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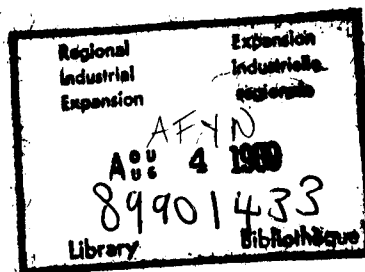
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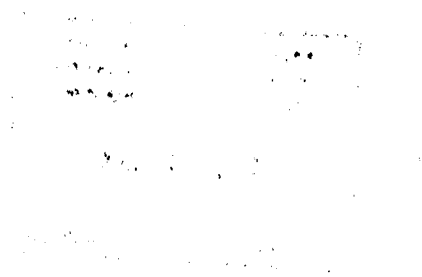
Economic Development

Strategy

Canada

THE CANADIAN ABORIGINAL ECONOMIC DEVELOPMENT STRATEGY





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A NATIONAL STRATEGY FOR ABORIGINAL ECONOMIC DEVELOPMENT

INTRODUCTION

The Government of Canada is renewing its commitment to Aboriginal economic development and has adopted a new national strategy. To support more effectively participation by Aboriginal people in Canada's growing economy, the federal government will dedicate funds, on a continuing basis, to the departments responsible for implementing this strategy. The commitment is in contrast to earlier programs, which frequently had a three to five year life-span. Funds will be allocated yearly, and the initial five-year total will be \$873.7 million. The monies will enable the departments of Indian Affairs and Northern Development (DIAND) and Industry, Science and Technology (ISTC) to put the strategy into action. Aboriginal participation in programs offered by the Canada Employment and Immigration Commission (CEIC) will continue to be targeted at no less than current levels.

The key goal of the new strategy will be to provide long-term employment and business opportunities to Canada's Aboriginal citizens, by giving them the means to manage effectively their own business enterprises, economic institutions, job training and skill development.

A new national partnership, based on common understanding, joint planning and implementation, and a shared will to bring about needed changes in policies, programs and institutions, is essential for Aboriginal individuals and their communities truly to enjoy the benefits of the growing Canadian economy. The government will be seeking assurances from Aboriginal business and community leaders, provincial and territorial governments, and the Canadian business community at large, that they will work together to bring Aboriginal people to a new level of economic self-reliance.

The strategy responds fully to the extensive consultations launched in July 1987 in anticipation of the expiry of several Native programs managed by the Department of Industry, Science and Technology.

NEW DIRECTIONS

The Canadian Aboriginal Economic Development (CAED) strategy will pursue economic self-reliance for Aboriginal people by means of:

- greater participation in the national economy;
- access to continuing jobs and increased opportunities for ownership and management of business enterprises and economic institutions;
- participation in the design and delivery of programs;
- unrestricted access to federal economic development initiatives;
- increased involvement with Canadian business and investment interests; and
- active participation and support from provincial and territorial governments.

More specifically, for example, it seeks:

- further development of a network of economic institutions, controlled by Aboriginal people, that, over time, can assume responsibility for much of the delivery of the government's investment funding, business and employment programs and advisory services;
- increased Aboriginal joint venturing with "mainstream" businesses; and
- breakthroughs in increased opportunities for employment and self-sufficiency by Aboriginal people who have chosen to live in urban areas.

The new strategy will harmonize the various elements of programs managed by ISTC, DIAND and CEIC. Already, programs have been revamped and improved, and new programs will fill gaps identified during the consultations.

The new program structure will integrate eight components:

- **Business Development**, to continue in a more effective way the commercial enterprise components of various government programs, including the Special Agricultural and Rural Development Agreements (Special ARDA), the Native Economic Development Program (NEDP), and the Indian Business Development Program (IBDP), so that Aboriginal individuals or communities can obtain the capital and support services to start or expand a business;
- **Joint Ventures**, to help Aboriginal businesses forge new and profitable links with other firms in the mainstream economy, thereby providing opportunities for the transfer of management, technical and other business skills to Aboriginal people;
- **Capital Corporations**, to support and build the network of autonomous Aboriginal financial institutions established across the country in recent years, through the efforts of ISTC's NEDP and CEIC's Community Futures;
- **Community Economic Planning and Development**, building on the current DIAND, CEIC and ISTC initiatives, to assist Aboriginal people living in rural, remote and isolated communities to plan, program, organize and direct their own businesses and employability development services;
- **Access to Resources**, to assist Aboriginal communities to develop their economic and employment base by gaining access to commercially relevant renewable and non-renewable resources;
- **Skills Development**, to augment managerial, professional, and vocational skills among Aboriginal individuals under programs such as the Canadian Jobs Strategy by greater involvement of Aboriginal people in the planning and implementation of local strategies;
- **Urban Employment**, in consultation with local provincial and municipal authorities, to assist Aboriginal people who live in urban areas to find employment through training and work experience initiatives so that they can share fully in the growing prosperity of our cities; CEIC will be proactive in involving representatives of the Aboriginal communities, the private sector and governments in development of local planning strategies; and
- **Research and Advocacy**, to ensure the effective management of the new strategy, to coordinate the programs, and to conduct research and policy analysis. The advocacy role will be played to build support for Aboriginal businesses within the federal government and in all quarters of the Canadian economy.

Within the framework of this strategy — given the prime objective of support for Aboriginal self-reliance — the federal government is committed to the strengthening of Aboriginal financial, sectoral and local development institutions so that, in time, they can act as the delivery agent for the financial, technical business, and employment development services currently delivered through federal departments, in particular, ISTC and DIAND. This devolution will be effected as community leaders and Aboriginal economic institutions gain experience through greater levels of autonomy and responsibility.

THE CHALLENGES: AN AGENDA FOR COOPERATION

To achieve success with the strategy, federal government, aboriginal business and community leaders, provincial and territorial governments and the Canadian business community at large must strike a new partnership. Not only must federal departments be effectively coordinated, all other partners must be committed and supportive.

Aboriginal business and community leaders will need to pursue vigorously economic self-reliance and work to ensure that this strategy contributes to the creation of a strong Aboriginal economic base.

Aboriginal communities must continue to be willing to invest funds and resources into projects for their benefit, in partnership with the federal government. To stretch the Aboriginal and federal dollars as far as they can go, a persistent and determined effort to obtain provincial and private sector investments will be required.

To control commercial development of natural resources on their reserves, the Indian people may have to contemplate technical changes to the *Indian Act*. Under present law, projects to develop mineral, forestry and other resources on Indian lands cannot proceed or be adequately financed. The federal government will support Indian leaders and bands if they wish to proceed with technical changes like the recent Kamloops Amendment.

Finally, Aboriginal people must themselves lead the search, both within and beyond their lands, for business and employment opportunities and thus secure through their own efforts full participation in the general economy.

From *provincial and territorial governments*, the Government of Canada will seek tangible support for economic development of Aboriginal people.

Although the federal government has a special constitutional responsibility for Indians and Inuit, all Aboriginal people are citizens of Canada and residents of a province or a territory. Aboriginal people expect economic opportunities that are available to non-Aboriginal residents of their province or territory. Without active technical and financial support and cooperation from provincial and territorial governments in accessing natural resources, Aboriginal communities cannot proceed with many of the projects identified to advance their economic development.

In areas such as land, forestry, mining, inland fishery, transport and tourism, provincial governments must mobilize regulatory and administrative support to bring projects on stream. Many projects in recent years have demonstrated that Aboriginal entrepreneurs can contribute to the growth and development of provincial and territorial economies. Given this record and the obvious interest of other governments to promote regional and rural development, the federal government is confident that provinces and territories will support the new federal strategy and participate in its implementation.

On the urban scene, the provincial and municipal governments will be counted upon to assist Aboriginal people to access training and jobs that enhance self-reliance. The federal government will consult with local provincial and municipal authorities on program measures that achieve this objective and prevent the spiralling of welfare costs and social disruption.

Also, the *Canadian business community* at large must be willing to deliver. All too often, Aboriginal people seeking to better themselves, achieve self-reliance and engage in business activities have been confronted with indifference, hostility or outright prejudice. Yet the many successful new businesses launched by Aboriginal entrepreneurs have demonstrated that all Canadians stand to gain from full participation of Aboriginal people in the Canadian economy. They must be given a fair chance — the same opportunities as other Canadians.

In this respect, the role of the Canadian business community is crucial. This strategy will be effective only if non-Aboriginal business leaders are as receptive to commercial proposals made by Aboriginal people as they are to those coming from other quarters. New supplier/customer arrangements will be essential for linking Aboriginal business to the mainstream economy. A corollary is that the federal government expects to see a concerted re-examination of employment practices in both large and small businesses.

Finally, the strategy requires federal departments and agencies to work together to increase their effectiveness in promoting Aboriginal economic development. The three lead departments — ISTC, DIAND, and CEIC — will work diligently to make federal programs more accessible to Aboriginal people in all parts of the country. They will not be working alone as all federal ministers have recognized that Aboriginal economic development demands government-wide support.

THE ROAD TO SELF-RELIANCE: EXPECTED RESULTS

Over the next five years, the federal government expects measurable results from the CAED strategy. Among these are:

- an increase in average levels of earned income among Aboriginal people;
- a significant increase in rates of Aboriginal employment;
- a broadening of the base of Aboriginal businesses;
- a more mobile Aboriginal labour force, upwardly, occupationally and geographically;
- the emergence of an Aboriginal managerial and entrepreneurial cadre;
- a lessening of social problems related to migration into urban centres and reduction of attendant welfare costs; and
- an increase in Aboriginal communities that have the capacity to manage their economic futures.

IMPLEMENTING THE STRATEGY

Implementation of the strategy will begin today, and the new ISTC programs will come into effect on September 1, 1989. Much work will have to be done to achieve the strategy's objectives. The foundation for the work will be discussions with:

- Aboriginal business and community leaders, to review the details of the ISTC program structure;
- officials of territorial and provincial governments, to secure their understanding and participation;
- community leaders in urban centres with a significant Aboriginal population, to secure their cooperation in the strategy for urban employment;
- the Canadian business community at large, to explore and build links between Aboriginal enterprises and the mainstream economy;
- non-Aboriginal financial institutions, to explore means of enhancing the effectiveness of Aboriginal financial and sectoral corporations; and
- communities, tribal councils and sectoral corporations supported by DIAND, to plan programs that strengthen managerial capacity and provide professional advice.

The government is confident that the strategy set out today will engender positive responses from everyone involved in this new partnership for Aboriginal development.

THE STRATEGY IN DETAIL

OVERVIEW

The federal government's CAED strategy structures efforts to assist Aboriginal groups and individuals to develop viable enterprises, access long-term employment, and manage their resources. CAED continues the successful efforts of the past and adjusts these in light of experience, a changing environment, and the expressed aspirations of the target groups. It involves the pursuit of realistic opportunities and an attack on barriers to development. It increases Aboriginal participation in program delivery and decision-making.

The strategy increases self-reliance. It has as its focus to achieve, wherever possible, greatly increased Aboriginal participation in the broader economy. The means to that end are the acquisition of employable skills, and access to capital, business services and developable resources. Accordingly, the central thrusts of the strategy are to:

- secure productive employment and higher income;
- enhance self-reliance by building institutional capacity and individual skills for economic development;
- expand the business base through wholly owned corporations and joint ventures;
- identify and exploit the diverse development opportunities to be found in isolated, rural and urban settings; and
- increase participation in the urban wage economy.

The CAED strategy seeks to boost employment and income by building and strengthening the Aboriginal business base through direct programming combined with non-federal financing. It promotes a commercial orientation to development. Programs will permit identification and development of the variety of business opportunities to be found in isolated, rural and urban areas and will offer a range of instruments to exploit these opportunities.

The strategy provides greater access to capital for Aboriginal people for starting up or expanding young businesses. Direct contributions will be available from government, but where circumstances permit, the share of other sources of financing will be increased. Access to commercial financing will be enhanced through insurance of loans. The strategy fosters the further development of the network of Aboriginal capital corporations through expansion of their loan operations and the addition of other forms of financing as they mature.

The strategy improves program coverage. It provides for assistance to vital areas of business planning and access to professional business services during the start-up phase of business projects. It ensures that all aspects of business development are fully addressed by potential entrepreneurs before investment of funds.

An emphasis will be placed on human resource development in all program components. This is clearly the most important requirement for building self-reliance. All the instruments of the Canadian Jobs Strategy will be used to provide training and work experience, and Aboriginal involvement in planning and implementation of local strategies will be increased. Training in employable skills in Aboriginal communities will also be increased, and training and advisory services required for business development projects will be assessed and financially assisted.

The strategy brings a new focus on the social crisis looming over cities, particularly in the west where many Aboriginal people live. To alleviate unemployment and social disintegration, the federal government will consult with provincial and municipal authorities to coordinate efforts specifically toward Aboriginal breakthroughs in gaining employment in the job market. Aboriginal individuals in urban centres are a significant minority and need approaches that supplement the on-going activity of the Canadian Jobs Strategy. Other components of the CAED strategy will stimulate the creation of urban Aboriginal businesses that can be promoted as role models rather than as the core of the approach to the urban Aboriginal challenge.

The strategy enhances self-reliance by providing a central role to Aboriginal institutions and individuals. It accords first-line importance to enhancement of Aboriginally controlled commercial loan institutions and other economic development corporations. It vests authority in Aboriginal project boards that oversee the administration of ISTC programs. The delivery of DIAND's human resource and business development advisory services and programs will be largely devolved to Aboriginal institutions. Aboriginal input to CEIC decision-making will be enhanced.

PROGRAM STRUCTURE

Eight component programs have been structured to give effect to the CAED strategy. They have been designed for effectiveness, to complement each other and minimize duplication. They can be administered by the three program departments without altering existing ministerial mandates. Management at headquarters and in the field will be coordinated through a management committee of assistant deputy ministers (ADMs).

Business Development (ISTC)

The component for Business Development provides financial and developmental assistance to Aboriginal entrepreneurs and communities for commercial ventures. It replaces measures under the Special ARDA and Northern Development agreements, NEDP of ISTC and DIAND's direct contributions to businesses. The integrated approach addresses all stages of business development from feasibility study to project aftercare. The component provides improved access to business development capital and advisory services to augment the very limited range of resources available to most Aboriginal individuals and communities to foster commercial activity. It consists of five subcategories:

- business ventures;
- loan insurance;
- business planning, training, and post-establishment services;
- pre-commercial and infrastructure development; and
- micro-enterprise development.

Most funds for this component will be directed to **business ventures** for the following purposes:

- establishment, expansion, modernization and acquisition of viable business enterprises;
- product and process innovation; and
- marketing.

To be eligible for assistance, applicants must demonstrate the commercial viability of the proposed project, using standard business criteria. They will be required to submit a comprehensive business plan that addresses market analysis, operating costs, financial results, sources of financing and management expertise. They must supply at least 10 percent of equity and present a balanced financing package. Other criteria for selection will be the project's need for program assistance, support from the community, likely impact on existing enterprises, and benefits for the community. Projects may be assessed also in light of broader federal government economic policies and priorities, including trade and industrial policies.

A **loan insurance** facility will complement the equity contribution program. It will be designed to reduce risk to conventional lenders and encourage commercial financing. The rationale is to reduce the average size of contributions by the program, particularly repayable contributions, while bringing more projects forward. This program will complement DIAND's loan guarantee program, which will continue to be available to borrowers on reserves.

Emphasis will be placed on human resource development through financial assistance for:

- comprehensive business planning;
- training in business skills required for the project; and
- access to professional business services in the post-establishment stage.

The development of **business plans** will help ensure the success of ventures and contribute to the program's timely processing of applications. Under NEDP, business planning assistance was not available. This made accessing the program difficult except for those who were well-versed in business matters and those who had access to other planning resources and business advisory services.

Training in business skills (management, accounting, technical expertise) required at the initial stages of a project, will be funded. This will increase the project's probability of success. Major training requirements and requirements after the start-up phase will be processed under the Skills Development component of the CAED strategy.

Assistance for **project aftercare** will enable project participants to purchase technical and professional advisory services from the private sector for a fixed period after project start-up. This type of assistance has not been previously offered, and its lack of availability has contributed to difficulties encountered by clients in the post-approval stage.

Eligibility for assistance in business planning will be assessed on the basis of the applicant's statement of work; consultant selection process; contribution to the cost of the plan; evidence of wherewithal to proceed with business plan implementation; and equity (at least 10 percent) in the eventual project. Similar criteria will be applied to selection of aftercare projects.

Funds will be available to finance **pre-commercial development** costs where a significant commercial opportunity is identified. In addition, **infrastructure costs** that are required to bring a commercial opportunity to viability may also be covered. For both these purposes, provincial governments will normally be expected to cover half the costs of projects off reserves, and funds will be sought from other federal departments whose mandates relate to the required expenditures.

The Business Development program will also respond to the capital needs of Aboriginal people with little or no commercial experience wishing to engage in small-scale activity. This program category will replace the parts of Special ARDA and Northern Development agreements that provided assistance to Aboriginal individuals requiring support for exploring economic opportunities and for start-up or **micro-enterprise activity**, in particular for purchase of equipment. The key criteria for assistance will be existence of a realistic opportunity, client suitability or experience, and lack of financial resources. Project approval will be expeditious.

Joint Ventures (ISTC)

The Joint Ventures program component is designed to encourage Aboriginal entrepreneurs to undertake business arrangements with non-Aboriginals for mutual advantage. It is focused on exploiting business opportunities that would not be realized without the participation of the non-Aboriginal private sector. Aboriginal businesses will be encouraged to forge new links with firms in the mainstream economy to benefit from the transfer of management, technical and other business skills to Aboriginal people, as well as to exploit employment and income opportunities. This mechanism can be particularly instrumental in securing access to major resource projects for isolated communities.

Funding assistance will be limited to the Aboriginal portion of a newly established joint venture and for related planning and aftercare. Projects will be subject to the same criteria applying to the Business Development component, the key one being commercial viability. Active Aboriginal involvement in direction, management and operation of the venture will be required. To maximize the pay-off from its limited resources, the program will apply a threshold for total project costs. In circumstances where benefits accrue to the Aboriginal participant and the joint venture partner is a well-established enterprise, the requirement of the Business Development program for majority Aboriginal ownership and control will be waived. A small ISTC staff will pro-actively develop opportunities and bring together potential partners from the mainstream and Aboriginal communities. This will likely result in some joint ventures' being undertaken without financial assistance from the program.

Capital Corporations (ISTC)

The objective of the component on Capital Corporations is to expand the Aboriginal infrastructure for financing — to enhance the access to capital for Aboriginal businesses and overcome the evident difficulty they have in obtaining mainstream commercial financing. It fosters the further development of the network of commercial loan corporations owned and controlled by Aboriginal people that has grown up with funding by NEDP's Element I, DIAND's Institutional Development Program and CEIC's Business Development Centres.

A few **new institutions** may be capitalized where strong management capacity is in evidence, the market warrants a minimum \$5 million capital base, and break-even on operations can be reached within five years. These new institutions will provide only small business loans. Further, other government lending facilities targeted at Aboriginal businesses, particularly Community Futures corporations, will be integrated into the capital corporations to the extent possible. DIAND will cease to make direct loans to businesses served by a capital corporation. Indian and Inuit institutions may propose to buy, at market value, or to administer DIAND's existing direct loan operations.

Expansion of existing services beyond the initial capitalization would be based on demonstrated market need and a record of cost-effective delivery. Funding of expansion up to a level sufficient to sustain the integrity of the capital base with good management will be by non-repayable contribution. Beyond that, funding to take advantage of additional market growth will be based on the principle of capacity to repay and will take the form of repayable contributions.

Diversification into new financial services undertaken by mature corporations will be funded by contributions. The corporations will have to meet stringent eligibility tests (for example, steady break-even performance on existing activity) and will be subject to prudent rules governing their portfolio during the ISTC funding control period. Possible new services include equity financing, leasing, and insurance, but not retail deposit-taking services.

A new emphasis on **orderly growth and development** of the institutions will be a feature of this component. This will include **performance monitoring**. A framework will be established jointly by government and the capital corporations to measure a corporation's performance against the system of Aboriginal capital corporations. Regular feedback to the corporation will assist in its on-going portfolio management

and strategic planning. A corporation facing difficulty will be provided with support services, and government will have the power to take action in the case of mismanagement or impending insolvency. This setup would be subordinate to the federal and provincial supervisory regime governing all financial institutions.

Several further initiatives are envisaged to support and foster the network of capital corporations. Institutions have tended to operate in isolation. Collaboration on common services, employee training, and advisory services could save costs and help create a distinct identity. This could be achieved through a **national association**, promoted but not operated by government. A national association could stimulate links with conventional financial institutions such as joint lending (e.g. for joint ventures), networking of services such as insurance or performance bonding by the corporations, and transfer of skills to the corporations.

Community Economic Planning and Development (DIAND)

The component on Community Economic Planning and Development is intended to intensify support for community-based human resource development activities and economic development institutions. For Indian and Inuit communities, DIAND will help to build local capacity for managing economic development and putting substantially more Indian and Inuit community residents into the business and wage economies. For other Aboriginal communities, the federal government, through ISTC, will encourage and support efforts by the provinces and territories.

DIAND aims to advance local Indian and Inuit organizational capacity (community and tribal economic development corporations) to take over delivery of government economic development programs or purchase training and advisory services under contribution or alternative funding agreements. DIAND activities encompass three elements:

- **Indian Community Human Resources Strategy (ICHRS)** supplements CEIC's Canadian Jobs Strategy Program with literacy, academic and basic skills upgrading, particularly for the burgeoning young adult population. The vehicles are community-based learning systems as well as training on the job (TOJ) and mobility assistance. The developmental use of social assistance funds will be facilitated. Entrepreneurial skills development will be encouraged through training, internships and business support services. Career-based training combined with TOJ, internships or entrepreneurship development will provide new options for Indian high school graduates. Community Investment projects will be used to enhance the long term retention of individuals in the wage economy.
- **Community economic services** involve funding and advisory assistance to large Indian and Inuit communities and groups of communities to provide planning, advisory and extension services for business and economic development. Funding and advisory assistance will be available to Indian and Inuit controlled organizations to deliver programs in augmenting skills and employability, and to plan and deliver CEIC and DIAND human resource development and placement services. DIAND supported institutions are free to set terms and conditions, including repayment, of DIAND contributions made to program clients.
- **DIAND staff** will help Indian and Inuit economic development institutions improve their service capacity and expertise by promoting training tools, links between corporations, etc. DIAND will continue directly serving communities that do not have their own program service institutions.

DIAND will continue also to administer direct loans through the Indian and Inuit Economic Development Funds where no effective service is provided by an Aboriginal capital corporation. Indian or Inuit controlled institutions may propose to buy at market price, or administer for a service fee, portions of DIAND's direct loan portfolio. DIAND will provide guaranteed loan facilities on Indian reserves to eligible corporations. DIAND will also continue to help build effective relationships between Indian and Inuit communities and CEIC outreach services and district advisory boards (DABs). CEIC, for its part, will work to strengthen Aboriginal involvement in the formulation and implementation of local planning strategies.

Access to Resources (DIAND)

The Access to Resources component assists Aboriginal communities to realize business and employment opportunities in the resource sectors. For Indian and Inuit communities, it builds on and expands sectoral assistance provided by DIAND, related to the federal jurisdiction over Indian lands, and resource sector development activities under Special ARDA and the NDAs by ISTC. It provides a source of financial and other assistance to Indian and Inuit communities to negotiate access to nearby resources, attract developers to invest in community-owned resources, or to establish agreements with developers of large-scale projects that offer employment and business benefits.

Joint federal-provincial-territorial-private sector action to support Aboriginal activities is a prerequisite to achieving increased participation by Aboriginal people in the resource development sector. While the federal government has paramount responsibility for most resources on Indian lands, the provinces effectively control the resource-based industries through regulation, licensing, royalties, etc. They also control large tracts of Crown land that are rich in commercially exploitable resources. The main source of investment and expertise in resource development should be the private sector.

The component will comprise five elements:

- **Resource access negotiations:** provision of funds and technical assistance to permit Indian and Inuit communities to take advantage of large resource projects nearby, to attract investments into resource development on Indian lands, and to contract with provinces and private sector developers to develop and manage resources on Crown lands;
- **Sectoral development corporations:** provision of funds to Indian and Inuit sectoral economic development corporations to allow them to provide training, advisory and extension services for resource development;
- **Federal-provincial-territorial agreements:** to establish specific benefits in resource-based economic development activities, giving preference, for example, to Aboriginal people in licences for tourism and traditional activities, as well as joint programming and program delivery where appropriate in northern and remote regions;
- **Sectoral department initiatives:** provision of technical advisory services, programming and training, internships, interchange programs and employment as well as sub-contracting of local field services or activities to enhance the quality and sustainable yields of resources on Indian lands;
- **Residual role for DIAND:** in resource management services for reserves, including for instance reform of land management, forestry and minerals regulations, maintenance of stage-1 mineral inventories; oil and gas, forestry and fisheries resource management; professional assistance to sectoral corporations, and other related services.

Matters relating to the federal jurisdiction over reserves naturally fall to DIAND, which also has the lead in nurturing sectoral institutions. ISTC may also play a significant role in, for instance, financing joint ventures for resource extraction. Federal resource sector departments are expected to be pro-active in assisting DIAND and ISTC to meet the objectives of this program component.

Skills Development (CEIC)

The component on Skills Development augments management, professional and vocational skills of Aboriginal persons, including those engaged in establishing, financing or operating businesses. This program component will feature purchase of management training provided by community colleges, universities and other institutions; encouragement of centres for Aboriginal management training and advisory services; and training for persons with potentially viable business proposals who lack the skills and resources to bring these to fruition. Training in employable skills would be available to individuals who meet CEIC criteria for labour market programming.

The Canadian Jobs Strategy and other CEIC programs will be used, targeted in a variety of ways to the needs of the Aboriginal population. CEIC will encourage more effective involvement of Aboriginal people in formulation and implementation of its local planning strategies.

Urban Employment (CEIC)

The Urban Employment component will better focus the existing Canadian Jobs Strategy and provincial programming to meet the special training needs of unemployed and underemployed Aboriginal adults. It will encourage an effective training and placement infrastructure to assist Aboriginal persons to access jobs in the mainstream economy. The aim is to generate a substantial increase in urban Aboriginal employment during the next five years. Its content and operation will be further developed in consultation with local provincial and municipal authorities.

CEIC will work to strengthen Aboriginal involvement in formulation and implementation of local plans. Effectiveness of training and placement services will be increased through involvement of employers. Local strategies will be implemented through coordinated interventions of federal (Canadian Jobs Strategy) and provincial (remedial education, training, apprenticeship) programs.

Research and Advocacy (ISTC/DIAND/CEIC)

The program component on Research and Advocacy aims to promote Aboriginal employment and business development through dissemination of information to the public, promulgation of constructive ideas, and representations to those in a position to contribute to progress. It will assist Aboriginal people by supplying information on effective approaches to commercial development and specific business opportunities. Governments, Aboriginal organizations and enterprises will be provided with research information about the performance of Aboriginal enterprises and with data bases on Aboriginal businesses and business service networks. The progress being made by Aboriginal enterprises needs to be made widely known, among both Aboriginal and wider publics. A variety of means to promote this understanding will be developed.

Staff will interact with government officials at both the federal and the provincial levels to make programs more sensitive to the needs of Aboriginal people and to remove rules and practices that discriminate — often in unintended ways — against Aboriginal people. Affirmative action programs will be encouraged. New approaches to economic development will be explored and promoted. More effective ways to address the economic development of Aboriginal women will be sought.

IMPLEMENTATION

Only when Aboriginal people play a significant role in decision-making on program operations are Aboriginal concerns and sensitivities taken into account. This is an essential lesson from existing programs and one that was emphasized during the consultations on ISTC's native economic programs. Groups across the country identified the need for continued and strong Aboriginal participation in ISTC's decision-making and recommended that it be regionalized to enhance client access and maximize program effectiveness.

A national project board and two regional project boards will be established with members predominantly of Aboriginal ancestry and appointed by the Minister of State (Small Business and Tourism) to assist in the implementation of ISTC-managed program components.

Regional project boards will have authority to recommend business development projects involving capital assistance up to \$250 000.

The **national project board** will consist of members from the executive committees of the regional project boards. It will have authority to make recommendations to the Minister of State (Small Business and Tourism) on business development projects involving capital assistance greater than \$250 000 and on all Aboriginal capital corporations and joint ventures. Furthermore, the national board will advise the Minister of State on policy matters related to the three components of the CAED strategy — Business Development, Joint Ventures, and Capital Corporations — for which ISTC is responsible, and those related to the Research and Advocacy activities of ISTC. It will annually review program operations and effectiveness.

The CAED strategy will be administered in accordance with the following principles:

- Responsibility for implementation will be vested with a CAED management committee consisting of the appropriate assistant deputy ministers (ADMs) of DIAND, ISTC and CEIC, to ensure coordinated field delivery.
- Priority will be given to hiring and training individuals of Aboriginal ancestry for professional, administrative and program delivery positions.
- Other federal departments will undertake initiatives respecting advisory services, human resource development, and access to mainstream and joint federal-provincial programs, to enhance Aboriginal economic development.
- Sectoral departments in the federal government will be closely involved in the implementation of the CAED strategy, in particular through advice to the ADM Management Committee and decisions on business projects.
- Aboriginal clients seeking access to development programs of any federal agency in the field will be given full consideration under the criteria of these programs and will be assisted to access other programming as relevant.
- The federal government will seek the active participation of provincial and territorial governments in implementing the strategy.

ANNEX — CHALLENGES AND OPPORTUNITIES

Many factors and considerations shaped the new federal approach to Aboriginal economic development. Key among them were the economic circumstances of the Aboriginal population and the economic opportunities and constraints it faces; the results of a review of programming to date by the three responsible departments; and the findings from consultations with client groups. These are detailed in this and the following annex.

ECONOMIC DISPARITIES

By all measures of socio-economic disparity, the 600 000 people who identify themselves as Aboriginal continue to be the most disadvantaged group within Canadian society. Employment rates among the Aboriginal working age population have been about 45 percent compared with 63 percent for the non-Aboriginal population. Of Aboriginal youth aged 15–24, and not attending school, 40 percent are employed compared with 75 percent for the non-Aboriginal population. Employment rates for registered Indians in remote communities are 30 percent.

Aboriginal individuals are three times as likely as non-Aboriginals to depend on government transfer payments as their major source of income. Of those employed, incomes are up to a third lower than levels for employed non-Aboriginals.

Almost 30 percent of Aboriginal individuals aged 15–24 have less than a grade 9 education, compared with 7 percent of their non-Aboriginal counterparts. More than 76 percent have neither completed high school nor pursued post-secondary education, whereas the corresponding percentage for non-Aboriginals is 44.

On reserves, in predominantly rural and remote areas, reside about 180 000 registered Indians of working age. At any point during the year, 25 percent are employed full time and a further 5 percent are employed part time — often alternating between seasonal employment, Unemployment Insurance (UI), training and Social Assistance (SA) throughout the year. Many Indians have worked only in traditional subsistence activities.

The off-reserve Aboriginal population — about 55 percent of the total — share the same disadvantages and similar prospects as Indians on reserves. Only 50 percent of adults are employed. The employment rate among women and young adults (15–24) is 40 percent.

The social cost of so many unemployed adults is enormous. The high incidence of family breakup, alcoholism, vandalism and family violence finds roots in chronic unemployment and the dearth of meaningful activity. Of particular concern is the risk that recent improvements in the numbers of Aboriginal students in secondary school will be undermined if children observe their graduating seniors moving on to SA dependence.

A focus on youth is crucial to the future possibilities and challenges for Aboriginal economic development. For at least the next 15 years, the Aboriginal share of the young labour force (15–34 years old) will be rising, reaching a level 50 percent higher by 1996. Most of this growth will occur in non-urbanized areas. Aboriginal people will account for 57 percent of the increase in the labour force in northern Canada and 12 percent in each of Manitoba and Saskatchewan.

For every year in the next five years, more than 5000 individuals will have to find and keep jobs to achieve a level of 50 percent employment among young Indian adults living on reserves. Only a small fraction of this requirement — perhaps one-quarter — will be met by the Indian public administration sector and other government-supported jobs. Failure to provide additional employment will directly result in high social assistance costs to the federal government.

There are an estimated 6000 Aboriginal enterprises in Canada. Although these enterprises are similar to Canadian small businesses in size and type of activity, enterprise development generally is at an initial stage. In relation to the population, the number of Aboriginal enterprises is still remarkably low (1 for every 100 people) compared with Canada overall (1 for every 30 people).

The Aboriginal enterprises have a survival pattern similar to small businesses generally. Failure rates (40–60 percent) are relatively high in the first three years of operation. New retail establishments evidently are particularly risky, whereas businesses in more traditional activities on average survive longer.

A large majority of Aboriginal enterprises, as could be expected, serve local markets, providing transportation and construction services, retail and distribution activity. In a number of instances these have evolved into the larger and more complex enterprises that supply national and even international markets — fisheries, exotic agriculture crops (wild rice, game), wood products. Service companies (feeder airlines, tourism, construction, finance and insurance) are starting to cater to regional markets. Aboriginal enterprises are emerging across virtually all commercial activity — computer assembly, programming and services, real estate services, restaurants and catering, clothing and fashion products, light manufacturing, food processing — both in rural and in urban settings.

ECONOMIC OPPORTUNITIES

The current levels of economic activity, particularly in rural and remote Aboriginal communities, fall far short of those needed to generate acceptable employment levels. Yet it is not difficult to show that substantial unexploited potential exists almost everywhere. Aboriginal people are under-represented as owners and employees of businesses that provide locally marketed goods and services and even more so in resource extraction adjacent to Aboriginal settlements. Increasing their participation in the local and regional economy is the key to increased self-reliance. Many opportunities can be accessed through entrepreneurial initiatives by the Aboriginal population.

Resource-based sectors provide the greatest potential for rural and remote communities. For example, an international demand exists for lake-grown wild rice, and the potential yield is worth more than \$100 million annually in the long run. On reserves in Ontario, only about 4800 ha or 6 percent of arable land of fair to good quality was under cultivation in 1987. There is a reasonable potential to support 330 full-time farm operations, or 12–15 times the current level of farming activity.

Indian lands contain 11 000 km² of forests with commercial yield potential, but these have been poorly managed over the years. Many communities are in, or near, prime forestry areas, so opportunities exist in labour-intensive forest management field. Close to 150 000 status Indians live within commuting distance of large forestry businesses, which employed 160 000 workers in 1985. Yet, only 4000 status Indians are known to be employed in the forest sector, mostly in small operations.

Several promising mining prospects have been identified on reserves and on lands that may pass to Aboriginal control through land claims or other types of compensation. Furthermore, federal and provincial mining departments have extensive field staffs in remote areas where Aboriginal people predominate. Large mining companies have many employees engaged in exploration and mining of deposits near Aboriginal communities. Opportunities also exist in fisheries, for instance in aquaculture and species management on the west coast and in the eastern Arctic.

There are also opportunities in the commercial service, transportation and construction sectors, including replacement of services that are currently “imported” from the mainstream economy. Once a solid base is established, “export” of services becomes an opportunity. Significant potential remains in tourism and crafts, but it has been slow in being realized because of weaknesses in quality control and product differentiation, marketing and distribution.

The welfare dependency of isolated bands and communities can be reversed only through innovative action either to develop hitherto unexploited local resources (e.g. the scallop fishery off Baffin Island) or to enable Aboriginal communities to participate in resource extraction and processing in the mineral, oil and gas, and forestry industries. Joint ventures with experienced non-Aboriginal businesses can mean participation in resource revenue, skill transfer, and access to professional and management expertise. However, government may have to spend considerable amounts on identification and pre-commercial development so that opportunities can be turned into viable realities.

In rural and small towns, the economic activities open to Aboriginal enterprise are more varied. Entrepreneurs are moving beyond gas stations, restaurants, and grocery stores to, for example, vehicle repair, construction, light manufacturing, agricultural and food processing, and recreational services. Some progress is being made in upgrading agricultural production from both reserve and off-reserve lands. Diversification into game ranching, fur farming and aquaculture is taking place. With the largest percentage of Aboriginal people living in this setting, sustained development of entrepreneurial opportunity in these circumstances is essential.

In urban settings, it is clear that development of Aboriginal enterprise, on its own, will provide employment for only a small percentage of individuals who seek self-reliance in a city environment. The major focus in these circumstances must be to identify mainstream jobs, provide effective training and broker individuals into full-time employment. Here, too, there is substantial potential. Many of these urban areas are provincial capitals or other major cities with a stable and high employment base. Urban employment opportunities can also be accessed by the 70 000 status Indians of labour force age living on reserves within commuting distance of urban centres.

DEVELOPMENTAL CONSTRAINTS

The failure to exploit these opportunities in the past points to the existence of major constraints. Much has been learned about these constraints from past efforts to stimulate economic development. On the supply side are the shortages of financial and human capital and the inadequacy of current mechanisms to provide employment-enhancing skills and transition assistance. Most Aboriginal communities and individuals lack the financial resources to start up even the smallest enterprises. They have limited access to debt financing. Low levels of educational achievement are reinforced by a lack of employment experience. Some communities lack the organizational capacity to engage in business development, and some are culturally ambivalent towards it. Dependence on government may also restrain employment-seeking and entrepreneurial behaviour. Individuals seeking to improve their economic prospects off reserve are often confused by the plethora of programs from all levels of government.

On the demand side are constraints brought about by negative stereotyping, which is a major barrier especially to mainstream financial resources. In rural and remote settings, the jobs in the mainstream economy are often temporary, and companies choose to move experienced employees from location to location instead of hiring and training locally available labour. In the cities, labour market matching services and networks are often not used by the Aboriginal population. Apprenticeship schemes, licensing, unionization all present barriers to Aboriginal participation in technical, paraprofessional and skilled roles. Licensing and contracting practices of governments act against Aboriginal enterprises in unintended ways. Access to resource licensing has been governed by economic criteria designed for southern-based commercial enterprises and the related rates of return or wage levels rather than by the economic return acceptable in a low wage economy. The legal regime for reserves, for instance in the form of antiquated forestry regulations, impedes maximization of economic activity in resource exploitation.

Past experience suggests that these barriers can be overcome. For instance, there have been successes in business development with band or community owned enterprises operating in sectors in which Aboriginal people have traditionally been active. Recent studies of training under CEIC and DIAND programs demonstrate that trainees experience significantly higher employment rates than non-trainees. The results from economic development efforts to date, taken as a whole, have been most encouraging.

ANNEX — REVIEW OF PROGRAM EXPERIENCE

ISTC PROGRAMS

Until now, ISTC (previously the Department of Regional Industrial Expansion [DRIE]), with its mandate for regional development and small business, administered three types of status-blind programs for Aboriginal people: the **Native Economic Development Program (NEDP)**, which is national in scope; the **Special Agricultural and Rural Development Agreements (Special ARDA)** with Manitoba, Saskatchewan, British Columbia, Yukon and the Northwest Territories; and the **Northern Development Agreements (NDAs)** with Manitoba, Saskatchewan and Alberta. All programs expired on March 31, 1989, except for NEDP, which has been extended to July 31, 1989, and Alberta NDA, which remains in effect until 1991. The programs are reviewed below. The comprehensive consultations on the department's programs undertaken in 1987 and 1988 are then discussed.

Since the early 1970s, successive governments have undertaken programs to redress economic disparities faced by Aboriginal people, particularly in western and northern Canada. In recent years, this has been done through programs specifically targeted at Aboriginal people, with an emphasis on the creation of employment opportunities and on increased access to capital for commercial ventures. Early efforts often resulted in only short-term employment at lower wages than those earned by the mainstream population. The more recent focus on accessing opportunities in the areas of small business development, employment and management training, sectoral and institutional development, and primary resource development has provided more positive results.

In October 1983, the federal government made a significant commitment of resources by launching NEDP, with funding of \$345 million to be expended over 4 years (extended three times, with no increase in funding, and now set to expire on July 31, 1989). Not limited to a specific geographic area or Aboriginal group, the program has as strategic objectives: i) to increase and strengthen Aboriginal community projects that have a strong economic focus, that increase the self-reliance of Aboriginal people, and that have the potential to be commercially successful; ii) to increase the number of Aboriginally owned and controlled enterprises, including financial and economic institutions and businesses; iii) to increase the access of Aboriginal people to existing economic development resources in the public and private sector; and iv) to increase public awareness of the contribution to the mainstream economy by Aboriginally owned, managed and directed enterprises. NEDP's program mandate covers four areas: Aboriginally controlled and managed financial institutions (element I), community-based business and industrial development activities (element II), Aboriginal enterprise and entrepreneurship development (element III) and coordination of other federal economic development programs (element IV).

Under element I, capital contributions averaging \$4 million had been approved for 26 Aboriginally owned and controlled capital corporations as of March 31, 1989. Seventeen corporations have started operations, and 12 have loan portfolios of more than \$1 million each. The corporations concentrate on commercial lending in line with detailed analytical and procedural criteria prescribed in contribution agreements with the program, and together reach more than one-half of the Aboriginal population. The loans tend to be small, between \$20 000 and \$100 000. Assistance has been given also to economic development corporations, both for planning and establishment, and for the start-up and expansion of commercial ventures.

Under elements I and III, as of March 31, 1989, 436 commercial enterprise projects had been awarded funding totalling \$143 million. Half of the projects involved establishment of an enterprise, and one-third were for expansion of an existing operation. The NEDP equity contribution accounted for an average 50 percent of project cost with other (mainly federal) government sources contributing another 11 percent. The first 259 projects were concentrated in manufacturing (42 projects), accommodation and restaurants (47), retail trade (40), construction (24) and transportation (24). Twelve percent of the projects were related to tourism.

Also under element III, \$4 million was made available to projects involving innovation, marketing and business studies. Half the funds were awarded to trade shows and other marketing efforts. Finally under element III, 23 scholarships and training programs were supported for \$6.4 million, including a national scholarship program through the Association of Canadian Universities for Northern Studies (ACUNS). Under element II, Community Economic Development, 68 projects were awarded a total \$7.1 million. These consisted mainly of studies aimed at assessing the feasibility of economic options for communities, and included a few instances of funding of an on-going economic development secretariat.

Under Special ARDA, agreements were concluded in the early 1970s with Manitoba, Saskatchewan and British Columbia and, later that decade, with Yukon and the Northwest Territories. The main objective of the Special ARDA program was to improve the income and employment opportunities of disadvantaged people, particularly those of native ancestry, living in rural and remote areas. The agreements contained provisions for expenditures in four areas: commercial undertakings, infrastructure to enhance the chances of project viability, primary producing activities, and social adjustment measures (SAMs). The BC agreement did not provide for infrastructure and SAMs but supported remote rural communities, training and counselling.

In all, more than 5000 projects have been assisted, with the emphasis in the 1980s being placed on commercial undertakings. During 1987-89, for instance, 379 of 625 projects receiving federal assistance were in this class, with funding of \$14.9 million. The component in support of primary producing activities was directed at upgrading traditional hunting and gathering and was important in the Northwest Territories and northern Manitoba. Federal assistance to 216 projects totalled \$4.0 million. The provincial and territorial governments fund similar projects, as well as virtually all training-related activities under the SAM element.

NDAs are regional development agreements and therefore cover all northern residents. They are, however, targeted to Aboriginal people who were the majority of beneficiaries in all three provinces. The objectives of the agreements are: i) to provide options and opportunities for all the local people to participate in the social and economic development of their region; ii) to provide the opportunity for Aboriginal people to continue their traditional lifestyles with enhanced pride and purpose and iii) to encourage the orderly utilization of the natural resources of the region. Development activities have generally fallen within three main clusters — community economic development, human resource development, and community improvement. In the most recent three years, federal expenditures under these agreements have totalled \$50 million: \$30 million in Manitoba, \$11 million in Saskatchewan, and \$9 million in Alberta. The Manitoba and Saskatchewan agreements expired March 31, 1989.

ISTC PROGRAM REVIEW

A number of third-party evaluations and follow-up studies of the three programs have been undertaken, some recently. The studies and evaluations found that the ISTC programs have stimulated enterprise and employment. In particular, equity contributions under element III of NEDP and the commercial undertakings component of Special ARDA were found to have assisted in the creation of businesses. These have survival rates comparable to those in the mainstream economy but tend to have a mediocre growth and profit performance, as many are in small, isolated communities where purchasing power is limited. Evaluation studies conducted in the early eighties found that the primary producing activity and special adjustment measure (SAM) components of Special ARDA were not sufficiently oriented to economic criteria and were less effective as economic development programs. These program elements were therefore de-emphasized. Under element I, the Aboriginal capital corporations have been shown by two evaluations to meet a real need for commercial lending facilities dedicated to Aboriginal businesses. A third-party evaluation found that the early signs of performance by these corporations were encouraging and that the institutions should be further supported.

While acknowledging that the programs address a major impediment to enterprise development (the lack of risk capital) the studies found that more emphasis needs to be placed on pre-enterprise planning

and capacity development and on the readiness and business competence of entrepreneurs. They suggested more emphasis on training and on advisory services after the business has started ("aftercare"). Other non-financial factors were found to be important, such as community acceptance and involvement in the development of the institutions. Some studies have advocated a more strategic sectoral approach to the development of business and employment opportunities.

It has been pointed out that the short-term nature of existing programming (limited time frames for original programs coupled with frequent extensions) contributed to a focus by the client group on accessing funds rather than on the broader dimensions of genuine development. Also, the very limited person-year resources available to administer these programs led to an emphasis on application processing.

ISTC CONSULTATION

In 1987, Cabinet approved a series of objectives for Aboriginal economic development and then launched a public consultation on current ISTC programs and future directions. The objectives sought to ensure that Aboriginal people in all parts of Canada would enjoy:

- greater participation in the national economy;
- greater involvement in the management of business enterprises and economic institutions;
- greater access to long-term employment;
- the benefits of increased private sector and provincial/territorial involvement in Aboriginal economic development programming;
- full access to all federal economic initiatives; and
- active participation in program design and delivery.

From the summer of 1987 to the spring of 1988, consultations were held with all national Aboriginal organizations, with provincial, territorial and regional government officials, and with Aboriginal individuals and community leaders.

Upon completion of the formal consultations, a Task Force Review Group (TFRG), chaired by ISTC's ADM of Native Economic Programs and composed of representatives of national Aboriginal associations and senior federal officials, met to review the findings. Highlights of the findings and the TFRG recommendations can be divided into seven foci. They are presented here along with brief statements on how the Canadian Aboriginal Economic Development (CAED) strategy responds to each set of recommendations.

Program Structure

Consultation participants stated that federal economic development programs should have two main characteristics — **coherence** (i.e., that they should fit together without conflict and they should leave no gaps), and **flexibility and adaptability** (i.e., that programs should be able to meet the extremely diverse circumstances and needs of Aboriginal people in all regions of Canada — urban and isolated, north and south, large and small communities). They also were adamant that the range of program options available in some regions of the country should be available to all.

The TFRG recommended that:

- all federal initiatives have the common aim of enhancing self-reliance, self-determination, and Aboriginal control;
- the federal government demonstrate a long-term commitment to Aboriginal economic development programming;

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- all ISTC initiatives come under one umbrella program;
 - equal programming be available in all parts of Canada; and
 - provisions of the *Income Tax Act* regarding the treatment of a contribution as income not apply to funds provided to assist Aboriginal economic development.

The fundamental goal of the federal government's new approach is economic self-reliance of Aboriginal people. The involvement of Aboriginal people in program decision-making and delivery will be enhanced. The federal approach consists of a single strategy of national scope. Eight primary program components will be delivered in coordinated fashion by three departments, ISTC, DIAND and CEIC. The active involvement in Aboriginal business development of the federal departments and of provincial and territorial governments is an important dimension of the strategy. ISTC will deliver three program components aimed at business development, featuring a wide range of financing and development instruments to deal with the diverse circumstances and aspirations of Aboriginal people.

Range of Eligible Activities

There was general agreement among participants that existing programs did not adequately cover a number of activities that are essential if Aboriginal people are to build the strong foundation necessary for successful economic development and enhanced self-reliance. Activities requiring increased funding emphasis included access to training and technical and professional services.

The TFRG recommended that:

- human resource development, including activities to assist Aboriginal people develop business skills, receive more attention in Aboriginal economic programming;
- human resource requirements be included in every project proposal, with CEIC and DIAND becoming involved early in a proposal so that these requirements are met;
- support for the development and management of an Aboriginal economic project be given both before and after a proposal is approved;
- in appropriate circumstances, Aboriginal individuals receive support for the purchase of existing successful businesses; and
- the responsible minister be given discretion to waive the requirement for Aboriginal control in joint ventures.

Human resources development will be a central thrust of the new strategy. It is the focus of three program components delivered by DIAND and CEIC. ISTC will provide funding for initial training (up to a certain amount) required for business projects, as well as assistance for business plans and project after-care. Acquisitions of existing businesses and Aboriginal/non-Aboriginal joint ventures with minority participation by Aboriginal interests will be assisted in appropriate circumstances.

Program Delivery

Many participants were dissatisfied with the administration of the three ISTC programs. They complained particularly about the time necessary to process applications and reach decisions and the difficulty in getting in touch with program administrators. It was suggested that Aboriginal participation in program delivery be increased, perhaps by expanding the functions of Aboriginal capital corporations, such as loan and investment companies.

The TFRG recommended that:

- delivery of Aboriginal economic programs be decentralized;
- decentralization proceed in stages, initially making use of ISTC's regional offices and devolving delivery to Aboriginal organizations as and where possible; and
- depending on local and regional circumstances, Aboriginal loan companies and economic institutions have the opportunity to deliver programs.

ISTC's programs will be delivered in a decentralized manner. The main regional offices will be supplemented by smaller offices in most provinces and territories. Devolution of program delivery will be sought where the nature of programs and Aboriginal delivery capacity make this possible.

Decision-Making Structure

In general, participants supported the idea of a national program board, with majority Aboriginal representation, but felt that such a board should be given greater authority than is now the case. Considerable merit was also seen in having regional or local boards, which would render decisions more sensitive to special regional and local circumstances.

The TFRG recommended that:

- decision-making for ISTC Aboriginal economic programming be done by a national board linked with complementary regional boards;
- the number of regional boards reflect Canada's regional realities, while keeping administrative costs at a minimum; and
- the national board be made up of individuals representing regional, as well as national, interests. In addition to members appointed by the Minister, some members should be elected by regional boards.

ISTC will create national and regional project boards. Some members of the regional boards will serve on the national board. Regional boards will have authority to make recommendations on business development projects up to \$250 000. The national board will advise on other business projects, joint ventures and capital corporations and will annually review program operations and effectiveness.

Project Assessment Factors

Many of the Aboriginal people interviewed expressed concern about the rigorous application of standard business measures as project assessment criteria, without regard to the unique and special circumstances of Aboriginal entrepreneurs and communities. At the same time, program administrators were being perceived as being inconsistent in applying assessment criteria, and greater transparency was asked for.

The TFRG recommended that:

- assessment of applications take into account the special circumstances of Aboriginal communities and entrepreneurs;
- requirements regarding equity be flexible so that applicants can establish equity in a variety of ways;
- in certain circumstances, the national or regional boards waive equity requirements; and
- a higher degree of risk be recognized where regional circumstances warrant.

ISTC will assist only business projects that are commercially viable. Applicants will be able to demonstrate equity in several forms and may be required to invest only a fraction of project cost, depending on financial capacity and other factors.

Factors Measuring Program Impact

Again, participants were of the opinion that standard factors used to measure the success of a program (e.g., direct jobs created, viable businesses established), are inappropriate with respect to Aboriginal economic development. Instead, indicators such as the degree of increased self-reliance at the community level should be utilized.

The TFRG recommended that:

- indicators of Aboriginal economic programming include measures of impact at the community level;
- such indicators also include enhanced self-reliance, self-determination, and Aboriginal control; and
- the measurement of success of Aboriginal economic development take into account indicators sensitive to regional circumstances.

Factors measuring program impact will be developed in the future, and the recommendations will be taken into account.

Complexity of Federal Programming

The participants felt that the past array of Aboriginal economic programming was too complex and thought that a single umbrella program would be preferable. They noted that the complexity hampers access and effectiveness.

The TFRG recommended that:

- all government programs for Aboriginal people be streamlined and coordinated; and
- application forms be brought into greater harmony.

For most projects, ISTC will financially assist capitalization as well as training, business plan development and aftercare services. ISTC will be able to insure commercial loans except on reserves where DIAND's loan guarantees program will continue. Often ISTC will be the only federal government agency that applicants for business funding deal with, and ISTC will assist applicants in obtaining other services.

DIAND PROGRAMS

DIAND has long pursued economic development for status Indians and Inuit as part of its comprehensive mandate. It has engaged in enterprise and natural resource development, using its field staff to assist with projects. It has funded entrepreneurs directly with loans and contributions, as well as indirectly through loan guarantees on commercial funds, ISTC contributions, and other public and private sector sources. Delivery of DIAND programs is being devolved to Aboriginal local and sectoral economic development institutions, and the number of DIAND staff in the field is being reduced. DIAND encouraged the process by financial support for salaries and overhead costs of the institutions. Expenditures on enterprise and institutional development between 1983 and 1988 were \$270 million. Also, the department has been pro-active in ensuring that its basic service programs in housing, education, infrastructure and band support contribute to job creation and business development. It has been concerned as well with the development of Indian and Inuit lands and resources and the management of these resources pursuant to the *Indian Act*. Further, it has increasingly focused on employment opportunities in the labour market surrounding communities.

DIAND's business financing programs have fallen primarily within the Indian Economic Development Fund (IEDF) and consist of three components: contributions, direct loans, and guaranteed loans. In addition to IEDF, the department administered a small Inuit loan fund with both direct and guarantee components. The direct loan program has a \$70 million revolving authority and has operated for 18 years as a last resort source of debt financing for new or existing Indian businesses. Although in the 1970, a number of loans were not viable, performance over the past five years has been considerably improved. Apart from the overhead costs of administering the loan fund, the cash flow has been favourable for at least the past ten years — that is, principal and interest payments have equalled or exceeded the outflow of cash for new loans. Although loan activity has dwindled with the establishment of Indian capital corporations, 6600 direct loans (value \$120 million) have been made since inception of the program. Of the total, \$94 million has been collected in principal and interest, and \$51 million is outstanding.

Recently, DIAND sold parts of its outstanding direct loan portfolio to two Indian capital corporations. The first such sale to the Native Fishing Association of BC was finalized in early 1989. These two pilots, if successful, will set the stage for many more. Through write-offs and settlements of uncollectables and through collection efforts, DIAND's remaining portfolio will be progressively reduced.

Loan guarantees are DIAND's preferred vehicle for debt financing. They provide for the establishment of accepted credit ratings and the development of a continuing relationship between Indian entrepreneurs and commercial sources of financing — thus providing a wider range of financing choices for entrepreneurs. The guarantee program has been in place since 1970 with initial funding of \$30 million. The aggregate of all claims against loan guarantees in any fiscal year in excess of about \$1.5 million is charged to DIAND's budgetary appropriation. This has resulted in an internal policy limit of \$500 000 for combined direct and guaranteed financing for any one recipient.

To date, 1200 loans have been guaranteed, with a cumulative value of \$101 million. Of these, 192 claims have been paid with a net loss of \$16 million after recovery. Agreements are in place for the repayment of another \$11 million resulting in an accrued loss rate of 4.3 percent. Interest rates on guaranteed loans are at prime plus 1 percent. Recently, there has been approval of an additional \$30 million in the authority level, and a waiver of the Department of Finance's 1 percent guarantee fee guideline.

One of the most successful programs that DIAND has provided has been the Indian Community Human Resources Strategy (ICHRS). In addition to an on-going budget base of \$12 million annually, ICHRS has received significant incremental funding since 1985. ICHRS has provided communities with the ability to plan and organize their human resource development activities and to finance individual training and development not permitted under CEIC or post-secondary education programs.

DIAND PROGRAM REVIEW

In 1985, the Minister of DIAND commissioned a comprehensive third-party review, involving consultations with Indians throughout Canada. The review had as objectives to prepare a data base on the state of Indian economic development in Canada, to examine the underlying issues or problems, and to indicate what role, if any, DIAND could play to contribute to greater success in the future.

The review concluded that:

- DIAND must facilitate Indian control of Indian economic development.
- DIAND should assist Indians to attain their economic development objectives by promoting support from government and the private sector; by brokering financing for projects and creating links in the marketplace; and by increasing the economic impact of government programs, DIAND basic services and interdepartmental cooperation.

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- To promote progress, DIAND must address problems relating to the structure and legal status of reserves and Indian lands and resources.
 - DIAND should play a leading role in integrating the efforts of various federal, provincial and private sector agencies, and ensuring continuous consultation with Indian community and business leaders.

As a result of the review, in 1986, the Minister adopted a five-point strategy to encourage and support Indian people to achieve more economic self-reliance. The strategy envisaged initiatives to:

- enhance Indian business access to commercial capital and mainstream expertise;
- establish legal and structural incentives to community-based economic growth;
- increase community control over economic development and the management and exploitation of natural resources;
- develop entrepreneurial, management and occupational skills, and local labour market participation; and
- optimize access to existing federal and provincial economic development support programs.

HUMAN RESOURCE DEVELOPMENT PROGRAMS

All three departments are engaged in human resource development. CEIC is the largest player in the employment and training sector, with national programs to enhance job opportunities — the Canadian Jobs Strategy (CJS) and the Employment Services.

Since its inception in 1984, CJS has been the government's primary tool to promote employment. More than 1 million Canadians have participated in CJS programs, and participants have ranged from people who have been unemployed for a long time and who have no formal education to would-be entrepreneurs and highly skilled workers. The most disadvantaged clients require more expensive and longer interventions than do those who are starting up businesses or seeking to upgrade obsolete skills. The mix of CJS programs differs from one area to another, depending on the strengths of the local economy and the priorities voiced by local groups.

CJS adheres to three principles: providing assistance for those most in need; doing what works best; and deciding locally how best to administer programs. The first principle means that all programs are directed toward four client groups: women, visible minorities, disabled individuals, and Aboriginal people but can be accessed by others who are clearly disadvantaged. The second principle means that programs include some practical work experience, and the third principle ensures that local needs are met.

Representatives of client groups, such as band councils, regional and local associations and other interested parties, influence the type and financial level of programs offered locally. They have a voice in training commissions, community colleges, Community Futures committees, Canada employment centres and regional and national offices.

A survey of CJS participants indicated that most programs are working well and that many clients are still working at three and 12 months after participating. The skills obtained have proved more relevant than what has been offered during previous government interventions, and the opportunities for welfare recipients have been expanded markedly by the Social Assistance Recipient feature. This feature allows welfare funds to be diverted to ensuring job placement and compensation for efforts in the acquisition of skills on the job. At the time of the survey, all clients, even those who had not yet found a job, gave high marks to CJS programs.

In future, CJS will continue to be guided by the three principles underlying its present operations; it will add to the mix of options in all programs and will find ways to complement the new Labour Force Development Strategy. Staff will continue to consult client groups and representatives of organizations and the private sector so that CJS remains current and effective.

DIAND organizes its human resources programs under the Indian Community Human Resources Strategy (ICHRS), which, among other things, upgrades employability and enhances skills in entrepreneurship and business, particularly for unemployed Indians on reserves. The ICHRS projects are mostly controlled by Indian bands through annual contribution agreements.

ISTC provided funding for business and vocational training and for project-related entrepreneurial development.

The thrust of programming has clearly differed among the departments. A degree of programming has clearly differed among the departments. A degree of coordination has been achieved through eligibility criteria and consultation, but some overlap has remained in each of the key program areas: enterprise development, community development, and training. The program structure of the CAED strategy provides a more rationalized approach to service delivery while maintaining the strengths of current programs.