



# THE NEW FISCAL RELATIONSHIP TRANSFER

MARCH 2019

## WHAT IS THE NEW FISCAL RELATIONSHIP TRANSFER?

The New Fiscal Relationship (NFR) Transfer is a new funding mechanism – a replacement for contribution agreements – available April 1, 2019 to over 100 First Nations that met the eligibility requirements this year. More First Nations may choose to participate in the next fiscal year and following. It was co-developed by Indigenous Services Canada (ISC) and the Assembly of First Nations (AFN) and authorized by Chiefs-in-Assembly through Resolution #66/2017, *AFN-Canada Joint Report on Fiscal Relations*.

## WHAT DOES THE NFR TRANSFER DO?

*The NFR Transfer increases predictability* by providing ten years of guaranteed funding, with an annual escalator that actually matches inflation and population growth. Any unspent funds can be carried forward into the next fiscal year. This will help First Nations plan their own futures.

*The NFR Transfer increases flexibility* by allowing First Nations to set their own priorities for spending funds. The terms and conditions in contribution agreements do not apply to the funds provided under the NFR Transfer. This means First Nations governments can decide how much to spend on pressing needs or opportunities, as they see fit.

*The NFR Transfer increases First Nations control* by eliminating program terms and conditions, recipient audits and compliance reviews set and conducted by Canada. This is helping to put an end to the role of the modern-day “Indian Agent”.

*The NFR Transfer decreases the reporting burden* for the programs included in the NFR Transfer with 92% less data to be provided to Canada by First Nations than currently is required under contribution agreements.

## WHAT DOES THE NFR TRANSFER NOT DO?

*It does not try to meet Treaty obligations*, nor does it stand in the way of First Nations negotiating Treaty-based funding arrangements with the Crown.

*It does not change basic funding levels.* Changing the mechanisms for transferring funds does not change the amounts available. Through effective advocacy, First Nations have secured \$21 billion over the last four budgets, as well as a new annual escalator of 3.5% on all the programs covered by the NFR Transfer, ensuring that population growth and inflation are met moving forward. But after years of chronic underfunding, much more will be needed. There is no claw back and no consideration of own source revenues of any kind in the calculation of funds for the NFR Transfer.



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It does not disappear after ten years. If, after ten years, First Nations and Canada have not settled on a new and better mechanism to transfer funds – one that meets all of the Crown’s obligations – then a second ten-year Transfer may be offered. Alternatively, any First Nation that wishes to do so can opt out of the NFR Transfer at any time and return to a contribution agreement of one to five years in length.

## HOW CAN FIRST NATIONS GET THE NFR TRANSFER?

Details will be made available on this process early in the next fiscal year, but will likely mirror what was done in the past year. This included a letter to First Nations asking if they were interested and, for those who were, working with Indigenous Services Canada to meet the eligibility criteria.

To be eligible, a First Nation must demonstrate:

1. Five years of successful financial performance, as established through mathematical ratios. Over 93% of First Nations who submitted this information in 2018-19 passed this requirement.
2. That it has passed a financial administration law and had that law enacted under either s. 83 of the *Indian Act* or s. 9 of the *First Nations Fiscal Management Act*.

## WHAT ABOUT THE FUTURE?

The NFR Transfer is not a permanent solution. It is an interim step, to create a better mechanism than contribution agreements for transferring existing funding. It will help build confidence and trust in preparation for bigger changes to come in the fiscal relationship between First Nations and Canada. It also provides First Nations with a chance to regain experience in setting their own priorities, making their own plans and funding decisions, implementing those plans and learning from the decisions they make, an experience denied too long by the colonial *Indian Act* system.

The AFN-ISC Joint Advisory Committee on Fiscal Relations may help address part of this question. Made up of Chiefs from every region, as well as experts on finances and data, the Committee is working to provide a vision for the new fiscal relationship to the National Chief and Minister of ISC. The goal of this work is a fiscal relationship that supports First Nations self-determination without requiring a self-government agreement, thereby providing part of an alternative path out of the fiscal constraints of the *Indian Act*. In the end, a new fiscal relationship must support First Nations governments in providing a better quality of life to their citizens, through sufficient funding, by getting the federal government out of the way and providing the transitional assistance First Nations governments need.

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Further details about the 10 year Transfer are available from the **Assembly of First Nations** by writing to [dwilson@afn.ca](mailto:dwilson@afn.ca) or from **Indigenous Services Canada** at:  
<https://www.sac-isc.gc.ca/eng/1527080791657/1527080813525>

And in French at: <https://www.sac-isc.gc.ca/fra/1527080791657/1527080813525>