Building stability into BC First Nations economies: the role of governance and community

by

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B.A., Simon Fraser University, 2015

Capstone Submitted in Partial Fulfillment of the
Requirements for the Degree of
Master of Public Policy

in the
School of Public Policy
Faculty of Arts and Social Science

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Spring 2015

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Abstract

First Nations economic development is widely understood to be a means to achieving self-sufficiency and self-determination. However, existing literature does not adequately address unique challenges and opportunities of remote First Nations in British Columbia. The study focuses on governance policy at the First Nation level to foster strategic alignment of institutions and community engagement. Findings suggest that governance institutions such as the band council and economic development corporation must be strategically aligned to best capitalize on development projects within their respective territory. More importantly, sustainable economic development hinges on community support for development projects. This study argues that community support is best achieved through rigorous reporting and performance measures by the economic development corporation.

Keywords: First Nations; economic development; governance policy; community; reporting
I dedicate this capstone to my parents, Brenda and Philip. You have supported me from my first half day of school to the completion of my Masters degree. My achievements today are a reflection of your love. To my partner David, I could not have done this without you by my side. To our next adventure.
Acknowledgements

I would like to thank the individuals that took time out of their busy schedules to share their thoughts and experiences with me. Their time is precious and I truly appreciate their invaluable contributions. This study would not be possible without them.
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<tr>
<td>EDC</td>
<td>Economic Development Corporation</td>
</tr>
<tr>
<td>FNIDA</td>
<td>First Nations Industrial and Commercial Development Act</td>
</tr>
<tr>
<td>HaiCo</td>
<td>Haida Enterprise Corporation</td>
</tr>
<tr>
<td>TNDC</td>
<td>Tahlitan Nation Development Corporation</td>
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Executive Summary

First Nations in Canada have a lower quality of life than non-aboriginal Canadians based on indicators such as life expectancy and educational attainment. Economic development for First Nations is a means to improve the quality of life on reserve by providing local services and creating self-sufficient people and governments. Economic development is defined by increased economic activity through the presence of businesses operated by First Nations people or on First Nations territory.

This project seeks to address the question, How can First Nation governments better support economic development in their communities? by comparing the experiences of four cases of First Nations in British Columbia, looking specifically at certainty for business, strategic alignment of institutions and the level of community support. First Nations that have strong economic development are characterized by high degrees of strategic alignment between the economic development branch and band council. This partnership allows the band council to provide the corporation with preferential access to development projects within traditional territories. Strong cases also provide opportunities for community to be engaged with economic development. Community engagement builds community support for the corporation, providing a level of insulation against the potentially destabilizing effects of leadership change.

These findings inform policy recommendations that best promote economic development on First Nations. Strategic alignment of institutions is best achieved through nation-developed operating protocols that emphasize the role of the band council in relation to the economic development corporation with respect to providing access to business opportunities occurring within the respective First Nation territory. In order to maintain the success of the economic development corporation support from the community must be fostered through relevant performance measures and community meetings. Meetings increase community engagement with the economic development corporation that creates more informed citizens, more equitable decisions and greater support for economic development projects.
While these findings are not a panacea for economic development, they provide some policy options at the First Nation level to address economic development on reserve. The hope is that they may be tailored to fit the needs of First Nations interested in economic development.
Chapter 1. Introduction

Aboriginal peoples of Canada have substantially lower quality of life compared to non-aboriginal peoples, characterized by low life expectancy, higher rates of illness, low employment, low educational attainment and high rates of incarceration (RCAP, 1996). Economic development has been identified as a means to improve the quality of life for aboriginal people. The policy problem generally is that First Nations in BC experience severe economic underdevelopment. There are numerous factors that contribute to this underdevelopment. An important and perhaps overriding problem is underinvestment in businesses in First Nations communities. The policy problem addressed in this thesis is the insufficiency of entrepreneurship and the underinvestment in commercial business located on or near First Nations communities. For the purpose of this project, economic development is the increase in economic activity through businesses operating in First Nations territory or by First Nations people.

My capstone first outlines existing research in the area of aboriginal economic development. Extensive research has been conducted in the area of economic development on reserves in both Canada and the United States. Successful reserve characteristics include strong leadership, politically independent dispute resolution, and clear and consistent regulatory frameworks (Begay, Cornell, Jorgensen & Kalt, 2007; Cornell, Curtis & Jorgensen, 2004).

First Nations in BC are dissimilar from American tribes which limits the applicability of the existing research. The majority are governed under the Indian Act in the absence of treaties. They are small in population compared to American counterparts and often remote. Many coastal First Nations in BC hold legal rights to resources in their territories. These resources provide significant opportunities for economic development. Furthermore, resource developments are legally required to
consult and accommodate First Nations affected by projects. Capitalizing on these opportunities is best achieved by band owned businesses.

Having established the differences between First Nations in BC and American tribes and the significance of band businesses, this project outlines governance issues that create barriers to economic development. Governance issues include the lack of institutional clarity and overlapping jurisdiction. To determine which of these governance issues are the most significant to economic development success, this study draws on 4 cases, the Tahltan, Haida, Gitxaala and Lax Kw’alaams Nations. The 4 cases were informed by primary research and publically available information to identify cases where successful economic development was occurring. Stronger cases were compared to weaker cases to see what governance areas were most relevant.

Interview participants stressed the importance of strategic alignment of institutions and community support. Strategic alignment is when institutions are working in partnership to achieve the same goals. Findings indicate that successful economic development occurs when governance policies facilitate strategic alignment between institutions, such as the band council and economic development corporation, to work toward pre-defined economic development objectives (Cornell & Kalt, 2007). Findings also indicate that community support is a significant factor for economic development. One of the most significant vulnerabilities of an economic development corporation is the destabilizing effect of leadership change. Community support for economic development corporations or branches provides a degree of insulation from leadership change. Constituents may elect new leadership but they will require that the economic development corporation not be affected. Policy options were analysed based on their ability to address these significant factors. Policies were evaluated based on effectiveness, administrative complexity and development potential.

Based on my analysis, this paper recommends the following policy options

1. Create clarity for business by passing a band council resolution to adopt provincial regulatory frameworks.

2. Develop an operating protocol that outlines the roles and responsibilities for the economic development corporation and band council with specific emphasis on
the role of the band council to leverage status to provide access to resource projects for the corporation.

3. Build transparency and accountability into governance structures through incorporating performance measures and community engagement meetings.
Chapter 2. Low life quality of aboriginal peoples in Canada

Aboriginal peoples of Canada have worse outcomes on a range of indicators compared to non-aboriginal peoples that would suggest a lower quality of life than non-aboriginal Canadians. Lower quality of life is characterized by low life expectancy, higher rates of illness, low employment, low educational attainment and high rates of incarceration (RCAP, 1996). Aboriginal people in Canada face 14.8% unemployment compared to 6% for non-Aboriginal Canadians (Statistics Canada, 2007). Aboriginal people living on-reserve experience even higher rates of unemployment of 25%. Aboriginal people were more likely to have no high school or equivalent diploma; 12% of non aboriginal people had no diploma compared to 29% of aboriginal peoples (Statistics Canada, 2011).

Low quality of life for aboriginal peoples is in part due to federal policies that were destructive to aboriginal culture and livelihood. The Indian Act is the most significant piece of such legislation. First enacted in 1830, the Indian Act in its various iterations has systematically undermined aboriginal people in Canada through numerous means including displacement of aboriginal people on reserves, outlawing traditional ceremonies, outlawing legal counsel (Carlson, 1997; Penikett, 2009; King, 2012).

Decades of failed aboriginal policy has created a cycle of dependency on reserves. Low educational attainment creates low employment and extended unemployment makes it even more difficult for people to get back into the labour force. Extended unemployment has created a cycle of welfare dependency where people have become accustomed to welfare instead of employment. The dependency mindset has become firmly entrenched in some communities and makes it difficult to transition back into employment (Dowling, 2005).
Unemployment is linked to a variety of problems for individuals and their communities including increased rates of depression and crime (Linn, Sandifer & Stein, 1985; Dickson-Gilmore & La Prairie, 2005), however, welfare dependency also has economic consequences for Canada as a whole. As Canada’s demographics begin to change, we are approaching a turning point. In Canada, the population of people over 65 years of age is the fastest growing population due to the baby boomers being the largest birth cohort in recent Canadian history (Martel & Malenfant, 2006). The growth in Canadian population over the age of 65 results in a shrinking labour force as younger populations are growing at a slower rate than replacement (Martel, Malenfant, Morency, Lebel, Bélanger, & Bastien, 2011). This creates an increase demand for social services in the form of health care and social services (Canadian Institute for Health Information, 2011).

Aboriginal populations in contrast have a higher fertility rate and are growing at a much higher rate than non-Aboriginal people. Figure 1 indicates the differences in age demographics between aboriginal and non-aboriginal Canadians. This has created a large population of young Aboriginal people that has the potential to contribute substantially to the otherwise shrinking Canadian labour force. If the status quo of welfare dependency on reserves continues, the growing aboriginal population will result in increased social transfer payments. Alternatively, improving economic development on reserves provides an opportunity to create self-sufficiency for aboriginal peoples and reduced strain on federal budgets.
Despite the benefit for Canada in decreasing welfare dependency on reserves, decades of failed federal policy suggest that aboriginal policy is not ranked high on the federal agenda. In fact, the last legislation introduced in Canada that addressed aboriginal policy was the Canadian Constitution Act of 1982 in which recognized and affirmed the rights of aboriginal people in Canada (Constitution Act, 1982). As a result of federal paralysis, aboriginal governments are making their own efforts to improve quality of life in their communities through economic development. The policy problem of this capstone is therefore:

*How can First Nation governments better support economic development in their communities?*
Chapter 3. Benefits of Economic Development

Economic development can create a variety of desirable outcomes for First Nations. Economic development creates self-sufficiency. Self-sufficiency allows for reduced dependency on federal government transfers that often come with conditions or rules governing the use of the funds. Creating wealth within the community has beneficial effects for community members such as employment, improved self worth and better health. Freedom from federal transfer restrictions allows First Nations to invest in the interest of the community such as cultural programming or infrastructure. The following section outlines the benefits of economic development for First Nations and Canada as a whole.

Economic development is not a panacea for addressing the lower quality of life experienced by Aboriginal people. Aboriginal communities are distinct and diverse with complex histories that influence their future development goals. As such, not all communities seek economic development as a means to self-determination. I would like to emphasize that the purpose of this capstone is to identify policy options that contribute to economic development in Coastal First Nations.

3.1. Economic Development increases self-sufficiency

Under the Indian Act, “Indians” are wards of the state and First Nations governments have very little power to fund their communities. Little to no tax revenue can be obtained on reserves as a result of decades of colonial attitudes and policies that have stripped residents of the capacity to contribute what non-indigenous Canadians do; such as income tax, property tax and sales tax (Appendix B).

Lack of tax revenue severely limits the capacity of band council to provide services to the community from town infrastructure such as roads, to social development
such as traditional language classes (Osoyoos Indian Band Development Corporation, 2015). In order to provide these services, band councils rely on federal transfer payments. Dependence on federal transfer payments is problematic for a number of reasons. First, there is limited clarity and consistency in how the level of funding is determined for each community (Schwartz, 2013). Second, federal transfer payments are often insufficient to provide the range of programs and services that the federal government is required to provide under its fiduciary duty to aboriginal communities (Schwartz, 2013). Third, reliance of federal transfers results in band council emphasizing the interests of federal government instead of focusing on local government decision-making (Weir, 2007).

Numerous studies indicate that when local indigenous governments make decisions around community development, they tend to have better outcomes than those imposed by external governments (Cornell & Kalt, 1998; Begay Jr., Cornell, Jorgensen, & Kalt, 2007; Cornell, Curtis & Jorgensen, 2004). Assuming that the governing body is fair and equitable, these findings reflect the fact that local indigenous governments are more knowledgeable about the needs and priorities of their community. Furthermore, greater ownership is taken over decisions made locally (Cornell & Kalt, 1998).

Local decisions about economic development are often embodied in a community's strategic plan. Strategic plans are documents developed by the band council that outline community priorities and the strategies to achieve them (Cornell & Jorgenson, 2007; Loizides & Wuttunee, 2005). For example, in British Columbia, the Gitxaala Nation council identified severe unemployment as a major problem for the community and identified involvement in resource projects as a means to provide more employment (Mark Ignas, personal communication, December 5, 2014).

Part of carrying out a strategic plan is asserting decision making power, establishing the development objectives and crafting policies that support these objectives (Cornell & Jorgenson, 2007). Band councils that have limited funds face pressure to abandon development priorities that do not fit within federal transfer conditions. Dependence on federal funding encourages bands to pursue any funding
available, regardless of its applicability to the strategic plan. This ad hoc application of inconsistent programs creates a cycle of dependency as bands expend capital on projects that are prone to failure (Cornell & Kalt, 1998). As mentioned earlier, the decisions made by local communities generally have better outcomes than those imposed by an outside party. Pursuing outsider imposed programs tend not to be successful and diverts funds from local strategic plan. This results in loss of revenues and reinforces the cycle of dependency as the band becomes dependent on federal transfers again.

In order to break this cycle, bands need to diversify income sources (Cornell et al., 2004). Diversification of funding generates more revenues for bands from sources other than federal transfers. Own source revenues permit greater autonomy for bands as they have more decision-making autonomy over revenue expenditures. As the lower quality of life for aboriginal people indicates, federal programs have not served the interests of Aboriginal peoples. Putting decision-making capacity in the hands of bands will have better outcomes for their communities. Decision-making autonomy allows the band to invest in areas relevant to their respective priorities while also reducing federal government expenditures.

3.2. Local businesses improve quality of life

Businesses provide services to the community such as personal care, trades, and food services. Those living in cities and towns accept the availability of stores and services as a given; however, reserves can be quite different in terms of their commercial landscape. Some reserves have very few businesses, the majority being food stores (First Nations Economic Development Database, 2015). The limited numbers of businesses has negative effects on the wellbeing of individuals and the community. This is particularly true of remote communities where people have to go without certain goods and services or they have to travel long distances, usually by ferry or airplane, to obtain them.

Economic development creates a more business friendly environment. An increase in local businesses improves quality of life through the multiplier effect. The
Multiplier effect refers to the number of times a unit of currency (in this case a dollar) circulates through an economy and creates wealth along the line of consumption (Miller, 2012). In the reserve context, local businesses provide the opportunity for consumers to spend money within the community. Local purchases support the business, the business pays its employees who can then go out and spend their wages with the same effect.

Providing meaningful employment for community members also helps individual support their families and build self-respect and self worth. Providing for one’s family is a common cultural value among First Nations in BC (Miller, 2008) that can be seen in practice where entrepreneurs operating on reserves contribute a lot back into their community through donations and in kind support (Atleo, 2010; Lituchy, Oppenheimer, O’Connell & Abaira. 2007). The effects of unemployment on physical and mental health are well documented. Unemployed people are more likely to suffer from depression, anxiety, and somatization (Linn, Sandifer & Stein, 1985). Unemployment is also a major contributing factor to aboriginal involvement in crime (Dickson-Gilmore & La Prairie, 2005).

3.3. Development leads to cultural preservation

Economic development can restore and protect culture in a variety of ways. As band owned businesses become more profitable, they can be expected to start earning profit for the band council to be invested back in the community (Loizides & Wuttunee, 2005). Band business profits have been re-invested into a variety of cultural revitalization projects. The Osoyoos Indian Band Development Corporation phrase “Preserving the past by strengthening our future.” reflects this approach. Through its revenues from diverse band businesses, the band is able to fund cultural heritage and Okanagan language classes in the reserve school (Osoyoos Indian Band Development Corporation, 2015).

The importance of cultural preservation cannot be overstated for First Nations. Suicide among First Nations youth is disproportionately higher than the general population. The disproportionate representation is a reflection of the lack of cultural continuity for First Nations youth. When youth perceive themselves as part of a past and
future, they show more care and concern for their well being (Chandler & Lalonde, 1998). The presence of culture and cultural facilities provides this link to the past for young people and are identified as a hedging factor against suicide. The ability to reinvest in cultural programming and culture centres also has benefits for the health of the community.
Chapter 4. Economic development in BC

Coastal First Nations in British Columbia are the focus of this study given that existing literature does not address their unique limitations and opportunities. For example, the Harvard Project on Indian Economic Development (Cornell, 2006) identifies key characteristics that contribute to reserve economy success. Successful reserve economies are characterized by having good governance, relevant institutions and culturally appropriate practices (Cornell, 2006; Cornell & Jorgenson, 2007; Anderson & Parker, 2008). Factors that inhibit economic development include inconsistency and uncertainty regarding regulatory frameworks in areas such as environmental standards, land use and zoning, and leasing procedures (Miller, 2008; Miller, 2012; Flanagan & Alcantara, 2006).

The applicability of these findings to the BC context is limited for a variety of reasons including small population, inaccessibility of First Nations in BC, differences in jurisdiction over reserves in BC. The following section will outline these differences and their significance in more detail.

4.1. Population and Geography

Populations in coastal reserves are small but larger than Canadian reserve populations generally. Aboriginal Affairs and Northern Development Canada reports that 70% of First Nations reserves have fewer than 500 inhabitants (2013). Population is significant to economic development and business growth. Businesses geared toward individual consumers may find it difficult to be profitable when the local population is small. A study conducted on the effects of population on businesses in rural South Dakota shows that business type dictates the population size needed to sustain the business (Chatterjee, Brooks & McCurry, 2009). For example, a grocery store needs fewer people than a florist because the demand is higher for groceries. Small, isolated
communities often cannot sustain diverse, private businesses unless supplemented by outside visitors.

Complicated social factors that further reduce the number of people able to patronize a business. First, on-reserve populations are small and individuals often have less disposable income due to high rates of unemployment. 70% of reserves in Canada have populations of less than 500 people (AANDC, 2013).

Second, there are complicated social factors that affect business success including social hierarchies and social jealousy (Helin, 2006; Dickson-Gilmore & La Prairie, 2005). Social hierarchies can result in higher status family businesses being patronized by the community more than lower status family businesses. Social jealousy is often demonstrated with the crab theory, in reference to the mentality that as one crab tries to climb out of the bucket, the rest of the crabs pull him back down; the crab climbing out of the bucket being the successful entrepreneur (Levitte, 2004; Helin, 2006). Private businesses may not be patronized based on tensions between community groups.

Third, First Nation communities on the coast of British Columbia are relatively inaccessible. That is to say that many can only be reached by plane or by ferry. Inaccessibility limits the ability of people to travel to the First Nation to participate in the economy as a worker or as a consumer.
In contrast, the Harvard Project is based on findings from American tribes that have significantly larger populations. Some American tribes often referenced in the Harvard Project literature include the Oglala Sioux Tribe in South Dakota, population 32,000; Ho Chunk Nation of Wisconsin, population 7000; Navajo Nation of Arizona, Utah, New Mexico, population of over 100,000 (US Department of the Interior, 2014). Having larger population means that these tribes have a larger labour force as well as a larger consumer base. A larger consumer base can support more diverse types of businesses.
These differences in population and geography suggest that existing literature on economic development is not easily applied to the BC context. However, the remote location of coastal First Nations also provides opportunities. The resource rich territories of many coastal First Nations provide significant opportunity for resource projects including forestry and power generation. Currently, the Crown is obligated to consult and accommodate First Nations whose territories will be affected by development proposals (Haida Nation v. British Columbia (Minister of Forests), 2004). Accommodation agreements may include First Right of Refusal for the First Nation to supply goods and services (Mark Ignas, personal communication, December 5, 2014). Accommodation provides First Nations with an opportunity to negotiate their level of involvement in the project. Projects also provide ancillary opportunities for other local businesses such as mechanical, transportation and catering services. Accommodation and consultation requirements have recently been strengthened by the Tsilhqo'tin decision.

4.2. Tsilhqot'in Decision

First Nations occupy reserves held in trust for them by the Federal Government of Canada as defined by the Indian Act (Indian Act, 1985). Under the Indian Act, First Nations are restricted in the types of policies that can be adopted. Specifically, bands are restricted to only creating by-laws that also require ministerial approval (Indian Act, 1985). This process is criticized for being tediously long. It also grants minimal power to bands over trivial matters, however, recent legal developments around aboriginal rights and title are changing this.

At the time of writing, some BC First Nations are expanding their jurisdiction and sovereignty regardless of the Indian Act. This “just do it” attitude is reflective of the fluid aboriginal rights and title climate in BC in the context of recent court decisions (Tsilhqot’in Nation v. British Columbia, 2014). As courts recognize the existing rights and title of First Nations to their land and traditional territories, fewer First Nations are seeing treaties as the necessary replacement to the Indian Act. In fact, some see court recognition of Aboriginal title as superior to the glacial pace of treaty negotiations but that is beyond the scope of this project.
The Tsilhqot’in Nation ruling has important consequences for economic development for First Nations in BC. Previous court rulings held that project proponents must consult with First Nations but the Federal government could overrule aboriginal territory claims in the interest of Canadian economic development (Delgamuukw v. British Columbia, 2000; Haida Nation v. British Columbia, 2004). The Tsilhqot’in ruling ushers in a new paradigm wherein First Nations people have title over their land and the associated capacity to manage and control development on said land. Power over First Nation territories is being shifted away from the Federal government, back into the hands of the First Nation itself.

The Supreme Court of Canada decision recognized that the Tsilhqot’in Nation has aboriginal rights and title to their traditional territory. Affirmation by the Supreme Court that aboriginal rights and title exist effectively make it necessary for proponents to consult with the affected First Nation. Since rights and title can now be proven in court, the opportunity is open for other First Nations to do so as well. Wayne Drury illustrates the importance of this development by noting the Tsimshian Nation is the most studied First Nation in BC. The research and documentation spans decades and would be acceptable as evidence as defined by the Tsilhqot’in case. There is no question that they will be able to prove rights and title to their traditional territories (personal communication, January 20, 2015). The potential for affected First Nations to challenge development projects by pursuing rights and title in court provides incentives for proponents to consult. Even if the First Nation is not successful, the court process would be a lengthy and costly; an undesirable outcome for the development.

The affirmation of aboriginal rights and title is beneficial for economic development. Previous lack of clarity around duty to consult resulted in some development project proponents bypassing First Nation input in favour of Federal ruling. The outcomes of this strategy have been less than ideal for development projects as First Nation protests have created even greater uncertainty. The Federal government jurisdiction has been largely transferred to First Nations who can now engage with proponents with some certainty around land (Borrows, 2014).
First Nations can best leverage these new power dynamics by creating relevant development policies and protocols to govern development in their territories. The capacity to develop policies and protocols has been historically restricted by the Indian Act; however, the affirmation of aboriginal rights and title has placed more power into the hands of First Nations.

4.3. Emphasis on Band Businesses

At this point, I have established some key factors that affect economic development in BC coastal First Nations. Namely, the small population and geographic isolation of these communities limits the types of businesses that are feasible. The geographic location of First Nations on the coast also provides opportunities for resource projects. The changing legal context has given First Nations greater bargaining power to capitalize on resource projects occurring in their territory.

The focus on resource projects creates a significant role for band owned businesses. Band businesses are best suited to capitalizing on these development opportunities due to the greater capacity to leverage capital, assume risk and operate large-scale businesses in the development and natural resource sector.

Band councils may leverage their legal right to accommodation in favour of band owned businesses to contribute to development projects taking place on their respective territory. To do so, bands must own businesses relevant to the projects. The economic development corporations of the Tahltan Nation (Tahtlan Nation Development Corporation, Services & Equipment), the Haida Nation (Haida Enterprise Corporation, 2011), and the Osoyoos Nation (Curry et al. 2009) have numerous large-scale businesses. Band owned businesses are more suited to contributing to development projects than private business owners for a number of reasons. First, when negotiating development proposals, bands may require development projects to use band businesses. Since agreements are negotiated with the band, preferential access can only be provided to band owned businesses.
Second, in order to access these business opportunities, the band must own the appropriate businesses. These businesses are often large-scale industrial operations such as a construction company. Bands are able to leverage more capital than individuals. Individuals often lack access to capital since the Indian Act land ownership regime prevents private ownership of land (Indian Act, 1985). Lack of land ownership means individuals cannot use homes or land as collateral. High unemployment inhibits individual ability to accumulate savings or develop a good credit history (Jordan, 1997). Access to capital enables bands to purchase and operate large-scale operations required for development projects. Thus economic development branches, often in the form of economic development corporations provide the foundation for remote reserve economies.

Other benefits to band owned businesses providing the foundation for an economy include low risk employment and a collective mindset. Many studies indicate the entrepreneurs play an important role for reserve economies (Cornell, Jorgensen, Record, & Timeche, 2007; Miller, 2008; Miller, 2012). Limited access to capital and business education is a major barrier for entrepreneurs. Band owned businesses provide an opportunity for individuals to build up financial and human capital to smooth the transition into entrepreneurship.

Finally the collective nature of a band owned operating may ease the social jealousy that may accompany private business development (Helin, 2006; Dickson-Gilmore & La Prairie, 2005; Weir, 2007). Band owned businesses serve the needs of the local community, generating revenue for the band council to reinvest in social programming and services, while some provide disbursements (Scott, 2006). In serving the interests of the community, band businesses are less susceptible to the same criticisms as private enterprises.

Through band owned businesses, human capacity can be developed, employment can be provided and economies can be built. Economic development corporations are not the final goal for economic development, but they have a significant role in building the foundation. Weir notes that economic development corporations allow communities to gain governance experience that provides a more stable environment for
potential entrepreneurs. Furthermore, communities with experience in development are more fertile environments for entrepreneurs because the corporation is better able to provide support to entrepreneurs in terms of resources and human capital (2007).

Band businesses are best suited to capitalizing on resource projects because they are not plagued by the same barriers as private entrepreneurs. However, much of the research on economic development for First Nations centres around barriers experienced by private business owners. Limited access to capital, land procurement problems and limited human capital are barriers experienced more acutely by private business owners than band owned businesses. It is clear that existing literature has limited applicability in the context of economic development that centres around band businesses. Given the emphasis on band businesses, the focus turns to governance to determine what makes band businesses successful.
Chapter 5. Governance Issues

I have established the band businesses play a significant role in economic development for coastal First Nations. Band businesses are best suited for capitalizing on resource projects due to their ability to access financial and human capital, leverage their status as a band business, and assume risk. These are often insurmountable barriers for private entrepreneurs. However, band businesses are affected by different types of barriers. This section will outline the governance issues that need to be addressed in order to have a successful band business.

5.1. Regulatory gaps

Grant and Taylor (2007) advance a number of important regulatory components for economic development on reserves. These components, such as tax codes, governance procedures and environmental standards, address the uncertainty that plagues business on reserve. While these components are important, they will not address uncertainty unless they are extant, effective and respected (ibid). Thus there are two components to the regulatory structure, the regulations themselves and the institutions to administer them.

Band councils that do not have an existing regulatory framework often engage with businesses and investors on an ad hoc basis. Addressing opportunities on an ad hoc basis slows down the procedure as band council have to redefine and work through the process each time. As a result, tribal councils and reserves are seen as unfriendly to business. While the council may not be actively against business, the lack of regulatory frameworks in the form of codes and standards makes doing business on reserve costly and unattractive to local and outside investors (Haddock & Miller, 2004; Loizides & Wuttunee, 2005).
5.2. Lack of institutional clarity

Institutional clarity refers to the roles of governing institutions and how well institutions adhere to these roles. Lack of clarity manifests itself in the institutions getting involved with issues outside their expertise such as elected officials getting involved in the band owned businesses. Elected officials running band businesses is not uncommon, particularly for small reserves where populations are small and human capacity is limited (Curry, Donker, & Krehbiel, 2009).

A major concern with having elected officials operating band businesses is the potential for nepotism or favoritism. Even if elected officials work hard to de-politicize business operations, businesses are likely to fail for other reasons such as officials are spread too thin or have limited expertise in the area.

Councils that are tasked with managing day-to-day business operations are plagued by the “Flavour of the week” approach. “Flavour of the week” refers to the ad hoc selection of projects often based on their funding potential rather than their fit within the community strategic vision. Lack of applicability makes these projects difficult to properly implemented and are often unsustainable with little measurable benefit for the community (Cornell & Kalt, 1998). The name “flavour of the week” implies the instability of this approach. The ever-changing projects that councils are encouraged to implement stymie their capacity to develop meaningful policies and institutions to support development goals. This creates institutional dysfunction and a paralysis in policy making.

5.3. Enforcement and dispute resolution

In a study evaluating the effect of different political, legal and land ownership regimes on American Indian reserves, access to a stable dispute resolution mechanism is a major contributing factor to success (Anderson & Parker, 2006). Conversely, the influence of tribal government over business operations had a negative impact on economic development.
Anderson and Parker’s study (2008) analyzed the effects of ceding judicial authority from a reserve nation to an outside state court. Their findings indicate that the existence of an independent dispute resolution mechanism builds credible commitment that drives economic growth on reserves. Credible commitment refers to the trust of one party that the other party will deliver on agreements. In the context of First Nations economies, credible commitment refers to the certainty that the band council or economic development corporation will honour business commitments.

Credible commitment is an issue for communities where the band council is quite involved with economic development. On reserve, institutions are generally limited to Band Councils and associated branches. In the event that the body enacting the regulation controls the enforcement of said regulation, the issue of sovereign’s paradox becomes apparent (Haddock, 1994). If an institution has the power to enforce property rights and contracts, it also has the power to take property rights and break contracts.

This issue is particularly relevant in the context of limited council terms. Based on Indian Act regulation, councils are elected every 2 years (Indian Act, 1985). Losses of institutional memory and changes in council priorities create contractual instability for business. Policies that supported business can be changed, contracts may be renegotiated or selectively reinforced, land leases may be terminated (Haddock, 1994). Instability is costly for business and thus suitable enforcement and dispute resolution mechanisms are necessary to build credible commitment.

5.4. Costly timelines

There is an underlying component throughout discussions of regulatory frameworks and the associated institutions required to support them; time. Regulatory frameworks increase certainty and attract businesses. Institutions ensure that frameworks are clear and applied consistently across all parties. The timeliness of all these processes is also necessary. The cost of lost time can be another factor discouraging prospective businesses from locating on reserve or working with on reserve companies (Richard et al., 2008).
Evaluating business proposals and managing business operations in a timely manner is linked to capacity. A band may not have the personnel to handle large numbers of proposals and operations. That being said, the process can be streamlined by a pre-existing set of regulations by which to evaluate proposals and handle operations. Ensuring a consistent set of regulations is applied to all proposals ensures that each proposal is treated fairly and lightens the burden on councils to develop new guidelines for each new proposal.

The added bureaucracy of Federal involvement on reserves also affects timeliness negatively. Having to apply to for ministerial approval on regulations is an example of valuable time being lost. Recent legislation seeks to reduce time lost to Federal oversight.
Chapter 6. Methodology

This study focuses on a cross-jurisdictional analysis of 4 coastal First Nations to identify what governance policies or practices have been effective in developing sustainable economies. Primary data is collected through interviews with economic development officers or directors and other Aboriginal business stakeholders in BC.

Primary research findings are then compared with proxy measures of economic development to determine if the policies described have been effective at growing the economy.

6.1. Cross-jurisdictional analysis

The BC First Nations are the following:

Gitxaala First Nation, Central Coast, BC
Lax Kwalaams Band, Central Coast, BC
Tahltan Nation, Northern Coast BC
Haida Nation, Central Coast, BC

These First Nations are chosen based on similarities in population, location and interest in economic development. These nations are remote and thus face more difficult economic development conditions than more accessible First Nations. However, their location in resource rich areas provides unique opportunities for resource-based businesses from forestry to tourism. Furthermore, prior to colonization, these nations had complex economies built on their resources, shipping corridors and business expertise (Helin, 2006, Gary Merkel, personal communication, December 3, 2014). Pursuing economic development is a means to regain historic economic strength.
I chose these nations based on their interest in pursuing economic development. Because of this interest, these nations have taken steps to address some of the governance issues identified in previous sections. This includes the development of an economic development corporation to separate business from politics.

To determine the effect of policy options on each reserve, proxy measures are used to evaluate economic activity. Since statistical data is limited for populations on reserve, supplemental measures include approximations based on number of businesses operating on First Nation territory and interview participant perceptions of economic growth.

6.2. Participants

Participants were stakeholders in First Nations economic development in British Columbia. Participants included economic development managers or officers of the First Nations identified. Other participants included consultants with experience in First Nations economic development.

6.3. Procedure

Interviews were conducted in person, over the phone or by email, depending on what was convenient for the participant. Interviews were semi structured in that a set of general questions to guide the interview that evolved based on the participants knowledge and experience.
Chapter 7. Limitations

7.1. Nation Participation

I am grateful to the representatives from the economic development corporations that participated in my study. Interview participants were helpful and forthcoming about their strategies to improve economic development in their communities. A limitation of this study is that it focuses on the experiences of these communities that have had some successes. This study would be improved by included cases where there has been limited success. However, I recognize that First Nations governments are under increasing scrutiny by Canadian governments and the public (Widdowson & Howard, 2014). Policies such as the First Nations Transparency Act seek to hold First Nations governments accountable, however, critics argue that it encourages the public and policy makers to adopt the “corrupt chief” narrative (King, 2014). This narrative shifts the focus from a historical perspective of failed Federal policies that have contributed to the negative health, employment, social outcomes to a more narrow focus on First Nations governments. This narrow focus suggests that First Nations have brought these issues upon themselves and provides support for policy makers to reduce federal funding to First Nations. First Nations are thus leery of sharing their experiences for fear of the consequences. For this reason, I was unable to obtain interviews from First Nations that have had negative experiences with governance policy and community engagement.

7.2. Community input

The primary research for this project included interviews with economic development officers or directors as well as experts in the field. Including community members in the study would help inform the public acceptance of proposed policy options. Furthermore, what economic development branches claim to doing may not be
having the desired affect for the community. For example, an economic development corporation may be having community meetings, but the meetings are during the day when people are unable to attend. Community perceptions of economic development performance would thus be very valuable.

Community engagement was not sought for this study due to time constraints and ethical considerations. In order to conduct research with the community, the affected First Nation council would have to provide permission. Given that this process takes time and the timeline for this study was limited, this component could not be included.

7.3. Short History

There is not a long-standing history of economic development corporations in British Columbia. The Tahtlan Nation Development Corporation has the longest history, having been created in 1985. Being able to observe long-term trends would benefit this project. For example, the long-term effects of the current instability in Lax Kw’alaams Nation would indicate the severity of impact resulting from significant leadership change.

7.4. Lack of Data

Unfortunately, the last Canadian population census was completed in 2006, almost 10 years prior to the time of writing. Significant changes have occurred since the census such as the 2008 global financial crisis. These changes have had an impact on aboriginal reserve populations such as employment. Unfortunately, I do not know what these changes are. Recent surveys such as the National Household Survey (NHS) are limited by the voluntary nature of the survey (Statistics Canada National Household Survey, 2011). The voluntary nature of the NHS results in non-response bias, referring to data distortions that result from people not responding to the survey. Marginalized groups such as aboriginal people are the least likely to volunteer information and as a result, the NHS data does give an accurate picture of aboriginal peoples in Canada (Freeman, 2013).
Other data gaps include the overall health of businesses included in the study. I have used a proxy measure of business health in including the number of businesses. A higher number of businesses suggests that the economic environment is good and that the businesses are thriving. There is the potential; however, that the businesses are not sound financially. This is sensitive information that is beyond the scope of this study but would provide a more accurate measure.

7.5. Role as a researcher

The Tri-Council Policy Statement: Ethical Conduct for Research Involving Humans (Canadian Institutes of Health Research, Natural Sciences and Engineering Research Council of Canada, and Social Sciences and Humanities Research Council of Canada, 2014) notes that

“Research involving Aboriginal peoples in Canada has been defined and carried out primarily by non-Aboriginal researchers. The approaches used have not generally reflected Aboriginal world views, and the research has not necessarily benefited Aboriginal peoples or communities. As a result, Aboriginal peoples continue to regard research, particularly research originating outside their communities, with a certain apprehension or mistrust (p.109).”

The extensive research that has been conducted on First Nations peoples and communities has created negative associations with researchers. First Nations are apprehensive about how the information will be used, how information will be disseminated and how the community will benefit. This study did not conduct research on or with communities, only with the economic development branch or organization. However, the economic development branch or organization is intimately related to the community that it serves. As such, the apprehension around research was still present. This manifested itself with some participants as an unwillingness to participate. It is also likely that my role as a researcher affected what participants chose to share. First Nations are under high levels of scrutiny from the public and thus may be more willing to share successes than failures. This creates a somewhat skewed result in highlighting the good and minimizing the bad. Regardless, the goal of this study is to identify policy options than can create stable and sustainable economic development. The inclusion of
negative outcomes would make a stronger case for good policy options; however, they are not integral.
Chapter 8. Research findings

Findings emphasize the importance of strategic alignment between political leadership and the economic development arm and the involvement of community members with the economic development branch. Institutions require each other and community support to create sustainable economic development. Stability stems from recognizing and facilitating interdependence through governance policy. Community support is created through transparency and community engagement. Findings suggest that those First Nations with strategically aligned institutions and opportunities for community engagement have a stronger business environment.

The following section outlines key findings from interviews and publically available information about the four First Nations. There are two key areas for economic development, first: how to foster economic development now and second: how to ensure that it is sustainable in the long term. Fostering economic development in the short term requires improved certainty for business in the form of regulatory frameworks as well as institutional alignment to best capitalize on business opportunities. Sustainable development in the long term requires emphasis on the relationship between the economic development branch and the community that it serves.

8.1. Comparing cases

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Using the ratio of businesses to population as a limited indicator of the health of the business environment, we can see that the business environment in the Tahltan Nation is the strongest across the cases. The number of businesses, are the number of businesses operating on reserve. The ratio of business in the Haida Nation and Lax Kw’alaams are similar, however, the Lax Kw’alaams case is not be as strong as this indicator suggests. At the time of writing, the community of Lax Kw’alaams has been undergoing dramatic changes in council. The Chief Councillor Garry Reece was reinstated by a Federal Court Judge in late 2014 citing the process by which Reece was removed was unfair and unreasonable (Thomas, 2014). Changes in council and related uncertainty has had a profound negative impact on band business profitability (Wayne Drury, personal communication, January 20, 2015). The long-term effect of these events is unknown but at present, there has been a negative impact on the profitability of some of Lax Kw’alaams operations. Therefore, the health of the business environment of Lax Kw’alaams is lower than the measure of 15 businesses might suggest.

Years in operation can also be used as an indicator for stronger cases. For example, the Haida corporation has been operating for 6 years and has many more businesses than Gitxaala that has been operating for a similar period of 5 years. Even compared to a more established case such as Lax Kw’alaams, Haida still has a larger number of businesses. For this reason, the Haida is considered a strong case, even though the ratio of businesses to population is not as high as the Tahltan case.

Having established stronger cases and weaker cases, we can go forward with identifying governance policies that make the strong cases successful. The following section will outline key findings based on the governance issues identified in previous
sections. Specific consideration will be given to how issues of certainty and instructional clarity are dealt with. Another theme that emerged in the research was the importance of community support. As such, community engagement policies will also be outlined for each case.

8.1.1. Tahltan Nation

The Tahltan Nation Development Corporation (TNDC) was established in 1985 making it the oldest economic development corporation in this study (Aboriginal Business & Investment Council, Tahltan Nation, n.d.). The business corporation is owned by the Tahltan Nation through the Tahltan Band, the Iskut Band and the Tahltan Central Council (Tahltan Nation Development Corporation, 2014). The elected council appoints the board of directors (Gary Merkel, personal communication, December 3, 2014).

In the 1980’s, Tahltan unemployment was as high as 98% in the summer and 65% in the winter. Establishing TNDC was a means to capitalize on development projects taking place on Tahltan traditional territory. In the years following, TNDC has become the largest native-owned and operated heavy construction company in Canada (Aboriginal Business & Investment Council, Tahltan Nation, n.d.). According to the Statistics Canada Census in 2006, the unemployment rate was approximately 25%.

Currently TNDC owns or is a partner in 28 businesses (Tahltan Nation Development Corporation, 2014).

**Regulatory Gaps:** Since TNDC businesses compete for contracts both on and off reserve, they must adopt provincial regulatory standards. In conjunction with provincial standards, the Tahltan Nation requires that developments adhere to the Tahltan Resource Development Policy as well as the Tahltan Declaration of 1910 (See Appendix B). The overall directive of the Tahltan Resource Development Policy is that developments must provide social and economic benefit to the Tahltan through provisions such as employment, preferential access to ancillary opportunities, and education. Furthermore the development must not pose threat of irreparable damage to the environment or compromise the outstanding Tahltan aboriginal rights claim.
The Tahltan Resource Development Policy embodies Tahltan values that govern the economic development corporation in determining what projects to pursue and how projects must proceed. The policy does not impose new regulatory standards on projects; however, the policy outlines conditions that will be imposed in business agreements in advance. The important characteristic of the policy is that it remains unchanged and universally imposed on all business agreements that involve the Tahltan Nation Development Corporation, creating certainty for business partners and investors regarding what commitments are required to do business in Tahltan territory.

**Institutional clarity:** The Tahltan Nation Development Corporation (TNDC) separates the daily business management affairs from political influence. The structure is that of the economic development corporation model defined by Curry et al. (2009). The Tahltan Nation appoints the board of directors that oversees business operations. Political influence can only be exerted at the board of directors level. There are huge disincentives to prevent political leadership from being involved with business. TNDC also recognizes that this is a two-way agreement. The political leadership does not interfere with business, but TNDC also does not interfere with the political leadership. For example, during the negotiation of impact benefit agreements with resource development projects, TNDC has removed itself from direct involvement at the negotiating table since leadership should be considering all relevant community interests, not just economic interests (Garry Merkel, personal communication, December 3 2014). This illustrates the rigour that must be applied in defining the roles and responsibilities for council and corporation. It also benefits the transparency of decision-making processes that is critical for community support.

Gary Merkel highlights the symbiotic relationship that the development corporation has to Tahltan political administrations. There are areas where the political and economic branches of a First Nation government can and should work together. For example, the First Nation band council can include contracts for the economic development corporation in negotiations for resource development. He notes that as TNDC, “We aren’t going to go out there and start beating the “rights and title” drum, we run the company (personal communication, December 3, 2014)”. That is to say that the council provides access to business opportunities for the economic development
corporation. In return, the band council benefits from the revenues of the band businesses.

TNDC will not pursue projects without explicit support from leadership (Gary Merkel, personal communication, December 3, 2014). Furthermore, Merkel notes that while political leadership has ability to pass a unanimous shareholders resolution to halt a project, this option has only been invoked once and even in that context, the project had not commenced. TNDC has a similar operating framework that identifies the roles and responsibilities of shareholders and the corporation. For example, the convention requires a unanimous shareholders resolution to oppose an economic development project. Upon receiving the unanimous resolution, TNDC will take necessary action to accommodate the action (ibid).

Community Engagement: The Tahltan Nation Development Corporation holds annual general meetings open to the public. TNDC tables financials at this time and attendees may pose questions and criticize TNDC actions (Gary Merkel, personal communication, December 3, 2014). TNDC is also in the process of establishing measures to report on performance. The purpose of the measures is to build more rigour into the ethics and values of the corporation.

“We’re a community corporation with these ethics and values and you’ve got to be able to measure them. At least that’s our view, we can’t say to our people, for example, that we are, we deserve social license because we’re doing lots of good things for the community when we cant even show what those good things are (Garry Merkel, personal communication, December 3, 2014).”

Merkel notes the importance of being able to show people how the corporation is performing for community perception. Specifically, community corporations are given more latitude in terms of delivering on goals and pursuing new projects, however, in order to maintain this latitude, the corporation must show it is doing good things for the community (ibid). The relationship with the community was a common theme through our conversation.

“We get criticized but people are a bit more understanding. They actually believe us when we tell them what we’re trying to do and where we’re
trying to go to (Garry Merkel, personal communication, December 3, 2014)."

On multiple occasions, Merkel commented on the importance of maintaining community support through abiding by Tahltan values and ethics. As a result, the community is more understanding and supportive of the economic development projects.

8.1.2. Haida Nation

The Haida Enterprise Corporation (HaiCo) was incorporated in 2009. HaiCo is tasked with considering the social, environmental and economic interests of the Haida Nation in providing employment for Haida people and generating revenue for the Nation (Haida Enterprise Corporation, 2011). The Council of the Haida Nation appoints board members to the HaiCo board of directors.

Statistics Canada Census of Population from 2006 shows that the unemployment rate for Haida Nation to be 24.7%. Unemployment is high for the Haida Nation but the unemployment rate is near average for the Aboriginal population on reserve in British Columbia.

In the Fall of 2014, HaiCo was operating 4 businesses, Taan Forest LP, Skidegate Enterprise, Haida Tourims LP and Haida Wild LP (HaiCo Quaterly Newsletter, Fall 2014). There were approximately 15 other businesses operating on reserve (First Nations Economic Development Database, n.d.). HaiCo businesses are focused less on resource development and more on tourism and goods.

Regulatory Gaps: The Haida Enterprise Corporation (Haico) is developing Haida specific operating standards to build on existing government standards. Haico’s commitment to exceed existing standards is reflected in governance policies and the strategic plan for the corporation.

"Committed to a high standards of operations through independent certification of its products, through credible third party certification (CHN/HaiCo Letter of Expectations, 2011, p. 4)."
“HaiCo will be developing its own operating standards and policies in addition to those required by the Haida Nation, governments and certification bodies (Haida Enterprise Corporation, 2011, p.11)”.

**Institutional Clarity:** The Haida Enterprise Corporation (Haico) is an economic development corporation independent from Haida political leadership. Similar to the TNDC model the Council of the Haida Nation appoints the HaiCo board of directors and the board of directors oversees HaiCo and its business enterprises (Haida Enterprise Corporation, 2011).

The *Letter of Expectations* between The Council of the Haida Nation (CHN) and the Haida Enterprise Corporation, outlines the roles and responsibilities of each party. The document explicitly outlines responsibilities of the CHN as well as HaiCo including:

“CHN’s involvement in HaiCo affairs will be at the strategic level through processes identified and otherwise as the shareholder of the corporation.

Accountability and responsibility for HaiCo operational management rests with the HaiCo Board.” (CHN/HaiCo Letter of Expectations, 2011, p. 2).

Allowing for interaction ensures political and economic bodies are pulling toward the same goal. Economic development flows through the political body in the form of identifying development objectives, strategic planning to achieve these objectives and implementation of associated policies. The economic arm uses the strategic plan to direct the choice of business and investment opportunities. Coordination of objectives ensures that resources are being used in the most productive way. The success of HaiCo in a short time indicates strong strategic alignment between council and corporation as an important condition for economic development (Brodie Guy, personal communication, February, 25, 2015).

HaiCo is also an example of the importance of strategic alignment in relation to funding projects. Coast Opportunity Funds is an organization that provides economic development and conservation funding to First Nations of the Great Bear Rainforest on coastal British Columbia (Coast Opportunity Funds, n.d.). As a participating nation, the Council of the Haida Nation is eligible to apply for funding for economic development
projects. As economic branch of the CHN, HaiCo can benefit from funding and grants for the Haida Nation. In 2010, HaiCo received 2 million dollars to purchase the Tlell River Lodge as a tourism destination (Coast Opportunity Funds, 2014). Strategic alignment between the CHN and HaiCo ensures that available funding opportunities can be identified, obtained, and used in the most effective way.

**Community engagement:** The HaiCo strategic plan also identifies the importance of two-way communication to allow for constructive feedback. This is achieved through a detailed, quarterly newsletter *linaasdl*, maintaining the HaiCo website as well as bi-annual Hadia community meetings. Information provided to community through these forums is detailed and supported by a variety of measures including the number of Haida people employed by HaiCo businesses (Haico Quarterly Newsletter, Fall 2014).

### 8.1.3. Lax Kw’alaams First Nation

In the early 2000’s, the isolated community of Lax Kw’alaams in British Columbia experienced unemployment over 80% and significant band debt (Matthews & Young, 2005). In 1999, Lax Kw’alaams chief and council appointed Wayne Drury as Band Manager (Watson, 2013). In the subsequent years, the Coast Tsimshian Partnership Ltd. (CTP) was established as a private firm to manage band forestry business (Matthews & Young). The Lax Kw’alaams band owns CTP and has a board appointed by shareholders; however, it is not an economic development corporation in the sense that it solely manages the band forestry operations. The approach to business development in Lax Kw’alaams is different than the economic development corporation model. Most businesses are in partnership with private firms, capitalizing on private firm expertise and limiting liability for the band (Aboriginal Business & Investment Council, Lax Kw’alaams First Nation, n.d.).

After restructuring in the early 2000’s, the unemployment rate has fallen below 5% (Matthews & Young, 2005). The band operates a variety of successful companies capitalizing on the forest and fish resources of the territory as well as an engineering firm (Wayne Drury, personal communication, January 20, 2015). There are a total of 11
businesses listed as operating in Lax Kw’alaams including Coast Tsimshian Enterprises, Embark Engineering and Coast Tsimhsian Fish Plant (First Nations Economic Development Database, n.d.).

**Regulatory gaps:** The Lax Kw’alaams approach of economic development through partnership agreements requires that businesses adhere to provincial regulations. These businesses operate both on and off reserve, for this reason they are subject to provincial standards.

**Institutional clarity:** The Lax Kw’alaams Band model is structured on partnerships with private firms where Lax Kw’alaams has an ownership share and the private firm provides capital and carries out contracts (Aboriginal Business & Investment Council, *Lax Kw’alaams First Nation*. n.d.). Under this model, the corporations are private and are not mandated to meet the needs of the community. This affects the decision-making process, decisions may be more profit driven than reflective of community outcomes. Since this model does not reflect the economic development corporation model, it will be excluded from following analysis of what makes an economic development corporation work.

**Community engagement:** In their study of the economic successes of Lax Kw’alaams, Matthews and Young (2005) note that

> “at this point in time, it would appear that most of these activities have been undertaken with little involvement of the people of Lax Kw’alaams as a whole, though they have all been carried out in the name of the Band (p. 107)”.

The lack of involvement of community members in the identification and pursuit of development goals reflects the limited relationship between the economic development corporation and community members. The uncertainty of the Lax Kw’alaams situation in provides some indications of the importance of community engagement. Namely that changes in leadership can fundamentally affect the profitability of businesses. Furthermore, the lack of community engagement with economic development projects resulted in little community support to insulate those projects from changes in leadership.
8.1.4. Gitxaala First Nation

The Statistics Canada population census indicates that the Gitxaala First Nation had very high unemployment in 2006. The unemployment rate was 66% compared to an average of 25% on reserve in BC and 6% for the total population of BC (Statistics Canada, 2006).

**Regulatory gaps:** Gitxaala businesses are subject to provincial regulatory standards. The Rona franchise supplies building materials to construction projects and the band owned construction company competes for development contracts for projects happening in traditional territories. As such, businesses must adhere to provincial regulatory standards.

**Institutional Clarity:** The Gitxaala Nation structure is slightly different in that there is a business manager as well as an economic development corporation. Speaking with the Gitxaala business manager, the Gitxaala council is more directly involved in economic development such as purchasing relevant band businesses (Mark Ignas, personal communication, December 5, 2014).

Economic development corporations benefit from preferential access to business opportunities through the band. Often referred to as a symbiotic relationship (Mark Ignas, personal communication, December 5 2014), good working relationships between institutions allows institutions to work effectively towards development goals. A major component for effectiveness is strategic alignment.

The importance of this symbiotic relationship is reflected in the agreements negotiated by the Gitxaala Nation in regards to development occurring in Gitxaala traditional territories. The Gitxaala Nation own a Rona, a hardware and construction materials franchise. Impact benefit agreements include a right of first refusal for the Rona to supply construction materials to the development (Mark Ignas, personal communication, December 5 2014).

In our personal communication (December 5, 2014), Mark Ignas outlines the Gitxaala approach to economic development. 5 years ago, council undertook strategic
planning sessions to address high unemployment and the cyclical nature of the primary industry of fishing. Council considered the potential industries tied to development in the Prince Rupert harbour and identified coming projects for the next 10 years. From this analysis, council developed action items to position Gitxaala to capitalize on these coming projects. The Gitxaala First Nation proceeded to buy the local Rona, a building supply store that has contracts with industrial suppliers. This allows Gitxaala to stipulate in development agreements that the Rona will provide proportion of materials to the project.

Gitxaala has also purchased shares in a construction company to capitalize on construction needs for projects in their territory. These strategic initiatives are credited with reducing the reserve unemployment rate to approximately 45% (Community Futures Northern British Columbia, 2013). There are at least 4 band owned businesses including the heavy construction company, Gitxaala environmental monitoring, North Co-Corp (a ferry company), and the Rona franchise (First Nations Economic Development Database, n.d.; Mark Ignas, personal communication, December 5, 2014).

Community Engagement: Little information is available for the transparency of institutions within the Gitxaala Nation. The Gitxaala First Nation provides information to members through social media and band websites. Furthermore, Gitxaala is working toward ISO certification (Mark Ignas, personal communication, December 5, 2014). ISO certification emphasizes the standardization of procedures to increase efficiency and productivity. It is not clear if the standardization procedures will also include some form of performance measures to be provided to the public.

Community is an important consideration for Gitxaala economic development projects. As a general rule, controversial projects are avoided due to the potential of community backlash.

“And if it turns out to be a bad project then typically it wont go or if its controversial it wont go. We have examples wherein we, we actually have, I’ve seen projects that council thought were a good idea and then they changed their mind and said, because of community fall out, and then they backed away from it (Mark Ignas, December 5, 2014)”
This suggests that even though Gitxaala has not built significant community engagement mechanisms, community support is an issue in the context. Community fall-out has the power to pressure council into halting projects. As such, community support is necessary component for a successful development project.
Chapter 9. Analysis of significant factors

Findings suggest certain factors that are key to successful economic development in the stronger communities. These factors include an economic development corporation that is strategically aligned with the band council. Community engagement is also significant to the long term sustainability of economic development projects.

Creating a business friendly environment hinges on clarity and consistency; particularly goals, policies and regulatory frameworks. The Tsilhqot'in 2014 decision affirms the existence of aboriginal title. This decision has placed a greater emphasis on relationships between businesses and First Nations rather than businesses with government. This creates a more productive environment for negotiation with businesses, where First Nations can address concerns and requirements for operating on respective territory. To make the most of this change in relationship dynamic, is important for First Nations to establish clear economic policies and regulatory requirements.

9.1. Certainty for business

Interview participants note that First Nation owned businesses and partnerships are all bound under provincial legislation governing businesses. As such, these business entities are governed by the same rules and regulations that govern businesses within the province on non-First Nations territory.

Adhering to provincial and federal regulatory structures creates certainty for both the First Nation and outside investors. For large-scale projects operating on First Nation territory, it ensures clarity of the applicable legislative requirements for development and
operation of projects. Outsider proponents are likely to have operated under these requirements in previous projects and therefore have appropriate protocols in place.

Large-scale projects often result in ancillary opportunities for other businesses. For example, building a wind farm requires building materials. In the case of Gitxaala, the band purchased a local RONA franchise to capitalize on the need for building materials for different projects (Mark Ingas, personal communication, December 3, 2014). Continuity with Provincial regulations ensures that band businesses can capitalize on these opportunities with projects on and off reserve.

Continuity with existing practices provides a degree of certainty for business that in turn keeps costs relatively uniform with projects on non-Aboriginal land. Uniformity of costs ensures that First Nations are not discounted on the basis of increased costs associated with Aboriginal partners.

9.1.1. Adopting provincial regulations

Given that all cases have adopted provincial regulations as a baseline, this component is a necessary precursor to economic development discussions and will not be included in the analysis of policy options. Provincial regulations can be adopted in different ways. It can be achieved either by adopting a band council resolution that indicates that provincial regulations will be applied to businesses on reserve. A band council resolution is a public record of a band council decision supported by the majority of councillors (Smart & Coyle, 1997). A band council resolution ensures that the decision is clear and available for reference that improves clarity and certainty.

First Nations may also apply for the First Nations Industrial and Commercial Development Act. Under the First Nations Commercial and Industrial Development Act, responsibility for enforcement of regulations is delegated to the Provincial Government. Other more recent legislation includes the First Nations Commercial and Industrial Development Act (FNCIDA). The FNCIDA was initiated by a group of First Nations in response to inadequate regulatory frameworks to govern large-scale industrial projects on reserve. The Act creates compatible regulations for on reserve projects that are compatible with existing Provincial regulation (Aboriginal Affairs and Northern
Development Canada, 2012). The alignment of reserve regulations with Provincial standards is attractive to investors who are already familiar with existing regulations. Furthermore, responsibility for monitoring and enforcement of regulations is also delegated to the Province. First Nations have to opt in to the FNCiDA process and currently there are very few First Nations that have projects operating under the FNCIDA. The FNCIDA is particularly appropriate for First Nations with limited enforcement capacity as it places monitoring and enforcement responsibility with the Province. The FNDCIA is project specific and requires First Nations to apply, consult, and negotiation with government and proponents (Aboriginal Affairs and Northern Development Canada, 2012). The Haida and Tahltan Nations have been successful without FNDCIA which suggests it is not a necessary component for economic development.

9.1.2. **Provincial regulation “plus” model**

Resource development policy is an opportunity for First Nations to incorporate traditional values into economic development. This ensures economic development proceeds in a manner reflective of the values of the community. This is especially relevant in later conversations regarding relationships with community members. The Tahltan Resource Development Policy is an example of the Provincial regulations “plus” model. Provincial regulations have been adopted as a baseline, but the resource policy outlines Tahltan-specific policies. Similarly, the Haida Enterprise Corporation (Haico) is developing Haida specific operating standards to build on existing government requirements (Haida Enterprise Corporation, 2011).

9.1.3. **Enforcement issues**

Enforcement is a critical component of regulatory structures. On reserve, the capacity for enforcement is limited. While contributors note that businesses adhere to Provincial standards governing all businesses, there is still the issue of enforcing said regulatory structure.
Of the First Nations in this study, TNDC was the only one that explicitly mentioned enforcement. TNDC corporate partners take an active role in monitoring their development projects (Gary Merkel, personal communication, December 3, 2014). Corporate partners want to maintain working partnerships, so they are being proactive with enforcing government and Tahltan standards. Furthermore, TNDC monitors development projects within the territory. TNDC recognizes that it has the benefit of monitoring operations first hand. Any infractions are reported to the appropriate political and corporate bodies (Garry Merkel, personal communication, December 3, 2014).

Adopting Provincial regulation provides a regulatory foundation, particularly for those First Nations that lack the capacity to develop Nation specific regulations. The benefit of adopting Provincial regulation is that it provides an established starting point through which a First Nation can hold business projects accountable. Existing regulatory structures benefit from previous experience, addressing issues that a First Nation devising regulations may not have considered. Most importantly, outside businesses, particularly development proponents will be familiar with existing standards and legislation. Not having to adhere to new and unfamiliar standards lowers the cost for outside businesses to operate on First Nation territory.

Enforcement of regulatory standards, however, remains an issue. Assigning monitoring responsibility to the First Nation is problematic for a variety of reasons. It is costly in terms of training and employing staff to monitor the project. Some nations simply do not have the capacity to monitor projects. There is also the potential for exploitation of First Nations that have high unemployment and do not want to report infractions for fear of losing the jobs that the project provides.

For large-scale projects where enforcement is an issue, First Nations may also enrol in the First Nations Commercial and Industrial Development Act (FNCIDA). The FNCIDA is particularly appropriate for First Nations with limited enforcement capacity as it places monitoring and enforcement responsibility with the Province. The Act creates compatible regulations for on reserve projects that are compatible with existing Provincial regulation. The alignment of reserve regulations with Provincial standards is attractive to investors who are already familiar with existing regulations. Furthermore,
responsibility for monitoring and enforcement of regulations is also delegated to the Province. First Nations have to opt in to the FNCIDA process and currently there are very few First Nations that have projects operating under the FNCIDA. This suggests that it is not necessary for economic development, however, it does address the outstanding issues of enforcement for First Nations with little enforcement capacity.

9.2. Strategic Alignment

In an ongoing study of a number of tribal nations in the United States, Cornell and Kalt (1998) have identified characteristics of successful Nations. Key findings of the project include the importance of separating business from politics. More specifically, while overarching strategic alignment between governance and tribal business can be beneficial, removing political influence from business operations was necessary to allow for economic development. To achieve this separation, many tribal governments and band councils in Canada have restructured to create a distinct economic arm.

9.2.1. Economic Development Corporation Model

Large-scale development projects benefit from the presence of economic development corporations. Curry, Donker and Krehbiel (2009) define the First Nations economic development corporation as follows.

“Many business entities in First Nations communities are legally incorporated organizations — often called development corporations — set up and owned by the Band government on the reserves to serve the needs and goals of the local Band members and provide financial support for the community. Although situated on Indian Reserves, development corporations are often charged with the economic development of other areas within First Nations territories, including rural areas, which generally involve Crown lands, or urban areas, which usually involve private lands. Development corporations are owned by the Band Members (shareholders) and serve the goals of the local community. Essentially, development corporations are community-owned corporations that manage local businesses on the reserves (p.8)”

Economic development corporations (EDC) are the economic and business development arm of the First Nations government. EDC are community-owned
businesses that invest in, own and manage subsidiary businesses to the benefit of community shareholders.

Insulating economic development from political interference has a number of desirable effects for economic development. The depoliticization of economic development decision-making creates certainty for investors and business owners that decisions will be made in the interest of the business. Assuming that the economic development arm is staffed with individuals with business expertise, decisions made by the economic development branch will reflect the needs of the business. Furthermore, the economic development corporation structure protects the First Nation from the risk and liability associated with businesses. The corporation can also benefit from tax incentives (Curry et al., 2009)

Curry et al. (2009) identify three stages in the evolution of economic development governance structures in First Nations communities. The three stages include “the Native Model, Economic Development Corporation, and Modern Model” (p. 7). The Native model is characterized by the elected chief and council overseeing the operations of tribally owned businesses. The Native model is problematic due to the politicization of the decision making process, liability concerns and the loss of corporate knowledge when the elected officials changed.

The economic development corporation (EDC) is set up and owned by the Band. As I discussed, the EDC manages band-owned businesses on reserve with the mandate of serving the needs and goals of the band members (shareholders). Establishing an EDC has the benefit of limiting political influence over business operations since the political leadership appoints a board of directors to oversee the business interests. The EDC also qualifies for tax exemption and insulates the band council against liability (Curry et al., 2009).

In the Modern model, chief and council legally delegate responsibilities to a board of directors. A portion of board members are appointed by the band council and a portion are elected by the band membership. Election of board members by band members rather than all board members appointed by council further reduces political influence over the EDC (Curry et al., 2009).
The stronger business environments in the Tahltan and Haida case suggest that the economic development corporation model is sufficient for successful economic development. The Modern model is desirable because it encourages greater depoliticization. That being said, the success of the economic development model in these stronger cases suggests that clearly outline operating protocol can achieve the same effect. Operating protocols will be explored in more detail in the following sections.

9.2.2. Nation-Developed Operating protocol

The success of an economic development corporation is attributed to the level of strategic alignment with council and the operating protocol that governs this alignment. As mentioned in the previous section, depoliticization is the key outcome from an economic development corporation. Strategic alignment between governance institutions such as the economic development corporation and the band council is often avoided due to concerns around political interference with business. However, it is not efficient or productive to have a complete separation of business from politics. For example, institutions require strategic alignment to fully capitalize on development projects within the territory. Findings indicate that strategic alignment is improved and interference is limited by creating clearly delineated roles and responsibilities for each institution, established through an operating protocol.

Operating protocols establish the rules of engagement for institutions; who is responsible for what. Having operating frameworks also provides transparency of process for community and other business stakeholders. For example, if constituents are pressuring elected officials to make business decisions, elected officials can justify not getting involved with the operating framework.

Operating protocols can be developed by the specific nation. One benefit of developing the protocol within the nation is that the parties involved in its creation will have more respect for the protocol (Gauvin, Abelson, MacKinnon, & Watling, 2006). Furthermore, parties will be more familiar with the protocol if they contributed to it. The protocol may also be more successful when reflective of relevant First Nation values. For example, appropriate dispute resolution mechanisms vary across cultures. Western
models of dispute resolution emphasize impartiality and objectivity whereas First Nation cultures emphasize the importance of the emotional investment in resolving the conflict. As such, the cultural relevance of the operating protocol has the potential to make it more effective.

9.2.3. ISO certification

The ISO certification process is another means to create an operating protocol. ISO provides certification based on how an organization meets customer quality requirements and applicable regulatory requirements as well as enhancing customer satisfaction (Scott, 2006).

Membertou, Inc. is a 1000-member Mi’kmaq Reserve and the first aboriginal government in Canada to receive and maintain ISO 9000 certification (Scott, 2006). Until recently, Membertou had very low employment and associated high levels of poverty. Improved economic development and performance followed a dramatic re-structuring of institutions and governance approaches. ISO certification had a significant impact on the cultural attitudes. In particular, it emphasized performance evaluation and interconnectivity between departments that in turn created a more results-oriented approach (ibid). In conjunction with improved productivity, ISO certification also served as “a signal of band credibility” (Scott, 2006, p. 251) that opened the door to working with multinational partners.

9.3. Community Engagement

The bountiful resources in coastal British Columbia sustained the development of advanced cultures prior to colonization. The rich resources allowed communities to remain largely sedentary and promoted the development of a hierarchical society with complex governance structures compared to hunter gatherer societies of the prairies that are characterized by consensus based leadership (Otis, 2006; Helin, 2006). Resource rich territories also allowed coastal First Nations to develop advanced economies with extensive trading networks and astute business people (Helin, 2006). However, territories were not to be exploited at the expense of the ecosystems. Coastal
First Nations have a fundamental relationship to the land that is valued more than economic development (Wayne Drury, personal communication, January 20, 2015).

These environmental priorities are significant when discussing sustainable economic development for coastal First Nations, given that development has associated environmental costs. The 4 First Nations included in this study have similar economic history in that they had advanced economies prior to colonization. For these First Nations in particular, economic development would be a culturally appropriate means to reclaim self-determination. However, environmental priorities of the community must be considered, such as how will the project affect the stewardship relationship of people with the environment. Lack of community support for development projects can cause major instability, particularly for small communities where development projects provide the foundation for economic development. Without community support, economic development projects may be subject to informal and formal protests in the form of civil disobedience and leadership change.

Under the economic development corporation model, the EDC is particularly affected by leadership change. This is particularly true if the new leadership does not endorse the same business projects or investments made by the previous government. Since the band owns the EDC, the council has the power to fundamentally alter the direction of the development corporation (Wayne Drury, personal communication, January 20, 2015). Lack of support from the band council may result in a project being cancelled. A history of cancelling projects is harmful to the business reputation of a First Nation. In particular, it calls into question the credible commitment of the First Nation.

In the context of BC First Nations, the governance system imposed by the Indian Act exacerbates the issue of leadership change. Under the Indian Act, elections are held every 2 years, making it difficult for officials to pursue long term policy development (Standing Senate Committee of Aboriginal Peoples, 2010). Frequent changes in leadership can destabilize the EDC if the new leadership does not respect the operating protocol. Community support for the EDC and economic development projects disincentives new leadership from interfering with the EDC. If the community
disapproves of the interference, they can remove the new leadership at the next election.

The Lax Kw’alaams case provides insight into the lack of resilience of band businesses when leadership changes. Lack of confidence in the band council or associated entities like the economic development corporation can trigger significant restructuring with negative consequences for band businesses. Lax Kw’alaams has not created forums for community engagement with the economic development corporation. As such, there was no community support for the economic development projects and the profitability of the businesses was affected by new leadership’s vision.

9.3.1. Performance Measures

Transparency is cited as a major component to trust and stability of government (Cornell & Jorgenson, 2007; Loizides & Wuttunee, 2005; Kopits & Craig, 1998). Stability is integral to business performance. As noted earlier, EDCs are owned by the band and are vulnerable to changing leadership with different development goals (Weir, 2007). If new leadership decides to change the EDC approach to development, this can have negative outcomes for existing business performance (Wayne Drury, personal communication, January 20, 2015). Transparency is a means to limit the potential for political overhaul of EDC directives, because it requires new leadership to make the public aware of their actions. If the public supports the EDC, they will not support new leadership interfering with it.

Implementing transparency requires some form of reporting structure. The desired outcome of reporting will dictate the type of structure. Reporting structures may include reports, newsletters and radio programming (Loizides & Wuttunee, 2005). Reports are low-level public participation, seeking to provide information and gather public support.

9.3.2. Community Engagement

Higher-level engagement encourages discussions between parties to identify common ground for policy options (Auditor General of British Columbia, 2009). Higher-
level engagement, also referred to as deliberative democracy, increases public satisfaction with government decisions by

“incorporating public values into the decision-making process, reducing conflicts among stakeholders, increasing trust in public institutions, educating citizens […] and producing decisions that are more likely to be fair and rational (Gauvin, Abelson, MacKinnon, & Watling, 2006, p. 8).

It is not within the scope of this capstone to design the public engagement forums, however, successful community engagement hinges on the following characteristics. First, community engagement should occur early on in the process. This is to create a forum for meaningful engagement with the project. For example, if the EDC has already chosen a potash terminal, there is no space for the community to debate whether or not they want a potash terminal. Second, community members must be provided with the information that will allow them to make informed decisions about the issue. This is an area where performance measures would complement community engagement by providing added information on how well the corporation is meeting expectations. Finally, community feedback must be addressed in the means defined at the outset of the engagement process. That is to say, participants need to be informed in advance how their input will be used. This ensures that the process is legitimate and transparent. Not integrating community input into the decision-making process can have the opposite outcome of disillusioning participants (Gauvin, Abelson, MacKinnon, & Watling, 2006). Token community participation indicates a lack of respect for community members and undermines the process by reducing community support.

9.4. On the importance of people

Policies such as strategic alignment create a good working relationship between institutions, but institutions are composed of people. In the context of economic development on reserve, people require the resolve to abide by operating protocols within the complicated social context on reserves that create pressure for elected officials and corporation employees to deviate from their roles and responsibilities. In small communities, community members are often friends and family. This creates pressure on elected officials to let relationships govern decision-making processes.
Furthermore, the existing electoral process under the Indian Act limits band council terms to 2 years unless the First Nation has created a custom process (Dowling, 2005; Standing Senate Committee of Aboriginal Peoples, 2010; Otis, 2006). Short election terms discourage elected officials from pursuing long-term policy goals, particularly when they are under pressure from community members to maximize short-term well-being. That is not to say that band councils are corrupt, rather in the context of a culture of reciprocity (Atleo, 2010; Wesley-Esquimaux & Calliou, 2010), it is rational for councillors to do what they can to help family in the short-term than to pursue long-term policy options that may never be realised.

Policy cannot address the types of people that will be elected to band council positions and band councils decide to pursue economic development. That is to say that elected leadership decides to make the changes to support economic development. Resilient leadership is required to move a community in the direction of economic development. Specifically, resilient leadership ensures that parties abide by the operating protocol and fairly apply provincial regulations to all business when there may be incentives and pressures to discard them to help family members for example. However, policy can ensure that when that leader is no longer in place, the economic development infrastructure continues to be successful.

9.5. Summary of findings

Table 2 Significant factors for each Nation

<table>
<thead>
<tr>
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<th>Certainty for Business</th>
<th>Strategic Alignment</th>
<th>Community Engagement</th>
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<tbody>
<tr>
<td></td>
<td>Operating Protocol</td>
<td>ISO certification</td>
<td>Performance Measures</td>
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<tr>
<td>Tahltan</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Haida</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Gitxaala</td>
<td>✓</td>
<td></td>
<td>✓</td>
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<tr>
<td>Lax Kw’alaams</td>
<td>✓</td>
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</table>
All First Nations in the study have adopted provincial regulatory frameworks for businesses. This has allowed band businesses to compete for contracts on and off reserve while reducing the cost for outside businesses to operate on reserve. Adopting provincial regulations to create certainty for business is a necessary precursor for my other policy options. For this reason, it will not be included in the policy analysis, however it will be a recommendation.

The Tahltan, Haida and Gitxaala Nations have pursued some level of strategic alignment though through different means. The stronger cases have opted for a nation-developed operating protocol while the Gitxaala Nation has opted for ISO certification.

When considering the level of community engagement between the cases, we can see some considerable divergence. In particular, the stronger cases have adopted both methods of community engagement while the weaker nations have not adopted either. I would argue that the success of an economic development corporation in the short and long term hinges on the level of community engagement in the economic development process. As I discussed in previous sections, locally made decisions tend to have better outcomes than those imposed by removed outsiders. Community engagement ensures better economic development outcomes for a variety of reasons. First, local community members are knowledgeable about the types of projects that would be viable. This is particular relevant in terms of appropriateness. Local people may not have the technical knowledge about whether there is sufficient wind to justify a wind power generator, however, they will have knowledge regarding what would be culturally appropriate for the area. This relates to our earlier discussions of environmental priorities. Environmental priorities are paramount for coastal First Nations and must be considered in economic development projects. Local people will have knowledge about what are appropriate projects and what are not.

Local knowledge is important for the initial decision-making process but ongoing community engagement is also necessary. This ensures ongoing support from the community. Ongoing community support provides a level of insulation for the economic development corporation in the event of leadership change that can have a destabilizing
effect. While the community may elect new leadership, they will require that new leadership does not interfere with existing development projects. The stronger cases of the Haida and Tahltan Nations have long term community engagement strategies to maintain this support. These strategies include performance measures as well as community meetings.
Chapter 10. Analysis of policy options

The following section evaluates policy options based on a set of evaluation criteria. Criteria for evaluating policy options include effectiveness of the policy option in supporting economic development, the administrative complexity of the policy option, and the level of cultural development supported by the policy option.

Policy options are evaluated based on all of these criteria in the following section. These qualitative measures are all of equal weight. Consideration was given to whether or not one measure was of greater importance than another; however, each measure represents a significant component of economic development.

10.1. Criteria for evaluating policy options

Effectiveness

To what extent would this policy facilitate economic development?

Measure: Ratio of population per business

Economic development is characterized by increasing the number of businesses operating in First Nation territories. Theoretically, the greater the number of businesses, the more healthy the reserve economy. Band businesses and private businesses are included in this measure. A higher number of band businesses provides more diverse income sources for band councils. The prevalence of private businesses indicates that the reserve itself is business friendly. Specifically, issues around uncertainty have been addressed. Including private businesses in the measure also helps correct for band businesses that may not be profitable. Private businesses cannot continue to operate at
a deficit like band businesses, therefore the existence of numerous and diverse businesses on First Nation territory, the more business friendly it is.

This measure is limited because it does not capture the size of the business. Within this measure, a reserve that has 10 small businesses operating that only employ one person would receive a stronger ranking than a reserve with one business with 10 employees. Determining the number of employees of each business would strengthen this measure, however, I would argue that the number of businesses still provides a good proxy. If there is only one large business operating on reserve, this raises the same question of whether or not this is a business friendly environment.

More importantly, this measure does not account for the profitability of the business. If a business is not profitable but it continues to operate, it will give the impression that the business environment is stronger than it actually is. Determining whether or not these businesses are profitable would ensure more accurate findings, however, this is sensitive information that businesses are generally unwilling to share, particularly if they are not profitable.

An alternative would be to use the unemployment rate on reserve. A lower unemployment rate would indicate a higher number of businesses that are employing people. However, it may be that individuals are travelling off reserve for employment because there are not enough local employment opportunities. For this reason, it is also limited as an indicator for economic development on reserve. Furthermore, these statistics are largely unavailable since the National Household Survey does not capture these employment specifics (Statistics Canada, 2015).

**Administrative complexity**

To what extent would the proposed policy fit within band capacity?

Measure: Amount of human capital required to implement policy

As we have discussed, 70% of reserve populations in Canada are less than 500 people. The low social and health outcomes for people living on reserve have a negative
impact on band human capacity. Lack of employment and education opportunities results in a major deficit in human capital. Therefore, the cost of these policies are measured in terms of the human capital required to implement them successfully.

There are a variety of types of funding available to develop and implement policies; however, they are often limited by human capital. For that reason, the administrative requirements for human capital is more relevant than financial cost. This is particularly important for smaller nations with limited populations. Policy options that require high administrative capacity are not feasible for many First Nations or will require hiring of outside expertise. Outsider expertise provides the necessary human capital to drive economic development and train reserve residents (Macdonald, 2014; Watson, 2013).

Administrative complexity is measured by the human capital required to implement the policy with special attention to the amount of human capital required and the time frame that it will be required. A policy that can be implemented by existing staff will score high for administrative complexity. If the policy requires 1-2 additional employees to be hired to implement it, it will score a medium score. If the policy requires additional employees to implement and maintain the policy option in the long term, it will rank low in terms of administrative complexity.

**Development**

To what extent will the policy option allow for recovery and revitalization of Nation specific culture?

Measure: Opportunity for incorporating Nation specific culture and values into the policy option.

Development as a criteria refers to the inclusion of First Nation culture, specifically priorities, values and traditions. As we have noted, environmental concerns are a high priority for coastal First Nations. If environmental priorities are reflected in development policies, this would reflect a higher level of development.
Revitalizing culture has numerous, significant benefits for communities. Given recent changes to the power dynamics resulting from the Tshilq’otin decision, First Nations have an opportunity to build culturally appropriate development policy.

The measure for development is whether or not Nation specific culture and values may be incorporated into the policy. Nation specific culture may or may not be incorporated into the policy. For this reason, policy options may rank high or low, there will be no medium score.

Table 10.1 Synthesis of Criteria Measures for Policy Evaluation

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<thead>
<tr>
<th></th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
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<tbody>
<tr>
<td><strong>Effectiveness</strong></td>
<td>Policy creates a stable business environment characterized by a higher ratio of businesses to population &gt;1.5 per 100 people</td>
<td>Policy has created a stable environment with a mid range of businesses to population ratio, 1.1-1.4 businesses per 100 people</td>
<td>Policy has had no effect in creating a stable environment for business. Businesses are financially unsound or no businesses are active. &lt;1 businesses per 100 people</td>
</tr>
<tr>
<td><strong>Administrative Complexity</strong></td>
<td>Very little human capital required to implement the policy in the short and long term. Existing employees are able to implement the policy</td>
<td>Human capital required implementing the policy in the short term. 1-2 additional employees required to implement this policy in the short term. OR No new employees needed but ongoing input from existing employees required</td>
<td>Complexity of implementing and maintaining the policy is high. Requires employment of 1-2 additional employees ongoing.</td>
</tr>
</tbody>
</table>
### Development

| Provides opportunity for cultural growth through community engagement and culturally appropriate policy development | --- | No opportunity for relevant cultural values to be incorporated into the policy |

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### 10.2. Nation-developed Operating Protocol

**Effectiveness:** The Tahltan and Haida nations have the strongest business environments with business to population ratios greater than 1.5. These cases are characterized by an economic development corporation and strong strategic alignment between said corporation and council. As such, an EDC with strong strategic alignment ranks high in terms of effectiveness at creating a good business environment.

Strategic alignment in these cases is characterized by an explicit operating protocol and proactive decision making. Operating protocols address key roles and responsibilities including when shareholders may influence corporation decisions and how council will provide access to business opportunities.

Protocol developed by the nation is likely to have better buy-in and adherence. That is to say, parties are more likely to adhere to an operating protocol that they themselves contributed to developing. This is due to the fact that operating protocols developed by the nation are more relevant to the priorities and values of the nation compared to one imposed by an outsider party (Gauvin, Abelson, MacKinnon, & Watling, 2006).

**Administrative Complexity:** The nation-developed operating protocol can be implemented by existing employees, however, an important consideration for strategic alignment that has not been explicitly addressed is the type of employee. Strategic alignment creates a good working relationship between institutions, but institutions are composed of people. People require the resolve to abide by operating protocols within
the complicated social context on reserves that create pressure for elected officials and corporation employees to deviate from their roles and responsibilities.

Since the nation-developed operating protocol can be implemented in the short term by existing employees, it receives a high score for administrative complexity. The administrative burden of developing an operating protocol is largely limited to the establishing the protocol. That is to say, once it has been established, it requires little human capital in terms of upkeep.

**Development:** This policy ranks high in terms of development as operating protocol can incorporate First Nation specific values and relevant traditions. An operating protocol outlines the rules governing the relationship between institutions. Incorporating First Nation specific values is particularly relevant in the area of dispute resolution. Where traditional western models of dispute resolution emphasize objectivity, First Nation culture emphasizes the importance of the emotional investment in the conflict. That is to say, parties cannot resolve the conflict if they do not have a role in it (Victor, 2007). The differences between cultures affects the appropriateness of the dispute resolution mechanism. An operating protocol will be more effective if it is developed by the nation and incorporates relevant values. As the example from TNDC indicates, the unanimous shareholders resolution requirement reflects traditional values of consensus-based decision making.

### 10.3. ISO Certification

**Effectiveness:** Gitxaala is currently working on ISO certification. ISO certification emphasizes performance outcomes of institutions by improving interconnectivity. In a sense, ISO certification is a standardized operating protocol that creates strategic alignment. Other First Nations in Canada have had a high level of success adopting ISO certification. For this reason, ISO certification scores high for effectiveness.

**Administrative Complexity:** Administrative capacity and time to complete and maintain the ISO certification is high. The ISO process requires that the First Nation apply and work through the ISO certification. While organizations, in this case First
Nations institutions may complete ISO certification themselves, it requires at least one employee to focus on ISO certification. Since smaller organizations are generally unable to effectively lose one employee, the alternative is to hire a ISO consultant. Both options require the addition of at least one employee (Quazi & Jacobs, 2004; Quazi & Padibjo, 1997; Staines, 2000). Then an examiner must be brought in to observe the changes and approve the certification. Once ISO certification has been achieved, the First Nation has to annually maintain the certification. For this reason it may be unattainable for First Nations with lower capacity. As a result, the ISO certification scores low in terms of administrative capacity.

**Development:** The Membertou example illustrates how ISO certification has contributed to economic development on reserve (Scott, 2006). Standardization is beneficial for relationships with business as well as relationships between institutions. However, standardization does not allow for incorporating Nation specific policies. There is little room for cultural components in ISO, given that the certification emphasizes international standardization. As such, ISO is limited by the potential lack of cultural appropriateness. For this reason, it scores low in terms of development.

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<th>Economic Development Corporation with an operating framework</th>
<th>Economic Development Corporation with ISO certification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effectiveness</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Administrative</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complexity</td>
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<td>Low</td>
</tr>
<tr>
<td>Development</td>
<td>High</td>
<td>Low</td>
</tr>
</tbody>
</table>

10.4. **Community Meetings**

Creating relationships with community is critical to providing stability for continued economic development. From the findings, relationships are being continually maintained in a number of ways. One is the incorporation of relevant performance measures. Performance measures reflect the values and priorities of the community. Examples from the study include number of Haida people employed by the corporation
or subsidiaries; portion of revenues being invested in community events; number of infractions with regulatory agencies.

**Effectiveness:** Both HaiCo and TNDC have the strongest business environments and both conduct meetings. HaiCo hosts meetings bi-annually and TNDC hosts annual meetings. The success of TNDC and HaiCo suggests that meetings rank high in terms of effectiveness in creating a strong business environment. The importance of community support is more evident when introducing the Lax Kw'alaams case with little community engagement. HaiCo has a much shorter operating history, yet has a stronger business environment than Lax Kw’alaams. It is possible that in the short history of HaiCo, there has not been the leadership change and associated instability. However, TNDC has been operating for 30 years and has experienced leadership change as well as community conflict over economic development projects. TNDC’s resilience suggests that having forums for community engagement has helped them weather these conflicts.

Community meetings require that the participants be provided with the necessary information to make educated contributions. Community meetings have improved outcomes in conjunction with performance measures. As such, community meetings on their own score a medium in terms of effectiveness. When paired with performance measures, the outcome is improved and thus effectiveness scores high.

**Administrative Complexity:** The drawbacks to meetings include high cost in terms of time and human capital required to host sufficient meetings to meaningfully engage with the community. Poorly executed meetings have the potential to disillusion contributors. For example, if participants feel that their contributions are not being reflected in policy decisions, they will feel the meetings were meaningless. Poorly executed meetings thus have the potential to have the opposite effect of creating community discontent with the development corporation.

In both the Haida and the Tahltan nations, community meetings are hosted by the economic development corporation staff and board members. New employees do not need to be hired to conduct community meetings, however, meetings will create
extra work load for EDC staff. Since this creates an ongoing burden on existing employees, community meetings rank medium in terms of administrative complexity.

**Development:** Meetings are an opportunity for community members to gain more information but also to have their concerns heard and addressed. The ability for community to shape the economic development outcomes has positive implications for development. Community members can share concerns and priorities that will be reflected in the way the EDC conducts business.

Effective community engagement has also been cited as a means to educate people on issues and as a result, “builds more capable citizens and stronger communities Gauvin, Abelson, MacKinnon, & Watling, 2006, p. 11). As such, community meetings also rank high in terms of development.

### 10.5. Performance Measures

**Effectiveness:** Performance measures have been adopted or are in the process in both of the stronger cases. However, from existing literature that providing information is limited in terms of creating community engagement (Gauvin, Abelson, MacKinnon, & Watling, 2006). Information ensures that community members have the resources to make an educated decision, but the one-way flow of communication limits people’s ability to engage with the project. That being said, performance measures are an improvement over little communication or unsubstantiated claims. For this reason, performance measures score medium in terms of effectiveness.

**Administrative Complexity:** Garry Merkel notes that the development of measures takes time, particularly when those developing the measures are also tasked with running the corporation or serving the community (personal communication, December 3, 2015). Human capital is required to develop the appropriate and relevant measures, not all measures can be applied to all First Nation communities. According to interviews with the Tahltan Nation Development Corporation, the EDC defines the measures through input from community members and board members. No new employees are required to develop and implement performance measures. Once the
measures have been developed, they require little ongoing human capital for upkeep. As such, incorporating measures scores high in terms of administrative complexity.

**Development:** Since performance measures are developed by the First Nation and reflect Nation specific values and priorities, building in measures into reporting mechanisms also scores high in terms of development. The corporation must identify what measures are relevant to the community.

<table>
<thead>
<tr>
<th></th>
<th>Performance Measures</th>
<th>Community Meetings</th>
<th>Performance Measures and Meetings</th>
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<tr>
<td><strong>Development</strong></td>
<td>High</td>
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</tbody>
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Chapter 11. Policy Recommendations

The following section makes policy recommendations based on the preceding analysis. It is important to note that these policy recommendations are designed to create a set of tools to facilitate economic development in First Nations communities. They are not mandatory best practices. Past federal policies to impose the same policies across extremely diverse communities have been largely unsuccessful largely due to the fact that First Nations communities are so different. These recommendations are tools for the economic development tool kit to be tailored to the needs of the First Nation, by the respective First Nation government.

11.1. Creating business certainty: Adopt provincial regulation

Certainty for business is a necessary precursor for improving economic development on reserve. Bands that have not done so should adopt provincial regulation to create a familiar business environment. For bands that have done so implicitly, adopting provincial standards through a band council resolution makes the information more visible and available for businesses.

Explicit clarity regarding the regulatory framework for business on reserves and traditional territories creates a more business friendly environment for both outsider businesses and band owned businesses. Adopting provincial regulations also lowers the cost for outside businesses of operating in First Nations territory. For example, distinct certifications required by the First Nation would be a costly investment for an outside business. In contrast, outside businesses are already operating under provincial frameworks on other projects, thus they will already have required certification.
Provincial frameworks may not adequately address the values and priorities of the First Nation. The provincial regulation “plus” model provides space for the First Nation to build on the baseline of provincial regulations. The “plus” refers to First Nation specific development policies. First Nations in this study that have adopted this model have incorporated environmental standards and respect for aboriginal rights and title into their development policies.

11.2. Institutional interdependence: Adopt economic development corporation model with operating protocols

Many First Nations in BC have adopted the economic development corporation model, however, the strategic alignment with council governed by appropriate operating protocols is often missing. Strategic alignment allows the EDC to capitalize on benefits of being economic branch of the band. As an extension of the band, the EDC and subsidiaries may access preferential business opportunities and funding opportunities. Developing the operating protocol to govern institutional interactions ensures that responsibilities are clearly outlined to best capitalize on these opportunities and prevent inefficiency and interference.

First Nations that have strong operating protocols have outlined roles and responsibilities of the band council and EDC. These responsibilities include stipulations that the band council will leverage their status as the First Nation to provide, where possible, access to business and funding opportunities for the EDC. Operation of the EDC is the sole responsibility of the EDC executive branch, influence from the political branch may only be through the board of directors. The operating protocol may also stipulate how the board of directors is composed, particularly ratio of outsiders to council and level of business expertise required.

The EDC requires effective people to achieve economic development goals. The operating protocol is limited by the ability of people to work within the team. Extensive knowledge about available opportunities is necessary to identify as many opportunities as possible. Identifying numerous potential options ensures that the EDC does not invest
all resources into a single project. This is particularly relevant in terms of natural resources that may fluctuate in price and render the project unviable. Resilience to abide by the operating protocol is also an important characteristic. The social context of small reserves can place pressure on EDC staff to politicize decisions. While policy cannot control the types of leadership that will be elected, institutional reform can ensure the continued success of economic development when those individuals are no longer involved.

11.3. Relationships with community: Build transparency and accountability into governance structures in the form of performance measures and meetings

Relationships with community are a key component to sustainable economic development. In order to be successful in the long term, the economic development branch requires support from community. Community support provides insulation from the destabilizing activities of the political leadership. Relationships with community can be developed through performance measures and community meetings.

Community support is achieved through transparency and community engagement. Performance measures that reflect community interests improve transparency by showing the community how the corporation is serving their interests rather than telling. Relevant measures improve community perception of the economic development branch. Of particular importance in the context of the BC coast are the environmental priorities of the communities. Lack of performance in environmental measures can result in loss of community support for projects. Since many economic development projects are resource based, environmental performance measures must be provided to keep community informed and supportive.

Examples of performance measures may include: number of Haida people employed by the corporation or subsidiaries; portion of revenues being invested in community events; number of infractions with regulatory agencies. Of course, measures will be different depending on the values of the community.
In conjunction with performance measures, First Nations should also explore community engagement opportunities. Meaningful community engagement where members can participate in the decision-making process of the EDC educates people, builds capacity, creates trust, and results in more rational and equitable decisions. True community engagement also requires that participants have sufficient information to make educated contributions. Performance measures provide this information, as such, community meetings should be implemented in conjunction with performance measures.

Community meetings must be meaningful in terms of true dialogue and incorporation of community feedback into the decision-making process. If community engagement is perceived as being superficial, it can have the opposite effect of losing the trust and support of the community. In order for community meetings to be meaningful, a large amount of human capital is required on an ongoing basis. As such, it will perhaps be necessary for First Nations to first implement performance measures and invest in capacity to hold meetings in the interim.
Chapter 12. Conclusion

The goal for this study was to provide policy options at the First Nations level to support sustainable economic development. Economic development provides a path to self-determination for First Nations for the benefit of both the First Nation and Canada. Considering the outcomes of different governance policies, I identified characteristics and practices that contributed to higher economic indicators. That is to say, comparing a small number of Coastal First Nations, I identified a number of best practices for sustained economic development.

In the short term, adopting the provincial “plus” model provides certainty for businesses. Provincial regulatory frameworks create certainty and lower the cost for outsider businesses to operate in First Nations territory. The “plus” provides space for First Nations to build in priorities and values specific to their context.

First Nations in this study with the healthiest business environments have economic development corporations, however, many First Nations have an EDC. What makes these EDCs successful is the strategic alignment of institutions ensures that First Nations can effectively capitalize on business opportunities and funding. It also ensures that resources are spent efficiently on projects that fit within the development objectives of the community. Strategic alignment is best achieved through the development of operating protocol that defines roles and responsibilities of both council and economic development corporation.

A key vulnerability for economic development branches or corporations was their susceptibility to leadership change. For example, bands own economic development corporations. In the event that new leadership is elected that does not support the current economic development practices, the new leadership may cancel projects. This creates instability for band businesses. In order to manage this vulnerability, the economic development branch should adopt performance measures to build community...
support for projects. Performance measures are a means to show the community how the corporation is meeting community needs. Implementing performance measures that are relevant to community improves community perception and support. Community support in turn provides some insulation for the economic development branch, from the destabilizing effects of leadership change. With community support, political leadership may change, but under the requirement that the economic development branch continues to deliver on performance measures.

Performance measures will depend on the values and priorities of each community. However, the environment is a priority for coastal First Nations. Since many First Nations are considering resource development projects, environmental measures should be included to keep community informed and supportive.

I recognize that these findings are based on a small sample and are tentative as a result. This is mostly the result of few cases available of sustained economic development in coastal First Nations. For example, the Tahltan Nation Development Corporation is the oldest corporation in this study by far, having been incorporated in 1985. As more First Nations are pursuing economic development as a means to self determination, the body of knowledge will grow. In the interim, this study is valuable for First Nation interested in pursuing economic development in terms of how to develop governance policy to best suit their communities and development goals.
Works Cited


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Appendixes
Appendix A. Terminology

Thomas King sums up the challenge of terminology in the area of aboriginal policy in his book The Inconvenient Indian. “Terminology is a rascal (2013, p. xii)”. It is a rascal because there are so many different terms used to describe the same things with varying degrees of accuracy and respect. The following are definitions that I have drawn from authors and expanded upon where necessary.

**First Nation:**

“A First Nation is an Aboriginal community tracing its ancestry to people living in a particular area prior to European contact (Penikett, 2006, p. 10). The term used to refer to pre-contact cultural and linguistic groups but in 1982, First Nation came to describe a tribal group or band that made up the Assembly of First Nations constituency (Penikett). First Nation is not synonymous with Nation though it is often used in this way. A Nation refers to cultural and linguistic groups comprised of bands or First Nations. To manage this confusion and respect the individuality of the communities in this study, I have endeavored to use the specific name of each community where possible.

**Aboriginal peoples:**

A term used to describe the First Peoples that occupied North America prior to European contact, and their descendants (Helin, 2006, p. 18). Aboriginal peoples include Indians (First Nations), Métis and Inuit (King, 2013, p. ixxx). Aboriginal is used interchangeably with indigenous.

**Indian:**

A term coined by Christopher Columbus to describe indigenous or Aboriginal peoples he mistook for residents of India (Penikett, 2006; King, 2013). I have not used this term to describe Aboriginal peoples in this study; however, I include it here because it continues to be used in Canadian aboriginal policy.

**Band:**
One of the terms used to describe communities of aboriginal peoples in Canada (Helin, 2006). May be used interchangeably with First Nation. Since bands and band councils are Indian Act constructions, I have opted to use the term First Nation or the name of the community rather than band.
Appendix B. Indian Act Taxation

“TAXATION

Property exempt from taxation

87. (1) Notwithstanding any other Act of Parliament or any Act of the legislature of a province, but subject to section 83 and section 5 of the First Nations Fiscal Management Act, the following property is exempt from taxation:

(a) the interest of an Indian or a band in reserve lands or surrendered lands; and

(b) the personal property of an Indian or a band situated on a reserve.

Idem

(2) No Indian or band is subject to taxation in respect of the ownership, occupation, possession or use of any property mentioned in paragraph (1)(a) or (b) or is otherwise subject to taxation in respect of any such property.

Idem

(3) No succession duty, inheritance tax or estate duty is payable on the death of any Indian in respect of any property mentioned in paragraphs (1)(a) or (b) or the succession thereto if the property passes to an Indian, nor shall any such property be taken into account in determining the duty payable under the Dominion Succession Duty Act, chapter 89 of the Revised Statutes of Canada, 1952, or the tax payable under the Estate Tax Act, chapter E-9 of the Revised Statutes of Canada, 1970, on or in respect of other property passing to an Indian.”

Indian Act R.S., 1985, c. I-5, s. 87; 2005, c. 9, s. 150; 2012, c. 19, s. 677.
Appendix C. Tahltan Resource Development Policy

Tahltan Tribal Council Resource Development Policy Statement

1. assurance that the development will not pose a threat of irreparable environmental damage
2. assurance that the development will not jeopardize, prejudice, or otherwise compromise the outstanding Tahltan aboriginal rights claim
3. assurance that the project will provide more positive than negative social impacts on the Tahltan people
4. provision for the widest possible opportunity for education and direct employment-related training for Tahltan people in connection with the project
5. provision for the widest possible employment opportunities for Tahltan people with respect to all phases of the development
6. provision for substantial equity participation by Tahltans in the total project
7. provision for the widest possible development of Tahltan business opportunities over which the development may have control or influence and
8. provision for the developer to assist the Tahltans to accomplish the objectives stated above by providing financial managerial assistance and advice where deemed necessary

(p. 35, Tahltan First Nation and the IISD Mining/Minerals Team, 2003).
Appendix D. Interview Schedule

Entrepreneur Interview Schedule

Sample Questions
What type of business do you have?
How did you learn the skills to run a business?
What were the steps to opening your business?
What were the major barriers?
Did you have to get any training or certification for your business?
Are there many rules about how you can run your business?
Would you like to see more or fewer rules?
Do you think X is a good place to run a business?
Agree – Neutral – Disagree

Academic Interview Schedule

Sample Questions
What is your position in relation to aboriginal business in BC?
What do you see as being the major barriers to economic development on reserves in BC?
Do nations acknowledge these barriers?
Are there nations taking steps to address these barriers?
How?
Land tenure
Dispute resolution
Why are these nations successful and others are not?
Is that success sustainable?
Do you see a role for cultural components in regulatory frameworks?
How do you see nations addressing credible commitment issues when dealing with businesses?
Why are so few First Nation projects adopting the First Nations Commercial and Industrial Development Act
How does one mitigate the risk of band business failure?