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Author

Cozzetto, Don

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Financing Aboriginal Government: The Case of Canada's Eastern Arctic

DON COZZETTO

INTRODUCTION

The development of sound financial strategies that both guarantee native autonomy and assure continued program financing is one of the most complex yet vital components to aboriginal self-government. Unfortunately, history has demonstrated that the failures in this area tend to overshadow any successful inroads made in aboriginal people's efforts to attain self-determination.¹ In fact, many native groups operate in an environment that can best be described as continual financial exigency. This phenomenon is not unique to the United States. The aboriginal population in Canada has also experienced difficulty in acquiring the resources needed to govern themselves. Examples include the financial difficulties that arose out of the 1971 Alaska Native Claims Settlement Act (ANCSA), the 1978 James Bay and Northern Quebec agreements, and the 1984 agreement signed with the Inuvialuit of the western Northwest Territories.²

All of these examples explicitly demonstrate that, for those groups in the process of negotiating claims settlements, the development of a sound financial strategy is inextricably linked to the successful negotiation of aboriginal claims settlements. In Alaska, the creation of a series of corporate structures that were antithetical to native culture, the lack of investment opportunities, the cost

Don A. Cozzetto is an assistant professor and director of graduate programs in the Department of Political Science, University of North Dakota, Grand Forks.

of capital-intensive projects in the North, the high cost of venture capital, and the lack of training programs for natives charged with managing their new public administration infrastructure all contributed to the expenditure of the nearly one billion dollars in compensation received under ANCSA.³ Now that the money is gone, Alaska Natives fear the loss of their lands as well. The financial woes of the Inuvialuit and the Cree and Naskapi of northern Quebec continue. On an annual basis, the latter are required to negotiate program funding for current fiscal year operations with no less than nine separate federal and Quebec government agencies.⁴

This paper seeks to develop a series of financial strategies that may assist those native groups involved in continued program operations as well as those currently negotiating aboriginal claims agreements. Although the financial model developed in the remainder of the paper relates specifically to the Inuit of the eastern Arctic region of northern Canada, the arguments contained herein have broad applicability to native groups in general and are not constrained by national boundaries. In Canada, for example, eighty aboriginal claims are in various stages of negotiation.⁵ This represents a significant component of the country's public policy agenda. Huge cash settlements, the transfer of title to large tracts of land, and the devolution of government powers to aboriginal governments are occupying a more dominant role in society; therefore, it is incumbent upon natives and nonnatives alike to explore serious alternatives to current finance methodologies.

Obviously, financial security is an important goal of aboriginal government. This is particularly true for those groups about to conclude claims negotiations. The Inuit (Eskimos) in the eastern Arctic region of northern Canada (referred to as Nunavut, meaning "our land") are a case in point.⁶ The Inuit live in the eastern Arctic region of Canada's Northwest Territories. They number approximately eighteen thousand and are descendants of nomads that came to North America across the Bering Strait and from Greenland. Their language is Inuktitut.⁷ Economically, the Inuit participate in the wage economy when jobs are available, but a significant proportion choose to maintain a subsistence lifestyle of hunting, trapping, and gathering.

The Inuit recently signed an agreement-in-principle that was the culmination of fifteen years of negotiation respecting their aboriginal claim. Over the next few years, they will receive more than \$500 million in direct compensation payments, title to tradi-

tional ancestral lands, revenues from resource-related royalties, and the transfer of program responsibilities from the various levels of government.⁸

ADMINISTRATIVE HISTORY

Although the Inuit occupation of their lands in northern Canada predates the arrival of European settlers, in more recent history all aboriginal groups in the region have been dominated by nonnative political and administrative institutions.⁹ Much of the political control over the Northwest Territories is exercised by the federal government in Ottawa. The constitution defines federal responsibilities over aboriginal affairs, and the Northwest Territories Act—the act of parliament that created the Northwest Territories (NWT)—vests considerable power over northern affairs in the national government. Administratively, the federal Department of Indian and Northern Affairs is charged with program delivery to aboriginal peoples across the country. It is the Canadian equivalent of the United States Bureau of Indian Affairs.

In 1967, Yellowknife was designated the capital of the NWT, and the government was relocated from Ottawa. With the relocation came a certain degree of devolution of responsibility. Today, despite the fact that all members of the NWT legislative assembly are elected (many of the members are native), the North is still a colony of southern Canada. Ken Coates explains that the

constitutional authority over the vast expanses of the Yukon and Northwest Territories rests with Ottawa, physically thousands of kilometers distant, and psychologically even further removed. The extensive powers of the national bureaucracy, the continued reliance on federal subsidies, and the frequent intervention in regional affairs all make plain the north's colonial status.¹⁰

Aboriginal groups, including the Inuit, claim that the federal government is destroying their culture through the process of assimilation. During the patriation of the Canadian constitution in 1982, aboriginal groups fought for constitutionally entrenched rights and a series of conferences between native leaders, the prime minister, and provincial premiers. The constitutional conferences accomplished little toward establishing a national consensus with respect to aboriginal issues, and native people won

only a partial victory in entrenching their rights constitutionally, because the constitution acknowledges existing aboriginal rights. The million-dollar question becomes, What does *existing* mean?

In any case, the Inuit view the claims process and the self-government institutions that will be created as the only way they can govern themselves and guard against the process of cultural erosion.

THE EVOLUTION OF NUNAVUT

Since the primary objective of this paper is to assist in the development of a potential finance model for Nunavut, it becomes important to understand the evolution of the concept of a separate Inuit territory. The discussion that follows draws extensively on Geoffrey R. Weller's "Self-Government for Canada's Inuit: The Nunavut Proposal."¹¹

As Weller correctly points out, Canada is still in the process of nation-building, because residents of both the Yukon and Northwest territories envision that someday their jurisdictions will attain provincial status. With respect to the Inuit of the eastern Arctic, the Inuit Tapirisat of Canada (ITC) initially presented its proposal for the formation of Nunavut in 1979. The proposal called for the division of the Northwest Territories along the tree line. The area to the east (Central Arctic, High Arctic, Keewatin, and Baffin) would comprise Nunavut. As Weller states,

The objective of the proposal was to create a mechanism by which Inuit culture and traditions could be preserved. It was also to overcome what was prescribed as both the physical and philosophical distances between the Inuit people and the governments in Yellowknife and Ottawa. Moreover, it was an attempt to overcome a colonial and dependent relationship by obtaining rights to manage natural resources and obtain taxation powers and royalties thereby eliminating dependence upon federal subsidies.¹²

This new territory would have a legislature that would ultimately attain provincial status. From the outset, the intent was to operate within the Canadian federation. Initially, the Inuit proposal for a separate territory was not well received by the elected legislative assembly of the NWT. It was not until the 1979 territo-

rial election, when aboriginal representatives for the first time constituted a majority in the assembly, did the concept of division receive any endorsement. In 1982, a plebiscite was held, and 58 percent of the voters opted for division.¹³ Following the plebiscite, native groups and the territorial government formed two subcommittees to determine specific strategies: The Nunavut Constitutional Forum and the Western Constitutional Forum represented the eastern and western NWT, respectively.

The only outstanding matter with respect to division is to ratify the western boundary between Nunavut and the Dene/Métis nation, and the southern boundary with the Inuit of northern Quebec. The Inuit are currently working with a boundary advisor appointed by the minister of Indian and northern affairs to resolve this issue.¹⁴

THE NORTHERN POLITICAL ECONOMY

Much has been written about political economy. However, the model of political economy in Canada's North is vastly different from the standard textbook treatment given the subject. In order to appreciate the long struggle over aboriginal claims, one must understand the unique political and economic factors that impact the very fabric of aboriginal existence. Throughout Canadian history, the traditional lifestyle of native people has been eroded by the need of the government to promote economic and political development.

The definitions of the term *political economy* are diverse. For example, Markovich and Pynn define political economy as "the study of how the economy functions within the confines of government policy."¹⁵ Staniland provides two definitions of political economy: His "deterministic" framework views politics and economics as inseparable. The "interactive" approach conceives of politics and economics as functionally distinguishable.¹⁶

Within a democratic polity such as the United States, these definitions stand alone and, in fact, make sense. However, in northern Canada, several other dimensions—some political, some economic, and some social—must be included if we are to begin to understand the nature of aboriginal claims and the importance of sound financial management once claims negotiations are complete.

In exploring the nature of the northern political economy, many

scholars follow Staniland's deterministic model and break the term down into its requisite components—political and economic. This approach is not only simplistic; it is nonnative. Native people discuss political economy as a unified whole that is directly grounded in aboriginal culture. Attaining self-determination and the protection of the traditional economy are inseparable. The following discussion concerning the historical evolution of both the political and economic factors affecting the North serves to demystify the aura surrounding the northern political economy and attempts to relate the northern political economy to the Inuit quest for self-determination.

Historically, northern politics have been synonymous with development.¹⁷ This manifests itself in the title given to the federal department charged with administering programs affecting aboriginal people—the Department of *Indian Affairs and Northern Development*. In 1966, at least, native affairs and northern development went hand in hand.

However, prior to the arrival of white settlers, the northern indigenous population lived a subsistence lifestyle, harvesting fish, plants, and wildlife. This subsistence economy was predicated on a communal concept of sharing, as opposed to the modern market concept of individualism.¹⁸

Despite the fact that the Norse were the first nonnatives to visit the Arctic, it was the Europeans who, from the sixteenth century onward, became the first people to have sustained contact with the Inuit of the eastern Arctic. The supply and marketability of commodities such as furs, fish, and whale products made encroachment on the indigenous lifestyle inevitable.¹⁹ The native people were introduced to the previously foreign concepts of a market economy—a commerce network, a medium of exchange in the form of commodities such as tools and weapons, a system of credit, and the international marketplace. This market economy perspective was at odds with the traditional economy.

The majority of the northern products were exported to American and European markets, and the labor pool was, for the most part, imported. The Europeans' desire for profit maximization, coupled with a total lack of regulatory control, decimated the whale, fish, and sea mammal populations. As a result, the traditional native subsistence economy in the eastern Arctic was destroyed. Rea describes these effects as follows:

They (the whalers) indirectly contributed to the reduction of the wildlife resources upon which the Inuit had once been able to subsist. They introduced disease and alcohol which further weakened the ability of the Inuit to cope with this deteriorating environment.²⁰

The other major event that not only shaped Canada as a nation but also impacted northern political and economic development was the fur trade. Specifically, the activities of the Hudson's Bay Company became synonymous with the northern political economy.²¹ In 1670, the Bay was granted a charter that guaranteed a monopoly over all lands draining into Hudson Bay.²² This monopoly position in the northern marketplace ensured a continuous supply of staples to outside markets and the subordination of native people to the wage economy.²³ This second point is particularly important, because, given the cyclical nature of the fur trade, price fluctuations often proved devastating for native people. Having become accustomed to material possessions from the south, secured through the barter system, the entire community was severely impacted by sudden changes in the supply and price of furs.

Religion and the law also played important roles in altering native society. As the fur trade opened transportation corridors into the North, Roman Catholic and Protestant missionaries quickly discovered a "gold mine" of souls in need of salvation. As Coates points out, "The north contained the prime elements for evangelism: a primitive, pagan people in need of Christian salvation"²⁴ The competition for native souls had an economic component as well. The Hudson's Bay Company, for example, favored the Anglican Church, and, as a result, natives were coerced into accepting the church's doctrines; otherwise, they risked a cessation in trade.

The Northwest Mounted Police (now the RCMP) were originally dispatched northward to maintain some semblance of law and order during the Klondike gold rush. Later, they moved into the Northwest Territories and brought with them a code of southern laws. These laws often clashed with traditional native culture. Examples might be the Inuit practice of infanticide and the tradition of leaving the elderly to die once they were no longer productive members of society. In any case, Whittington sums up the impact that the fur trade, religion, and the law had on the aboriginal people:

Hence, the churches came to bring the natives salvation, the RCMP came to bring them law and order, and the Bay came to engage them in commercial relationships Consequently, the traditional value system of their culture was challenged, and in some cases traditional ways were abandoned.²⁵

Resource-based industry began to come onto the northern agenda during the late 1800s. The Klondike gold rush in the Yukon during the 1890s changed the economic and political fabric of that region forever.²⁶ The discovery of oil in 1920 at Norman, in the Mackenzie region of the Northwest Territories, spawned a flurry of exploration activity. A number of gold and silver deposits were discovered in the Great Slave and Great Bear Lake regions during the 1920s and 1930s. Yellowknife's Con and Giant mines are still in operation today.

These types of resource development activities further altered the traditional lifestyle of native people. Specifically, large numbers of nonnatives migrated to the north in search of new employment opportunities. Economist Ken Rea nicely sums up the situation:

[T]he area had up to World War II, a simple economy: a staple export-based hinterland economy superimposed on a traditional native economy, itself largely a byproduct of modern industrialism. The traditional sector of the northern economy was essentially a creation of the European fur trade which had conscripted the local population into a form of wage employment which was compatible with some elements of its older culture. The dominance of the fur trade in the native economy was reflected in the reduced living standards of the native population as the fur trade declined in the 19th century.²⁷

The developmental ethos alluded to above came to the forefront again in 1941 when the Arctic suddenly took on a more strategic role. Politicians feared a Japanese attack mounted from the Aleutian Islands. The Alaska highway was built by the United States military, and the Canol pipeline was constructed through the Richardson Mountains to expedite the transportation of men, equipment, and fuel in the event of a Pacific invasion.²⁸ The Cold War and the construction of the Distant Early Warning (DEW) radar sites solidified the presence of the military in the Arctic. In addition, scientific research began to occupy a dominant role in the North.

Although the pressures for economic development subsided in subsequent years, the oil crisis of the 1970s rekindled the need to develop nonrenewable resources in the north. Examples include Imperial Oil's refinery in Norman Wells and Dome Petroleum's oil and gas exploration activities in the Beaufort Sea.

All of these pressures, concomitant with a need to establish Canadian sovereignty in the Arctic, dictated a new political response. The federal government became an important actor in the northern market economy. The fundamental tenets of free enterprise were challenged (and often supplanted) by issues of sovereignty, social equity, and the need to construct costly transportation, communications, and utility infrastructures. In addition, a depleted wildlife stock led to a severe famine throughout the Keewatin in the 1940s and 1950s. In response to this crisis, the government became further involved by constructing permanent, centralized settlements and relocating the Inuit from their traditional camps. This policy, in turn, dictated a need to supply the physical and administrative infrastructures associated with the provision of education, health care, and other social services.²⁹

Well-intentioned as the government intervention might have been, the effect on native people and their culture was disastrous, and the process of assimilation was vastly accelerated. The native people became dependent on government handouts and began to lose their traditional culture. This is why they now seek to develop their own model of governance as a mechanism through which they believe the assimilation process can be halted. Frances Abele explains that

the new life in the settlements brought social problems. The new settlements concentrated populations at unprecedented levels, straining the old authority patterns and kin-based sharing relationships The educational programs separated children from their parents physically, as they were attending school, and ultimately psychologically, as they absorbed a non-traditional education while missing the traditional lessons of their elders in the communities.³⁰

Former Prime Minister Diefenbaker called this northern expansion his "Northern Vision." The political component of northern development was predicated on a type of Pareto optimality argument.³¹ If northern hinterland resources were developed and exported to the southern metropolis, all Canadians would be better off. Government's role was to subsidize this so-called

development and to reallocate resources in order to improve the economic welfare of society. This political philosophy came to the forefront during the Trudeau era, when large government incentives were provided to private sector firms to "develop" resources in the Arctic (and other regions such as Hybernia, off the coast of Newfoundland). The multibillion-dollar giveaway under the Petroleum Incentive Program, the government's acquisition of Petrofina, and the private sector initiative to construct a Mackenzie Valley pipeline are cases in point.³²

In addressing the northern political economy, we must make a distinction between economic development in the "Northern Vision" sense and economic growth. Economic growth refers "to an increase in the productive capacity of the economy," while economic development means "a change in the *structure* of an economy."³³ A change in structure implies a shift in emphasis from resource extraction to secondary manufacturing. There is little doubt that the northern economy has experienced growth, but whether it has significantly developed economically is subject to debate. There is little secondary industry in the NWT. Raw materials or staples are extracted and shipped to Ontario and Quebec for processing into finished goods. This not only results in fewer wage economy jobs for northerners; it creates further tensions between the traditional and market economies, because pressure is mounted to accelerate the process of resource extraction from aboriginal lands in order to meet the demands of southern factories.

During the decade 1975–85, there was virtually no growth in goods-producing industries nationwide. Given this trend, Robinson and Ghostkeeper question "the relevance of linking northern development to resource industry megaprojects of the industrialized economy."³⁴ In fact, they develop a postindustrial model that they call the "next economy." We immediately begin to see the tensions that exist between the market concepts such as efficiency, growth, and development, and the issue of quantifying benefits. The question therefore becomes, In whose interest was the national government acting in imposing these various northern policy initiatives?

We must expand the already complex equation of political economy by giving consideration to the "welfare economy." Given the current lack of demand and the associated price structures that have adversely impacted resource development in the 1980s, and the high unemployment rates in many sectors of the wage economy,

today's North can be characterized as a "welfare state in crisis." Government fiscal policy focused on political and economic development. In many northern regions, government provision of housing, education, health care, defense services, law enforcement, public works, and so on represents a significant component of the political economy. Michael Whittington states that

[f]rom an internal perspective the economies of the NWT and Yukon are in fact three distinct economies There is a traditional or subsistence economy in which the only participants are native peoples The second economy in the North is an extension of the southern wage economy The third economy is the welfare economy. While there are some non-natives who can be classed as belonging to this group, for the most part the welfare economy in all parts of the North is predominantly native.³⁵

The foregoing discussion on the political economy of the North is important because native people, including the Inuit, seek to protect their traditional economic activities from the pressures exerted by development. This dictates a necessity to provide financial support to those choosing traditional pursuits and to design a macro-level model that allows for a sufficient degree of financial autonomy for aboriginal governments. Specific issues related to the development of this model are discussed below.

THE FINANCIAL ISSUES

There are three important issues that must be addressed when discussing the complexities of financing aboriginal government. The first concerns cash settlements paid to native people as compensation for extinguishing rights to aboriginal lands. The second is related to continued program financing, and the third concerns the importance of adequately funded training programs. The remainder of this paper examines these three issues in light of the Nunavut claim agreement.

Cash Settlements

One component of financial autonomy and security lies in the creation of a trust fund. Examples include the Alberta Heritage

Fund (AHF), created by the Lougheed government in Canada, and the Alaska Permanent Fund (APF); both were established in the 1970s. Both of these funds were created out of revenues secured from energy development as a means of safeguarding quality of life for the residents of the future, once nonrenewable resource development was curtailed.³⁶

The need for the APF became apparent after the state of Alaska had spent more than \$900 million in revenues received from Prudhoe Bay oil and gas leases. Politicians and citizens alike soon came to realize that large sums of money disappeared quickly, especially when capital-intensive projects such as roads and schools were factored into the equation. Alaska voters approved the fund's creation during a 1976 special referendum. The resultant constitutional amendment stipulated that 25 percent of all state revenues derived from nonrenewable resource development be allocated to the fund. Second, the fund's principal cannot be utilized except by approval through public referendum.³⁷

The accumulated assets of the APF were \$8.6 billion as of September 1987—\$7.9 billion in principal and \$700 million in discretionary funding. The fund's investment portfolio is immense and diverse. Assets range from government bonds to common and preferred stock, real estate investments, and various certificates of deposit. The legislature is authorized to allocate portions of the unreserved account (the \$700 million referred to above) to the general fund of the state or to dividend payments to residents of Alaska.³⁸

The Alberta Heritage Fund was also established to promote quality of life for Albertans. The fundamental difference between the AHF and APF is that the former comes under the direct control of the provincial legislature. The AHF acts almost like a bank in lending money to municipalities and provincial corporations. The majority of the fund's \$15.3 billion is invested within the province.³⁹

In essence, there are two basic types of trust fund—developmental and "pure" trust.⁴⁰ By definition, the APF is a pure trust, because its directors emphasize savings, security of principal, and income generation. Investments are predicated on pristine financial criteria. High yield, low risk strategies are the foundation for investment analysis. Robinson, Pretes, and Wuttunee stipulate that "trust models emphasize stability, diversification of the portfolio, and guaranteed return."⁴¹

The developmental model, on the other hand, incorporates a

different investment strategy. These types of funds (AHF) tend to invest in economic development within a specific region. The Alberta government's loans to the Alberta Housing Corporation to assist in the construction of social housing are a good example. Under such a scenario, subjective, qualitative factors such as "social equity" become part of fund management.

Aboriginal groups such as the Inuit of northern Canada need to plan their future financial strategies carefully. The following considerations are meant to assist in the planning process. First, there is no reason why native people cannot select a trust model that incorporates the positive elements of both the pure and the developmental models—a hybrid trust model. It is imperative that the principal be protected. As is the case in Alaska, a public referendum is ultimately the best democratic vehicle for decision making. When expenditures of the fund's principal are subject to ratification by the voters, aboriginal people can have a significant grass roots voice in the financial affairs of their government. Fund managers become responsive to community needs, and local community groups become educated in the intricacies of financial management. Therefore, this approach has democratic and educational overtones.

This type of fund should be managed by a board of directors representing all regions of the native territory in question. For example, in Alaska, residents of the northern portion of the state should have input equal to that of their southern counterparts. Again, this promotes equity and accountability to the grass roots electorate. The board should be mandated to invest a percentage of the unreserved portion of the fund in small native businesses linked to the traditional economy.

It is critical that those native people who choose to participate in the indigenous economy be given the financial means to do so. Loans from the discretionary portion of the trust fund could be made to local small business groups. For example, secondary animal, hide, and fish processing industries may be viable, or a marketing structure to promote native art and to train young artists may be important.

A native elders program should be explored. Monies from other investments could be channeled directly to those beneficiaries who are most deserving—the older members of the aboriginal population who waited patiently for decades for an equitable claims settlement. For example, the senior members of the community could receive subsidies to allow them to go out and live off

the land during the summer months. Perhaps the elders could participate in teaching young people about their language and culture.

First, fund managers should exercise caution in becoming involved in high-risk capital-intensive projects. Investment strategies should be selected that minimize risk. High-risk ventures such as oil and gas exploration should be avoided. Finally, the principal must be maintained to allow for inflation. In other words, if the fund generates a return on investment of 4 percent and inflation is 5 percent, a portion of the accumulated unreserved fund should automatically be used to offset the reduction in principal.

A second area that relates to funding concerns the manner in which natives become involved in long-term capital-intensive projects—resource development, for example. Entering into joint venture schemes with the private sector, other governments, or other native groups may be a viable alternative to utilizing trust fund revenues for these types of developments. An example of such a venture is the Inuvialuit agreement with Esso resources regarding oil and gas exploration on the Tuktoyaktuk Peninsula of Canada's Northwest Territories. Venture capital could be raised through the same procedures as in the south. The fiscal viability of each project would be judged utilizing conventional business practices.

Program Funding

Aboriginal people must ensure that their access to continued government program funding is safeguarded. Government must not use claims settlements as a vehicle to cut back on its long-term funding commitments in areas such as health care and training. An example will serve to illustrate the point. Recently, the Canadian federal government signed accords with the Yukon and NWT governments allowing for resource revenue sharing from offshore oil and gas developments in the Beaufort Sea. However, Ottawa has been explicit in reducing formula funding commitments once these revenues become available.⁴² Groups such as the Inuit want to avoid the long-term implications of such a strategy.

Another funding consideration relates to existing partnership arrangements between the federal government and client groups. The Inuit want to maximize these opportunities. For example,

Canada Mortgage and Housing Corporation (CMHC) enters into partnership agreements under section 40 of the National Housing Act with government and nonprofit corporations for the purpose of constructing social housing across the country. Under these partnership agreements, CMHC contributes up to 90 percent of the capital cost and 50 percent of continued operations costs for new construction and rehabilitation projects. The Inuit, through a nonprofit housing agency, may want to maximize this type of opportunity and safeguard continued future access.

In areas where the federal or territorial presence will remain prominent (i. e., Medicare, environmental protection), the Inuit should work out a formula funding agreement. Funding would be based on a formula arrangement and would not have to be negotiated each year. Program revenues and expenditures could easily be reconciled.

Finally, the Inuit should be given some control over the generation of internal revenue. For example, business license fees, vehicle registration fees, and local taxes should accrue to the Inuit and not the territorial government.

Many Americans and Canadians view the transfer of cash at the conclusion of claims agreements to be a one-time, lump sum payment in lieu of continued program funding. This is not the case. The cash payments are compensation for turning over traditional native lands to the government. The government still has a moral and legal obligation to provide continued support for various social, educational, and economic development initiatives. As Franks points out, the need for continued support in aboriginal communities is even higher than in other Canadian municipalities. He further states,

So far, the devolution of service delivery to bands, and the financing of aboriginal self-government, have proven to be full of difficulties in determining appropriate levels of financial support. Wide disagreement has arisen between government and aboriginal peoples over the appropriate data base, the costs of units of service, the method of calculating capital and other unusual items, and how and when monies ought to be transferred.⁴³

As mentioned earlier, these very problems were experienced by the Inuit and Cree of northern Quebec and the Inuvialuit of the western Arctic. How can Nunavut's public administrators avoid the pitfalls experienced by their colleagues in other parts of the

country? Although Franks does not develop a model for ongoing program financing, he does define five critical components that any model must address. First, equity must exist not only between aboriginal communities but also between aboriginal and nonaboriginal communities. For example, to construct housing of a higher quality for nonnatives would be discriminatory, or to exempt nonnatives from community taxes also would be unfair. Second, the special needs of aboriginal governments, including program development and administrative costs, must be considered. Third, any funding formula must include all of the costs. Long-term training and operations and maintenance costs for capital projects are examples. Fourth, the negotiation process with respect to funding should not overburden the political and administrative resources of the aboriginal people. Finally, the methodology must respect local autonomy.⁴⁴

The major source of problems surrounding funding arrangements is the federal Department of Indian Affairs and Northern Development (DIAND). Every aboriginal group in Canada complains about this agency. The numerous errors made by DIAND staff in calculating funding requirements, coupled with an enormous and inefficient bureaucracy, have prompted many groups to call for the elimination of the department. These conclusions were corroborated by the Penner Committee.⁴⁵

The implementation of the following strategies might serve to allow for more effective planning, coordination, implementation, and evaluation of program funding once program responsibilities are transferred to Nunavut. First, remove the DIAND from the funding cycle. This would accomplish three goals: The Inuit would have greater input into the preparation of financial estimates and forecasts; long-term financial plans could be developed (i. e., five years); the current complexities associated with DIAND audit procedures could be streamlined and made more intelligible.

This type of initiative is essential if the Inuit are eventually to accept responsibility for expenditures. Otherwise, the current confusing, paternalistic system will continue, and the Inuit will be forced into complacency. In a word, self-government cannot exist independently of financial accountability. Nor can policy and decision-making operate in such a vacuum. If the Inuit public administration is to become more than a mere service delivery apparatus, it must be allowed the degree of financial flexibility required to truly plan and manage its own programs.

In addition to ongoing program funding, some arrangement is required for capital funding. The costs associated with large capital infrastructures in the North can be staggering. Funding arrangements for the construction of schools, houses, utilidor systems, and so forth should be determined during the claims negotiation phase. It is important that specifics be worked out now to avoid conflict in the future.

A second key strategy, directly linked to the notion of accountability, is the need to develop some mechanism for formula financing. This type of arrangement allows the recipient organization to spend the funds as it wishes and guarantees some measure of predictability in terms of amounts received.⁴⁶ Formula financing would eliminate the present system of negotiating funding with several different government agencies. In 1982, the federal government negotiated such an arrangement with the government of the NWT. In Greenland, the home rule government of the Inuit and Danes receives unconditional transfers from the Danish government.⁴⁷

Malone defines several potential revenue sources for aboriginal governments:

- Direct income tax powers
- Direct sales tax powers
- Sharing federal and provincial tax
- Revenues from resource development
- Municipal and regional taxation power
- Unconditional block funding
- Transfers based on per capita calculations
- Indirect taxation
- Program administration funding
- Special purpose grants
- Profits from special ventures, utilities, and enterprises
- Recourse to government spending powers.⁴⁸

Very few of the above options are realistic for the Inuit of Nunavut. There is a limited tax base, resource revenue is subject to swings in supply and demand, and per capita grants fluctuate with changing demographics. Furthermore, high costs and the high risks of investment in the North have resulted in limited investment potential for the corporations established by the Inuvialuit, James Bay, and Alaska settlements.⁴⁹ The only realistic options relate to formula financing and recourse to existing government spending

in areas such as defense and health care to supplement any revenues generated through investment. The report of the Special Committee on the Northern Economy, *Coping with the Cash*, provides four recommendations applicable to Nunavut: (1) Details of claims implementation strategies with respect to cash and land settlements should be specified in clear, concise terms; (2) a balanced investment strategy is essential; (3) the cash principal should be invested in an interest-yielding trust fund; and (4) education of beneficiaries in the implementation process should begin immediately.⁵⁰ An additional strategy that deserves consideration is the creation of a territorial financial agency charged with providing both expertise and venture capital for native ventures at the community level.

The litmus test for successful implementation strategies in Nunavut will be whether these goals can be attained while, concurrently, the traditional economy can survive. The report of the Special Committee on the Northern Economy, *A Strategy for Supporting the Domestic Economy of the Northwest Territories*, provides a series of recommendations that will allow a significant number of people to return to the land-based economy.⁵¹ This partially fulfills Brody's vision of a "cultural ark" whereby compensation from claims settlements is invested in the traditional economy.⁵² Wildlife harvesting and management strategies could be developed, and money could be invested to establish viable secondary food and animal processing capabilities.

Financing Training⁵³

In developing and implementing financial strategies for their new government enterprises, aboriginal groups must consider the importance of training. Failure to do so could cripple their efforts at attaining self-determination. Training programs targeting aboriginal groups have traveled a rocky road. Frances Abele's detailed study of a number of efforts in the area of training highlights the need for a much more concerted effort in providing an environment whereby native people can develop and implement training programs suitable to their needs.⁵⁴

Existing funding programs affect training policies in a negative way. In the implementation of a number of programs—for example, Canada Job Strategy, the Manpower Training Agreement, and the Northern Careers programs—objectives developed in

Ottawa have tended to overshadow the needs of native people. Aboriginal groups understand the importance of training but feel helpless in the real world of federal dominance, both politically and financially. An additional limitation relates to a total lack of coordination in terms of the implementation of these various training programs. All of these different agencies are involved in their own interests, often with conflicting goals and duplication of programs and resources. A coordinating committee should be established, with representation from all affected groups, and a more streamlined, efficient process should be formulated.

A second problem related to funding for training concerns the devolution of program responsibility from the current government departments to the new aboriginal agencies that will be created once claims are settled. Native groups do not have sufficient personnel with the qualifications to teach potential administrators the techniques of public sector management—budgeting, personnel, planning, and so forth.

A number of training initiatives have been undertaken over the past several years involving quotas. At Nanisivik, a mining community on northern Baffin Island, the mining company established a target of 60 percent native employment after the initial three years of production. Nothing close to 60 percent ever was achieved.⁵⁵ In 1985, the NWT government's Native Employment Policy also met with limited success.⁵⁶ The goal of this program was to increase native employment from 29 percent to 50 percent of the total territorial public service. However, in the four-year period from 1985–89, the total increase was only 2 percent.⁵⁷ These programs are costly, and the return on the investment is suspect. Twenty-one million dollars was allocated to this program over a four-year period. A total of 242 positions were created, at \$86,777 per position. The types of jobs were more clerical, junior administrative than managerial.⁵⁸

Alternative funding arrangements are critical to the success of training initiatives in the North. First, in addition to long-term and block grant funding, there is a need for a shift in funding strategy from short-term to long-term. Second, "block funding" provisions allow much-needed discretion on the part of native people in designing programs suited to their needs. Third, funds need to be allocated in an effort to "train the trainers." Finally, training funding must continue in addition to cash compensation received through claims settlements.

CONCLUSION

This paper has examined the critically complex issue of financing aboriginal government. Comparative examples from both the United States and Canada have served to highlight the fact that the incorporation of inappropriate financial models severely impacts the ability of aboriginal organizations to attain self-determination. The Nunavut claim settlement in Canada's eastern Arctic was used to develop a series of implementation strategies related to the protection of funds received in the form of cash compensation, continued program financing, and funding for training native people.

Providing an environment that fosters the success of aboriginal self-government should be an important consideration for Americans and Canadians. We should take up the challenge offered by Frank Cassidy and view aboriginal government as an emerging field of study.⁵⁹ The recent armed standoff at Oka, Quebec, and the disputes over fishing rights in British Columbia and Wisconsin convincingly demonstrate that native groups are no longer prepared to accept a secondary position in North American society. Through the development of workable financial strategies, native people can begin to shed the chains of paternalism that have constrained their efforts to govern themselves.

NOTES

1. The concepts of self-determination and self-government are discussed in substantial detail in Donald A. Cozzetto, *Aboriginal Governance: The Case of Nunavut* (Doctoral dissertation, Virginia Polytechnic Institute and State University, Blacksburg, VA).

2. In all of these examples, native people experienced difficulty in preserving the cash received through negotiated agreements and in securing commitments from government to fund continued programs.

3. For a detailed treatment of the negative effects of ANCSA, see Thomas W. Berger, *Village Journey* (New York: Hill and Wang, 1985) and Gary Anders, "Implications of the Alaska Native Claims Settlement Act," *Journal of American Indian Education* (May 1986).

4. Jean-Pierre Rostaing, "Native Regional Autonomy: The Initial Experience of the Kativik Regional Government," *Études Inuit Studies* 8:2 (1984).

5. Bradford W. Morse, *Aboriginal Peoples and the Law: Indian, Métis and Inuit Rights in Canada* (Ottawa: Carleton University Press, 1990). The magnitude of these settlements in terms of cash and land transfers is difficult to quantify, because the negotiations are ongoing. In Canada, there are over one million aboriginal people. Eighty claims translates into billions of dollars and millions of

square miles of land.

6. The reader should note that the term *Eskimo* means eaters of raw flesh and is considered pejorative. The correct term is *Inuit*.

7. For a detailed discussion of the anthropological evolution of the Inuit, see Keith Crowe, *The History of the Original Peoples of Northern Canada* (Kingston, Ontario: McGill-Queen's University Press, 1974).

8. *Nunavut: The Magazine of the Tungavik Federation of Nunavut* 9:1 (Winter 1990). For a detailed treatment of the evolution of the Nunavut claim, see Geoffrey R. Weller, "Self-Government for Canada's Inuit: The Nunavut Proposal," *The American Review of Canadian Studies* 18:3 (Autumn 1988).

9. An excellent history of aboriginal peoples in Canada's North is Keith J. Crowe, *A History of the Aboriginal Peoples of Northern Canada* (Montreal: McGill-Queen's University Press, 1974); also see Alan D. McMillan, *Native Peoples and Cultures of Canada* (Vancouver: Douglas and McIntyre, 1988), chapter 10.

10. Kenneth Coates, *Canada's Colonies: A History of the Yukon and Northwest Territories* (Toronto: James Lorimer and Company, 1985), 9.

11. Geoffrey Weller, "Self-Government for Canada's Inuit: The Nunavut Proposal," *The American Review of Canadian Studies* (Autumn 1988).

12. *Ibid.*, 345.

13. Frances Abele and M.O. Dickerson, "The Plebiscite on the Division of the Northwest Territories: Regional Government and Federal Policy," *Canadian Public Policy* (March 1985).

14. *Nunavut, A Report on Land Claims from the Tungavik Federation of Nunavut* 10:2 (July 1991).

15. Denise E. Markovich and Ronald E. Pynn, *American Political Economy: Using Economics with Politics* (Pacific Grove, CA: Brooks/Cole Publishing Company, 1987), 10.

16. Martin Staniland, *What Is Political Economy? A Study of Social Theory and Underdevelopment* (New Haven: Yale University Press, 1985).

17. Marianne Stenbaek, "Forty Years of Cultural Change among the Inuit in Alaska," *Arctic* 40:4 (December 1987).

18. Michael Whittington, ed., *The North* (Toronto: University of Toronto Press, 1985).

19. K. J. Rea, *The Political Economy of Northern Development*, Science Council of Canada, Background Study No. 36 (Ottawa: Crown Printers, 1976).

20. *Ibid.*, 36.

21. Morris Zaslow, *The Opening of the Canadian North: 1870-1914* (Toronto: McClelland and Stewart Limited, 1971).

22. Coates, *Canada's Colonies*, note 10.

23. Michael Pretes, "Underdevelopment in Two Norths: The Brazilian Amazon and the Canadian Arctic," *Arctic* 41:2 (June 1988).

24. Coates, *Canada's Colonies*, 58n22.

25. Whittington, *The North*, 60-61n18.

26. Crowe, *A History of Aboriginal Peoples*, note 9.

27. Rea, *Political Economy*, 53n19.

28. Coates, *Canada's Colonies*, note 22; Frances Abele, "Canadian Contradictions: Forty Years of Northern Political Development," *Arctic* 40:4 (December 1987).

29. Stenbaek, "Forty Years of Cultural Change," note 17.

30. Abele and Dickerson, "The Plebiscite," 314n28.

31. Economists define pareto optimality as a situation where everyone affected by a policy or event is a winner. In other words, there are no losers. In the northern Canadian context, resource extraction would benefit all Canadians by providing a domestic supply of raw materials and by providing northerners with jobs. The same argument is made by proponents of oil exploration in the Alaska Wildlife Refuge.

32. G. Bruce Doern and Richard W. Phidd, *Canadian Public Policy: Ideas, Structure, Process* (Toronto: Methuen, 1983).

33. Rea, *Political Economy*, 25n19.

34. Michael Robinson and Elmer Ghostkeeper, "Native and Local Economies: A Consideration of Economic Evolution and the Next Economy," *Arctic* 40:2 (June 1987): 138.

35. Whittington, *The North*, 64n18.

36. Michael Pretes, "Conflict and Cooperation: The Alaska Permanent Fund, the Alberta Heritage Fund and Federalism," *American Review of Canadian Studies* 13:3.

37. *Annual Report*, Alaska Permanent Fund, 1987.

38. *Ibid.*, and Pretes, "Underdevelopment in Two Norths."

39. Pretes, "Underdevelopment in Two Norths," and *Annual Report*, Alberta Heritage Fund, 1988.

40. Michael Robinson, Michael Pretes, and Wanda Wuttunee, "Investment Strategies for Northern Cash Windfalls: Learning from the Alaska Experience," *Arctic* 42:3 (September 1989).

41. *Ibid.*, 271.

42. Department of Indian Affairs and Northern Development, "Federal Programs and Services to Aboriginal Peoples," *Information* (13 May 1988).

43. C. E. S. Franks, *Public Administration Questions Relating to Aboriginal Self-Government*, Background Paper No. 12 (Kingston, Ontario: Institute of Intergovernmental Relations, 1987), 63.

44. *Ibid.*

45. *Indian Self-Government in Canada: Report of the Special Committee* (Ottawa: Supply and Services Canada, 1983).

46. Bradford W. Morse, *Aboriginal Self-Government in Australia and Canada* (Kingston, Ontario: Institute of Intergovernmental Relations, 1986).

47. See Nils Orvik, "Greenland: The Politics of a New Northern Nation," *International Journal* 39 (Autumn 1984).

48. Marc Malone, *Financing Aboriginal Self-Government in Canada* (Kingston, Ontario: Institute of Intergovernmental Relations, 1986).

49. Robinson et al, "Investment Strategies."

50. "Coping with the Cash: A Financial Review of Four Northern Land Claims Settlements with a View to Maximizing Economic Opportunities from the Next Generation of Claim Settlements in the Northwest Territories" (Background paper prepared for the NWT Legislative Assembly's Special Committee on the Northern Economy, May 1989), 42.

51. Peter J. Usher and Frederick H. Weihs, "Towards a Strategy for Supporting the Domestic Economy of the Northwest Territories" (Background study prepared for the NWT Legislative Assembly's Special Committee on the Northern Economy, May 1989).

52. Hugh Brody, *Living Arctic: Hunters of the Canadian North* (Vancouver, BC: Douglas and McIntyre, 1987).

53. For a detailed treatment of training strategies, see Don Cozzetto, "Training Native Public Administrators: Aboriginal Claims and Governance in Northern Canada," *Journal of American Indian Education* 30:2 (January 1991).

54. Frances Abele, *Gathering Strength* (Calgary: The Arctic Institute of North America, 1989).

55. Charles W. Hobart, "Inuit Employment at the Nanisivik Mine on Baffin Island," *Études/Inuit/Studies* 6:1.

56. *Edmonton Journal*, 5 July 1989.

57. Mike Bell, "The Government of the Northwest Territories Native Employment Policy: A Review and Assessment" (Background study prepared for the NWT Legislative Assembly's Special Committee on the Northern Economy, May 1989).

58. *Ibid.*

59. Frank Cassidy, "Aboriginal Governments in Canada: An Emerging Field of Study," *Canadian Journal of Political Science* 13:1 (March 1990).