



CONGRESS OF ABORIGINAL PEOPLES

Background Paper for the Economic Opportunities Round Table

As many studies have demonstrated, Aboriginal people in Canada confront disparate socio-economic challenges at levels higher than other Canadians. These challenges do not disappear with migration to urban centres; rather, urban Aboriginal people experience a similarly poor quality of life to that endured by Aboriginal people residing on reserves. The unique issues and circumstances of urban living, however, demand new approaches and resources to facilitate appropriate business and economic solutions that will improve the living conditions of off-reserve Aboriginal people.

BACKGROUND ON ABORIGINAL ECONOMIC DEVELOPMENT:

Compared to Canadians, the employment and business prospects of Aboriginal people in urban areas are bleak. Specifically, off-reserve Aboriginal people

- face higher levels of unemployment
- are twice as likely to live in poverty
- when employed or establishing a business, target lower skill industries
- are less educated with limited access to training opportunities
- have little expertise in business and business development
- have difficulty accessing capital and investment monies to establish or expand businesses
- have few allies in large industry and mainstream business

Despite these formidable obstacles, however, off-reserve Aboriginal economic development can boast a number of positive advances. 86% of all self-employed Aboriginal people are located off-reserve. Further, increasing numbers of Aboriginal businesses service higher knowledge areas such as the professional, scientific and technical, education and health sectors. Greater numbers of Aboriginal women residing off-reserve are choosing self-employment than those on-reserve. Generally, off-reserve self-employed Aboriginal people are reporting positive results in their business activities, including increases in profits, sales and business longevity.

BACKGROUND ON ECONOMIC DEVELOPMENT PROGRAMMING FOR OFF- RESERVE ABORIGINAL PEOPLES

A number of programs have been established by the federal government to support the development of Aboriginal business and economic development. The major federal initiatives are described briefly below:

INDUSTRY CANADA

Industry Canada funds several important initiatives that address business development. These include Aboriginal Business Canada, Aboriginal Financial Institutions, the Business Development Bank of Canada and specific regional programs.

1. Aboriginal Business Canada (ABC)

ABC provides a range of services and support that targets Aboriginal people interested in starting or acquiring a business, existing entrepreneurs and youth entrepreneurs. It also assists Aboriginal business organizations. Aboriginal Business Canada provides repayable and non-repayable contributions that can address such costs as business planning, new product development, services or production processes, marketing initiatives, business support and management training. Priorities for funding include youth entrepreneurship, tourism and manufacturing, business innovation and market expansion.

At first glance, it appears that a fair portion of economic and business development program options are available to off-reserve Aboriginal people through Industry Canada. Unfortunately, access is somewhat qualified by a number of issues. With respect to ABC programs:

- priority given to innovation, marketing and youth effectively limits the establishment of businesses that do not fall into these categories.
- off-reserve uptake of ABC programs might be higher if program priorities mirrored the business interests of Aboriginal people which remain centred around logging, farming and mining, recreational/personal industry, construction and transportation. In light of this Aboriginal focus, ABC program directions seem rather arbitrary.

2. Aboriginal Financial Institutions (AFIs) and the Business Development Bank of Canada

AFIs are community owned and controlled by Aboriginal boards drawn from the areas the AFI serves. These institutions provide customized financial products and services in their respective communities.

There are three types of AFIs:

1. Aboriginal Capital Corporations (ACCs)
2. Community Future Development Corporations (CFDCs)
3. Development Corporations

ACCs concentrate on providing developmental loans, i.e., loans to enterprises which are not yet ready to successfully secure business loans from banks. Some ACCs also provide

business services and house ABC programs. There are 32 active ACCs across Canada many of which serve a broadly based clientele in their specific catchment area.

The CFDCs provide a broad range of services assisting Aboriginal entrepreneurs from initial concept, planning and financing through to ongoing management assistance. There are currently 20 Aboriginal owned or controlled CFDCs.

Development Corporations are primarily situated in remote communities. They provide the same suite of products and services to their communities as the other AFIs.

The Business Development Bank of Canada hosts a number of Aboriginal-specific services to support new and existing Aboriginal business. It provides growth capital of up to \$100,000 for Aboriginal businesses on and off reserve (\$25,000 for business start-ups). It also offers business management support and consulting services that address such issues as growth potential, product line improvements, exporting, strategic planning, marketing, human resources, and more.

Mainstream Banks remain the primary source of start-up capital for Aboriginal entrepreneurs, followed by Aboriginal Financial Institutions, federal programs, family/friends and provincial/territorial governments. Nonetheless, access to capital and equity financing remains a serious problem for entrepreneurs for the following reasons:

- Aboriginal entrepreneurs lack collateral
- No local financial institutions
- Businesses are deemed “unprofitable”
- Lack of personal resources
- Lack of access to venture capital
- Inadequate retained earnings
- Absence of community investment fund
- Inability of family and friends to invest

While the Aboriginal Financial Institutions fill a critical gap, significant issues need to be addressed.

- Interest rates are very high in comparison to mainstream lending institutions, placing additional financial burdens on the Aboriginal entrepreneur.
- The period between application and acceptance is delayed, a situation that can jeopardize a business opportunity.
- Access to AFIs can only be described as uneven. Despite stated policies regarding equity of access, anecdotal evidence demonstrates loans and services from some AFIs are not always available to Métis and non-status Aboriginal people. Unwritten rules in some AFIs give priority to certain individuals or businesses, specifically status Indians residing on or off reserve.
- Non-Aboriginal CFDCs frequently “refer” Aboriginal people to the Aboriginal AFIs rather than directly responding to their needs.

3. Regional Development Programs

The Federal Economic Development Initiative for Northern Ontario (FedNor) targets

Aboriginal people through its “Special Initiatives” component. Overall, the program is aimed at the economic development needs of Northern Ontario and helps fund, in repayable and non-repayable loans, community projects directed at five main priority areas: connectedness, innovation, trade, investment and community partnerships. Their activities in the Aboriginal community have encompassed community economic development, access to business development capital and information services, tourism, forestry, telecommunications and youth internships.

Programs offered under Western Economic Diversification Canada do not specifically address Aboriginal people although they are eligible to apply for assistance.

The Atlantic Canada Opportunities Agency (ACOA) has not developed any Aboriginal-specific programming. It has been fairly active in the Aboriginal community, however, and has established an Atlantic version of the Aboriginal Business Services Network in addition to developing proactive and inclusive responses to Aboriginal economic development issues on a province-by-province basis.

The Regional Development Programs (FedNor, Western Diversification, ACOA) appear to address some level of Aboriginal access and inclusion. Certain concerns arise, however:

- Without clearly enunciated guidelines and targets, it is difficult to assess how well served Aboriginal peoples are by these programs.
- Similarly to ABC priorities, lack of involvement by Aboriginal people in the development of core objectives and goals has a serious impact on the relevance of programs to Aboriginal economic and community development needs.

INDIAN AND NORTHERN AFFAIRS CANADA (INAC):

INAC supports several important economic development initiatives geared towards Aboriginal people both on and off reserves.

1. Equity Programs

The Equity Programs include the Economic Development Opportunity Fund, the Resource Acquisition Initiative and the Major Business Projects Program. The Equity Programs provide financial aid in the form of matching equity funding. The objective is to use the funding to obtain conventional debt financing for business start-ups, expansions and acquisitions. First Nation, Inuit and Innu businesses and communities receive the funding through their Community Economic Development Organization.

2. Procurement Strategy for Aboriginal People

The Procurement Strategy for Aboriginal Business (PSAB) was established to enhance the participation of Aboriginal firms in undertaking contracts with federal departments and agencies. An Aboriginal set-aside was created that enabled all contracts that serve a primarily Aboriginal population and that are worth more than \$5,000 to be reserved for competition among qualified Aboriginal businesses.

Programs offered through **Indian and Northern Affairs Canada** generally are not available to Aboriginal people off reserve or are very complicated to access.

- Most of their programs are geared to the needs of communities and entrepreneurs and can only be accessed by Indian bands or organizations representing Indian bands.
- Of the programs available to off-reserve entrepreneurs, eligibility requirements demand a connection to a reserve. In this regard, off-reserve status Indians, Inuit and Innu must apply for monies under the auspices of a recognized Economic Development Corporation situated on a reserve.
- Procurement is often difficult and time consuming to access by Aboriginal businesses;
- The Federal government does not enforce targets for procurement contracts which further weakens the program's effectiveness as a channel for Aboriginal business development.

PROVINCIAL PROGRAMS:

Although some provinces offer Aboriginal-specific economic and business funding programs, many restrict themselves to providing information and services also available to non-Aboriginal business. A random mix of some of the more interesting programs are described below:

New Brunswick: The Joint Economic Development Initiative (JEDI) is a tripartite process implemented by Aboriginal communities and the federal and provincial governments to identify and encourage undertakings designed to stimulate economic development in Aboriginal communities within New Brunswick. The focus of JEDI is on practical, results-oriented undertakings using existing programs and services. This includes initiatives in the areas of entrepreneurship funding and business development in various industry sectors. JEDI is working to increase employment and income for both on-and-off-reserve Aboriginals in New Brunswick. (www.jedinb.org/html/about.html)

Ontario: The province hosts the Working Partnerships program, the Ontario Aboriginal Economic Development Program and a Partnership Recognition Award. The OAEDP is interesting in that it stresses community economic and business development, both on and off reserves. It is restricted, however, to communities and cannot be accessed by private entrepreneurs.

Quebec: Quebec hosts an Aboriginal Development Fund, some of which is earmarked specifically for off-reserve economic development. Priorities for funding are established through discussions with the Aboriginal community and target either community economic development projects or infrastructure. In concert with the Federal government, funding is provided for half of the project costs. Communities are then expected to leverage private monies to raise the remaining amount.

Alberta: The Alberta/Métis Nation of Alberta Framework Agreement enables the meaningful participation of the Métis in designing and implementing provincial policies with respect to social, cultural and economic issues. Currently, the goals of the MNAA's Strategic Economic Development Project include evaluating the current economic situation, identifying future opportunities and creating a framework to foster self-sufficiency. The process involves building strong linkages with Economic Development Officers in each Zone, tying economic development to labour market training, and establishing connections to important industries.

THE CONGRESS OF ABORIGINAL PEOPLES' ECONOMIC DEVELOPMENT PRIORITY

- A key priority for the Congress of Aboriginal Peoples involves **the creation and provision of adequate, appropriate and complementary programs and services to support business and economic development for off-reserve Aboriginal people**, regardless of their status and residency. Our commitment is to ensure that off-reserve Aboriginal people obtain the same level of access to and support for community, economic and business development that is taken for granted by other Canadians. Such programs and services must be tailored to the unique needs and circumstances of off-reserve Aboriginal people.

A PROPOSED SOLUTION

- The Congress of Aboriginal Peoples proposes to engage in substantive, multilateral discussions regarding the development of a strategy that targets the unique community, business and economic development needs of Aboriginal peoples residing off-reserve. Such discussions would necessarily encompass input from grass roots Aboriginal people regarding their experiences with current programs, the gaps they have encountered and their suggestions in developing an holistic, meaningful approach to community, economic and business development. To date, a comprehensive discussion of this issue has not occurred despite the high percentage of Aboriginal people residing off-reserve and the obvious need to address their socio-economic conditions.
- The provinces, the federal government and Aboriginal leaders must work together to identify and resolve the jurisdictional issues that are impeding the economic and business development goals of all Aboriginal people.
- The integration of federal and provincial programs and services would help to alleviate some of the challenges facing Aboriginal people engaged in business and economic development.
- In order to develop appropriate, integrated economic and business development programs and services, the provinces, territories and federal government need to be working closely with Aboriginal organizations at all levels.
- Aboriginal organizations need the financial and human resource capacity to contribute effectively to these discussions.

A DISCUSSION OF THE ECONOMIC DEVELOPMENT ROUNDTABLE ISSUES:

1. RESOLVING ISSUES OF JURISDICTION AND CONTROL

- Jurisdictional issues as they impact on Aboriginal people who do not live on reserve cannot be appropriately addressed without federal involvement in the discussion process. Indian and Northern Affairs Canada, a major player in Aboriginal economic development, limits the exercise of its fiduciary obligation to those who have Indian Status and who reside on Indian reserves. The majority of Aboriginal-specific economic and business development programs offered by INAC is directed to Indian bands (reserve-based) and Inuit communities, and is unavailable to other Aboriginal people living in urban, rural and remote communities.
- Some provincial governments have targeted partnership with non-Aboriginal business as an appropriate mechanism to develop Aboriginal economies. This strategy assumes that

mainstream business must take responsibility for the condition of Aboriginal people. As evidence demonstrates, however, mainstream business takes responsibility only for the business bottom-line. Aboriginal-Corporate partnerships might be better achieved by attaching rewards or penalties to companies engaging or failing to engage in partnerships with Aboriginal people.

- Many provinces believe that the provincial role in Aboriginal economic and business development is to facilitate access to relevant information and professional services. Provincial programs must be instead positioned as complementary or supporting initiatives to those provided by federal departments and must be accessible by all Aboriginal people.

2. IMPROVING ACCESS TO CAPITAL AND INVESTMENT

- Aboriginal entrepreneurs rely primarily on personal resources and financing from mainstream banks to start a business. Banks must be directed to continue to work with Aboriginal communities and businesses in creating services and products that are responsive to the needs and realities of off-reserve Aboriginal people. The federal government can establish targets, rewards and penalties to promote these types of initiatives.
- Many Aboriginal people find banks and lending institutions intimidating. Community outreach, such as meeting potential clients in their homes, might be beneficial and effective in addressing these issues.
- AFI's provide an important access point for Aboriginal business. Clearly established rules and practices must be in place to ensure that their programs and services are available to all Aboriginal people. In this regard, specialized programs and communications tools might target the unique situation of Aboriginal entrepreneurs, especially women and youth, not resident on reserve.
- Non-Aboriginal Financial Institutions, such as CFDC's and the BDC, must be more responsive to Aboriginal clientele. The federal government must establish clear targets for these institutions to ensure that they make every effort to service the off-reserve Aboriginal population. At least one local Board member for each institution must be drawn from the regional Aboriginal population.
- Existing Federal business funding programs within Industry Canada and Indian and Northern Affairs Canada must be redeveloped to incorporate the needs and interests of Aboriginal people residing off-reserve.
- Federal and provincial governments must support the establishment of regional Loan Funds and micro-lending circles that service the off-reserve Aboriginal population.

3. LINKING BUSINESS AND ECONOMIC DEVELOPMENT TO COMMUNITY DEVELOPMENT

While it is important to provide programs and services to individual entrepreneurs, greater focus must be placed on community development as fostered by improved economies. Few, if any, off-reserve federal programs target broad strategies to address the connection between economic development and community enhancement.

- Focus must be placed on creating local strategies that will foster stronger local Aboriginal economies, more viable communities and improved relationships between community agencies.
- Local off-reserve Community Economic Development Corporations must be established that are owned and operated by off-reserve Aboriginal community groups. Similarly to

those on reserve, these corporations must be supported by federal funding and must be able to access existing programs and services in the same manner as on-reserve Corporations.

- Business Information Centres housed within the CED Corporations must be supported by federal and provincial authorities. These Centres could serve as a central repository of program and service information at the community level.
- Services and programs must be integrated in a manner that suits the circumstances of the locality.

4. EQUALIZING ACCESS TO ECONOMIC AND BUSINESS PROGRAMS

Aboriginal people do not have equal access to government programs. Depending on their place of residence or their legal status, their chances of securing government assistance can improve or deteriorate. In order to effectively address the growth of Aboriginal economies, whatever their location, it is imperative that certain conditions be established:

- There must be a stated and sincere commitment on the part of federal and provincial governments to ensure equity of access by all Aboriginal people to programs designed to support Aboriginal economic and business development. Programs that do not conform to this standard must be revised.
- The involvement of Aboriginal peoples must be an integral component in the design, delivery and management of federal/provincial economic and business programs.
- Aboriginal peoples require appropriate resources at the national, regional and community levels to support their capacity to participate effectively in the design, delivery and management of Aboriginal specific economic and business development programs and services.

5. SUPPORTING ENTREPRENEURSHIP

New and existing entrepreneurs must receive ongoing support and mentorship. This can be accomplished by:

- The re-creation of new programs and services that better meet the needs of off-reserve Aboriginal people;
- Developing communications materials and processes that target young people, women and aspiring entrepreneurs;
- Developing improved programs in mainstream banks and AFIs that ease financial requirements of aspiring and existing entrepreneurs;
- Creating educational and mentoring programs that foster the development of business interest and skills;
- Improved and integrated access to information and services for off-reserve Aboriginal people.

6. E-BEAP

The Congress of Aboriginal Peoples and the Canadian Chamber of Commerce have a proposal before the Government for a pilot program of job finding for 10,000 Aboriginal people regardless of status or residency that will save governments well over \$150 million dollars in direct program costs alone not to mention the additional benefits to the tax system and reductions in other social program expenditures.

The Congress has arranged for the contractual agreement with the provider that the

entire program be devolved either to CAP or to a more broadly-based Aboriginal entity for the on-going benefit of the Aboriginal unemployed, capacity building and economic self-sufficiency.

BACKGROUND ON THE CONGRESS OF ABORIGINAL PEOPLES AND ITS CONSTITUENCY

The Congress of Aboriginal Peoples (CAP) was founded in 1971 as the Native Council of Canada (NCC). It was originally established to nationally represent the political interests of Métis and non-status Indians, a population that out-numbered all other native people combined. In essence, the principle of the NCC's organization at that time was to address the lack of recognition of Métis and non-status Indians as Aboriginal peoples and to challenge the exclusion of our constituency from federal responsibility.

In keeping with the significant Aboriginal political changes that have occurred over the years, such as the constitutional recognition of Aboriginal peoples, the passing and implementation of Bill C-31, the negotiation of land claims and self-government agreements, and the separation of Prairie Métis from affiliation with non-status Indians and other Métis in 1983, the NCC's name was changed to the Congress of Aboriginal Peoples (CAP) and its mandate has evolved to the representation nationally of the political interests of off-reserve Indian and Métis peoples regardless of status under the Indian Act and residency (for more information on CAP's historical background please visit the following page of the CAP website: www.abo-peoples.org/background/background.html).

CAP's constituency not only stretches across Canada from sea to sea to sea, but consists of a wide variety of Aboriginal peoples with very different historical backgrounds, and current environments. Most of these peoples share common problems in terms of exclusion from policies and programs for other Aboriginal peoples. As a result of their varying histories and circumstances, several of these peoples have different priorities in terms of achieving a solution to those common problems. These priorities provide one useful way by which CAP's constituency can be identified. They can be described in terms of:

- the Indian Act system and its consequences; particularly for those who are excluded from registration, band membership, residency on reserve, or related programs and benefits and want to address those concerns.
- the constituency's Aboriginal and/or treaty rights; particularly for those who live in comprehensive claims areas, those who have been excluded from treaty benefits, or who are pursuing modern treaty as a vehicle for addressing their rights.
- the population's socio-demographics; particularly for those who are seeking economic parity or equity of access to policies, programs and services designed to serve the Aboriginal population; and,
- the simplicity or complexity of the Tribal/Nationality identities within regional organizations; particularly for those organizations whose membership maintains tribal affiliations, or who includes different groups who are associated with different tribal groupings.

Each approach carries with it implications for the relations between CAP and the federal government, and each is valid in its own context.

**Aboriginal Ancestry Population*

Total Aboriginal Population

- 1.3 million (4.4% of Canadian population)
- 79% - **4 out of 5 live off reserve**

Registered (Status) Indian Population (a.k.a. “First Nations citizens”)

- 558,175
- **51% live off reserve**

Off Reserve Aboriginal Population

- 283,960 Off reserve Registered (Status) Indian
- 399,470 Non Status Indian
- 266,020 Métis
- **Total 949,450** (excluding Inuit)

(*Statistics Canada – 2001 Census)

***Aboriginal Ancestry Population Size
Canada, Province and Territory
2001 Census***

	Population Size	Percent OFF Reserve
Canada	1,319,890	78%
Nfld/Lab	28,065	98%
PEI	2,720	86%
NS	33,415	78%
NB	28,465	79%
Que	159,905	80%
Ont	308,105	87%
Man	160,250	68%
Sask	135,035	65%
Alta	199,015	81%
BC	216,110	80%
YK	6,990	72%
NWT	18,955	30%
NU	22,665	100%

Source: Statistics Canada 2001 Census

V.F. Valentine/CAP/01/27/03