



*It's Our Time:*

*Strategic Investments to Support First Nations*

Pre-Budget Submission, 2009



A SUBMISSION TO THE HOUSE OF COMMONS STANDING  
COMMITTEE ON FINANCE

AUGUST 13, 2009

## **ABOUT THE ASSEMBLY OF FIRST NATIONS**

The Assembly of First Nations (AFN) is the national, political representative of First Nations governments and their citizens in Canada, including those living on reserve and in urban and rural areas. Every Chief in Canada is entitled to be a member of the Assembly. The National Chief is elected by the Chiefs in Canada, who in turn are elected by their citizens.

The role and function of the AFN is to serve as a national delegated forum for determining and harmonizing effective collective and co-operative measures on any subject matter that the First Nations delegate for review, study, response or action and for advancing the aspirations of First Nations.

For more information, please contact us at:

473 Albert Street, Suite 810  
Ottawa, ON  
K1R 5B4

Telephone: 613-241-6789  
Toll-Free: 1-866-869-6789  
Fax: 613-241-5808

or visit the AFN Web site: [www.afn.ca](http://www.afn.ca)

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## EXECUTIVE SUMMARY

These pre-budget consultations represent an important opportunity to provide input to priorities for the 2010 federal budget. The Assembly of First Nations (AFN) has provided detailed and substantiated submissions over a number of years, yet calls for investment have gone largely unanswered.

First Nations continue to lag behind in education outcomes and in economic participation. This is not for lack of want – but is due to historically entrenched inequities that can in large part be addressed through fair and adequate funding.

Canada's economy and future prosperity will rely on a well-educated and skilled population to take the place of aging workers population – First Nations are poised to fill some of this gap. But current support for First Nations education and skills development is woefully inadequate, and significant investment and action is required to put us on the right path.

Strong, capable and appropriately supported First Nation governments are the fencepost upon which the gate to prosperity swings. But chronic under-funding and the structural undermining of our governments has served to erode our ability to effectively serve our citizens – regardless of where they live.

First Nations are not looking for a blank cheque or for anything beyond what is enjoyed by a majority of Canadians. Rather, First Nations seek fairness and require critical investments in areas that target specific challenges and opportunities. These investments will address the unique barriers that currently prevent us from realizing our full potential. Stronger First Nation communities will mean a stronger, more competitive Canadian economy – one that will benefit all of us.

Through strategic investment, the Government of Canada can maximize outcomes and create the foundation for our collective prosperity. This would include:

- 1) Immediately lifting the 2% funding cap on First Nation core services, and introducing guaranteed funding escalators to reflect the actual costs of population and inflation growth, including compensation to reflect the actual costs if appropriate price and volume adjustments had been applied to First Nations core funding since 1996.
- 2) Investing \$2B in education, educational facilities, language instruction and skills development to address current shortfalls.
- 3) Designing and implementing – in full partnership with First Nations – a non-discretionary and secure system for fiscal transfers to ensure adequate, accountable and sustainable funding to First Nation governments in their provision of quality services to their citizens wherever they reside.

## *STRATEGIC INVESTMENTS TO SUPPORT FIRST NATIONS*

The Assembly of First Nations (AFN) appreciates the opportunity to contribute to priorities for the 2010 Federal Budget.

The AFN has provided detailed and considered submissions to this committee and its predecessors over the past several years. These submissions have variously focused on demonstrable need in child and family services, health, housing, water and capital infrastructure, environmental stewardship, economic development, social development and housing.

However, First Nations have continued to be disappointed by the federal response to these interventions. While some progress has been made – such as the \$365M over two years targeted to First Nation infrastructure in Budget 2009 – these amounts still leave in place the tangible gap in outcomes between First Nation communities and their non-First Nation counterparts.

While a concerted and comprehensive federal plan to address First Nations poverty continues to elude us, other jurisdictions are well aware of the great need to make investments now.

At the conclusion of the August 2009 meeting of the Council of the Federation, Saskatchewan Premier Brad Wall, reflecting on a unanimous sentiment among the Premiers, announced the formation of an Aboriginal Affairs Ministers Working Group to begin working immediately to develop issues and interests in anticipation of another proposed First Ministers Meeting on Aboriginal Issues in 2010. This would be a welcome and timely commitment on the part of the federal government, one demonstrated by the premiers that signals an openness to a new approach focused on results and reconciliation.

The Standing Committee on Finance has put the following question forward for consideration:

*What federal tax and program spending measures are needed to ensure prosperity and a sustainable future for Canadians from an economic, social and/or environmental perspective?*

Truly responding to First Nation realities and supporting viable and sustainable First Nation economic participation goes beyond spending measures and must be characterized by a new relationship with the Government of Canada; one where Treaties and First Nation rights and title are recognized and respected rather than set aside as a prerequisite to negotiation.

AFN has identified the following two areas as the basis for ensuring a maximum return on investment and to build momentum in a new direction:

- Education, Employment & Building Economies; and,
- Strong, Capable and Accountable governments.



## ***EDUCATION, EMPLOYMENT & BUILDING ECONOMIES***

Once an instrument of oppression, education must now become the tool that brings hope, opportunity and success to First Nations. Given the population demographic of our communities - which is disproportionately under the age of 25 – strategic and lasting investment in education is critical to build the foundation for our economic viability and to secure the rightful place of First Nations within the broader Canadian society.

The statistics affirming the deplorable state of First Nations education are alarming:

- The funding for First Nation schools has been capped at 2% since 1996 in spite of inflation and an average annual population increase of 6.2%.
- During the same period, almost every provincial and territorial education system in Canada has undergone a complete restructuring of their education system, increasing their annual funding, on average, by 3.8% per year.
- INAC's funding has resulted in an historical deficit of \$1.17B over the years 1996-2005.
- A projected funding deficit over and above the 2% cap is projected at \$304M by 2010.

Furthermore, the current federal funding formula provides little or no funding for First Nations in the following areas:

- Languages - Over half of the 60 or so indigenous languages in Canada were at risk of extinction in 2001. The majority of these languages are not spoken in other locations. The federal government's national formula allots only \$215 per student for language training. By way of comparison, Alberta provides \$2,261 per student, on average, to teach French as a first language.
- Key functions and education supports, such as Libraries, Technology, Sports and Recreation, second and third level First Nations education systems.

Significant shortfalls also exist in special education, band employee benefits, student transportation, teacher salaries, capital and maintenance, and more.

Without the necessary support for basic life skills in the early years, First Nation economies struggle under the burden of a population without essential skills, including literacy, numeracy and training to secure employment opportunities.

For First Nations to achieve employment parity with the rest of Canada we need over 93,000 new First Nation workers introduced into the workplace today. Our figures also show that given the schooling gap we need at least 169,000 secondary level certificates in order to start addressing higher level post-secondary deficits. With these deficits, impacts will only continue to deepen as we enter a knowledge based economy with two-thirds of jobs requiring post-secondary training or education.

Canada's labour force is aging. The baby boom generation is fast approaching retirement and there are significant gaps in skilled workers to replace those that will depart. Productivity and prosperity will suffer if this is not addressed. First Nations' potential share of the Canadian labour force is expected to triple over the next twenty years. If investments are not made to increase First Nations' skills and opportunities, the gap between First Nation citizens and Canadians will grow, meaning increases in Canada's rate of unemployment, downward pressure on productivity, upward pressure on social expenditures, and a large scale migration to provincial social assistance programs, all of which will have a negative impact on Canada's prosperity.

Our youth – making up more than half of our population – are demanding change and concrete outcomes. They want good jobs, a quality education, and healthy and safe communities within a sustainable natural environment – just like all Canadians.

The economic benefits of improved First Nation education and employment outcomes are indisputable. In 2007, the Centre for the Study of Living Standards (CSLS) estimated that by 2017, if Aboriginal Canadians were able to increase their level of educational attainment to the level of non-Aboriginal Canadians, the average annual Gross Domestic Product (GDP) growth rate in Canada would increase by an additional accumulative \$71.1B. The CSLS further estimates that if, in addition, the Aboriginal / non-Aboriginal employment rate and employment income gap was eliminated, the potential contribution of Aboriginal Canadians to Canadian GDP over the 2007-2017 period would increase to \$160B.

Real and sustainable change will require the federal government to make real and sustainable fiscal commitments to First Nations. If Canada fails to respond adequately in the upcoming budget, it will condemn another generation of available First Nations workers to unemployment, wasting both the opportunity to meet Canada's workforce needs and destining First Nations to another entirely preventable generation of poverty. Investing in our shared future is simply the prudent approach.

### ***STRONG, CAPABLE AND ACCOUNTABLE GOVERNMENTS***

The key to good decision-making in a First Nations context is *not* more federal oversight. It is the recognition and implementation of capable First Nation governments that are staffed by dedicated, skilled First Nation citizens serving communities that are well educated and have a clear sense of their own priorities that will make a real and lasting difference. If First Nation governments are to be effective, however, they will require support in building the necessary governing institutions. This is capacity building, but of a kind that embraces the principle of self-governing institutions.

There is a vast difference between communities that are simply administering programs and services on behalf of others, and communities that have the ability to develop institutions and modes of operation that reflect their community's values and needs. When people can take ownership in the development of their community, success can and does happen. Most of the institutions governing First Nations today originate elsewhere and, for the most part, fail to reflect local community values and interests. There is a need to make way for First Nation institutions in every sector of public life.

The idea that decision-making should be exercised as close to the locus of effect is a fairly well-established maxim in political management and administration. Where First Nations have been enabled to exercise a greater degree of control over their own communities, outcomes have generally improved. Development experts in Canada and internationally have demonstrated empirically the truth of the common sense notion that accountability arises and outcomes improve when people suffer the consequences of their own bad decisions and gain the benefits of the good ones.

This government has espoused a political philosophy consistent with smaller government, less centralized control and greater autonomy at the local level. Despite this predisposition, however, when it comes to First Nations, local control is denied, decision-making is centralized in distant bureaucracies and outcomes – not surprisingly – consistently disappoint. Yet federal bureaucrats and politicians do not suffer the consequences of these failures, First Nations do. It's time to do things differently – it's our time!



First Nations have been calling for new fiscal arrangements and government-to-government relationships that meet the minimum level of need with appropriate escalators to ensure sustainable, capable governing institutions. This includes funding matched to population growth, and other cost drivers, multi-year funding arrangements for long-term planning, flexible and consolidated funding, adequate funding for core community programming, and administrative support. *This is what the provinces and territories enjoy* – and there is no viable reason to deny it to First Nations. The arbitrary 2% cap must be removed in favour of increases that reflect, at the very least, population growth and inflation.

The best accountability structure is one that expects the citizen to demand accountability from those who exercise authority on the citizen's behalf and empowers the citizen to do so by providing the information needed to fully understand what is being done and the mechanisms to enforce the citizen's interests. A citizen-centered accountability structure would enable First Nation citizens to hold their own governments accountable, as well as the federal government and, where applicable, a respective provincial government.

The approach of spreading dollars around various programs and initiatives in a time-limited and disconnected fashion is simply not a good use of funds. It does not support critical planning or the development of First Nation professional, administrative and regulatory systems. The Crown needs to approach First Nations with respect and a real commitment to shared decision-making.

## **CONCLUSIONS**

We need to take this opportunity to change the way we have been working together, to move forward in real partnership, to nourish First Nation families and communities, and restore our young peoples' hope in the future. A new relationship can give full effect to our Treaties, titles and rights and move forward with a sustainable economic vision that includes indigenous leadership in environmental stewardship, and opens the door to First Nation prosperity.

A federal agenda focused on First Nation issues will promote prosperity, while giving First Nations and all Canadians faith in a better future. First Nations across the country are willing to work with the federal government to bring about prosperity, to create a Canada where we can live together in balance and unity.

## **RECOMMENDATIONS:**

Ensure that First Nations have adequate and sustainable capacity to reach their full potential by:

- 1) Immediately lifting the 2% funding cap on First Nation core services, and introducing guaranteed funding escalators to reflect the actual costs of population and inflation growth, including compensation to reflect the actual costs if appropriate price and volume adjustments had been applied to First Nations core funding since 1996.
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