept"

for

Doreen Mullins
Director, Band Support and
Capital Management
British Columbia Region
Vancouver, B.C. V6Z 2J3

Attach

INDIAN BLOCK FUNDING

THE CONCEPT

NOTE: THIS PAPER OUTLINES THE MAIN FEATURES OF THE INDIAN BLOCK FUNDING CONCEPT.

THE PAPER IS INTENDED TO COMMUNICATE TO THE MANY INTERESTED PARTIES, THE GENERAL NATURE OF THE ARRANGEMENTS BEING CONTEMPLATED.

READERS ARE CAUTIONED THAT:

- THE PROPOSAL IS STILL IN THE DEVELOPMENTAL STAGE, AND WILL REQUIRE REVIEW BY INDIAN LEADERS, DIAND MANAGEMENT, AND APPROVAL BY THE MINISTER OF INDIAN AFFAIRS AND NORTHERN DEVELOPMENT, BY CENTRAL AGENCIES OF GOVERNMENT, AND BY TREASURY BOARD OR CABINET. THIS PROCESS COULD AFFECT THE FINAL RESULT CONSIDERABLY.
- SIMILARLY, DETAILS OF THE NEW ARRANGEMENTS ARE TO BE DEVELOPED THROUGH FURTHER DISCUSSIONS AND DURING THE INITIAL IMPLEMENTATION STAGE. THIS PROCESS TOO, MAY RESULT IN CHANGES TO THE CONCEPT.

May 29, 1985

INDIAN BLOCK FUNDING

I. PURPOSE

The purpose of this paper is to describe, in a brief form, the concept and basic intent underlying the development of Indian Block Funding.

II. INTRODUCTION

For many years, Indian leaders have sought a relationship with the federal government and with citizens of Canada in which:

- the authority of Indian communities to control their own affairs would be recognized; and
- fiscal arrangements would be established based upon recognized Indian rights and a sharing of the national income.

During the 1970's and early 1980's, the federal government has pursued a policy of re-establishing Indian control over the affairs of Indian communities. Until recently, this process consisted largely of transferring the responsibility for administering government programs and services for Indians. While this process has made the delivery of program services more responsive to community needs and has helped to develop administrative and management skills in Indian communities, it has provided very limited real authority and flexibility in managing these services.

Under the present arrangement, Band Councils must administer programs in accordance with federal program requirements, and are quite restricted in the degree to which funds provided for one purpose may be transferred to another use in response to emerging needs and priorities. Because funds must be used in accordance with federal government requirements, Band Councils have become directly responsible and accountable to the funding department for the way in which funds are used and only to a lesser degree to their own people.

The Report of the Special Committee on Indian Self-Government in Canada (the Penner Report) was highly critical of present funding processes. It noted the following observations of Coopers and Lybrand's study into funding arrangements:

"Funding mechanisms are the key to reducing administrative and accountability burdens."

"We recognize that the departmental position reflects appropriate concern for obtaining value for public monies expended, as well as a fear that Indian bands are not ready for full self-government. Nevertheless, our findings suggest that present administrative and accountability processes, despite their great costs, are not succeeding in preventing the very things that the Department is worrying about."

The Special Committee recommended that:

"Self-government requires that Indian First Nation governments be free to make policies and to set their own priorities. To ensure that they exercise such powers responsibly and that the people in turn are protected against wrongful use of these powers, these governments must also be accountable to those people."

The Penner Report recommended that in order to establish Indian Government, action should be taken in three areas:

- Constitutional amendments, to entrench the right of Indian peoples to self-government in the Constitution of Canada;
- Indian Self-Government legislation to recognize First Nations and to establish the legal framework for their operation; and
- Any changes of policy that are possible under existing laws and that would enhance self-government and that are acceptable to designated representatives of Indian First Nations (should) be taken without waiting for the enactment of new legislation.

The present initiative to develop and put in place block funding is part of the third category of actions described by Penner (now often referred to as the Third Stream).

This initiative is not a substitute for legislative action to establish Indian Self-Government. The development of one or, more likely, several pieces of self-government legislation and of the financing arrangements which would apply under such legislation, are not a part of this initiative and will proceed separately. Similarly, this initiative is not a part of, or a substitute for any Indian Government rights which may be acquired through comprehensive claims settlement.

Indian government legislation would provide for a much greater degree of financial authority than is possible with any block funding arrangement under present legislation. Block funding is

a significant step in the right direction. However, many Bands will likely wish to make the change to Indian self-government in two steps; the block funding arrangement being the first, and Indian self-government legislation being the second. It must be noted, however, that block funding is optional and is not a required step on the way to self-government legislation.

III. INDIAN BLOCK FUNDING - THE CONCEPT

A. BASIC OBJECTIVES AND PRINCIPLES

The objective of introducing Indian Block Funding is to create a relationship between Indian Bands and the Minister of Indian Affairs and Northern Development in which the primary accountability of Indian leaders is to their own community, and in which Bands have greatly expanded authority to establish program policies and to apply funds in accordance with community priorities.

B. MAIN FEATURES

The main features of the block funding concept are:

- Accountability of Band Councils;
- Accountability of the Minister to Parliament;
- Indian Design of Programs;
- Transferability of Funds;
- Multi-year Funding.

1. Accountability of Band Councils

Chief and Council should be primarily accountable to Band members for their leadership, sound management of Band affairs, and effective delivery of program services. As noted in greater detail under item C1 below, Councils entering block funding would be required to have in place procedures for accountability to their own community. The Band council will have complete responsibility for running community operations and the community must ensure that the necessary checks and balances on the management of their affairs continue to operate.

The reporting requirements and procedures through which the Councils are accountable to the Minister would be clarified, greatly reduced and simplified.

2. Accountability of Minister to Parliament

The Minister's accountability to Parliament for the prudent use of departmental funds would remain. However, with block funding, the method of discharging his responsibilities will change, as much more direct authority will be exercised by Indian communities who will assume the associated responsibility. The Minister will, however, be responsible for ensuring that Bands have the necessary management skills and have an appropriate community accountability process in place at the time of their entry into Block funding.

As a result, there will be no involvement by the Minister (or Department) in the day to day community operations. He will receive a copy of Bands' audited annual financial statements, which should be expanded to include some operational information. He may step in to take remedial action in situations where agreement terms are not being met.

3. Community Designed Programs

Indian communities should have wide scope to replace the present uniform national programs with community designed programs which meet minimum acceptable standards.

4. Transferability of Funds

Bands should have flexibility to allocate funds in accordance with their community priorities.

In keeping with the intent of Parliament in voting capital funds, and in order to protect the capital funding base, capital funds should be used only for the construction or purchase of capital assets in the broad areas of housing, infrastructure and education. However, Bands should have much more authority and flexibility in managing capital funds. This would be achieved by establishing a stream of "Block Capital Funding", for housing, small and medium infrastructure, and minor education projects. Community councils would have broad flexibility in managing these funds.

Major infrastructure and education projects that are non-recurring and tend to be too large to finance out of the above "Block Capital Fund" would be financed on a project basis similar to present practice. The existing criteria would be applied to determine which projects could be managed by the recipient.

5. Multi-Year Funding

It should be possible for Indian communities to enter into multi-year funding agreements. Agreements for up to 5 years are envisaged.

To assist a recipient in planning and management, provisions should be established enabling communities to retain unexpended balances for future use.

The method of making annual adjustments for cost increases and volume of service should be established as clearly and firmly as possible.

Mechanisms should be established whereby community councils can accelerate the construction of capital projects to be funded in future years by borrowing, both with and without Ministerial guarantee, against multi-year funding agreements.

C. OPERATIONAL ITEMS

1. Entry Process

Bands will decide if and when they wish to apply for entry into Block Funding. The Minister (or delegate) will approve applications from communities which can show:

- a) That they have a set of procedures for publication of annual program budgets and audited annual reports;
- b) Evidence that they are capable of effectively managing funds and programs. This includes having in place recognized procedures for the management of finances, personnel, capital and other program services and appropriate appeal procedures.

The department will endeavour to assist Bands in their preparation for Block Funding.

2. Acceptable Program Standards

The new arrangement will greatly expand the scope for Bands to manage their own affairs, including identifying their program standards. However, Band designed programs should meet acceptable standards. The need for such requirements arises primarily out of the Minister's obligations under the Treaties and the Indian Act. Ideally, program standards should be defined in such a way that they call for standards or administrative practices which each Band would wish to establish in any

event. Their identification will define levels of service which if not met, may warrant a call by the Minister for corrective action to be taken.

The following are examples:

In-school education: Provide educational services which are consistent with prevailing norms and standards.

Maintenance of capital facilities: Establish procedures to ensure protection of the life of capital assets and adherence to generally accepted standards of health, safety and fire-protection.

University and Professional Education assistance: Formally define eligibility criteria and rates and make such information publicly available.

3. Information Requirements

Reporting requirements are to be sharply reduced. It is intended that insofar as possible, such information as is necessary should be provided to community members and to the Department by means of the Band's audited annual report. This report would be expanded from its present status as essentially a financial report to an annual report of broader scope, including broad statements of program information and results.

4. System for Resourcing the Department and Allocating Funds to Bands

The introduction of block funding is not intended, in itself, to change the amount of funding provided to Bands. Nor is it intended that Bands funded under the new arrangement should receive a higher or lower level of funding than those continuing under the present (old) arrangement.

On the other hand, it is extremely important that the method for resourcing the Department and allocating funds to Bands is one which will make it possible to justify changes in funding levels where appropriate. Therefore, there will be a need for accurate data to determine the level of funding to the Band; and information will have to be provided regarding the results achieved (such as capital projects actually built, and their cost) through the use of the funding provided. For this reason, a simple "per capita" system covering all program areas is not recommended (although a per capita system or a modified per capita system may be suitable for some program areas).

Instead, the total amount of funding to be provided to each Band should be calculated on the basis of the programs for which the Band is taking responsibility, using formulas or "unit costs" for each program area wherever these are applicable. The formulas should be based on a specified level of service and should take into the account differences in cost from one area to another.

For the first year or two of the new arrangement, funding allocations will likely be very similar to those in previous years. During this period, present methods of justifying and allocating funds should be reviewed with the objective of simplifying and improving them where possible.

5. Impact on the Department

The impact on the Department though impossible to predict will be significant. It is however possible to indicate that positions related directly to programs (e.g. teachers, etc.) will no longer be required as bands assume responsibility for the delivery of such programs. Those funds will need to be converted to contributions to meet program costs. It is estimated that of the remaining person years the need to retain or release any positions will be dictated by the number of bands entering block funding and by their location. When better indications of such involvement are available, a detailed report will be prepared.

6. Funding to Tribal Councils and Other Indian Organizations

Tribal Councils and other Indian organizations which have a mandate from Bands and which have established a process for accountability to Bands, would be eligible for funding in the same manner as Bands. However, such organizations would also be subject to other policy provisions, which presently exist or may be established, dealing specifically with funding to Tribal Councils and other Indian organizations.

D. EVALUATION

An evaluation of block funding should be carried out after a reasonable timeframe (2-3 years).

IV THE NEXT STEP

It is intended to determine what changes in authorities, policies and management processes are necessary to implement the above concept, and to seek approval of such changes.

NEW INDIAN FUNDING ARRANGEMENT

REVISED AUTHORITIES REQUIRED

<u>GENERAL</u>	<u>FOR WHICH BANDS?</u>	
	<u>BLOCK FUNDED ONLY</u>	<u>ALL</u>
1. Approval in principle of the new funding arrangement.	X	
<u>ESTIMATES, FINANCIAL, ACCOUNTABILITY AND RELATED ISSUES</u>		
2. Establishment of a new Planning Element in Estimates.	X	
3. Terms and conditions governing the new class of transfer payment, including:		
a) cash flow arrangements,	X	
b) processes for Band Council accountability to Band members,	X	
c) processes for exercising Band accountability to the Minister and Ministerial accountability to Parliament,	X	?
d) eligibility criteria and "entry" processes,	X	
e) corrective actions to be taken in the event of non-compliance by Bands with the terms of the funding arrangement,	X	

.../2

		FOR WHICH BANDS?	
		<u>BLOCK FUNDED ONLY</u>	<u>ALL</u>
f) the revision of departmental authority for signing funding arrangements. Full authority will be requested.			?
g) scope of Band audits, including provisions for broadening scope to include certain management and program information.		X	?
4. Provisions, if any such specific authority is required, to enable Bands to borrow against multi-year agreements, <u>without</u> Ministerial guarantee. This relates to the need for exemption from the normal requirement that funds must be spent by the recipient in the year they are provided by government.			X
5. Provisions to permit Ministerial guarantee of Band "front-end financing" of capital projects, such as schools, which are scheduled for funding in future years.			X
6. Approval of the use of specified "price" adjustment factors for annual adjustments in funding to Bands.		?	X
7. Approval in principle to re-apply savings from DIAND salary and administrative cost reductions to the improvement of programs for Indians.		X	
8. Approval of modification in the Band Support Funding formula to increase funding for Band audit costs to cover increased audit scope. First requirement will be in 1986/87. Can be covered by "savings" (see item 7) if only for those Bands under new arrangement.		X	?

FOR WHICH BANDS?

BLOCK
FUNDED
ONLY

ALL

9. Approval, as may be required,
for provisions necessary to
establish the Panel which is to
apply the Entry Process.

X

PROGRAM SPECIFIC PROVISIONS

- CAPITAL PROGRAMS

10. Provisions to establish a "Band
Managed Capital" stream, including
all housing, small and medium-sized
infrastructure and minor education
capital works. Within this stream,
projects under a given size
(proposed at \$500,000) to be
approved by the Band Council, and
funds are to be transferred in
instalments (not progress payments).

(For larger projects, present
project-oriented approval procedures
and progress payment funding
processes would remain.)

X

11. Elimination or simplification of
the bi-annual capital plan update
to Treasury Board.

X

12. Removal of the obligation to meet
specific annual unit targets for
housing (2400 new, 3000 renovations);
and affirmation of authority to
authorize Bands to apply to house
renovations the same dollar
funding limit per unit as applies to
new housing units in a given locality.

X

13. Removal of the limit on capital
contributions for the construction
of Band offices (now \$20,000) and
Community Centres (now \$100,000).

X

.../4

FOR WHICH BANDS?

BLOCK
FUNDED
ONLY

ALL

14. Transfer of housing "O&M" funds for inspections and Band housing administration to "Capital", to permit such funds to be made a part of the "Band Managed Capital" stream under the new arrangement, and of the housing subsidy for Bands under the "old" arrangement.
15. Authority for the Department to "role-over" capital funds, up to a specified limit (10% of the capital budget) to the following fiscal year in order to ensure that Band and departmental capital plans can be kept intact even when some projects experience delays.

X

X

OTHER PROGRAM-SPECIFIC CONSIDERATIONS

16. Authority to fund Bands for the purpose of implementing Band designed programs which adhere to specified Minimum Program Requirements (where applicable), but which are not required to adhere to those departmental program standards, criteria, etc. which would apply if the Department were administering the program.
17. Approval of a mechanism whereby Bands may be funded on a "fixed-budget" basis for programs such as social assistance and education which are now funded on a "unit" basis.

X

X

.../5

FOR WHICH BANDS?

BLOCK
FUNDED
ONLY

ALL

18. Approval of changes to the Department's Social Assistance Program authority to permit Bands to transfer a recipient's S.A. entitlement to a wider range of development-related activities such as employment and training.
19. Approval in principle for the simplification of departmental resourcing "data-bases", notably for the Education activity. Such simplification is to be designed to take place without requiring increases in funding.
20. Approval in principle for the Department to develop a proposal for the consolidation of groups of services where the Department considers that such consolidations are suitable for resourcing purposes, and would be a more appropriate basis for funding to Bands.
21. Approval in principle for the Department to develop a "data-base" system which would need to be updated with "actual" data only one year in three. For intervening years, interim adjustments would be made by formula. This would make possible multi-year funding arrangements, using "data-bases", but only requiring the recalculation of the data-base every third year for any given Band.

Such a system would take approximately six months to design.

X

? X

X

X

March 5, 1985

MANAGING CHANGE

Extract From
"New Relationships"

A

Proposal For New B.C. Specific Funding Authority

RESOURCE, ECONOMIC AND EMPLOYMENT DEVELOPMENT

SERVICES AND RELEVANT AUTHORITIES, INCLUDING CHANGES REQUIRED TO AUTHORITIES IN ORDER TO ACHIEVE THE THIRD STREAM INITIATIVES OBJECTIVE OF ENABLING THE TRANSFER OF FUNDS FROM ONE SERVICE AREA TO ANOTHER, FOR THE PURPOSE OF PROVIDING FLEXIBILITY IN THE ADDRESSING OF COMMUNITY NEEDS.

SERVICE	DESCRIPTION	MIP SERVICE CODE	PRIMARY AUTHORITY	NEW AUTHORITY &/OR CHANGES REQUIRED	CHANCES OF SECURING CHANGE
1) Resource Development Impacts - General Advice and Assistance - 76 -	<p>Provides funds to acquire information and technical advice for Bands, Inuit Settlement Councils and Associations on Environmental and Socio-Economic impacts of resource development on or off reserve or settlement and encourage their efforts to mitigate the negative, and access the positive impacts, ie: employment, business opportunities etc. Includes coordinating Federal/Provincial and Industrial/Private Sectors' recognition and response to these impacts.</p> <p><u>ELIGIBILITY:</u></p> <p>Any Indian or Inuit Band or Tribal Council, District Council, Inuit Settlement, Community Corporation, organization and association impacted or subject to impact through resource development.</p>	S-047	TBM 779530	Authority to transfer funding for purposes other than in the Service description.	Difficult. The entire rationale for provision of funding is based on dealing with the impact/s of economic development.
2) Resource Development Impacts - Organization And Planning Support.	<p>Provides funds to eligible recipients for the initiation and/or the continuation of planning and organizational support to effectively cope with the socio-economic and environmental impacts of resource development projects on reserves, settlements or adjacent areas.</p> <p><u>ELIGIBILITY:</u></p> <p>Any Indian or Inuit Band or Tribal Council, Inuit Settlement Council, Community Corporation,</p>	S-348	TBM 779530	As for 1 (above)	As for 1 (above)

SERVICE	DESCRIPTION	MIP SERVICE CODE	PRIMARY AUTHORITY	NEW AUTHORITY &/OR CHANGE/S REQUIRED	CHANCES OF SECURING CHANGE
	(ELIGIBILITY: Continued)				
	organization, institution and association may request this service if resource development is occurring or about to occur in their geographic area.				
77 3) Business Development - Business Equity Financing	Provides equity financing for plant, equipment and other capital needs to commercially viable enterprises engaged in the primary, secondary and tertiary business sectors which benefit Indian or Inuit people. ELIGIBILITY: Any individual or viable business enterprise both on or off reserve, whose business activities may contribute to the economic development of Indians or Inuit.	S-299	TBM 720131 and TBM 763729	Authority to transfer funding for purposes other than in the service description. Removal of requirement for INAC project analysis. To be replaced by requirement for community to analyse project/s through an appropriate mechanism set up for that purpose. Basically, funding will have to be provided for community development rather than anything else.	Should be possible. Allocation will pose problems and appropriate formulae will have to be developed, as well as indicators for post-allocation evaluation.
4) Business Development - Guaranteed Loan (Farm Credit Corporation)	Provides loan guarantees to Farm Credit Corporation (F.C.C.) when F.C.C. has extended financing for on-reserve and settlement farming by Indians. ELIGIBILITY: Indian individual, Band or Tribal Council, farm association, institution and partnership who make application to the F.C.C. to engage in or continue farming operations on reserves.	S-335	TBM 776929 and TBM 785035	Authority to provide guarantees for one purpose and then use the funding thus obtained from F.C.C. for another purpose.	This is clearly impossible.

SERVICE	DESCRIPTION	MIP SERVICE CODE	PRIMARY AUTHORITY	NEW AUTHORITY &/OR CHANGE/S REQUIRED	CHANCES OF SECURING CHANGE
5) Business Development - Guaranteed Loan (Institutions)	<p>Provides loan guarantees to Chartered Banks, authorized Credit Unions and others as defined in the Indian Economic Development Guarantee Order prior to that institution extending financing to Indian/Inuit and non-Indian/Inuit entrepreneurs and aspiring entrepreneurs whose activities contribute or may contribute to the economic development of Indians or Inuit.</p> <p><u>ELIGIBILITY:</u></p> <p>Any individual, corporation, partnership, Band or Tribal Council, Indian or Inuit Institution, Association, business or Cooperative in respect of whom an application is made by a bank pursuant to Section 3 of the Indian Economic Development Guarantee Order, 29 December, 1977 and the Eskimo Economic Development Guarantee Loan Order, 1976.</p>	S-205	<p>Vote L53B-1970</p> <p>Vote 25B-1976</p> <p>PC 1977-3608</p> <p>PC 1978-18</p>	<p>Authority to provide guarantees for one purpose and then use the funds thus obtained from a commercial lender for another purpose</p>	As for 4 (above)
6) Business Development - Direct Loan	<p>Provides direct loans (debt financing) to existing or new, viable or potentially viable, Indian or non-Indian and Inuit enterprises and individuals whose activities contribute or may contribute to the economic development of Indians or Inuit providing funds are not available elsewhere on reasonable terms and conditions.</p> <p><u>ELIGIBILITY:</u></p> <p>Any individual, corporation, partnership, Band or Tribal Council, Indian or Inuit Institution, Association, business entity or Cooperative whose activities contribute or may</p>	S-297	<p>Vote L53B-1970</p> <p>PC 1977-3609</p> <p>PC 1977-1007</p> <p>TBM 768658</p> <p>(for FELF)</p>	<p>Authority to provide loans for one purpose and then use the funds thus obtained for another purpose</p>	As for 4 (above)

SERVICE	DESCRIPTION	MIP SERVICE CODE	PRIMARY AUTHORITY	NEW AUTHORITY &/OR CHANGE/S REQUIRED	CHANCES OF SECURING CHANGE
	<p><u>ELIGIBILITY:</u> (Continued)</p> <p>contribute to the economic development of Indian or Inuit people.</p>				
7) Business Development-Consultant Services.	<p>Provides funds to contract for consultant services for project planning, feasibility studies, financial advice, organization and operational reviews, the conducting of training seminars and assistance in the application of management practices and techniques.</p> <p><u>ELIGIBILITY:</u></p> <p>Any individual, Band or Tribal Councils, District Councils, Inuit Settlement Councils, Community Corporations, Organizations or associations whose business activities may contribute to the economic development of Indians or Inuit.</p>	S-054	<p>TBM 720131</p> <p>TBM 712872</p> <p>TBM 700079</p> <p>TBM 700070</p> <p>TBM 763729</p>	As for 3 (above)	As for 3 (above)
8) Socio-Economic Development - Project Equity Financing.	<p>Provides equity financing to marginally viable Indian and Inuit business enterprises in the primary, secondary and tertiary sectors which yield lower than normal rates of return on investment. This service may be provided on a "one-time", or continuing basis to those enterprises which provide portable skills development and further serve as a catalyst for economic development. This service provides for the optimum utilization of human resources.</p> <p><u>ELIGIBILITY:</u></p> <p>Any individual, corporation, partnership, Band or Tribal Council, Indian or Inuit Institution, Association, Business entity or Cooperative, both on and off reserve or settlement, whose existing or proposed enterprise can or will contribute to the socio-economic development of Indian or Inuit people.</p>	S-285	<p>TBM 763729</p> <p>AA No.1,1982</p> <p>Vote 15</p>	As for 3 (above) and will also require that we ignore I.E.D.F. Policy and Procedure Manual.	As for 3 (above)

SERVICE	DESCRIPTION	MIP SERVICE CODE	PRIMARY AUTHORITY	NEW AUTHORITY &/OR CHANGE/S REQUIRED	CHANCES OF SECURING CHANGE
9) Socio-Economic Development - Band Work Process/ Work Opportunity Program (BWP/WOP)	<p>Provides funds to assist Bands and Inuit Settlements in the development and implementation of long range comprehensive community development and employment strategies. The Work Opportunity Program provides the authority for converting social assistance funds for use as wages in projects that will employ Indians or Inuit who are on social assistance.</p> <p><u>ELIGIBILITY:</u></p> <p>All Indian and Inuit Band or Tribal Councils, District Councils, and non-profit community organizations and associations may apply on behalf of recipients of social assistance when no other alternative exists.</p>	S-2B9	TBM 763729 TBM 748348 AA No.1 1982 Vote 15	Authority to convert Social Assistance funds for any other purpose.	<p>Should be possible. However, this raises other questions such as:</p> <ul style="list-style-type: none"> - Erosion of data base; and, - Responsibility of INAC for provision of SA when need arises, regardless of whether SA funds already provided have been utilized for other purposes.
10) Socio-Economic Development - Consultant Services.	<p>Provides funds to acquire management consulting services in support of socio-economic development initiatives in the primary, secondary and tertiary sectors.</p> <p><u>ELIGIBILITY:</u></p> <p>All Indian and Inuit Band or Tribal Councils, District Councils, Inuit Settlement Councils, Community Corporations, organizations and associations requiring consultant services directed towards socio-economic development for the benefit of Indians or Inuit.</p>	S-360	TBM 725973 and TBM 763729 AA No.1 1982 Vote 15	As for 3 (above)	As for 3 (above)
11) Institutional Development - Financial Organizations	<p>Provides funds to established or potential Indian or Inuit controlled financial organizations offering the capacity to utilize Indian or Inuit capital, to serve as a conduit for non-Indian or non-Inuit investment, and to lever additional monies against existing funds. These organizations may or</p>	S-092	TBM 763729 AA No.1 1982 Vote 15	Authority to transfer economic development funding for any other purpose. (Other than as indicated in the Service description)	<p>As for 3 (above). However this raises other questions such as:</p> <ul style="list-style-type: none"> - INAC's responsibility for already established institutions;

SERVICE	DESCRIPTION	MIP SERVICE CODE	PRIMARY AUTHORITY	NEW AUTHORITY &/OR CHANGE/S REQUIRED	CHANCES OF SECURING CHANGE
	(Continued). will provide bonding to Indian and Inuit contractors, facilitate equity investments and long term financing, offer counsel in securing and managing investment funds and act knowledgeably and effectively in support of Indian and Inuit interests. Examples of such financial organizations are the Alberta Indian Equity Foundation, and the Peace Hills Trust Company. <u>ELIGIBILITY:</u> All existing or proposed legally constituted Indian or Inuit institutions, financial organizations or businesses that manage Indian or Inuit equity for the benefit of Indians or Inuit.				(Continued) - Should institutions be funded directly by INAC or by Bands; a - The responsibility of institutions for their own political legitimacy.
12) Institutional Development - Development Organizations.	Provide funds to established or potential Indian and Inuit organizations providing recognized and comprehensive developmental services. These organizations provide a range of development services to Indian and Inuit individuals and entities, which may include policy development, project development assistance, research and development of new industries and technologies, advice for establishing, staffing and operating firms and other ventures, and management training services. Such organizations may be involved at local/tribal/regional/sectoral level in development in the primary secondary or tertiary sectors. Examples are: Economic Action/Resource Management Council, Burns Lake Native Development Corporation, Alberta Indian Equity Foundation, Indian Business Development Services Limited, the Manitoba Indian Agriculture Corporation, and the National Indian Arts and Crafts Corporation (NIACC).	S-206	TBM 693807 TBM 763729 AA No.1 1982 Vote 15	As For 11 (above) Request analysis will as well need to be changed from INAC to community level.	As for 11 (above).

SERVICE	DESCRIPTION	MIP SERVICE CODE	PRIMARY AUTHORITY	NEW AUTHORITY &/OR CHANGE/S	CHANCES OF SECURING CHANGE
(continued)					
<u>ELIGIBILITY:</u>					
All existing or proposed Indian or Inuit organizations and institutions, providing financial, management and development services to Indians or Inuit.					
13) Institutional Development - Consultant Services.	Provides funds to acquire consultant advisory services to support Indian and Inuit initiatives in creating Indian or Inuit managed institutions engaged in sectoral, regional, financial and business development.	S-187	TBM 769454 and TBM 763729 AA No.1 1982 Vote 15	As for 12 (above)	As for 3 (above)
<u>ELIGIBILITY:</u>					
All Indian and Inuit Band or Tribal Councils, District Councils, Inuit Settlement Councils, Community Corporations, organizations and associations requiring consultant services for the development and/or improvement of Indian or Inuit institutions.					
14) Employment Development - Job Creation.	Provides funds for job creation that will produce employment for Indians or Inuit in the primary, secondary and tertiary sectors. These funds are used for start-up costs and wage subsidies.	S-357	TBM 782604 AA No. 1 1982 Vote 15	As for 3 (above)	As for 3 (above)
<u>ELIGIBILITY:</u>					
Any Indian or Inuit Band or Tribal Council, District Council, Inuit Settlement Council, Community Corporation, partnership, institution, organization, association or business and similar non-Indian or non-Inuit organizations, engaged or willing to become engaged, in business or projects that will employ Indians or Inuit					

SERVICE	DESCRIPTION	MIP SERVICE CODE	PRIMARY AUTHORITY	NEW AUTHORITY &/OR CHANGE/S	CHANCES OF SECURING CHANCE
15) Employment Development - Consultant Services.	<p>Provides funds to contract consultant services for employment opportunity planning, analysis of labour market and labour force requirements, and training needs to achieve occupational and career goals. The service identifies employment opportunities that will enhance the wealth of individual Indians and Inuit both on and off reserve. Examples of organizations involved in employment planning are Band Economic Development Committees and the Band Work Process activity.</p> <p><u>ELIGIBILITY:</u></p> <p>Any Indian or Inuit Band or Tribal Council, District Council, Inuit Settlement Council, Community Corporation, organization or association whose activities may contribute to the employment development of Indians or Inuit.</p>	S-367	TBM 782604 AA No. 1 1982 Vote 15	As for 3 (above)	As for 3 (above)
16) Employment Development - Summer Youth Employment.	<p>Administers funds provided by C.E.I.C. under the Federal Summer Project Streams. The funds are decentralized to district/service centres who enter into contribution arrangements with employers based on projects approved by C.E.I.C. Eligibility, projects and funding are established annually by C.E.I.C.</p> <p><u>ELIGIBILITY:</u></p> <p>Indian and Inuit students between the ages of 15 and 24, in secondary and post-secondary school, who are returning to school.</p>	S-07B	TBM 782604 AA No.1 1982 Vote 15	As for 3 (above) Additionally, would require Canada Employment & Immigration Commission (CEIC) concurrence.	Difficult. CEIC may not agree. The alternative is a dollar transfer to INAC 'A Base' from CEIC and a subsequent transfer from INAC to Bands.

SERVICE	DESCRIPTION	MIP SERVICE CODE	PRIMARY AUTHORITY	NEW AUTHORITY &/OR CHANGE/S	CHANCES OF SECURING CHANCE.
17) Employment Development - Training On The Job (T.O.J.)	<p>Provides funds for training on the job, on and off reserve or settlement, in the private and public sectors by subsidizing wages paid by an employer to Indians or Inuit in their employ. T.O.J. assists Indians and Inuit in obtaining work skills and experience in the work force.</p> <p><u>ELIGIBILITY:</u></p> <p>All Indian or Inuit individuals on or off reserve or in transition, who require skill training for job placement, when C.E.I.C. or other Federal Programs are unable to provide such assistance.</p>	S-252	TBM 794305 AA No. 1 1982 Vote 15	As for 16 (above)	As for 16 (above)
18) Employment Development - Placement & Mobility	<p>Provides funds to assist Indians or Inuit with job placement. Such assistance includes the provision of necessary tools, clothing, or travel and accommodation expenses to start employment if such assistance for regulatory or other reasons is not available through C.E.I.C. or others sources. This assistance may also be provided to Band Councils and Inuit Settlement Councils to enable them to provide a full range of outreach and placement services.</p> <p><u>ELIGIBILITY:</u></p> <p>Indian Bands, Tribal Councils, District Councils, Inuit Settlement Councils, engaged in approved outreach or placement services programs. Also, any Indian or Inuit individual who has a confirmed employment opportunity and has insufficient funds to meet start-up expenses.</p>	S-374	TBM 794305 AA No. 1 1982 Vote 15	As for 16 (above)	As for 16 (above)

SERVICE	DESCRIPTION	MIP SERVICE CODE	PRIMARY AUTHORITY	NEW AUTHORITY &/OR CHANGE/S	CHANCES OF SECURING CHANCE.
19) Employment Development - Occupational Skills Training (O.S.T.)	Provides funds to cover: (1) instructional costs (tuition) charged by the approved institution; (2) rental of equipment needed for the trainee's studies; and (3) costs of necessary books and supplies. The funds are provided to supplement and complement the training services available from CEIC in order to meet the special training needs of Indians. Examples of occupational skills courses are: trades training, academic upgrading for further skills training, life skills training and basic job readiness training.	S-005 and the following connected services: S-264 S-064 S-279 S-226 S-292 S-368 S-055 S-169 S-224	TBM 794305 AA No.1 1982 Vote 15	As for 16 (above)	As for 16 (above)
	<u>ELIGIBILITY:</u> Registered status Indians who have reached the legal school leaving age in accordance with The Indian Act.				

MANAGING CHANGE

APPENDIX 3

Summary Report to Participants
of
Director of Operations/District Managers'
and
Band Operations Meeting

①
DIRECTOR OF OPERATIONS/DISTRICT MANAGERS'

AND

BAND OPERATIONS MEETING

INDIAN & NORTHERN AFFAIRS CANADA - B.C. REGION

SUMMARY REPORT TO PARTICIPANTS

Inn of the Sea, Ladysmith, B.C.
February 16-21, 1985.

D.W. KERR & ASSOCIATES

315 SECOND STREET, NEW WESTMINSTER, B.C. V3L 2K9

(2)

1

PREFACE

This is a work paper.

It represents four days of work by two dozen people.

And it constitutes a basis for those 24 people and many others to work from over the next three years.

It's not a lengthy paper - that's its value. It is meant to provide focus - simply, clearly stated underpinnings for the priority work to be done during the next few years.

It's not "prettied up" - it was created by the meeting participants, typed up and put back in the hands of the meeting participants before the meeting concluded. It was not meant to argue positions eloquently, but rather to state what must be accomplished. That it does.

To each of the people who participated in the development of this working paper - my thanks for a challenging and gratifying week.

Doug Kerr

PARTICIPANTS

Bob Atkinson	Service Centre Manager, North Coast Service Centre
Randy Brothen	Head, Band Management Development, Local Government
Bill Buholzer	A/Head of Band Operations, Vancouver Dist.
Al Dafoe	A/District Manager, Hazelton District
Wally Deisman	Service Centre Manager, Fort St. John Service Centre
Kumar Dhir	Head of Band Operations, Nanaimo District
David Errickson	Head of Band Operations, Williams Lake District
Marcel Fillion	District Manager, Northwest District
Jim Fleury	District Manager, Prince George District
Jeff Goldie	Head of Band Operations, Prince George District
Howard Grant	Assistant to Associate Director General
Robert Joseph	District Manager, Campbell River District
Steve Kozey	Head of Band Operations, Central District
Harold Morin	A/Head of Band Operations, Hazelton District
Jim Morrison	Band Management Consultant, Local Government
Doreen Mullins	Director, Local Government
Ken McGregor	Head of Band Operations, Northwest District
Victor Robinson	District Manager, Williams Lake District
Myler Savill	Associate Director General
Sandy Thompson	District Manager, Vancouver District
Jan van de Voort	District Manager, Nanaimo District
Daryl Wakeland	Head of Band Operations, Campbell River District

PROCESS OUTLINE

INTRODUCTIONS

FILM: "BRAIN POWER" (JOHN HOUSEMAN)

- perceptions
- expectations

IDENTIFICATION OF KEY ISSUES

DEVELOPMENT OF PROCESS OUTLINE (*Agenda for 3 days*)

ARTICULATION OF STATEMENT OF PURPOSE FOR THIS GROUP

IDENTIFICATION OF THIS GROUP'S HIGHEST PRIORITY OUTCOMES
FOR THE NEXT 2-3 YEARS

PREPARATION OF PLANS TO ACCOMPLISH OUTCOMES:

- possible strategies
- critical actions (who will do what by when)

IMPLEMENTATION ISSUES

OTHER CONCERNS

1985-86 REGIONAL BUDGET

SUMMARY

5

KEY ISSUES

The key issues to be addressed during the four day meeting were identified by the meeting participants. These are summarized below:

Mission

- what business are we in?
- developing a risk-taking stance.

Change

- changing functions
- understanding the Department's changing role ✓
- how to deal with resistance to change ✓
- managing for change ✓
- managing devolution ✓
- process for input into the system
- difference/conflict between expectations of the bureaucracy and community
- impact/expectations of Third Stream Initiatives - Pacific Planning Symposium
- consultation - decision-making - co-management
- consultation with client group - ideas
- communications - Region-District
 - within District
 - to community
- Pacific Planning Symposium - differing views of mandate. How do we reconcile Departmental view/Indian view.
- objectives of the Department in B.C. Region
- how to introduce/organize for new fiscal arrangements for some Bands in 1985-86.
- support client organization-building
- framework for dealing with issues
- perceived veto power of Indian organizations vs role of and responsibility of Department
- streamline reporting and operational systems
- how we can take a more proactive approach to client demands rather than always being reactive

6

Staff

- how to involve staff in change process
- job security in light of devolution
- how to maintain/increase staff morale during this time of change and downsizing.

STATEMENT OF PURPOSE

The following represents the consensus of the group members regarding their purpose:

"Initiate and manage change to support the self-determination of Indian people while fulfilling operational responsibilities".

(8)

HIGHEST PRIORITY OUTCOMES: 1985-1988

1. To have in place by June 30, 1985, an action plan for the transfer of advisory functions.
2. By April 1, 1988, 170 B.C. Bands or Tribal Councils will be participating fully in the new streamlined transfer payment process.

April 1, 1986 74
 April 1, 1987 117 (43)
 April 1, 1988 170 (53)

	Apr/86	Apr/87	Apr/88	Total
	<u>1</u>	<u>2</u>	<u>3</u>	
Vancouver	14	10	20	44
Nanaimo	17	4	3	24
Campbell River	4	1	5	10
North Coast	3	1	4	8
Northwest	3	4	3	10
Hazelton	3	1	1	5
Prince George	3	5	4	12
Fort St. John	1	2	2	5
Williams Lake	6	5	4	15
Central	<u>20</u>	<u>10</u>	<u>7</u>	<u>37</u>
	<u>74</u>	<u>43</u>	<u>53</u>	<u>170</u>

3. By March 31, 1986, negotiate 24 comprehensive transfer agreements.

	<u>Agreements</u>	<u>Bands</u>
Vancouver	6	49 (51)
Central	7	36 (37)
Williams Lake	1	4 (15)
Hazelton	0	(8)
North Coast	1	7 (7)
Fort St. John	2	7 (7)
Northwest	2	4 (8)
Campbell River	0	(15)
Prince George	3	16 (16)
Nanaimo	<u>2</u>	<u>22 (33)</u>
	<u>24</u>	<u>145 (197)</u>

- (9)
4. Assist all Bands not under streamlined funding arrangements to prepare and implement comprehensive management development plans by March 31, 1987.

PLANS TO ACCOMPLISH OUTCOMES

The "plans" outlined here represent an explanation of all possible ways of accomplishing the high priority outcomes. Each meeting participant will need to create her/his own more detailed plan of action from which to work. In a number of instances, this material will be incorporated into each office and individual's Work Plan. Critical action steps have been "flagged" by an asterisk (*) and are time bound.

OUTCOME

To have in place by June 30th, an action plan for the transfer of advisory functions.

List of Questions & Activities

Underlying Principle: To establish which functions are available to be transferred there is a need to examine entire Regional operations to develop an inventory of functions and determine those that can be transferred and those which are residual plus any new functions. Major assumption: that this be a global exercise (some conflict already with MYHRP).

What is available to be devolved (functions). Task analysis in each District/Region. Residual roles. Functions in B.C. Roving expert. Resourcing. Look beyond positions/people. Look at entire organization at Regional and District level.

Inventory of functions that are available for transfer regardless of position, people and location.

Who will do it and by when. Regional framework for people to use. Linking functions to resources.

- how much
- task analysis
- communication plan
- what approval levels are required
- costs vs. offsets = additional \$\$
- human resource implications
- staff retraining and redeployment
 - PSC/other Departments
 - formal discussions

Future role of the Department - facilitate or do

examine new* (related to new funding arrangements)
residual functions that will need to be performed.

* review negotiated performance indicators

Twin-Tracking

- success
- failure

How to access field expertise

Team composition ~~(Secretariat)~~

- finance (strong District participation)
- personnel
- program
- H.Q. person (Indian involvement)

Process Management & Review

- decision points and time

Team named/established

Work Plan

Report back to group

Presentation/proposal to A.D.M.

Involvement of Indian leaders

Questions:

1. What is process already underway. ("Regional devolution unit").
2. Is there a conceptual framework already?
3. How does this action plan interface with MYHRP? What program/District involvement.
4. How does this interface with Pacific Planning Symposium.
5. How do we not lose control of the process.

ACTION TO BE TAKEN

Devolution Paper - core group to work full-time

	<u>Date:</u>
L.M. Savill to prepare draft - concept of what until would do; range of issues; policies by	85.02.27
Feedback re draft by	85.03.10
Form unit, set timeline & mandate (consultative process) by	85.03.15
Work Plan (include critical decision points and process) by	85.03.20
Identification of all policy issues by	85.03.31
First full draft of devolution paper	85.04.30
Review, consultation, refinement	May
Review with Pacific Planning Symposium	85.06.15

11

Date:

Prepare presentation to A.D.M. by

85.06.30

Final Paper by

85.06.30

2. OUTCOME

By April 1, 1988, 170 B.C. Bands or Tribal Councils will be participating fully in the new streamlined transfer payment process.

List of Questions & Activities

- Reorganize District staff for implementation of new initiative. (D.M.'s 85.06.30)
- Establish District/operational decision/control point (D.M.'s 85.06.30)
- Adjust contribution agreement management process (procedures) to reflect new reality
- Adjust authority levels for District approval of agreements
- Orient and train staff to level necessary for "good" performance. (D.M.'s - 85.06.30)
- Organize INAC staff to primary contact with client groups.
- Organizational issues:
 - who - at Region/District
 - who "takes" up regular duties (D.M.?HOB0? Service Centre Manager?)
- What and when will you communicate to your staff about this session.
- Meet with all Bands at the beginning to disclose "information"; develop understanding. (D.M.'s - 85.06.30)
- Customize management contact plan
- Establish criteria information flow (collection + District) - during and post-transfer process
- District Managers initiate leadership in organizing for implementation.
- First 77
Second 43
Third 53

(12)

- District Manager responsible for implementation.
- Develop entry criteria Regional. (auth. by 85.04.01)
- Approval procedure Regional.
- Delegate - according to staff capabilities and District Manager's style
- develop feedback loop into "our" objectives based on client consultation
- Band and District establish customized management development plan for entry - Stage II & III
- perform mutual management assessments & requirements/needs.
- develop "blueprint" for entry of Bands
- team to work on next stage of streamlined process.
- linkage to concurrent (?) process for Bands/Tribal Councils and not part of streamlined process
- assess capabilities
- appeal - criteria procedure Regional.
- assist Bands in preparing to meet criteria
- Band and Tribal Council identification
- negotiation process
- approval process 1) District 2) Region (L.M. Savill - 85.04.05)
- develop process for client to buy into process

3. OUTCOME

By March 31, 1986, negotiate 24 comprehensive transfer agreements.

Process:

1) Consultation with Bands/Tribal Councils on:

- 05.01. {
- what services Bands want to receive from Tribal Councils
 - when
 - community support/commitment
 - does Tribal Council want to provide the service(s)

each D.M. - cons. plan 85.03.2
- 2st stage implemented
- comm. discussions started
by 05.31.

- is the capability there
- if not, how can it be developed
- does the community know what the service is, what implications of transfer are

2) Assessment within District Region (by 1985.11.30) • D.M.'s

- cost of service if delivered by Band/Tribal Council
- source of \$\$ - T.C.F.
 - program
 - transfer V5 to V15
- impact of transfer on INAC personnel/budgets
- maintaining residual ability to provide the advisory service

3) Content of Transfer Agreement (by 1986-03-31)

- service description, standards & policies
 - fiscal framework & schedule
 - opting in and out
- BUILD INTO WORK PLANS
• DIST. MERS. ACCOUNTABLE
TO D.OPS. FOR ACCOMPLISH.
MENT

4. OUTCOME

Assist all Bands not under streamlined funding arrangements to prepare and implement comprehensive management development plans by March 31, 1987.

List of Questions & Activities

- Inform/clarify program criteria to Bands/Tribal Councils (D.M.'s 85.06.30)
- Identify participating Bands in the community/developmental assessment program
- commitment from community through Band process (Band Committee?)
- In-depth analysis by Tribal Council, Department or third party
- Identify specific areas of need as related to criteria for streamlined contribution process. (D.M.'s 85.09.30)
- Identification of resources required (financial and advisory).
- Assist in acquiring resources.

14

- Application of Resources
 - training
 - counselling
 - advising
- Continuing Review Process through Band Process.

15

ORGANIZATIONAL CONSIDERATIONS

Definition/Structure/Op. Process

- strong vocal commitment from Regional leadership
- articulate DIA view of change - not just listen to outside view
- org. 1 as separate area outcome
- need structure to manage change process and structure to manage on-going operational activities & correlate the two.

Relationship to Existing Future Structures

- In devolution process - are we creating mini-DIA's
- Question: reduce py's by shutting down Districts or by reducing Region (*entire Regional Structure*)
- Dialogue with other Public Service Departments to establish credibility/usefulness of DIA employees to Public Service
- Widen this process to draw in rest of P.M.T. (*S. Thompson / J. Van de Voort*)
- Implications for work planning exercises, etc. (*85.02.25*)
- More flexible staffing procedures
- Reorganize into two distinct units - secretariat and development unit. Planned devolvment of development unit.
- Involve staff in process. (*D.M.'s / S.C. MERS. / HOBOS*)
- Band advisory input.
- Staff commitment via collective goal-setting
- Accentuate positive outcomes, not "phase-out"

Elements for Action Consideration

- Work Force adjustment. Unit in Region personnel.
- To plan, counsel, retrain, communicate
- Commitment by managers
- Staffing inventory and mobility; categorize
- Secondment - new mechanisms
- Action Plan
- Affirmative Action in disguise
- Identify obstacles to organizational change
- Re-organize staffing - Region/District/etc.

Where do We Go From Here

- Pro-active - plan; resources/staff; authority/
mandate
- Task group(s) to manage transition.
- Legislative change, i.e. Bill B-52(?)

PROCESS NOTES

Day 1

- Setting the climate for participation, innovation
 - video tape - principles of perception
 - introduction by Mr. Savill, Associate Director General, to the task at hand over next 3 days
 - introduction of each participant - name, position, location
- Identify the issues
 - each participant writes on cards and puts on wall
 - issues are then grouped
- How do "we" proceed?
 - first logical topic area is identified - the Mission statement
- Developing the Purpose Statement
 - each table group has a fixed amount of time to put statement on flip chart
- Discussion in Large Group
 - looking for "common" agreement - consensus
 - trying to resolve differences
 - clarifying basis of purpose - client driven or program driven organization
 - "What would people like it to be?"
 - writing for acceptable language to capture agreement
 - "comfort zone"
- Agreement
- Discussion of the process the group used to get to the result.
- Preparation for Day II - think about three priority outcomes to be achieved in fulfilling the purpose.

Day 2

- Each table group identified three major outcomes
 - each written in terms of the "client needs".
- Large group discussion to develop consensus and to ensure "well-written" outcomes that are desired.
- Referring to original issues identified as well as the purpose to ensure those outcomes "cover" the terrain.
- District huddles to set targets in outcomes.

Day 3

- Referred to the group as to how the session should proceed
 - what should be done next?
 - discussion of issues raised on Day 1 - as to whether they have been addressed
 - what is the proper timing for dealing with these
 - proposal by facilitator to substantially begin the action plans needed to achieve the desired outcomes
 - to have a discussion of issues that have not been dealt with in a satisfactory manner
- Small groups were formed and proceeded to identify action steps and questions significant to meet the outcome (1½-2 hours).
- Small group presentations to the large group on its "actions" and the underlying principles
 - this time component extended beyond the ordinary lunch break time
- Each group of actions was discussed and agreed upon for "ways and means" to get them done - who, how, when.
- End of day
 - unresolved or incompletely discussed issues were identified for Thursday's session
 - open time for discussion of the day's process

MANAGING CHANGE

APPENDIX 4

Program Evaluation of
The Indian Economic Development Fund
Volume 1 - Executive Summary
Final Report

PROGRAM EVALUATION OF
THE INDIAN ECONOMIC DEVELOPMENT FUND
VOLUME 1 - EXECUTIVE SUMMARY
FINAL REPORT

Prepared for:

Evaluation Branch
DIAND, Ottawa

Prepared by:

The DPA Group Inc.
June, 1985

EXECUTIVE SUMMARY

1.0 SCOPE AND RATIONALE

1.1 Background and Introduction

The Indian Economic Development Fund was created in March of 1970, with the expressed mandate of supporting the development of viable Indian economic enterprises. The IEDF was established to provide a source of commercial financing on a last resort basis, and to remove those specific security restrictions which are imposed on Indian businesses by the Indian Act.

The Fund was designed to provide a well integrated, full complement, economic development program through the effective delivery of four major forms of financial and technical assistance;

- i. Direct Loans
- ii. Contributions
- iii. Loan Guarantees
- iv. Advisory Services

In 1978 a major stabilization of the Direct Loan Fund took place. This exercise resulted in the authorization of \$26 million in principal reductions and account eliminations.

Senior management subsequently initiated a comprehensive program to determine the Fund's operational deficiencies and the systems structures required to enhance management control. This process has been termed the Direct Loan Improvement Process and is comprised of the following four phases.

PHASE I - a qualitative and quantitative analysis of the Direct Loan Portfolio; (completed in June 1982.)

PHASE II - the development of a well designed organizational and systems framework, supported by detailed procedures and practices, for the improved management of the Direct Loan activity; (IEDF Operating Manual instituted in 1983.)

PHASE III - the implementation of the new organization structure, systems framework and procedures at the national and regional levels; (underway.)

PHASE IV - the rationalization and disposition of outstanding IEDF accounts; (process ongoing.)

1.2 Rationale for Program Evaluation

Although the Direct Loan Improvement Process provided senior management with a clearer understanding of the Fund's operational deficiencies and the required management systems, no thorough evaluation of the effectiveness of the Department's support to Direct Loan clients and the overall impacts and effects of the Indian Economic Development Fund had been undertaken. Senior management of the Department directed that a program evaluation study be undertaken to evaluate the effectiveness of the program, particularly the impacts of the developmental changes resulting from Phases I and II.

The scope of the program evaluation, therefore, was to conduct an in depth examination of a 10% sample of Indian businesses that had received direct loans in the 5 year period 1978-79 to 1982-83, in the Manitoba, Saskatchewan and Ontario regions, and to draw findings and conclusions related to the following evaluation issues.

1.3 Key Evaluation Questions

The three major evaluation issues identified by senior management and approved by the Advisory Committee, reflect the focus areas for the evaluation of the IEDF. These issues are detailed below

with associated key questions used in the study.

Issue I - What are the impacts and effects of the IEDF Loan Fund and to what extent has it been effective in meeting program objectives?

Associated Questions - Issue 1

1. To what extent has IEDF resulted in the creation and/or continuation of viable Indian enterprises?
2. How appropriate, adequate and timely have different forms of financial and technical assistance been and how effectively have they been coordinated?
3. How effective have IEDF's different forms of financial and technical assistance been in improving access to traditional lending institutions?
4. To what extent does IEDF direct loan funding constitute "a last resort" source of funding?
5. How many and what types of jobs have been directly created or maintained by the IEDF support? At what cost?
6. What wealth has been created as a direct result of IEDF assistance?
7. In what manner and to what extent has IEDF assisted in the development of Indian entrepreneurial skills and activities?
8. What has been the effect of the program on developing the long term employability of project employees?

9. What spin-off business opportunities have been created as a result of the program? What impact has the program had on existing businesses?
10. What impact has the program had at the social/community levels?

Issue II - Are there identifiable success factors which are essential to the creation and continued development of commercially viable Indian enterprises?

Associated Questions - Issue 2

1. In successful Indian economic enterprises what have been the factors contributing to or associated with their success?
2. In failed Indian economic enterprises what have been the factors contributing to or associated with their failure?
3. How do success rates of Indian enterprises compare with success rates for small enterprises generally?
4. To what extent are identified success/failure factors unique to Indian enterprises?
5. What is the experience of other government programs with similar program objectives to the IEDF re success/failure factors?
6. To what extent have IEDF, lending institutions and other groups affected the success/failure factors of Indian enterprises?

Issue III - Are there alternative program delivery structures, either within or outside the federal government, which would be more effective in supporting the establishment of commercially viable Indian enterprises.

Associated Questions - Issue 3

1. What are the problems of the program in fulfilling effectively the roles of developer and banker? Are there requirements for support that are not being met, or are being duplicated?
2. What factors indicate the need for a unique financing mechanism to support Indian business development and what factors are relevant to shaping such mechanisms?
3. What are the strengths and weaknesses of alternative program delivery structures?

1.4 Limitations on Findings and Recommendations

At the end of Phase 1 of the I.E.D.F. study the question was raised by the Advisory Committee as to whether the terms of reference for the I.E.D.F. evaluation, in one sense, constrained the scope of the study by specifying that the sample for the study was to be limited to a random sample of all direct loan projects during the fiscal years 1978/79 to 1982/83.

Concerns were raised by the Advisory Committee as to whether the larger program framework could be evaluated adequately by examining only those assisted projects identified as having received direct loan assistance. Suggestions were made ranging from adopting a broad economic/business development approach to including projects where any form of I.E.D.F. assistance was provided.

A detailed discussion of the Advisory Committee's questions regarding the larger program framework, and the manner in which they have been addressed by the study team, is included in Appendix J, Volume 3, of this report.

As a result of the Advisory Committee's recommendations the study team undertook a thorough review of the evaluation plan at the end of the Phase 1 activities and incorporated several questions into the interview instruments, which were subsequently used in the Phase 2 data collection and which were specifically designed to capture data related to the broad program elements such as community and employment development.

The study team believes, based on its findings, that:

- . virtually all aspects of I.E.D.F. activities and assistance have been identified based on the use of direct loan samples;
- . the broader aspects of business development and job creation are evidenced and the impacts on and by I.E.D.F. have been assessed;
- . the direct loan sample findings do not indicate a need for a limited, purposive sampling of other projects to highlight other program initiatives.

A significant and adequate range of findings concerning related issues (contribution funding/loan guarantees/technical assistance, community and employment development) emerged and have been assessed.

1.5 Key Assumptions Used in Study

Four key assumptions were used in the Study. These were:

- a. Financial data on individual Indian business projects would be limited, and realistic estimates would be required for some business revenue/expenditure/profit figures.
- b. Some businesses in the sample would have failed and data collection directly from Indian entrepreneurs would be difficult or impossible to obtain.
- c. Exploration of sample businesses based on a direct loan sampling, would satisfy broader business development concerns through supplementary avenues of data collection and study investigation.
- d. The program delivery processes and impacts and effects would vary significantly between regions providing good comparative findings.

All four assumptions proved to be correct during the course of the study.

2.0 METHODOLOGY

2.1 Methodology - Phase 1

The evaluation study of the IEDF was developed providing for two study phases. Phase I of the IEDF evaluation was conducted in March of 1984, in the Ontario region to test:

- . the evaluation plan
- . the data collection instruments;
- . the availability and reliability of existing data; and
- . the feasibility of continuing into Phase II of the evaluation.

The Phase I field test explored the existence and reliability of a sufficient level of hard, quantitative data to respond adequately to the evaluation plan indicators, and also looked at the more qualitative data sources and their reliability vis a vis the plan. It was concluded that a sufficient level of qualitative and quantifiable data to produce verifiable findings existed for use in Phase II.

2.2 Methodology - Phase 2

Two samples of IEDF loans from each of the Saskatchewan, Manitoba and Ontario regions, totalling 75 loans each and representing approximately 10% of the total population of businesses, funded between 1978 and 1983, were selected on a random basis incorporating variables of size, sector, ownership and location.

Data at the project level were obtained from a review of financial and administrative records (at the project, Band, District and Regional levels as appropriate).

Ten sources of information were covered through the completion of separate structured interviews for each sampled business.

Interviews were conducted with Indian business entrepreneurs (64); Indian community leaders (45); Bankers (15); Accountants (6); Employees of Indian businesses (37); other Government Program Officers (18); DINA Program Officers (57); C.E.S.O. Workers (4); and senior DINA officials (21); Total (258).

The analytical tools employed were: (1) a financial analysis of each project (2) an impact analysis focusing on job creation, incomes, business creation, business spinoffs, skill transfer and community related impacts and (3) a cross comparison content analysis drawn from 258 interviews.

Every effort was made to cross-check data sources and to supplement weak or inconclusive evidence from one source with evidence from another source. Hypotheses testing played an important role in the analysis.

Much of the information collected through the field survey was qualitative in nature. Important gaps exist in the quantitative data base, especially related to the financial performance of assisted projects. Because of these constraints, it was not possible to apply more sophisticated statistical and econometric techniques to the data base. Statistical analysis was limited to the frequency distributions and cross-tabulations on selected variables, and the development of quantified estimates of program impacts on the major economic indicators.

The study team found many examples of converging lines of evidence among the data sources. For example, entrepreneurs whose formal business records were non-existent or incomplete, often provided quite good verbal summaries of the financial

status of their respective businesses. These interviews were cross checked against the study team's findings from program files, program staff and community leaders; (eg. history of loan repayment.)

A number of additional features were designed to ensure validity of findings. These included: pre-testing of survey instruments in Phase I; standardized interview guides; training of interviewers and monitoring of completed questionnaires. While the data base has some gaps, the information collected through the field survey is viewed as satisfactory to allow the study team to properly address the evaluation issues.

2.3 Use of Study Results

The results of the evaluation will be used to assist program management to refine delivery of the IEDF program in all its aspects, and to provide insights into the provision of an appropriate program structure which allows for flexibility and capability to respond to a rapidly changing Indian economic development environment.

3.0 STUDY FINDINGS

3.1 Findings Related to Program Impacts and Effects

The following describes the study team's findings and estimates of the major impacts and effects of the IEDF program over the seven year evaluation period from 1978-79 to 1984-85.

. Offers were approved on 1858 direct loans valued at \$31 million. Total offers made, which are comprised of loans, loan guarantees and contributions, were 6917 with total commitments of \$150 million.

. Over the seven year period, the three sample provinces (Ontario, Manitoba and Saskatchewan) have accounted for 61% of the direct loans, 50% of the value of direct loans, 56% of all offers made, and 46% of the value of all offers made.

. Since program inception in March, 1970, the Direct Loan Fund has disbursed over \$100 million to IEDF clients. More than 50% of disbursements were to clients in the three sample provinces.

. 2710 economic development projects received IEDF assistance in the total country, and 1410 projects were assisted in the three sample regions.

. In the three sample regions the IEDF is estimated to have been directly responsible for the establishment of 850 businesses which were successfully operating at the time of the field survey (1984), out of a total of 1410 businesses which had been assisted in the 3 sample regions. These 850 businesses generated capital expenditures of \$40 million and provided full and part-time employment to 2550 members of the client group. The addition to employment income in 1984 was \$20.4 million.

. In the total country, IEDF was directly responsible for the establishment of 1490 businesses which were in operation at the time of the field survey. These 1490 businesses generated capital expenditures of \$70 million and provided full and part-time employment to 4470 members of the client group; (an average of 3 persons were employed per business). The addition to employment income in 1984 was \$35.8 million. The cost per job created is comparable to other similar programs.

. The Direct Loan program, on its own, has not significantly improved access to traditional lending sources for the majority of its clients, and is not, in effect, solely responsible for improving access to traditional lending sources. However, the direct loan portion of the IEDF program is an important factor, among others, within the overall Business Development Program; (eg. loan guarantees, contributions). The direct loan portion of the program, therefore, appears, from study findings, to have had a modest but positive influence on improving access for Indian entrepreneurs to banks and credit unions, in combination with other features of the Business Development Program. The positive influence results, in most cases, from the IEDF's role in helping first time Indian entrepreneurs to develop a history of successful loan repayment.

. IEDF has expanded entrepreneurial skills, but the program's impact on business skill development has been less than its potential.

. The program's spin-off impacts are negligible, with the exception of the expansion of IEDF businesses into related (and unrelated) business lines.

. The IEDF projects appear to have had a favourable but modest effect on the community and social indicators. A

significant portion of business involved the supply of goods and services which can be perceived as essential to the community.

. An estimated range of 77 to 94% of businesses would not have proceeded, or would have been delayed or reduced in scope without IEDF funding. The study team's analysis indicates that the upper portion of this range should be selected for estimating the impact of IEDF funding and has therefore set the estimated number of businesses which would not have proceeded or would have been delayed or reduced in scope at 90%

. 68% of the sample businesses were still operating and 62% of the sample businesses were considered to be commercially viable for the foreseeable future.

. Of the 66 sampled business 45, or 68% of the total were open and had survived as at the date of study. This compares to a survival rate in the general Canadian population of small businesses which is estimated to be in the range of 67% to 83%.

. The combined survival rate within the sample, directly attributable to the program, is estimated at approximately 60%; this combined survival rate is determined by the multiple of the survival rate, (68%), and the proportion of businesses which would not have proceeded without IEDF support, (90%).

3.2 Findings Related to Community and Social Impacts

- . potential transfer of skills for entrepreneurs and employees, while evident in some cases, was considered limited, but with potential for the future.
- . successful entrepreneurs were considered as role models and have had a beneficial impact on community attitudes for further business development.
- . IEDF supported businesses have had a modest beneficial impact on economic development/employment/social indicators in Indian communities.

3.3 Findings Related to Success/Failure Factors

- . Motivation and good management skills, in both Indian owned small business and non-Indian owned small businesses, were characterized as being of such overwhelming importance that they can be considered as factors which must be evident for a business to succeed.
- . 40% of the total businesses sampled kept some form of records. Of those businesses which were a success, 40% had kept some form of books. Of those businesses which were not a success, ~~24%~~ had kept some form of books.
38%
- . The most common management problem was difficulty in managing cashflow. Extending credit to reserve based customers was identified by many respondents as virtually a certain failure factor.
- . Ability to develop and maintain good credit ratings with suppliers was mentioned as being a major constraint to success by several entrepreneurs.
- . Financing mix and accessibility to adequate financing for Indian businesses was ranked as the fourth most important success/failure factor.

. Success/failure factors for Indian and non-Indian businesses were similar, with remoteness and lack of market growth potential for some Indian businesses being the major significant differences.

3.4 Findings Related to Program Delivery

. The Indian clients' accessibility to the program varies from region to region. The Program is, in general, reactive in the provision of advisory, technical assistance for ongoing businesses and in the sense that program personnel do not tend to seek out new loan applicants. The reasons for this vary from region to region but include such factors as the shortage of contribution funds and insufficient staff due to competing responsibilities for debt collection and administration of non direct loan program activities.

. The cash free balance as at 31/03/84 of the IEDF fund was \$25.3 million out of a total available revolving fund of \$70.0 million. Although the outstanding IEDF loan fund balance could, in theory, be increased to a figure approaching \$70.0 million, there appear to be currently some practical constraints to doing so. One of the most important constraints is the limited funding available for contributions, which, in terms of the IEDF means the provision of equity funds to supplement private equity from Indian entrepreneurs and equity provided by other government programs so as to maximize the potential for an operating business to be self supporting with respect to debt service.

. According to senior program staff there are good business opportunities which are not now being funded through the direct loan fund due to current shortages of contribution dollars. The study team confirmed this

only on the basis of program staff interview information in the three sampled regions.

. Approval processes, while thorough and necessary, were judged to be slow and delays had adversely affected some businesses.

. Program follow-up, particularly advisory/technical assistance and training was generally inadequate. Insufficient program resource levels in some cases, were a major contributing factor.

. CESO and other contract arrangements for advisory/technical assistance have assisted Indian entrepreneurs significantly and are major factors in business success.

. IEDF contributions to increase Indian equity are a valuable and necessary aspect of financial assistance, in some cases not fully recognized in current program budget allocations.

. Funding for working capital and establishment of lines of credit are essential to Indian entrepreneurs' success and Program staff are now more cognisant of these factors.

. Study findings support program efforts to increase funding authority levels at regional & HQ levels.

. The IEDF program description as "lender of last resort" was found to be "lender of only resort" in many cases due to Indian entrepreneurs' lack of previous business experience and the restrictions for security caused by Section 89 of the Indian Act.

- . Other government programs' funding plays a significant role in establishing small businesses, particularly in Western regions. (eg. Special ARDA).

- . Significant differences between remote/non-remote businesses were identified in terms of types of businesses, funding availability, markets and entrepreneurs' previous business experience.

- . Most of the business in the IEDF sample were small 1,2 or 3 person operations. Fewer than 10% of the sampled business had more than 10 employees and many were "Ma and Pa" service type businesses run from a home. The typical IEDF project in the total population of funded businesses tends to be small in terms of capitalization and employment with job creation often involving a husband and wife team with some part-time help.

3.5 Summary of Study Findings

The study team concludes that the IEDF Direct Loan Program is an important mechanism for developing and maintaining Indian owned businesses. The study findings indicate that, while it is imperfect, the direct loan program has made some notable achievements since the introduction in 1980-81 of the loan improvement process, and that on balance it is a positive factor influencing the future economic and business development of Indian people.

The study team's findings demonstrate that some further adjustments to the program are required to improve its effectiveness in fostering business development. Examples of some of the findings which reflect the need for program adjustment are:

- . the need for more follow up advisory/technical and

training assistance for Indian entrepreneurs.

- . the need to accelerate the timing of loan approvals in some cases.

- . the need to increase access to contribution funds to facilitate the maximum use of the total available direct loan funds circulating through the program.

- . the need to assist in improving access for Indian entrepreneurs to traditional lending sources and to supplier lines of credit, and to assist in fostering the development of good credit ratings among Indian business owners.

Some of the more positive findings obtained by the study team are detailed below:

- . the direct loan program has been responsible for generating a significant number of businesses, with associated capital expenditures and employment.

- . an estimated 90% of the businesses in the sample would not have proceeded, or would have been delayed or reduced in scope without IEDF funding assistance. The total survival rate of businesses within the sample is estimated at 68%. The survival rate of businesses within the sample directly attributable to the program is estimated to be 60%.

- . the program has expanded entrepreneurial skills and has had a favorable but modest effect on community and social indicators.

- . success/failure factors for Indian and non-Indian businesses were similar.

- . program efforts to increase funding authority levels seem appropriate.

- . the IEDF Direct Loan program is extremely important in the sense that it is often the only source of funding for Indian businesses, particularly first time businesses.

3.6 Alternative Program Delivery Mechanisms

The current environment for Indian economic and business development in Canada is changing rapidly. In addition to the Indian Economic Development Fund run by the Department of Indian and Northern Affairs, there are a number of economic development institutions which are either in the planning stages, or have actually been initiated, many of them potentially to be funded through NEDP.

The announcement in 1981 by the Federal Cabinet of the allocation of \$345 million for native economic development initiatives over a four year period has resulted in a number of ideas being brought forward for the creation of native economic and financial institutions. These ideas range from the creation of a national bank to various economic development organizations, to equity foundations based on a non profit organizational framework.

It seems clear that at least some of these proposed organizations will come to fruition and that eventually, over time, Native people will develop access to an infrastructure for the delivery of financial services to the native constituency. This infrastructure may take the form of a bank, credit union, trust company such as Peace Hills Trust, with a special Native focus, or, as a more likely scenario, the use of NEDP funds may facilitate providing mechanisms for the native community to access economic development funds through traditional lending

institutions now in place in Canada. A third possibility is some combination of these two scenarios.

An example of a facilitating mechanism which has been put forward is for a loan insurance scheme whereby a Native Loan Insurance Corporation would be designed to provide insurance/guarantees with respect to interest and principal on consumer, commercial and mortgage loans made to native borrowers by Canadian banks.

One other concept under consideration would use NEDP funds to support specific native sponsored projects which require high levels of funding. Canadian banks, trust companies and credit unions would be provided with offsetting or compensating deposits equal to or even in excess of the required loan in order to finance the subject native economic project. An undertaking would be provided by NEDP to guarantee that the offsetting deposit remained in place during the lifetime of the subject loan.

Another proposed use of NEDP funds involves the transfer of interest and payments from a stream of income or from other contractual future payments accruing to the borrower, to the NEDP, or possibly to an alternate native financial institution. The NEDP or the financial institution would in turn pledge the income stream in the form of collateral to an existing chartered bank or credit union which could then be prepared to loan the funds to a Native borrower.

Against this background of a variety of financial institutional ideas, the IEDF program must seek out a meaningful strategy to provide the best form of economic development assistance for Indian people as they move through this transitional period towards devolution of Government run programs. The study team also feels strongly that efforts should be made to co-ordinate the economic development initiatives mounted by the NEDP with those of the IEDF program.

Alternative Delivery Options

We have set out below a number of possible scenarios for the role of the IEDF program for the foreseeable future. The pros and cons of each scenario in terms of the current economic development environment for Native people in Canada today, will be discussed. All scenarios assume the preeminence of the Department's commitment to assist in the devolution process of economic development to Native people.

Option 1: Immediate and Full Devolution of IEDF to Indian Control

Indian entrepreneurs and community leaders who were interviewed in the subject evaluation responded overwhelmingly against the idea of immediate and full devolution of IEDF to Indian control. Many expressed the fear that control of the fund by Bands or by politically oriented organizations would be detrimental to the economic and business development possibilities for individuals at the grass roots, reserve level.

Our respondents expressed preference for gradual devolution and at different rates in response to the emergence of new institutions and development plans in different areas.

Option 2: An Alternative Economic Development Agency

Our findings demonstrate clearly that some significant constraints remain in facilitating access for Indian people to sources of business financing and technical and management advice other than those sponsored by governments. If a financial organization such as F.B.D.B., for example, were to be used to spearhead access to equity, loan capital and business advice, for Indian owned businesses, it must be capable of responding to the unique needs of the Indian entrepreneur who chooses to do business on a reserve. The study team's findings indicate that no such alternative economic development agency, including

F.B.D.B., exists, which would be appropriate for replacing the I.E.D.F.

Option 3: The Sectoral Approach

This option assumes that there are already a number of government financial loan and/or contribution programs which tend to deal with business development from a sectoral point of view. Two examples are the Manitoba Indian Agricultural Program (MIAP) and the Saskatchewan Indian Agricultural Program (SIAP).

The existing Saskatchewan Indian Agricultural Program (SIAP) is currently seeking funding from the NEDP to allow it to provide agricultural loans in addition to the current program which it now manages which deals with contributions only. Presently agricultural loans are managed through the IEDF in conjunction with personnel in SIAP.

For those IEDF loans which deal with the agricultural sector, the administration, including collections activity, would eventually be shifted to native control within the organizational framework of the sectoral organization. This option provides a good opportunity for Indian people to run an economic development program which is focused on a more limited market area and subject matter.

One mitigating factor is that sub-division of the IEDF portfolio on a sectoral basis would require a fairly fine breakdown within sectors. For example, within the agricultural sector the program delivery would have to respond to Indian peoples information needs for different types of crops in different regions of the country.

It is unlikely, we conclude, that a sufficient level of activity within each sector, other than perhaps agriculture, could be obtained to justify the sectoral distribution of the IEDF portfolio. In addition, it is likely that there would be

complications in being able to satisfy specific loan criteria, and difficulties in achieving administrative economies of scale.

Option 4: The IEDF as Banker

The IEDF banker role assumes that an institution could be created which would act as a repository for IEDF funds which would then be used to enable businesses to build up capital. In conjunction with improving the credit rating of business people, money could be levered for businesses out of other sources, and equity obtained to facilitate Indian enterprises being developed. The organizational format would be that of a bank, using bank criteria, run by a highly competent group of people, having Native representation, and with a mandate to loan funds according to solid private sector financial criteria alone.

Since the IEDF is capitalized only to a maximum of \$70 million in a revolving fund, it is probable that the only way that such a banking institution using IEDF funding could be made large enough to achieve an adequate impact on economic development, would be to consolidate all or part of the Indian economic development funding now available from other government departments under one umbrella. This single agency concept has been looked at in the past, by the Department, and may be difficult if not impossible to implement given the propensity of government departments to protect their mandated program funds.

Another drawback to the pure banker approach is the clear need for equity funding and technical assistance to support Indian business development. IEDF has provided contributions and technical services in the past. Dropping these from the IEDF mandate would leave significant gaps in the range of financial and business services available to Indian people, especially in areas where Special ARDA is not available.

Option 5: Gradual Devolution of the IEDF Program to Native Control

This option, which is the study team's preferred option, assumes that although the current IEDF program services are imperfect, the infrastructure through the Department is in place to deliver business and economic development services to Indian communities. In addition, the IEDF is probably best suited for the foreseeable future to deliver business development services to the grass roots Reserve-based Indian entrepreneur.

By maintaining the status quo to some extent, but by continuing a commitment to assist Indian people in their desire to create a variety of financial mechanisms to achieve business and economic development, the department, by adopting Option 5, in our opinion opens up the maximum number of options for assisting the native community through the IEDF. For example, the sectoral approach, which would involve spinning off some portions of the IEDF portfolio to qualified Indian control could be explored in more detail.

The program should concentrate on the individual entrepreneur and use the individual entrepreneurial business as the vehicle to generating economic activity at the community level. The rationale for this is that the same individual who tends to be the opinion leader in the community, tends to be more positively motivated than, for example, members of a Band owned operation.

As bands, tribal councils, and district organizations develop their unique economic development vehicles; (for example, tribal council development organizations); portions of the IEDF services which are now delivered by program staff can be transferred to qualified Indian organizations.

Over time a maximum amount of financing would be handled by Indian institutions, as individual and tribal councils develop their own separate portfolios, and conduct project development

and financial rationalization. As more Indian control occurs in this area the IEDF would be reduced to the primary roles of monitoring, evaluation, technical and management advice and the handling of ongoing collections from the existing portfolio which had not already been ceded to other government or Native run sectoral programs.

The Gradual Devolution/Status Quo option is also formulated on the assumption that the Indian community will eventually achieve a reasonable level of access to traditional non-native financial institutions. Our findings from the IEDF evaluation indicate that whereas this is a process which takes time, the IEDF program is a critical link in the process and there is evidence that the program is having some impact in this regard. This impact should increase as more Indian people develop the business skills, expertise and collateral needed to satisfy standard banking criteria.

As devolution takes place, IEDF will need to respond with flexibility to different program and institutional environments in various areas. In some regions, Indian institutions may wish to place initial emphasis on the developer role through the provision of technical assistance and contributions to equity. In these areas, IEDF could mainly operate as a bank, providing bridge and term financing when commercial bank loans - for whatever reason - are not available. In other areas, Indian institutions initially could take the form of banks or credit unions. In these instances, IEDF will need to provide contributions and technical services. The study team proposes therefore that IEDF continue to emphasize four main program elements:

1. the provision of bridge and term financing at commercial rates;
2. the provision of loan guarantees;

3. the provision of contributions to build up a business's equity base; and
4. technical services and training to support the development of entrepreneurial, management and business skills among Indian people.

The mix of program elements will vary by region and area depending on the Indian institutions and other Indian programs which are in place.

3.7 Future Program Direction

Based upon study findings and analysis the study team identified a number of key initiatives and also received numerous opinions on ways to respond to the challenge of improving Indian economic/community development. Since these initiatives could materially affect the future of IEDF as a program for encouraging the creation and maintenance of Indian businesses they are presented here in support of the study recommendations which follow in section 4. Some examples of current initiatives/opinions are:

- . A recognition that small business financing is extremely important to the continued progress in improving economic and community development opportunities for Indian peoples.
- . A majority of entrepreneurs and community leaders prefer an economic development funding source which is not under Band or Tribal council control.
- . A recognition that, wherever possible, the financial criteria for the loaning of funds for Indian enterprises should be as equivalent to standard banking criteria as possible.

- . The need to provide access to a well co-ordinated program of advisory technical and training assistance for Indian entrepreneurs.

- . The need to provide ease of recognition for the various funding sources that are available for economic development and to provide appropriate systems which will allow for timeliness in delivery.

- . Recognition of the need to develop mechanisms which will provide greater access to traditional forms of financing to Indian people.

- . The need to provide a source of equity funds, particularly for first time entrepreneurs, which is properly balanced in terms of associated debt and geared to the needs of Indian businesses.

- . The need for a co-ordinated effort among the many Indian economic development institutions which exist in Canada.

In the opinion of the study team the IEDF provides a valuable function at the present time, and we have therefore recommended a flexible approach towards any new initiatives which may emerge, with the paramount concern being the encouragement of further development of small businesses by Indian entrepreneurs.

4.0 RECOMMENDATIONS

The following section represents a summary of the study team's recommendations based upon the program form as at the date of the study. Recommendations have been organized under generic categories which reflect logically related program activities. These are: Appraisal Criteria; Lending Criteria; Technical Assistance/Training; Future Financial Environment and Program Direction/Stance.

Appraisal Criteria

Recommendation 1. We recommend, with one important exception, that IEDF officers continue to use standard business criteria in assessing IEDF applications for loans and contributions. The one exception is that, relative to banking practices, IEDF officers should give greater weight to community support in assessing a project proposal.

Recommendation 4. We recommend that, where possible, the client be provided with a realistic estimate of the time required for a loan decision and the likelihood of a loan application decision when the application is submitted; (for those cases where a decision can be made within the department).

Recommendation 5. It is recommended that the amount of information needed for the application form be consistent with the scale of the proposed project.

Recommendation 8. We recommend that the payment process, which in part involves going through financial services, be designed to respond to special needs where the timing of funding is crucial to successful implementation of projects. Discussions should be undertaken between financial personnel and those responsible for the IEDF program, to improve the payment process.

Recommendation 9. We recommend that the letter of offer to the applicant indicate clearly how the amount of the loan and other terms and conditions were determined, especially if the offer is lower than the amount requested.

Recommendation 31. It is recommended that project applications from remote and non-remote locations continue to be assessed on their individual merits and for the most part the same evaluation criteria should be applied. However, because of the special characteristics of remote locations, the evaluation of remote location projects should accommodate such factors as differences in access to traditional lending institutions, size and growth of the local market, the essential service aspect of the proposed business and the training and skills of the applicant.

Lending Criteria

Recommendation 10. It is recommended that, where program personnel resources permit, that consideration be given to reviewing interest rates on outstanding loans every six months, adjusting them to be consistent with current IEDF rates of interest, and exploring other methods of calculating interest rates.

Recommendation 11. We recommend that the client equity requirement of 20% of total capital cost be enforced, but with greater weight given to the value of sweat equity of the applicant (e.g. time and effort in project preparation/labour etc). In other respects IEDF direct loan requirements should closely correspond to the requirements of commercial banking institutions, bearing in mind however the developmental, last resort aspects of the program and the emphasis on the need of Indian entrepreneurs for risk capital.

Recommendation 18. We recommend that IEDF program managers consider expanding the funds available for working capital, especially for projects which, because of remote location or

other reasons, cannot establish a sufficient line of credit with traditional lending institutions.

Recommendation 19. It is recommended that Regional authority levels be raised in the planned manner as soon as possible.

Recommendation 26. We recommend that IEDF continue to be used as a lever to secure funds from other government programs.

Recommendation 29. It is recommended that IEDF clients be encouraged to operate a cash business to the greatest extent possible, especially during the initial operating period.

Recommendation 30. We recommend that when businesses run into credit related difficulties, the IEDF loan officers approach the community leaders to impress upon them the need to encourage residents to pay their accounts.

Recommendation 28. We recommend that IEDF implementation continue to be closely coordinated with the implementation of other government programs in order to ensure that applications, information requirements and approval processes are similar and compatible.

Recommendation 25. It is recommended that, to the extent possible given staff resources, separate officers should carry out the business development services vs the other non-business development program services of DIAND; (eg. employment programs).

Recommendation 22. We recommend that the purpose of the program — as both a development and a lending program — be clearly delineated, in all program documents, and the right balance between the two aspects be established. The mix will likely vary between regions, depending on the program environment and the degree to which responsibilities have devolved to Indian institutions.

Recommendation 21. It is recommended that, to the extent allowed by personnel resources, a clear distinction be made between the banker and developer roles, as required by the manual and implemented in Manitoba.

Recommendation 16. We recommend that, to the extent possible, given personnel resources, development responsibilities and loan administration tasks be handled by different officers and sections, with an appropriate information exchange where further assistance may be needed by Indian entrepreneurs.

Recommendation 24. We recommend that, while roles will be clearly separated, both types of officers (developer and banker roles) should be sensitized to the special needs of Indian entrepreneurs (first attempt at business for many, provision of essential services to reserve communities, need for monitoring and technical assistance).

Recommendation 23. It is recommended that the purpose of the program, and the roles of different officers, be made clear to the client at the time of application preparation.

Technical Assistance/Training

Recommendation 12. It is recommended that clients be made aware of the technical assistance available under IEDF at the time of first contact with the Department.

Recommendation 13. We recommend that, where program resources permit, that more clients be provided with training on basic business skills (eg. bookkeeping, accounts receivable, etc.) before project initiation.

Recommendation 14. It is recommended that the monitoring of IEDF projects and technical assistance to IEDF clients after project start-up be provided in a more comprehensive and systematic manner.

Recommendation 15. We recommend that Program staff be encouraged to upgrade their business skills to facilitate training of clients.

Future Financial Environment

Recommendation 17. It is recommended that in order to allow IEDF to successfully respond to different program environments and the needs of individual clients, that the Business Development Program adopt as flexible a strategy as possible within the framework of the Loan Improvement Process, with respect to contribution funds and loan funds, with the view to increasing the use of contribution funds, when available, to supplement equity requirements in Indian businesses.

Recommendation 20. We recommend that senior DIAND staff continue, with renewed emphasis to conduct discussions with senior officials of traditional lending institutions in order to identify what needs to be done to expand the access of Indian business people to traditional lending sources.

Recommendation 3. We recommend that the program stance between Regions and within different districts be broadly comparable in order to ensure that access to the program is equal in all areas, particularly in the area of cooperation with Indian development administrations under tribal or Band aegis.

Program Direction/Stance

Recommendation 2. It is recommended that, where program resources permit, that greater program efforts be made to ensure that potential business development opportunities are identified and actively assisted to enhance the small business base throughout Indian reserve communities.

Recommendation 6. We recommend that when workload exceeds staff resources, consideration should be given to shifting staff from other sections, using Indian economic development officers who have the required training and expertise, and hiring people on contract for limited periods.

Recommendation 7. It is recommended that links with other government agencies be further expanded and approval processes should be made as compatible as possible.

Recommendation 27. It is recommended that IEDF continue to be implemented in a flexible manner in order to respond to changes in the program environment.

Recommendation 32. We recommend that the program adopt Option No.5, "Gradual Devolution of the IEDF Program to Native Control" as described in Chapter 8, Volume 2 of this report and summarized in section 3.6 of this executive summary.