

New Fiscal Relationship Background and Process

MOU on a new fiscal relationship

- Signed in July 2016
 - National Chief and Minister of INAC
- Creates Joint Committee
 - Technical Working Groups (TWGs) as required
 - representatives from AFN and Canada
 - external experts may be added as needed
 - develop options, proposals, recommendations
- Report due to National Chief and Minister of INAC by December 31, 2017

Mandate

- Examine current fiscal arrangements
- Engagement strategy for seeking input from First Nations
- Report to set out proposals, options, recommendations:
 - removing 2% cap
 - closing socio-economic gaps
 - new financial transfer arrangements suitable for government-to-government relationship

Current Work

- TWGs conducting research concerning:
 - Funding sufficiency, comparability, service populations, fiscal transfer models
 - Funding mechanisms, agreements and authorities
 - Accountability of First Nation Governments (FNGs) to their citizens, mutual accountability between the Government of Canada (GOC) and FNGs

Upcoming Activities

- Regional engagement sessions this fall
- Preparation and presentation of report of Options & Recommendations in December
 - To Chiefs-in-Assembly and to Ministers
 - Direction from both reviews to follow

Objective: Closing the Gap

- The gap between First Nation citizens & other Canadians must close
- To get there, AFN & INAC are working toward a new fiscal relationship
- The basic equation: ***Money + Control = Results***

Money: Challenges

- Insufficient funding
 - Funding levels do not match those available to other governments for their citizens let alone support closing the socio-economic gap
- Dependency on transfers
 - Continuing reliance on only federal transfers keeps FNGs in a subordinate role

Control: Challenges

- Unpredictable funding
 - GOC decides how much money there will be, when & for how long
- Inflexible funding
 - GOC decides what the money is to be used for
- Administrative & reporting burden
 - GOC requires multiple funding applications & accountability reports from FNGs

Results: Challenges

- GOC does not manage for results
- Accountability is compliance based
 - FNGs are treated like “recipient agencies”
- The gap in quality of life between First Nation citizens & other Canadians is not closing

Money: Options for Solutions

- Catch Up & Keep Up
 - Increase base funding to FNGs to catch up
 - Establish appropriate escalators to keep up
 - Target support to build capacity of FNGs & First Nation institutions
 - Assess needs & invest in closing the gap on an ongoing basis
- Support revenue generation
 - Recognize tax powers
 - FNGs will decide how to use those powers to develop treaty & traditional territories
 - Resolve land & resource issues
 - Provincial & territorial governments must also be involved
 - Moratorium on own-source revenues (OSR) clawbacks

Control: Options for Solutions

- Long-term agreement
 - Increase predictability by ensuring reliable & sufficient funding base
- FNGs decide their own priorities & invest
 - Increase flexibility by removing policy & program constraints
- Single, whole-of-government agreement
 - Single funding “authority” means one process to get funds & one accountability report

Results: Options for Solutions

- FNGs account to FN citizens based on community plans & priorities
- GOC and FNGs account to each other based on the funding agreement
- All governments monitor, measure & report on results, then adapt to improve

Conclusion

- A new fiscal relationship must be ongoing
- The MOU on Joint Priorities signed by National Chief & Prime Minister on June 12, 2017 provides a process to continue the relationship after the December report