

**DRAFT Self-Government Fiscal Policy  
Proposal for Federal Review  
Collaborative Fiscal Policy Development Process  
December 13, 2017**

**DRAFT POLICY PROPOSAL FOR FEDERAL REVIEW**

# Self-Government Fiscal Policy

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## **Reconciliation and the Financing of Self Government**

1. Canada is committed to achieving reconciliation with Indigenous peoples through a renewed, nation-to-nation, government-to-government, and Inuit-Crown relationship based on recognition of rights, respect, co-operation, and partnership as the foundation for transformative change that moves away from colonial systems of administration and governance.
2. Canada recognizes that modern treaties and self-government agreements are intended to be acts of reconciliation based on mutual recognition of the right of self-determination and Indigenous self-government.
3. Canada recognizes that Indigenous Governments are autonomous orders of government as set out in modern treaties and self-government agreements, and are partners in the evolving system of fiscal federalism.
4. Canada recognizes that reconciliation and self-government, described in modern treaties and self-government agreements, require a renewed fiscal relationship, developed in collaboration with Indigenous self-governments, that supports the political, social, economic, and cultural development of the Indigenous community.
5. Canada recognizes that self-government can lead to improved quality of life for Indigenous people and help close socio-economic gaps between the Indigenous community and other Canadians.
6. Canada recognizes that the preservation, practice, development, and revitalization of Indigenous culture, language, and heritage in all its diversity and uniqueness, is vital for the well-being of Indigenous peoples and thus a critical component of effective self-government.

## **Purpose and Application of this Policy**

7. This policy addresses the fiscal relationship between Canada and self-governing Indigenous Governments. For the purpose of this policy “Indigenous Governments” are defined as those Indigenous Governments operating under various self-government regimes, including:
  - 7.1. A comprehensive land claim agreement which includes a comprehensive self-government component;
  - 7.2. A comprehensive agreement on self-government; or
  - 7.3. A legislated comprehensive self-government arrangement.
8. The policy is intended to guide federal officials in developing fiscal agreements between Canada and each Indigenous Government. The application of this policy to the fiscal arrangements between Canada and an Indigenous Government takes effect when set out in such an agreement.
9. This policy is intended to provide a principled approach to fiscal relations with all Indigenous Governments in a manner that is consistent with the commitments made in self-government agreements and modern treaties.
10. It is Canada’s intention that this policy be consistent with the spirit and intent of self-government agreements and modern treaties in guiding the on-going fiscal relationship between Canada and Indigenous Governments. Canada also recognizes that it has an obligation to make good faith efforts to ensure that individual fiscal agreements comply with their respective self-government agreements and modern treaties.
11. To the extent that this policy is inconsistent with other existing federal policies, this policy will supersede.

### **New Self-Government Agreements and Sectoral Self-Government**

12. Where an Indigenous group is negotiating self-government, Canada will be prepared to include language in the respective agreement that establishes a fiscal relationship.

13. The fiscal relationship in sectoral self-government arrangements will be based on this policy, modified as appropriate to address the circumstances of those arrangements.

## **Renewing the Fiscal Relationship**

14. The fiscal relationship among Canada and Indigenous Governments is fundamental to the success of self-government. The fiscal relationship should seek to ensure that:
  - 14.1. Indigenous Governments have sufficient fiscal resources to fulfill their responsibilities under their Agreements and the associated expenditure need, and to provide public services that are reasonably comparable to public services available to other Canadians;
  - 14.2. Indigenous people have equal opportunities for well-being as other Canadians and that governments work to achieve and maintain socio-economic equity between Indigenous peoples and other Canadians; and
  - 14.3. Indigenous Governments have the means to preserve, protect, use, develop, and transmit to present and future generations their languages and the past, present, and future manifestations of their cultures.
15. Access by Indigenous Governments to tax revenues is an important component of the renewed fiscal relationship.
16. In Canada's view, federal, provincial, territorial, and Indigenous Governments share responsibility for supporting self-government and serving the members of Indigenous communities.
17. Canada recognizes that implementing this new fiscal relationship requires systemic change within the federal government and the way it works with Indigenous governments. This renewed fiscal relationship represents an important step in that direction.
18. Canada will support a collaborative approach with Indigenous Governments and, where appropriate, Indigenous groups negotiating self-government arrangements, to review and renew self-government fiscal policies over time. In addition, Canada will seek the views of provinces and territories on those fiscal policies.

19. Canada's commitment to a renewed fiscal relationship with Indigenous Governments is implemented through these key elements:
  - 19.1. A publicly-available federal policy on self-government fiscal arrangements (which is set out here);
  - 19.2. Public reporting by governments;
  - 19.3. Fiscal agreements between Canada and respective Indigenous Governments; and
  - 19.4. Ongoing collaborative policy development and review processes.

### **Fiscal Principles for the Renewed Fiscal Relationship**

20. In pursuing the objectives of the fiscal relationship set out above, the fiscal arrangements between Canada and Indigenous Governments should be guided by the following principles:
  - 20.1. **Sufficiency** – Indigenous Governments should have access to sufficient fiscal resources to fulfill their responsibilities and address associated expenditure needs.
  - 20.2. **Access to public services** – Members of the communities represented by the Indigenous Government should have access to programs and services that are reasonably comparable to those available to other Canadians in similar circumstances.
  - 20.3. **Equitable treatment** – Fiscal arrangements should provide for equitable treatment of Indigenous Governments across Canada, taking into account their differing circumstances.
  - 20.4. **Self-determination/autonomy** – An Indigenous Government has the autonomy to set its own priorities, allocate its fiscal resources, and determine how to deliver culturally-appropriate programs and services.
  - 20.5. **Stability, predictability, and flexibility** – Fiscal arrangements should be reasonably stable and predictable over time, while providing sufficient flexibility to address changing circumstances.
  - 20.6. **Transparency** – Fiscal arrangements should be transparent and open to public view.

- 20.7. **Efficiency and effectiveness** – Fiscal arrangements should seek opportunities for the effective and efficient delivery of programs and services, while recognizing diseconomies of scale and demographic features.
- 20.8. **Sustainability and affordability** – Fiscal arrangements should be sustainable and affordable for governments.
- 20.9. **Accountability** – Fiscal arrangements should promote accountability through clarity of roles and responsibilities and sound public administration.
- 20.10. **Simplicity** – Arrangements should be relatively simple and straightforward to implement.
21. The relevance and weight of these principles in respect of any particular arrangement are affected by the context, including by provisions of the self-government agreements or modern treaties.

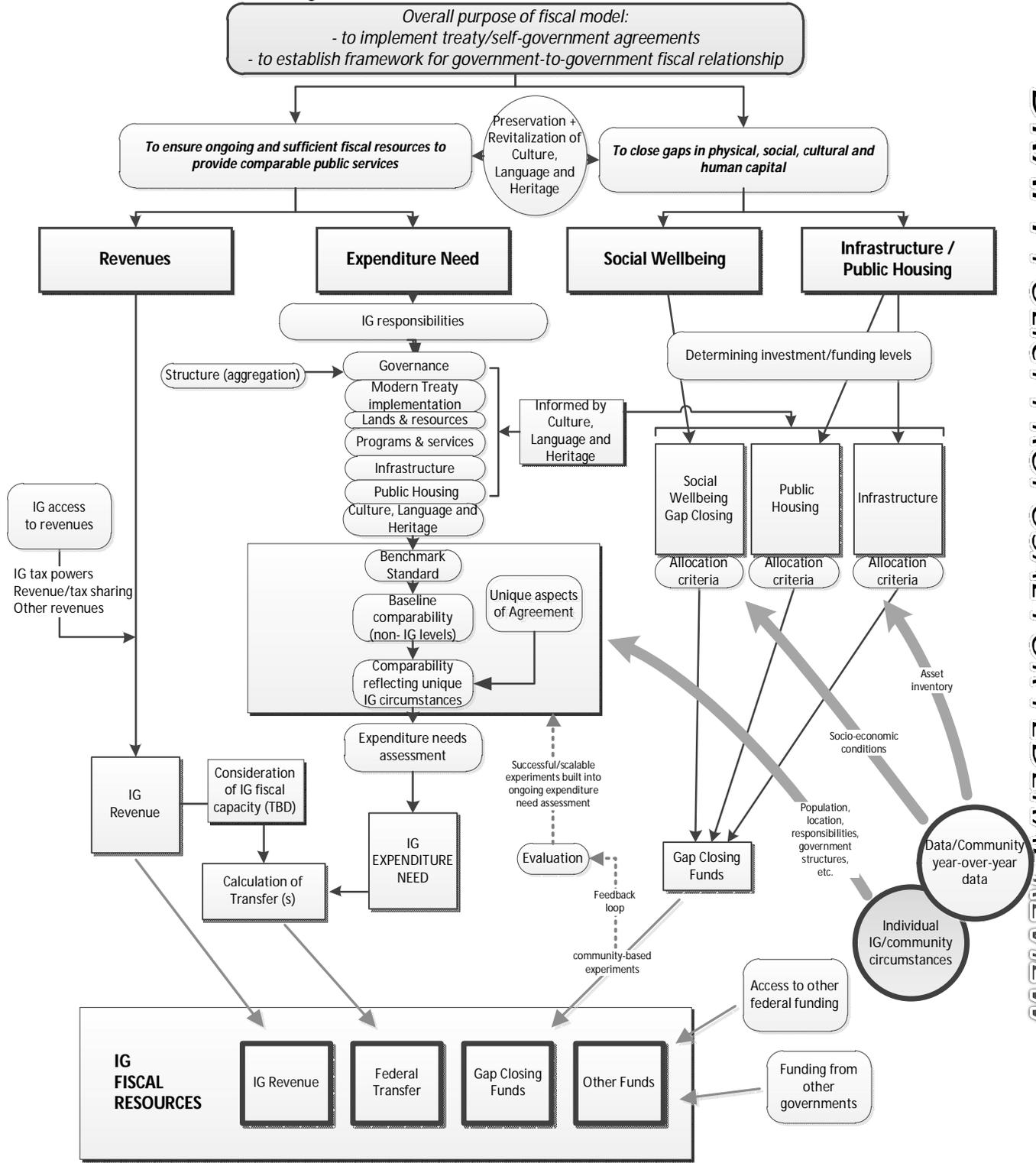
#### **Review and Renewal of this Policy**

22. This policy should be reviewed and renewed periodically (every five years or less).
23. Canada is committed to supporting a collaborative approach with Indigenous Governments for reviews of this policy. Canada will also seek the involvement of representatives from Indigenous groups negotiating self-government and with provinces and territories.
24. Participation in the national process will not diminish Canada's commitments to any bilateral processes. In all cases, Canada commits to honouring existing agreements with Indigenous Governments.

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DESIGNING A NEW FISCAL MODEL  
Self-Government Fiscal Arrangements



## **New Fiscal Model**

25. The “Designing a New Fiscal Model” diagram outlines a framework for a new federal policy on self-government fiscal arrangements. It sets out the main elements of a new fiscal model that are established in this policy, but does not define the specific policy provisions or terms that will ultimately implement the model. Rather, the diagram is intended provide a “roadmap” of key policy concepts.
26. As set out in the diagram, the fiscal resources available to Indigenous Governments under the new fiscal model are: revenues from own sources; federal transfers; additional funding to address socio-economic gaps; and funding from other government sources. This policy will address each of these components, including how they may be calculated.
27. This new fiscal model recognizes that culture, language and heritage are foundational elements, advancing reconciliation and fundamental change, whereby Indigenous peoples live in strong and healthy communities with thriving cultures.

## **Indigenous Government Responsibilities**

28. Government responsibilities addressed within the fiscal model include:
  - 28.1. responsibilities of Indigenous Governments (under either the Final Agreement or other ‘permanent’ arrangement) such as core governance functions, land management, and treaty implementation obligations;
  - 28.2. responsibilities Indigenous Governments assume pursuant to their jurisdiction for which there are analogous federal, provincial, or territorial programs, or for which Canada has agreed to provide support; and
  - 28.3. responsibilities for other programs and services that Indigenous Governments assume through fiscal arrangements, which may vary over time and from one Indigenous Government to the next.
29. The self-government provisions of modern treaties and self-government agreements vary widely, but contain jurisdiction—the authority to make laws—over a broad range of subject matters. These jurisdictions are a consideration in

the development of fiscal arrangements but the passage of a law does not, on its own, place a funding obligation on Canada.

30. Where an Indigenous Government exercises a recognized jurisdiction and requests funding support, Canada and the Indigenous Government will enter into discussions based on the principles set out in this policy, for the inclusion of funding support in fiscal arrangements. Where appropriate, Canada and the Indigenous Government will seek to include the relevant province or territory in the discussion of funding support in the fiscal arrangements.
31. Funding support will be assessed on a case-by-case basis based on a variety of factors, including: the provisions in the Agreement(s); the views of the Indigenous, provincial and territorial governments; and the efficiency and effectiveness of the proposed arrangements. Further detail on this process is set out in Annex XX [to be developed]. This process will be adapted or replaced to comply with Agreements as appropriate. Canada will work collaboratively with Indigenous Governments on the development of an appropriate methodology.
32. Where agreed, funding may be provided to entities other than an Indigenous Governments (such as an Indigenous health agency, school board or other entity) to support delivery of particular services in the communities where the Indigenous Government has jurisdiction.

## **Determining Expenditure Need**

### **Expenditure Need Definition and Overview**

33. Expenditure need is a key element in the design of systems for intergovernmental fiscal relations. Expenditure need is a measure of estimated costs required to perform a set of services, functions or activities to meet a set of responsibilities, based on comparative measures or standards. This can be viewed as representing a standard budget suitably modified for individual circumstances.
34. The main purpose in developing and using measures of expenditure need is to provide a systematic and objective set of measures of fiscal resources required to enable recipient Indigenous Governments to meet their responsibilities in a prudent manner, with access to revenues similar to that of other governments with similar responsibilities. From that basis, the governments can then take into account the specific and different circumstances of a specific Indigenous

Government that are beyond the control of that government. This approach allows Canada to meet its commitments in treaties and self-government agreements in a defensible and equitable manner.

35. Expenditure need is not related to the later expenditure choices of a recipient. Indigenous Governments will retain autonomy and discretion in how they address their responsibilities. While measures of expenditure need are normally developed based on benchmarks (similar governments or standards), they are not intended to constrain the services actually provided, or the design of the program delivery by the Indigenous Government.
36. Where specific activities (e.g. pilot projects) have led to measurable results in closing socio-economic gaps and are transferrable to other communities, those activities may be brought into the calculations of expenditure need.
37. The assessment of expenditure need for Indigenous Governments must take account of the distinct culture, language and heritage of the respective Indigenous communities.
38. The cost of providing comparable levels of public services, across Indigenous Governments, will vary according to differences in both their responsibilities and their relative costs. Expenditure need estimates must account for such differences.

## **Methodology**

39. In all cases, data and methodology have to be developed on an ongoing basis to support expenditure need estimates. This implies periodic reviews and requires human capacity building and institutional development.
40. A distinctive feature of Indigenous Governments that impacts expenditure need is that they serve relatively small populations. They are also often located in remote places (some have fly-in access only) and/or have multiple communities that are dispersed from one another.
41. The set of programs and services Indigenous Governments deliver can vary from group to group. Thus the assessment of Indigenous Government expenditure need must be modular allowing for the inclusion of different elements depending on each government's set of responsibilities.

42. In assessing the expenditure need of an Indigenous Government, it is appropriate to account for the actual population served by that government for each particular responsibility or service. Citizenship/membership, residency, or a blend of the two should be the basis of measuring service population. In some cases, treaty enrollees or another group may be more appropriate. Where an activity or program is not based on population, a relevant measure will be used. Reliable data for all of these measures counts will be important. Canada will work with Indigenous Governments to develop a standard methodology for tracking population.

### **Governance**

43. Indigenous Governments have an expenditure need associated with carrying out governance functions similar to other governments in Canada in similar circumstances, as well as functions that are unique to the Indigenous self-government context. Governance functions carried out by Indigenous Governments include: legislative and executive decision making; financial management; legal; intergovernmental relations; financial reporting and information sharing; and general government administrative services. The full list of Governance Functions is included in the Annex XX [to be developed].
44. Governance expenditure need includes base and incremental costs of self-government.
  - 44.1. There is a base cost for all Indigenous Governments for governance functions that must be carried out regardless of population, program responsibilities and other circumstances.
  - 44.2. There are incremental costs of governance that are affected by numerous factors including: population; geographic circumstances (e.g. remoteness, transboundary); program delivery responsibilities; structure of government (e.g. single or multiple levels of government); traditional decision-making institutions or practices, or other unique cultural features.
45. Governance expenditure need includes the cost of building governance capacity and other start-up costs for Indigenous groups that are transitioning into self-government arrangements and, for groups that are already self-governing, the costs of building up and sustaining governance capacity on an ongoing basis.

46. Canada recognizes that addressing governance expenditure need is integral to maintaining and strengthening Indigenous Governments' distinct and culturally-based political, legal, economic, and social institutions.
47. Governance expenditure need will be based on:
  - 47.1. governance responsibilities and functions carried out by Indigenous Governments; and
  - 47.2. the costs associated with the performance of those responsibilities and functions.
48. In determining the costs, benchmarks will be applied to ensure sufficient capacity to perform the responsibilities and functions of the Indigenous Governments.
49. Where appropriate, the effect that other factors such as population, program delivery responsibilities and geographic circumstances (e.g. remoteness) have on price and workload will be considered.

### **Modern Treaty Management**

50. Modern treaties and agreements impose obligations on Indigenous Governments, which create an expenditure need. Canada will provide support for the fulfilment of these obligations. Canada and Indigenous Governments will work collaboratively on the development of an appropriate expenditure need methodology in regards to this area.

### **Economic Development**

51. Indigenous Governments and their communities are part of the economic fabric of Canada and their economic success contributes to, and draws from, the economic success of Canada and its provinces and territories.
52. Indigenous Governments have responsibility and an associated expenditure need for economic development within their communities and territories. Canada will work collaboratively with Indigenous Governments on the development of an appropriate expenditure need methodology.

## **Culture, Language and Heritage**

53. Indigenous Governments have responsibility for culture, language and heritage, and an associated expenditure need in areas such as: governance, land-based stewardship, and renewal and revitalization programs. Canada will work collaboratively with Indigenous Governments on the development of an appropriate expenditure need methodology in these areas, unless otherwise addressed in other elements of expenditure need.

## **Stewardship of Lands and Resources**

54. Indigenous Governments have responsibility for managing lands and resources. This includes related responsibilities for 1) communities (e.g. community planning, zoning, development control and local enforcement of related laws); 2) Indigenous-owned lands and reserves (surface and subsurface); 3) traditional territories; 4) heritage resources; 5) managing traditional harvesting; and 6) participating in the management of public resources. Land Management responsibilities may differ among Indigenous Governments depending on the status of land, land quantum, and access, among other things. Canada will work collaboratively with Indigenous Governments on the development of an appropriate expenditure need methodology.

## **Environmental Management**

55. Indigenous Governments must manage environmental matters, particularly with respect to assessment of developments that affect their lands. In addition, Indigenous Governments receive many referrals, engagements or proposals related to development in their traditional territories from other governments and private parties. As well, when major developments occur, significant expenditure is required to participate in processes such as environmental assessments. Canada's funding support will recognize the first two categories, and will work collaboratively with Indigenous Governments on the development of an appropriate expenditure need methodology. As the third category is unpredictable, Canada will support Indigenous Governments through specific funding mechanisms on a project basis.

## **Infrastructure Maintenance and Replacement**

56. All Indigenous Governments have responsibility, and thus an expenditure need, for ensuring the infrastructure of their government and community is

maintained, upgraded and replaced as required. As well, new, additional infrastructure (as opposed to replacement) may be required over time.

57. The infrastructure expenditure need should include capital reserve for the major maintenance and replacement of an agreed upon set of assets set out in fiscal arrangements based on the standard set of assets. Annex XX (to be developed) sets out the specific details of the design of a capital reserve which Canada's funding is intended to support. This will be the subject of discussions with Indigenous Governments. In addition, support will be provided for the operations and maintenance of these capital assets.

### **Housing**

58. Most Indigenous Governments have responsibility, and thus the associated expenditure need, for providing the bulk of housing for their citizens/ members; very little of the housing stock is privately held as is common in non-Indigenous communities. This expenditure need is recognized in the fiscal model.
59. Indigenous Governments take a range of approaches to housing. The implications of this for expenditure need will be the subject of discussions with Indigenous Governments.
60. The assessment of housing expenditure need should also include costs associated with housing programs operated by Indigenous Governments, in particular the subsidies required to provide adequate housing at affordable rental rates for their citizens/ members and to address the cost of housing operations, maintenance, replacement, etc.

### **Education**

61. Where an Indigenous Government takes on responsibility for activities or programming related to education (including from early childhood through to adults), the associated expenditure need should be addressed. Canada will work collaboratively with Indigenous Governments on the development of an appropriate expenditure need methodology.

### **Social Development**

62. Where an Indigenous Government takes on responsibility for activities or programming in this area, including social assistance, counseling, child and family services and other programs, Canada will work collaboratively with

Indigenous Governments on the development of an appropriate expenditure need methodology.

## **Health**

63. Where an Indigenous Government takes on responsibility for activities or programming in this area, including community health and other programs, Canada will work collaboratively with Indigenous Governments on the development of an appropriate expenditure need methodology.

## **Indigenous Government Revenues**

64. Like other public governments in Canada, Indigenous Governments will have revenues they generate either through their own means or via arrangements with other governments.

### **Access to Tax Revenues**

65. Canada is committed to negotiating agreements with interested Indigenous Governments in respect of personal income tax and goods and services tax, including tax coordination and administration, and is exploring potential arrangements in respect of other direct taxes.
66. Canada is considering the perspectives heard from Indigenous governments and Indigenous nations that are in the process of negotiating self-government regarding access to tax revenues and related matters, and assessing the proposals advanced, to ensure that federal policies and mandates are consistent with the objectives of a renewed fiscal relationship. Canada is also committed to further exploration with Indigenous Governments on the topic of access to tax revenues and related matters.
67. Finance Canada will continue to be the federal lead on tax matters and will collaborate with the Department of Crown Indigenous Relations and Northern Affairs to ensure that approaches to tax matters are consistent with Canada's reconciliation objectives and other elements of the fiscal relationship.

## **Calculation of Fiscal Transfers**

68. The calculation of the fiscal transfer for each Indigenous Government will be based on (a) the assessment of expenditure need, and/or (b) a funding amount determined by other means, for each applicable responsibility assumed by the Indigenous Government.
69. Canada will consider the amounts of funding required as determined through various methods. Some funding elements will be the result of fully-developed methodologies; other funding elements may be based on current federal programs or another approach, as agreed to in the specific fiscal arrangement.
70. Fiscal transfers will be provided in a grant providing the Indigenous Government with the flexibility to reallocate funding to meet its priorities as long as any agreed-upon program standards are met.

## **Consideration of Indigenous Government Fiscal Capacity**

71. Canada has instituted a moratorium on own source revenue offsets in the calculation of fiscal transfers for up to three years (up to March 31, 2020).
72. The question of how the calculation of fiscal transfers should take into consideration an Indigenous Government's actual revenues or capacity to raise revenues following the moratorium will be the subject of further collaborative policy development between Canada and the Indigenous Governments.

## **Adjustment Over Time**

73. Fiscal agreements with Indigenous Governments will be set out for multi-year periods (typically five years). For the life of a fiscal agreement, or the funding schedule to an agreement, Canada may provide that the fiscal transfer levels are adjusted annually to take account of changes in price, population and/or other volume or work load measures ("Adjustment Factors").
74. Where it is practical to acquire reliable data on a timely basis, agreements may incorporate an adjustment method based on actual price or population changes and a recalculation of funding amounts. However, where this is impractical, agreements may incorporate fixed Adjustment Factors. The application of the Adjustment Factors may vary depending on the funding element (e.g. governance, specific programs, etc.).

## **Achieving Equity in Socioeconomic Outcomes**

75. The history and legacy of colonization has had a significant negative impact on the health and well-being of Indigenous peoples. Canada recognizes the disparities in socioeconomic outcomes between Indigenous and non-Indigenous peoples in Canada, and is committed to achieving equity in socioeconomic outcomes and overall well-being of Indigenous peoples
76. Renewal of the fiscal relationship between Canada and Indigenous Governments therefore includes a component in the new fiscal model that supports Indigenous Governments in working toward and achieving equity in social well-being, infrastructure and public housing. These measures must take into account the unique circumstances of individual Indigenous communities and their regional context and support the preservation and revitalization of the distinct culture, language and heritage of the respective Indigenous communities.

### **Closing Social Well-Being Gaps**

77. Gaps in social well-being are understood as the disparities in social well-being outcomes (e.g. health, education) between Indigenous communities and appropriate non-Indigenous communities.
78. The social well-being component of the new fiscal model is intended to lead to the development of the following: robust fiscal strategies to achieve equity in social well-being; successful evidence-based policy interventions that recognize culture, language and heritage as foundational elements of well-being; ongoing collaboration and coordination on gaps-closing initiatives amongst federal and Indigenous Governments and, where relevant, provinces and territories.
79. New federal investments related to achieving equity in social well-being will consider data-based evidence of gaps as key criteria to support meaningful investments for self-governing communities. Such an approach should include the following: collection of baseline data to provide evidence of gaps; assessment of needs and targets determined by community priorities and circumstances and driven by self-governing Indigenous Governments; and regular evaluation processes to assess the success of interventions and to allow for readjustments.

80. Achieving equity in social wellbeing represents a new component of this fiscal policy. An initial “Social Well-being Gaps-closing Framework” is contained in Annex XX (to be developed). It represents a “catch-up” component that may initially target discreet, innovative new gaps-closing initiatives on a community by community basis – occurring in parallel with ongoing elements of the expenditure base. Over time, successful community initiatives could be recognized as part of the ongoing expenditure need of respective self-governing indigenous governments. Once Indigenous communities have achieved equity in outcomes for identified areas, targeted “catch-up” gaps-closing elements for a particular area would no longer be needed.

### **Closing Infrastructure Gaps**

81. Canada recognizes there currently exist infrastructure disparities between Indigenous and non-indigenous peoples in many communities. As part of the new fiscal model, Canada will work collaboratively with Indigenous Governments to identify these infrastructure gaps, and to develop plans to close the gaps over time through the use of federal funding and other tools and fiscal resources as may be appropriate.
82. As part of the information system required to support the development of the capital reserve funding systems (lifecycle) for Indigenous Governments, Canada will support an asset assessment of the state and value of existing infrastructure for each Indigenous Government community. In addition, Canada will collaboratively develop a standard set of infrastructure assets, which federal funding will be designed to support.
83. In order to assess gaps between existing infrastructure and community needs, Indigenous Governments will undertake community assessments to develop a long-term plan for each community.

### **Closing Housing Gaps**

84. Statistics show significant housing disparities between Indigenous and non-Indigenous peoples, and this is therefore considered in the new fiscal model. Expenditure need takes into account direct capital costs, and costs associated with social policy issues.
85. The initial approach to deal with these gaps will be an assessment of need in terms of the relatively standard measures of crowding, suitability and, major repair/replacement. As with infrastructure, a collaborative plan will be

developed for time-phased additions and repair. This plan should include demographic projections and sustainability considerations.

86. Public (social) housing is an issue dealt with by governments at various levels (municipal, provincial/territorial, federal) as well as Indigenous Governments. Therefore, coordination and cooperation with other governments and agencies will be necessary to assure efficient and effective use of available funds and new investments.

## **Access to Other Federal Funding**

87. Unless otherwise addressed in fiscal arrangements, Indigenous Governments and their citizens/members should continue to be able to participate in or benefit from federal programs for Indigenous People in accordance with the general program criteria. In general, eligibility for federal programs should not be affected solely by the legal status of the lands.
88. Where funding is linked to a federal program, any changes to funding for that underlying program should be reflected in the assessment of expenditure need. In such circumstances, Canada will engage with Indigenous Governments to determine whether their specific fiscal agreements should be amended to ensure they are not disadvantaged in comparison to other program beneficiaries.
89. Where Canada develops program and funding initiatives relevant to the Indigenous Governments, consideration of the role of Indigenous Governments will be incorporated into the design of those initiatives, where practical. This includes making use of available mechanisms, such as the Assessment of Modern Treaty Implications, and establishing new mechanisms that may be required to ensure that Indigenous Governments have access to programs and funding on a government-to-government basis.

## **Dispute Resolution**

90. From time to time, disputes or concerns about matters found in fiscal agreements will arise. Where such disputes or concerns are common to a number of Indigenous Governments it may be most appropriate and expeditious for Canada to work collaboratively with Indigenous Governments to address the matter for all those affected. In such cases it may be appropriate to refer a technical matter to an agreed panel of subject matter experts for opinion.

91. Where the dispute is specific to a particular Indigenous Group and agreement, the parties to the agreement should attempt first to resolve the matter by informal discussions. If the parties cannot resolve the dispute informally, the parties will follow the dispute resolution process set out in the Agreement.

## **Emergencies**

92. Indigenous Government communities may face emergencies like any other community, such as natural disasters or catastrophic fires. Indigenous Governments may have the authority pursuant to their Agreement or under laws of general application to act as a “Local Authority” (defined under relevant legislation) with the power to declare and manage emergencies.
93. Canada is in favour of Indigenous Governments being fully integrated into the national emergency management system. This means Indigenous Governments should have the powers, rights, duties and responsibilities of a Local Authority and should have access to the same tools (fiscal resources, training programs, institutional support, etc.) as other Local Authorities, as provided for by federal, provincial and territorial governments.
94. Canada will provide financial support for emergency management to Indigenous Governments and will work collaboratively with Indigenous, provincial and territorial governments to put in place other arrangements as necessary.

## **Exceptional Circumstances**

95. All governments face financial pressures, most of which can be foreseen and planned for. From time to time, governments face exceptional circumstances beyond their control that create urgent financial pressures, such as changes in local economies or significant population migrations. Where such pressures threaten to significantly impair the ability of an Indigenous Government or Governments to meet obligations set out in a fiscal agreement, the Indigenous Government(s) may send a notice to Canada describing the exceptional circumstances and the obligations it may not be able to meet.
96. As soon as practicable, Canada will be prepared to discuss the impact on the ability of the Indigenous Government(s) to meet obligations, potential funding sources, other assistance, and other approaches available to the Indigenous Government to meet its obligations.

## **Accountability, Reporting and Information Sharing**

97. The fiscal relationship between Canada and Indigenous Governments should be founded on mutual accountability, whereby Indigenous Governments are primarily accountable to their own citizens/members, while Indigenous Governments and Canada hold one another mutually accountable for the commitments they make to one another.
98. A strong accountability, reporting and information sharing framework is an essential feature of mutual accountability. Canada expects fiscal arrangements to include:
  - 98.1. a clear identification of the roles and responsibilities of each government;
  - 98.2. provisions to ensure timely and comprehensive information-sharing, including data collection and verification; and
  - 98.3. provisions requiring the Indigenous Government to prepare financial information consistent with standards set out by the Public Sector Accounting Board.
99. Canada's view is that, consistent with standard practices of other governments in Canada, Indigenous Governments should publicly disclose, on an annual basis:
  - 99.1. budgets – annual estimates of revenues and expenditures by each major category; and
  - 99.2. audited financial statements of the Indigenous Government.
100. Canada will publish annually, and make publicly available, a report on the fiscal transfers to Indigenous Governments.
101. As appropriate, Indigenous Governments and Canada will endeavor to publish additional information, including performance reports and program evaluations.
102. As reliable data will be integral to the operation of the funding methodology, information provided by Indigenous Governments will be essential in implementing the funding methodology so that it accurately accounts for actual

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conditions in Indigenous communities and is responsive to changes in circumstances.

**DRAFT POLICY PROPOSAL FOR FEDERAL REVIEW**

## **Annexes**

[Content of annexes is to be developed in 2018]

- Program Transfer Framework Review
- Expenditure Need Methodologies
- Geographic Circumstances
- OSR Provisions (suspended through moratorium)
- Socioeconomic Gap-Closing Framework