



The Role of Governments in Building Aboriginal Economic Capacity

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Introduction

Over the last decade, there has been a measurable increase in the participation of Aboriginal peoples in the mining industry of the Northwest Territories. The Government of Canada, especially through the local Indian and Inuit Services branch of the Department of Indian Affairs and Northern Development, in cooperation with the Economic, Cultural and Employment department of the Government of the Northwest Territories, has worked with Aboriginal communities to help develop their capacity to engage fully in emerging business opportunities.

This report highlights the role that governments have played and reflects the collaborative spirit in which the mining industry, academic institutions, community leaders and Aboriginal peoples have joined together for the benefit of current and future generations in the North.

A similar report focusing on the role the mining industry in promoting Aboriginal participation in all aspects of their operations has already been released. We look forward to supporting the local Aboriginal communities in the preparation of a final report that describes their goals and accomplishments in building sustainable economies.

Acknowledgements

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and

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Eric Christensen, Manager, Joint Venture Development, Diavik Diamond Mines Inc.



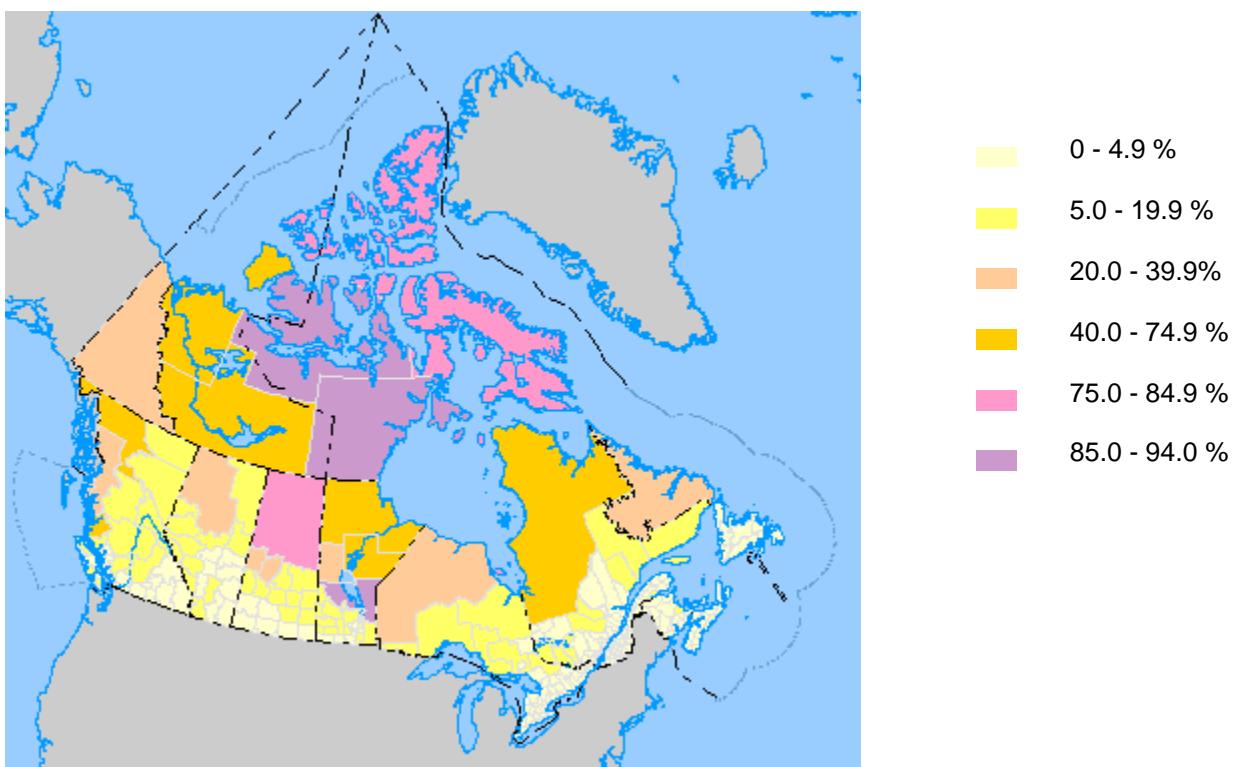


Aboriginal Peoples and Their Communities

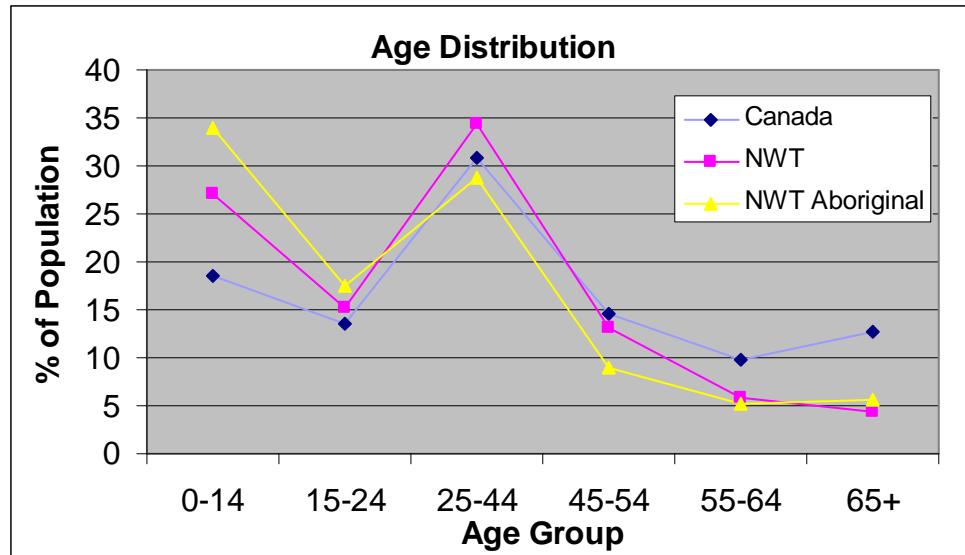
The Aboriginal population in Canada is increasing in both absolute and relative terms. In 1996, Canada's Aboriginal population was estimated at 1.3 million persons, approximately 3% of the total population. At the same time, the Northwest Territories was home to more than 40,000 people of which more than half were Aboriginal persons.

By 2011, the Aboriginal population in Canada is expected to increase by 28% compared to a 6% increase overall. This difference in growth rate is driven in part by the fact that the median age of Aboriginal people in Canada is 23 years, more than 10 years younger than the median age of Canadians overall. Given the post- World War II "baby boom" demographics of the general Canadian population, there is an opportunity for the relatively youthful Aboriginal population to play an increasingly important role in the national workforce. With the anticipated economic growth in the Northwest Territories, and the similarly youthful median age of 24 years, local Aboriginal persons are expected to capture many of the exciting opportunities.

Proportion of Aboriginal Persons Relative to General Population

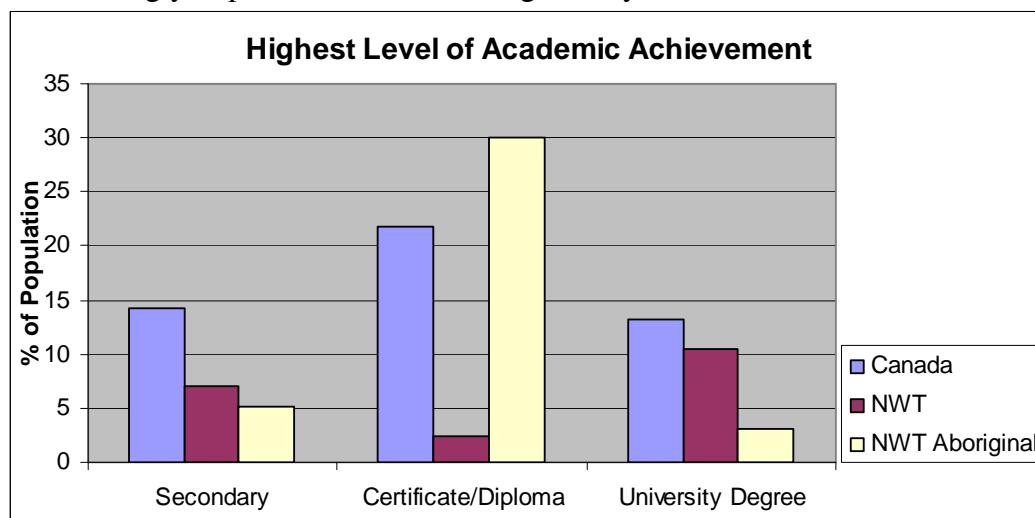


<http://atlas.gc.ca/site/english/maps/peopleandsociety/aboriginalpopulation/percentage>



The educational attainment levels of Aboriginal individuals, especially those living in their traditional communities, is often characterized as one of the factors contributing to the relatively lower socio-economic prospects of Aboriginal people – equally, the relatively lower socio-economic condition of Aboriginal people, especially those living in their traditional communities, is often characterized as one of the factors contributing to lower educational attainment levels. Breaking this “chicken and egg” cycle is an enormous challenge for community leaders, First Nations governments and the territorial, provincial and federal agencies that work with them.

The dramatic increase over the last decade in the enrolment levels of Aboriginal people in post-secondary institutions is a promising sign that Aboriginal people will capture a greater share of the economic opportunities that exist within Canada and abroad, and will play an increasingly important role in nurturing healthy communities.





Sustainable Local Economies

It has been recognized by many Aboriginal leaders that one of the key factors in support of increased self reliance is a sustainable local economy that reflects the traditional values and culture of the community. Somewhat fortuitously, this direction complements the needs of the broader business community for increased markets and access to resources, skills and services. It also reflects the limited capacity of non-Aboriginal governments to fulfill the aspirations of Aboriginal Peoples.

The most common objectives of Aboriginal businesses include:

- offering competitive, high-quality products and services;
- creating long-term opportunities for Aboriginal people and communities;
- adoption of sound business and management practices;
- establishment of commercial viability, credibility and markets; and
- integrated social, environmental and economic decision-making.

Although it is not yet widely discussed in the mainstream media, there is a growing recognition within certain sectors of the broader economy that Aboriginal communities present an interesting market niche for equipment, services and products that has not been fully developed. Given the value of local market intelligence, it is expected that Aboriginal people will play an important role in exploiting these “customer-supplier” relationships.

The settlement of land claims and treaty entitlement negotiations remain a priority as they provide Aboriginal communities access to financial capital and clear ownership of land and resources. More and more Aboriginal communities have successfully pursued business opportunities within their traditional territories, across Canada and internationally. Increasingly, Aboriginal communities are securing direct participation through equity positions and management roles in business opportunities.

What About the Politics?

For communities, business partners and government organizations involved in economic development, it is important to distinguish between their shared economic development objectives and the political debates of the day. There is a growing recognition that if you wait for the political debates to subside, you may be waiting forever.

Equally apparent, is that the longer term perspective required for successful business development is often beyond the horizon in most political organizations and their vocal constituencies.

A third political reality is that there are always genuine, competing demands on scarce financial and organizational resources. Without a predictable, dedicated commitment of financial and organizational resources in support of economic development, the momentum needed to be successful will dissipate and the credibility of the Aboriginal community as a serious business partner will be lost.



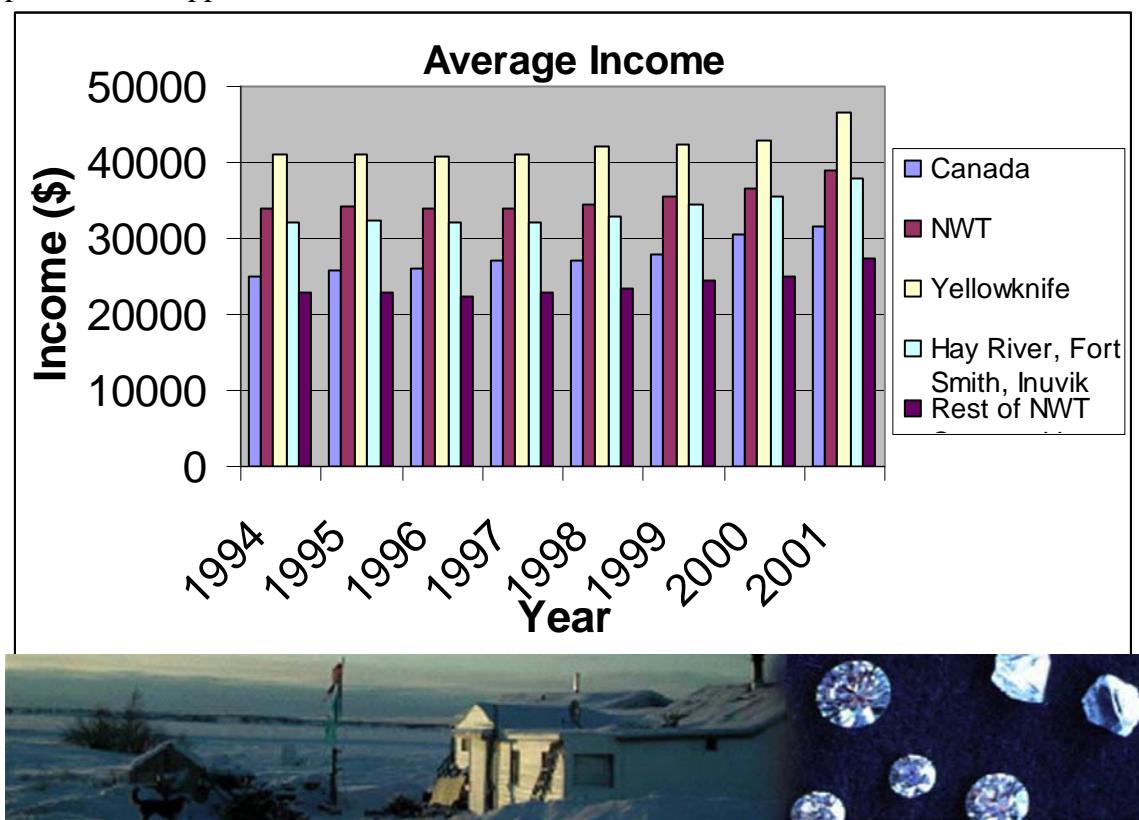


Sharing the risks and rewards of a business venture requires a level of long-term commitment, trust and accountability of all parties that is not as critical in “employee-employer” relationships.

In many resource development projects, the local Aboriginal communities are becoming the primary source of skilled workers. Aboriginal people have demonstrated the benefit to industry of having a competitive, skilled, experienced local workforce. The emerging challenge is how to facilitate the continued progression of talented individuals into positions of greater responsibility within the organization.

Interestingly, there has been significant growth in Aboriginal businesses related to professional services including computer and information technology, accounting, engineering, architecture and business consulting. There is a growing recognition amongst Aboriginal community leaders that they need to encourage students into sciences, technical and professional studies that match the opportunities of the wider labour market. Mentors and role models play an essential role in helping students to succeed in these fields.

Another trend within the local economies of Aboriginal communities is the increasing number of Aboriginal entrepreneurs, many possessing the business capacity and expertise of their non-Aboriginal counterparts. It is important to recognize that the challenges facing entrepreneurs are significant. The success rate of Aboriginal entrepreneurial ventures should be judged fairly and objectively against the norms for such activities. In order to maximize the benefit of the venture, an environment must be established so that the individual and community can learn from the experience gained and be encouraged to pursue other opportunities.





A Shared Agenda

Just as the opportunities and challenges of Aboriginal communities are evolving, so are the resources, services and programs that are needed from non-Aboriginal governments. With respect to the development of sustainable local economies, a shared agenda is emerging between Aboriginal Peoples, governments and the private sector based on mutual respect, active participation and long-term commitment.

It is recognized that the development of sustainable economies must address a number of dimensions of the business cycle including access to:

- capital and financing;
- trained and experienced workers and management with the appropriate skills and business capacity;
- markets and business opportunities;
- appropriate infrastructure and community services; and
- efficient regulatory and governance structures.

Ultimately, the health of a community and the sustainability of its economy is linked to the capacity of the community to identify and capture emerging opportunities in order to generate and retain wealth. Similarly, from a private sector perspective, shareholder value is dependent on a company's ability to invest in profitable business opportunities.

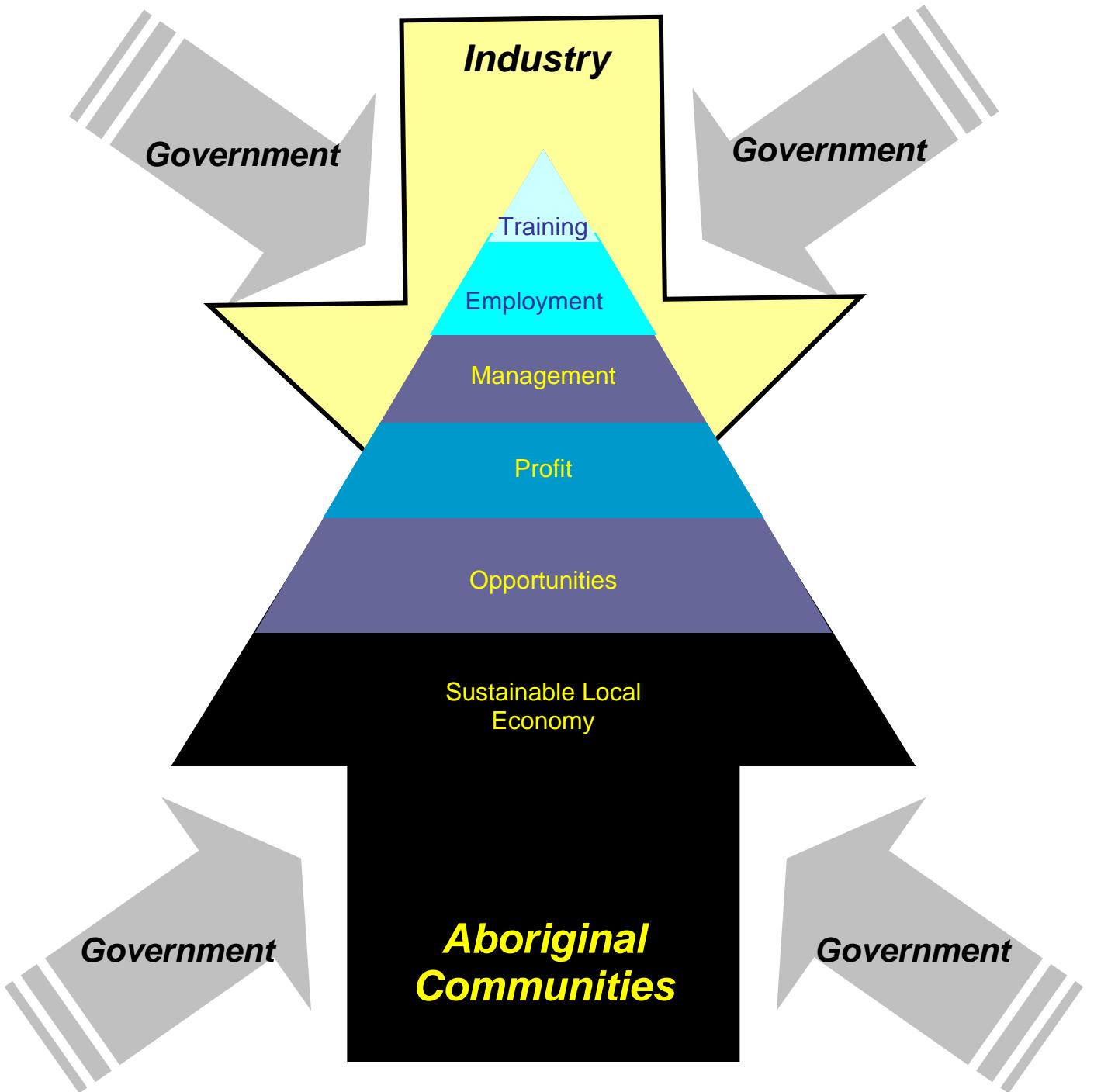
Although there are profound cultural, social and organizational differences between communities and corporations, the parallels in their business objectives are striking. Provided the differences are recognized, understood and respected, there is a lot of shared ground with respect to the development of successful business ventures.

Governments at all levels face an enormous challenge in addressing the critical social and economic issues facing most Aboriginal communities and many Aboriginal people. At a national level, this is compounded by the fact that many Canadians do not fully appreciate the gravity of the situation confronting Aboriginal Peoples in Canada. Although there are a growing number of significant accomplishments at an individual and community level, the size of the challenge is daunting.

It is generally acknowledged that the vision, leadership and commitment necessary for the re-establishment of healthy and prosperous communities must come from within the Aboriginal community. This is becoming increasingly evident across the country.

For non-Aboriginal governments, this signals a fundamental shift towards a more "catalytic" role in which non-Aboriginal governments work with Aboriginal communities to facilitate the achievement of lasting and measurable progress.







Bridging the Gap

A sustainable economic base at the community and regional level is seen as an important element in building a community's self-reliance. In this respect, the role of non-Aboriginal governments is increasingly focused on working with communities to:

- identify economic opportunities and emerging economic trends;
- assess community, corporate and business capacities and deficiencies;
- build the necessary capacity and infrastructure;
- provide guidance and technical support to evaluate strategic business opportunities including "due diligence" assessments
- develop community-based corporate capacity to negotiate, manage and optimize benefits related to business arrangements with the private sector including economic benefit agreements;
- coordinate pilot projects to develop and demonstrate innovative business approaches and opportunities; and
- improve the value and relevance of non-Aboriginal government programs and services to communities.

In addition, non-Aboriginal governments are working with the private sector to:

- enhance the understanding of cultural, social and political environment of the local communities;
- foster effective working relationships and partnerships;
- transfer best practices and promote Aboriginal business success stories and role models;
- encourage pro-active, tangible "stay in school" programs;
- identify opportunities and realize the benefits of building successful and profitable partnerships with Aboriginal people and communities; and
- identify and address critical deficiencies in skills, training and infrastructure.

Indian & Northern Affairs Role

INAC's role in First Nation, Inuit and Innu economic development is to facilitate partnerships, reduce obstacles and increase access to opportunities in order to increase their participation in local and national economic growth.





Industry as a Partner

Private sector corporations, both large and small, can complement the efforts of Aboriginal communities and government agencies in enhancing the capacity of Aboriginal businesses and people. With major resource projects in Canada, it has become the practice for industry and local Aboriginal communities to enter into economic benefit agreements in order to maximize the benefits each party derives from resource development. Although these agreements do vary to reflect the mutual interests of the parties involved, they generally include provisions related to:

- training, skills development and mentoring;
- recruitment, employment and business opportunities;
- scholarships, bursaries and job experience; and
- programs to support the development of healthy communities.

Companies have also implemented a number of programs to increase the capacity and opportunities available to their employees and contractors. These include:

- on-site education, training and apprenticeship;
- early identification of contracting opportunities; and
- scaling of contracts to reflect local capacity.

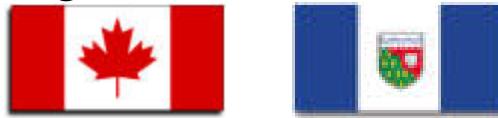
Joint ventures are also becoming more popular given that they have both short and longer-term advantages for both private sector and Aboriginal businesses. Generally, the experienced partner will help to facilitate access to capital, established customer and supplier networks as well as providing specialized business and technical expertise. The Aboriginal business partner often brings valuable local knowledge and cultural awareness, access to local market opportunities as well as credibility with prospective employees and contractors.

Local government officials continue to play a vital “hands on” role in building constructive alliances between Aboriginal communities and the private sector. Local economic development officers are helping to identify opportunities and potential partners and supporting the negotiation of mutually acceptable agreements.

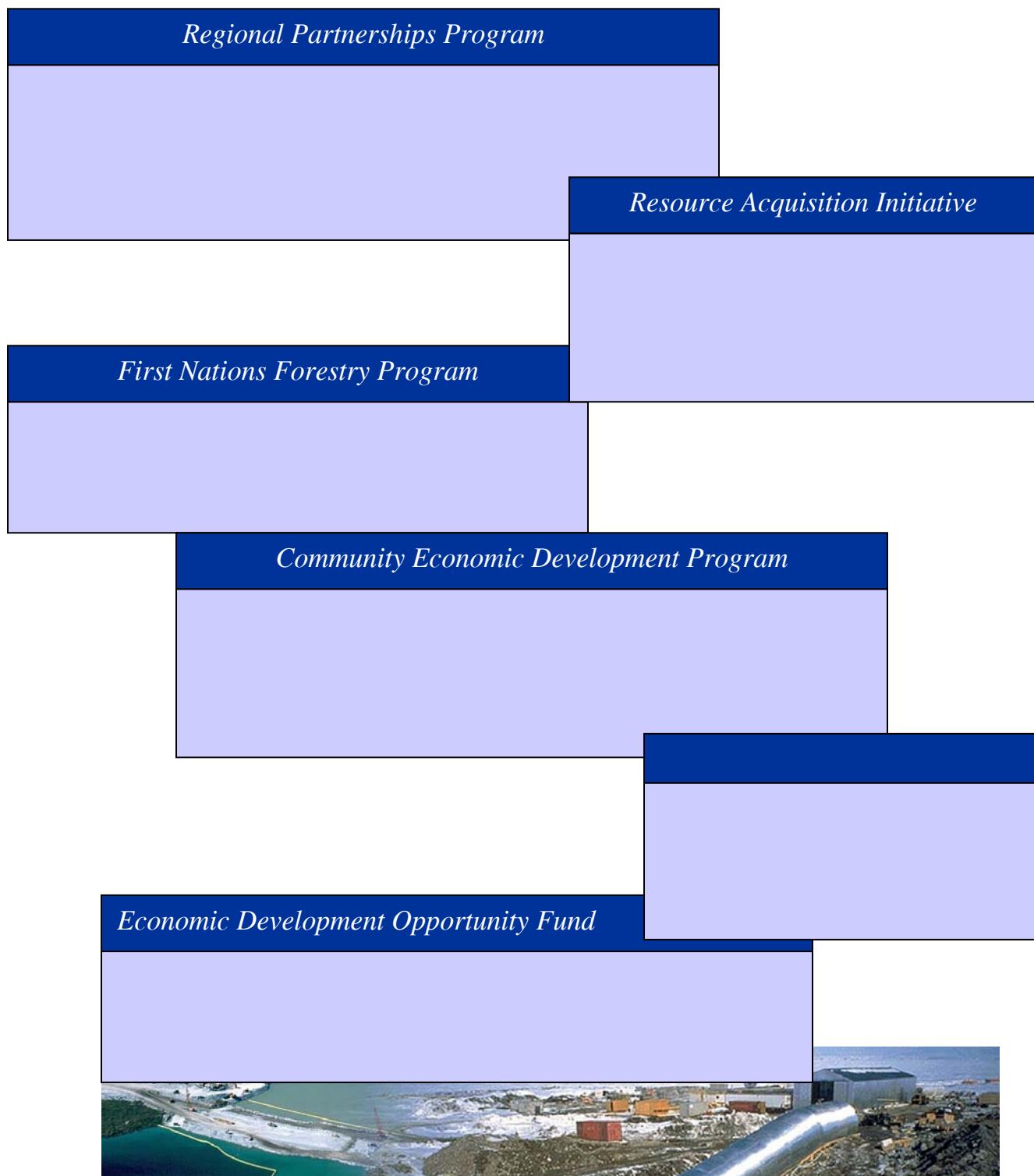


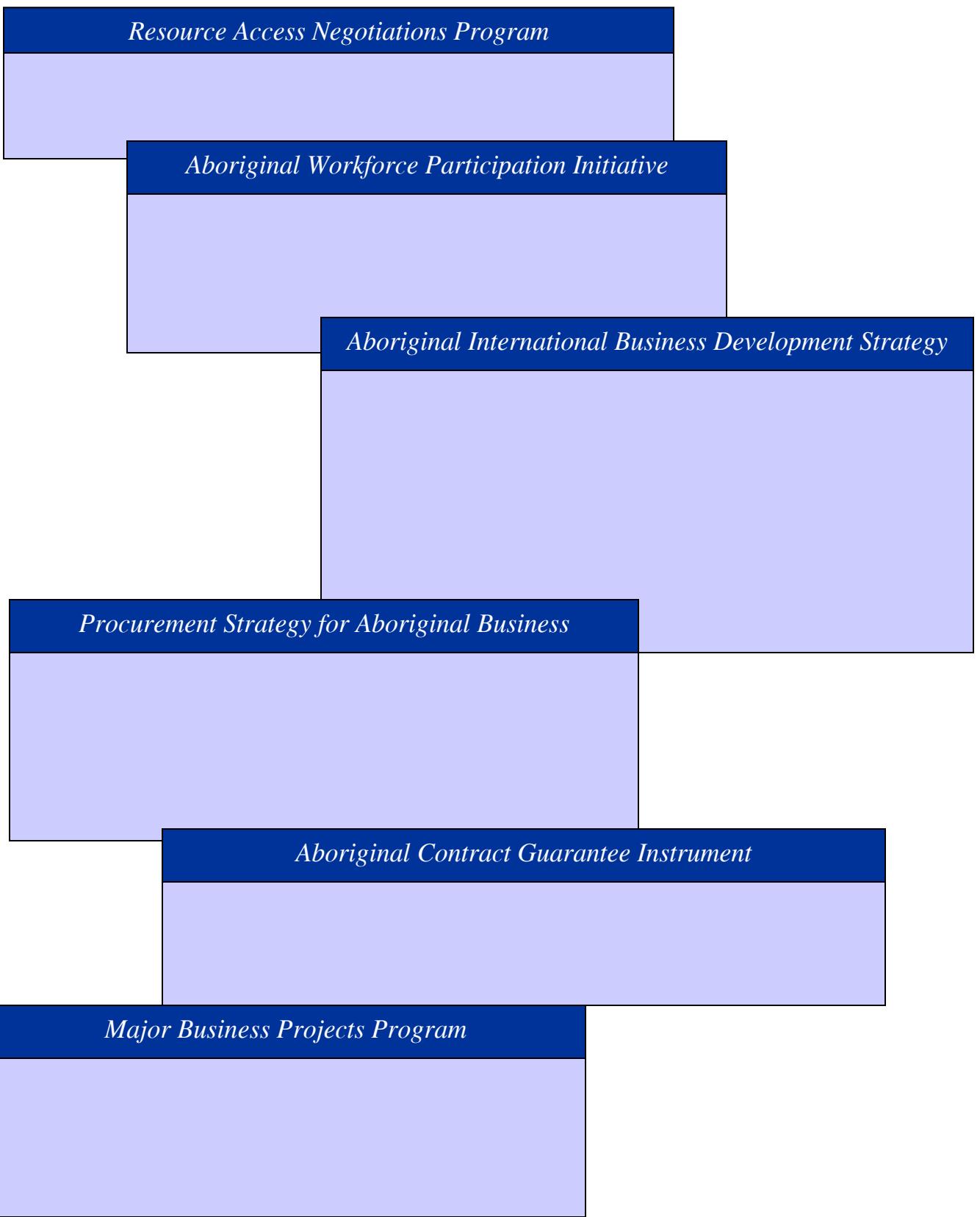


Aboriginal Business Initiatives



Indian and Inuit Services - Education, Culture and Employment







“The North is always there like a presence,
it is the background of the picture,
without which Canada could not be Canadian.”

“The history of exploitation of resources here,
furs, minerals, oil and gas,
has to be looked at in a context not just of its local impact
but also what it has meant to us as Canadians.

This has relevance too, of course, to gold and diamonds.
The difference today is that we think in terms of partnerships
that are going to be developed,
that are already developing, between native peoples
and those people who have the capital and interest
to develop the economy here.

The future of the Northwest Territories lies in partnership.”

***Her Excellency the Governor General of Canada,
Adrienne Clarkson***

*Presentation to the Living History Society Symposium
“The True North Strong and Free:
A New Vision, In the National Interest”*

November 28, 2002

