



## **What is the history of this issue and how does it impact First Nations?**

As COVID-19 has made clear, supporting First Nations governments to design their own approaches based on their priorities is essential to ensuring the health and wellbeing of First Nations. Decades of fiscal relationships focused on ensuring compliance with program delivery and reporting requirements rather than empowering First Nation governments to design services based on the priorities of their citizens, along with insufficient funding of First Nations governments, have proven to be barriers to progress. These longstanding challenges affect socio-economic outcomes, innovation, and the strengthening of financial management, human resources, IT systems, and other essential structures required for good governance and services that reflect each First Nation's priorities. It's time for a new, better approach, consistent with the original nation-to-nation relationship based on partnership, mutual respect, mutual recognition, and sharing. The AFN is working to close the gap in the quality of life between First Nations people and Canada, eliminating the funding gap, and establishing a new fiscal relationship with appropriate escalation for ongoing funding.

On June 10, 2019, the Joint Advisory Committee on Fiscal Relations (JACFR) submitted its Interim Report for Engagement – Honouring our Ancestors by Trailblazing a Path to the Future – to the National Chief of the AFN and the Minister of Indigenous Services (ISC). The report also was the subject of a dialogue session at the Annual General Assembly (AGA) in Fredericton, New Brunswick on July 21, 2019, and was provided in kits to all delegates at the AGA.

Resolution 24/2019, passed during this Assembly, calls on members of the JACFR, the AFN and ISC to engage extensively with First Nations about this interim report, and bring their findings back to Chiefs at a subsequent AGA.

### **The New Fiscal Relationship Transfer (10-Year Grant)**

One hundred and sixteen (116) First Nations are now receiving the New Fiscal Relationship (NFR) Transfer (the 10-year grant) with additional First Nations expected to opt into the Transfer for the 2021-2022 fiscal year. The NFR Transfer is an alternative to contribution agreements for transferring funds between Canada and First Nations and has the following benefits for First Nations governments, leading to increased results for their citizens:

- Ensures a more predictable funding horizon over ten years, a longer term than other funding mechanisms offered by Indigenous Services Canada. Any unspent funds can be carried forward into the next fiscal year and all funds received under the NFR Transfer can be applied to the priorities set by the First Nation. This will help First Nations plan their own futures and apply funding to the greatest needs or priorities for that First Nation.
- Increases First Nations control and freedom to design and deliver services by eliminating program terms and conditions, recipient audits, and compliance reviews, as set and conducted by Canada.

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- Decreases the reporting burden on First Nations governments, with 92% less data to be provided to Canada than is currently required under contribution agreements.

For the 2022/23 fiscal year, First Nations not currently participating in the NFR Transfer will be invited to express interest to participate by completing the process to assess eligibility for the NFR Transfer. The AFN continues to work with Indigenous Services Canada on ensuring processes with First Nations participating in the NFR Transfer are flexible to limit impacts to participation due to the COVID-19 pandemic.

### **How has the AFN's recent advocacy affected this area?**

As a result of AFN advocacy, Budget 2021 committed to \$2.7 billion over 10 years, starting in 2021-2022 to escalate funding associated with the NFR Transfer. This will ensure that funding for core programs and services provided through the 10-year grants addresses key cost drivers. Escalation will be based on inflation and the population of each First Nation, with a minimum of 2 per cent annual growth to be provided to ensure that First Nations within the grant receive stable and predictable funding. The AFN continues to work with ISC on additional information related to the escalator as it becomes available.

Work on the New Fiscal Relationship has continued by advancing Resolution 24/2019. To date, while some limited regional engagement activities have been conducted focusing on a National Outcomes-Based Framework, engagement more broadly has been constrained as a result of the COVID-19 pandemic. Together with ISC, the AFN continues to seek opportunities to engage on issues related to sufficiency of funding, mutual accountability and institution building in support of a vision for a New Fiscal Relationship.

Work is also continuing on direction provided in Resolution 66/2017, *AFN-Canada Joint Report on Fiscal Relations*, toward repeal of the Default Prevention and Management Program and the *First Nations Financial Transparency Act*.

### **Where do we hope to go in the future?**

Plans for continued engagement on the JACFR report and its recommendations are being adjusted to accommodate restrictions in place due to the COVID-19 pandemic, while research and analysis continue in preparation for developing a strategy to outline a response to the Joint Advisory Committee's 2019 Report. Given the initial terms of the Joint Advisory Committee members expired at the end of March 2020, next steps concerning recommendations for appointments of members are being considered to enter the next phase of the work.

Online engagement is being considered in light of COVID-19 on a National Outcomes-Based Framework and the repeal of the current Default Prevention and Management Program.

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The opportunity for First Nations not currently receiving the 10-year Transfer will be made available to them through a letter from ISC inviting them to express interest in participating for the 2022-2023 fiscal year.