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**REPORT ON THE CONSULTATION PROCESS  
ON ORIE NATIVE ECONOMIC PROGRAMS**

**Sector: Reference Material**

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**Analysis/Review**



Industry, Science and  
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Report on the

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Consultation Process on

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DRIE Native Economic Programs

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**REPORT ON THE CONSULTATION PROCESS  
ON  
DRIE NATIVE ECONOMIC PROGRAMS**

**OBSERVATIONS, CONCLUSIONS AND RECOMMENDATIONS**

**OF THE TASK FORCE REVIEW GROUP**

**REGARDING THE CONSULTATION**

**ON DRIE NATIVE ECONOMIC PROGRAMS**

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March 30, 1988

The Honorable Bernard Valcourt  
Minister of State  
(Small Business and Tourism)  
Room 656-CB  
House of Commons  
Ottawa, Ontario

Dear Mr. Minister:

As members of the Task Force Review Group on the Consultation Process on DRIE's Native Economic Programs, we are pleased to present to you our Conclusions Document and the Summary of Submissions.

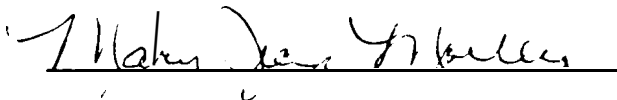
The Conclusions Document represents the TFRG's interpretation of the detailed views collected during the consultation process as outlined in the Summary of Submissions document.

The conclusions emphasize the desire on the part of the Native peoples of Canada for the attainment of economic self-reliance and self-determination. Program changes must ensure greater Native participation in the Canadian economy, through active program development and delivery roles and an increasing Native economic presence in Canada.


Native people appreciate that you have undertaken this comprehensive consultation in keeping with the commitment made by your government to consult in advance of the development of new Native economic programming.

It is imperative that the liaison between the aboriginal people and your department not end with the transmittal of this paper. Therefore, we propose that a formal process be established to provide continuing input from the aboriginal associations between now and the establishment of the new program. We look forward to working closely with you and your officials both in the development of a Cabinet submission and the development of the new program.

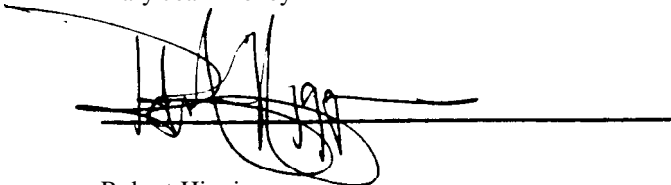
Yours sincerely,



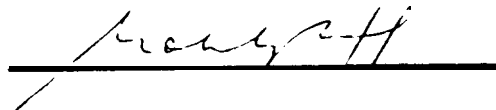
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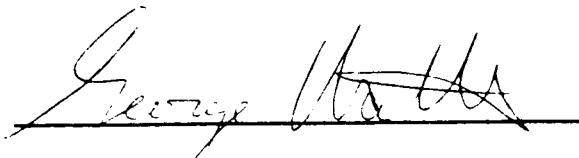
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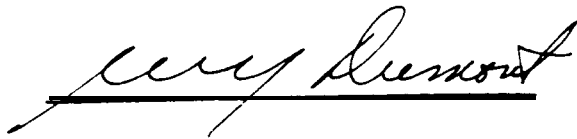
Robert Higgins



Bobby Bird



George Watts



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## **Introduction**

On 24 July 1987, the Honorable Bernard Valcourt launched an extensive consultation process with Native people and their organizations across Canada regarding the three Native economic programs delivered by the Department of Regional Industrial Expansion (DRIE) now known as Industry, Science and Technology Canada (ISTC). Assessment was essential since all three programs had been set up for a fixed period of time.

Of the three programs, only one is national in scope; the other two apply in certain provinces and territories:

- The Native Economic Development Program (NEDP) was established in 1983 with \$345 million allocated over a five-year period. It is available to all Native people in Canada;
- A program under the Special Agricultural and Rural Development Act (S/ARDA) has agreements in place with Saskatchewan, Manitoba, Yukon, Northwest Territories and British Columbia. The first agreements were signed in 1971 to provide assistance in rural and remote areas, especially to Native people;
- The Northern Development Agreements (NDA) are in effect in Saskatchewan, Alberta and Manitoba. The total federal contribution is about \$15 million per year. Assistance under an NDA is available to all people in a defined geographic area, without regard to their ancestry, but since Native people predominate in northern regions, the NDAs are considered to be a Native economic development instrument.

To conduct the consultation, a group under the direction of Lawrence Gladue, a Native person with extensive executive experience, was given the mandate to design and implement the process. It formulated issues to be brought out in the consultations, identified who was to be consulted, carried out the discussions, and finally, prepared a report on its findings. A toll-free telephone line was installed to make it easy for interested persons to talk to members of the group. An information package was sent out, and a press release issued. Meetings were held with Native organization groups and individuals. When all was prepared, the group set out across Canada, visiting remote and isolated parts of the country as well as urban areas.

A Task Force Review Group was also formed, chaired by DRIE's Assistant Deputy Minister of Native Economic Programs, to monitor and guide the activities of the consultation group. Its members included representatives from Assembly of First Nations (AFN), Native Council of Canada (NCC), Métis National Council (MNC), Inuit Tapirisat of Canada (ITC), Native Women's Association of Canada (NWAC), the Prairie Treaty Nations Alliance (PTNA), and the departments of Employment and Immigration (CEIC) and Indian and Northern Affairs (DIAND). As the first phase for the consultations, the Task Force met with all national Native organizations to obtain their recommendations.

The second phase **focussed** on provincial, territorial and regional Native organisations and officials of provincial governments, **DRIE**, **CEIC** and **DIAND**. The third and most extensive phase was aimed at obtaining the views and recommendations from Native and non-Native private-sector people.

When the consultation group had finished its travels and studied the written submissions it had received, the Task Force met to review the recommendations, suggestions, concerns and issues raised during the consultations and to prepare the report which follows.

## 1. Structure of ISTC Programs for **Native** Economic Development

After more than 160 meetings in every region of Canada, one issue became abundantly clear: ISTC should extend its commitment for a long-term economic development program for Native peoples.

Participants in the consultation insisted that ISTC economic development programs for the Native peoples of Canada should have two characteristics:

- *coherence* - they should fit together without conflict and they should leave no gaps; and
- *flexibility and adaptability* - the programs should be able to meet the extremely diverse circumstances and wishes of Native peoples throughout Canada - urban, isolated, North and South, large and small communities.

Many people told the group that while federal Native economic programs should be national in scope, their implementation should be regional. Some regional programs might be established through the co-operation of federal and provincial or territorial governments, while others might be initiated solely by the federal government.

To meet the variety of needs, ISTC should include a mix of options. For example, some Native communities might elect to proceed with the assistance of Special ARDA, while others may choose to establish enterprises with NEDP support.

A range of options is now available to western and northern Native peoples. In other parts of Canada where this range is not available, representative groups told the consultation group they need access to a variety of alternatives to meet their specific and diverse needs.

While the consultation group was told that diversity is welcomed, it also heard about problems resulting from the gaps and conflicts in the options which are now available within **ISTC**.

**Native** people involved in economic development initiatives expressed frustration regarding what they saw as conflicting policies, variations in criteria, and differences in objectives among the present programs.

Participants in the consultation suggested a variety of remedies for the current lack of cohesiveness in the federal **Native** economic development efforts. Among the observations were that programs should be consolidated, a new **Native** economic development agency should be created, and one department should take a lead role.

After considering all suggestions and criticisms, the Task Force Review Group made five recommendations regarding the structure of the programs:

- All ISTC initiatives for **Native** economic development should have the common aim of enhancing self-reliance, self-determination and **Native** control;
- All ISTC initiatives for **Native** economic development should come under one umbrella program;
- To ensure equality of access for all **Native** people to increased program options for economic development, the same programming should be available in all parts of Canada;
- ISTC should make long-term commitments to **Native** economic development programming; and
- Provisions of the Income Tax Act regarding the treatment of a contribution as income should not apply to funds provided to assist **Native** economic development.

## **2. Range of Eligible Activities** Included in ISTC **Native** Economic Programs

Participants in the consultation process discussed activities in which they were involved under existing program criteria. As well, they identified certain activities that were not covered by current federal programs, and where programs overlapped.

There was general agreement that existing programs did not cover a number of activities needed if **Native** people are to build the strong foundation necessary for successful economic development. Many people said that training was needed to develop the skills of those starting up new businesses and that there were insufficient opportunities for training in management skills. Possible activities to correct this deficiency include seminars, entrepreneurial skill centres, life skills training and programs which combined on-the-job experience and formal training.

Native business people also should have access to two categories of technical and professional services, the consultation group was told. In the initial stages of a business venture, there is a need for developmental services such as feasibility and market studies, preparation of financial and business plans, and assistance in preparing applications for funding. Specific advisory services are also needed for Native businesses, especially in the start-up phase: management support, bookkeeping, marketing and business incubators.

However, participants in the consultation pointed out that there are many types of Native businesses and that each encounters a unique set of circumstances. As a result, federal Native economic programming must be flexible in the range of activities offered.

A number of representations were made to the consultation group calling for a change in certain policies which limit funding for the purpose of buying existing businesses. This is permitted now only if a business has ceased operations, or is at the point of closing down. Because business opportunities in Native economies are limited, buying an operating enterprise may be the best opportunity available for going into business.

The Task Force Review Group considered comments made about the range of activities available in ISTC Native economic programs and came to five conclusions:

- Human resource development, including activities to help Native people develop business skills, should receive more attention in Native economic programs;
- The requirements for human resources should be included in the proposal for every project. CEIC and DIAND should become involved at an early stage in the development of a Native business project to help meet human resource needs;
- Support for the development and management of a Native economic project should be given both before and after a proposal is approved;
- Native people should receive support for the purchase of existing businesses under appropriate circumstances; and
- While Native control in joint ventures must continue to be a requirement for ISTC funding which is explicitly stated in current program guidelines, the Minister responsible for ISTC Native economic programs should be given the discretion to waive the requirement.



### **3. Delivery of ISTC Native Economic Programs**

Participants in the consultation were asked to suggest ways in which the accessibility and delivery of ISTC Native economic programs could be improved. Many people were dissatisfied with the administration of the existing programs, recounting their frustrations in obtaining access to program administrators and complaining about the length of time it took for applications to be processed.

Many constructive proposals were made. One was that the delivery of programs should be closer to Native people. For example, the three NEDP offices, in Vancouver, Winnipeg and Montreal, were seen as too few and too remote from potential clients. Administrators are too far away from proposed or actual Native economic projects to understand local circumstances.

Delivery would be improved, the consultation group was told, if the programming was decentralized. Also, greater use could be made of existing DRIE regional offices.

Other recommendations suggested that more Native people should be involved in the administration and delivery of ISTC Native economic programming. Funds could be channeled through Native financial institutions. Native development corporations could take part in project assessment. Native organizations could be contracted on a fee-for-service basis to administer and deliver programming. Finally, some participants suggested that ISTC program delivery and administration responsibility and funds could be totally transferred to Native organizations.

Considering all the opinions expressed about delivery of Native economic programs, the Task Force Review Group arrived at three conclusions:

- Delivery of ISTC Native economic programs should be decentralized;
- Decentralization should proceed in stages, initially making use of ISTC's regional office structure to deliver programs to Native organizations as and where possible;
- Depending on local and regional circumstances, Native financial and economic corporations should have the opportunity to deliver ISTC programs.

### **4. Decision-Making in ISTC Native Economic Programs**

In the existing ISTC programs, advisory groups make the decision-making process more sensitive and responsive to the needs of Native peoples. Several options were suggested as to how Native people could be involved with decision-making processes within a Native economic program. One specific issue was whether regional advisory bodies or a national advisory body should be established.

Discussions **centred** on three points: the authority which the advisory boards should have; the accountability of advisory boards to Native people; and the degree of sensitivity the boards should have to regional and local conditions.

Generally, the **participants** expressed support for a national board with a majority of its members made up of **Native** people. However, they called for such a board to have greater authority, rather than being limited to **making** recommendations.

The question of accountability seemed to be more difficult to resolve. Among the options suggested to make the boards more accountable was a proposal that the Minister seek nominations for board members from Native leaders and entrepreneurs.

Considerable merit was seen in having regional and local boards to make the decision-making process more sensitive to special regional and local circumstances. Some groups suggested that the national board be entirely replaced by regional boards, while others thought there were significant benefits in having a system of both national and regional boards. There was one suggestion that proposals for funding of less than \$100000 be reviewed by regional boards, while proposals for larger amounts be reviewed by a national board.

After considering all the opinions expressed in the consultation, the Task Force Review Group arrived at three conclusions:

- The decision-making process for ISTC **Native** economic development programming should have a national board **linked** with complementary regional boards;
- The number of regional boards should reflect Canada's regional realities while keeping administrative costs to a minimum; and
- The national board should consist of members representing regional interests as well as those representing a national perspective. In addition to members appointed by the Minister, some members should be elected by regional boards.

## **5. Factors Taken Into Account in ISTC Project Assessment**

In assessing a proposal, there are those factors which determine whether the proposal should be approved, and those factors which determine the priority a proposal should have with respect to other proposals.

A concern raised frequently by participants in the consultation is that the factors used in assessing a proposal to ISTC do not take into account the special circumstances of Native communities and Native entrepreneurs.

For example, one factor always considered is the amount of equity which the applicants have in the project. Often, Native people have difficulty in raising equity. It was suggested to the consultation group that the required amount of equity be reduced or that greater discretion and flexibility be allowed in applying the equity requirement.

Whatever the factors, a high degree of flexibility should be permitted in making assessments, participants said. The economic conditions of Native peoples vary considerably from one part of Canada to another. In many remote areas, standard analysis of business viability would conclude that few business proposals are justified. In such circumstances, special assessment criteria should be applied.

However, the consultation group was also told that there should be consistency in project assessment. Program administrators are perceived as being inconsistent in assessing projects. To remedy this, recommendations were made on how to build greater consistency into assessments. Factors used in assessments should be clearly communicated to all applicants. Some persons felt that assessments would be more consistent if the decision-making process could be more "transparent."

The Task Force Review Group reached three conclusions in regard to the factors used in ISTC project assessment:

- Assessment factors should take into account the special circumstances of Native communities and entrepreneurs (i.e., the seasonal nature of many businesses and the impact of traditional lifestyle activities);
- Requirements regarding equity should be flexible, permitting applicants to establish equity in a variety of ways. When a regional board finds that exceptional regional circumstances warrant, the equity requirement will be lifted entirely;
- A higher degree of risk should be recognized where regional circumstances warrant.

## **6. Results of ISTC Native Economic Programs**

To analyze the success of ISTC economic development programming, factors are used such as the potential of a company to produce goods for export or to produce goods or perform services which are now imported. Currently, indicators used to decide if a program is successful are statistics such as the number of direct jobs created, or the number of commercially-viable businesses established. However, indicators such as these are difficult to apply to Native economic development.

Participants in the consultation told the group that programs for Native peoples could not be evaluated against the usual criteria, and suggested alternative methods of measuring the success of Native economic development funding. They suggested that indicators should be used which can measure increased self-reliance at the community level. One proposal was to measure the Native equivalent of the Gross National Product (GNP) by gathering data on the "Gross Reservation Product" -- the value of goods produced and services performed on a reserve in a given year. Still another suggestion for a community-based indicator was to examine income multipliers -- economic activities which stimulate other economic activities.

Considering all these suggestions, the Task Force Review Group arrived at three conclusions:

- Meaningful indicators of Native economic programs must include measures of impact at the community level;
- Indicators must include enhanced self-reliance, self-determination and Native control; and
- The measurement of the success of Native economic development must take into account indicators which are sensitive to regional circumstances.

## **7. Complexity of Federal Programs Affecting Native Economic Development**

The first issue raised in this report was whether Native economic programs should be structured nationally or regionally. In addition, the consultation group heard suggestions as to how duplication and overlap of efforts in the various federal programs could be eliminated. It also wanted to know how existing programs -- now thought to be too complex -- could be simplified and streamlined.

Some participants told the consultation group that a single umbrella program would lessen conflict between policies. And there should be only one application form for all programs in order to eliminate the clearly-expressed frustration over the excessive paper work required from applicants.

The Review Group's conclusions about the complexity of federal programs dealt with four points:

- Existing Native economic programs are too complex. This severely hampers access to them and reduces their effectiveness;
- All government programs for Native peoples must be streamlined and co-ordinated;

- While it may not be practical to have uniform application forms for all programs, at least greater harmony should be developed; and
- NEDP contribution agreements now used are overly complex and restrictive. The entire contracting process must be simplified.