

Métis Nation Economic Development Forum-2

Calgary, Alberta

October 21-22, 2010

Summary of Discussions and Findings

1. Purpose of Forum

The Forum had a dual purpose. The first was to update the Métis Nation Economic Development Framework first developed in February 2009 as an economic development strategy for the Métis Nation in response to the Métis Nation Protocol and the new Federal Framework for Aboriginal Economic Development. The second was to provide Métis Nation input into the implementation of the federal framework as provided by the Protocol with a particular focus on the renovation of INAC economic development programs. In this, the Forum was assisted by Allan Clarke of INAC who set out the priorities and parameters of the federal framework and program renovation. The Forum used a mix of panel discussions and a breakout session to generate discussion and elicit ideas and recommendations in relation to the key elements of the federal and Métis Nation strategies: improving access to capital; building community capacity for economic development; and engaging private industry as partners in major projects.

2. An Updated Métis Nation Economic Development Strategy and Related Recommendations on INAC Program Renovation

The Need for a Strategy

A significant element of the Forum was devoted to updating the Métis Nation Economic Development Framework to take into account initiatives since the

release of the new federal framework. These include investments which have been made (MRED) or are underway (Métis Entrepreneurship Fund) as well as the planning and market study work that has been unfolding among the MNC's provincial affiliates or Governing Members.

Karen Collins of the Métis Nation of Alberta opened the Forum with an overview of the need for a economic development strategy and how that of the Métis Nation has evolved pursuant to the Métis Nation Protocol. This overview encompassed the bilateral work of the Métis Nation with the federal government as well as the multilateral work initiated by the two parties with five provincial governments under the Métis Economic Development Symposium process.

Marc LeClair of MNC – through a powerpoint “MNC Economic Development Presentation” attached to this summary - provided a broad overview and market assessment of Métis economic challenges and opportunities and focused on the essential elements of the Métis Nation Economic Development Framework. This powerpoint includes a graphic that updates the economic development strategy of the Métis Nation organizations and their affiliated economic and business development institutions.

Access to Capital

A key strength of the Métis Nation in economic development has been good corporate governance. President Chartier of the MNC provided an overview of the democratic accountability of MNC Governing Members through province-wide ballot-box elections as the foundation of this governance that has featured professionally managed, arms-length financial and economic development institutions. Presentations from the Métis Nation financial institutions – the Clarence Campeau Development Fund (CCDF) , the Métis capital corporations (including the new Métis Entrepreneurship Fund for syndicated lending) and the Métis Economic Development Organization in Manitoba- underscored the importance of strong corporate governance in driving the success of these

institutions. George Desmairais of the construction giant, Ledcor, cited solid Métis governance in Manitoba including effective arms-length development institutions as the basis for Ledcor's interest in working with the Manitoba Métis Federation to identify and exploit opportunities to generate long term employment for Métis and contract work for Métis businesses on Ledcor projects.

A general recommendation to INAC would be to engage the MNC's Governing Members' affiliated developmental institutions to build on this proven financial service delivery infrastructure in:

the design and implementation of renovated or new programs and services anticipated under the new federal framework; and

in the devolution of key elements of some programs that can be operated more efficiently by these institutions.

A similar approach should be adopted in the implementation of gender pilot projects under consideration by INAC for improving access to capital and financial literacy. The Métis capital corporations have administered loan capital programs for certain sectoral groups (the Saskatchewan Métis Economic Development Corporation currently operates one for youth) and are best suited to administer a pilot for Métis women in consultation with the Women of the Métis Nation. At a conference in Saskatoon on October 23, more than 50 delegates of this national Métis women's group drawn from the MNC's Governing Members identified a better understanding of how business plans work as a key priority for potential female entrepreneurs. One of the business support/advisory services attached to a Métis capital corporation has female officers specializing in financial literacy who could administer a pilot in this area.

The need for devolution of key INAC program elements to Métis capital corporations was expressed in the breakout session. The main concern with Aboriginal Business Canada is its inability to move at the speed of business,

resulting in significant opportunity costs for Métis capital corporations. Delays in the equity grant contributions by ABC has an adverse impact on overall business loan activity and deployment of capital and has caused loans to fall through after considerable due diligence work by the capital corporations. Devolving these grants to the capital corporations makes sense. The Clarence Campeau Development Fund in Saskatchewan is also well equipped to assume responsibilities under devolution from the federal and provincial governments and has that mandate under the Saskatchewan Métis economic development sector framework discussed at the Forum.

Building Community Capacity for Economic Development

Another critical element of the Métis Nation Economic Development Framework pursued at the Forum was the need to build capacity at the community level for economic development. In the breakout sessions on INAC programs on the first day, a common concern of all groups was that while some of the Governing Members had financial institutions to provide access to capital for individual entrepreneurs, there was an acute lack of capacity in many Métis communities with a limited existing economic base and infrastructure to pursue economic and business opportunities. Many Métis communities have found industry reluctant to engage under Duty to Consult and, in some cases when they have willing potential partners, do not have the means to exploit opportunities.

There is a need for planning capacity to identify good opportunities for business and infrastructure development and develop strong business plans for financing specific projects. Forum delegates agreed that the economic or business development officers recently funded by INAC were doing a good and important job in this regard but stressed that the Governing Members needed more than one per province as is now the case and these should be deployed at the level of their regional councils. There is also a need for equity capital for investment in enterprises that could capitalize on demand for commercial and industrial space and services from industry, governments and local populations in some Métis

communities. Among the opportunities cited were industrial parks, business centres, truck stop and service centres, housing projects and accommodation services that can generate income streams to support new businesses or in some cases the acquisition of existing businesses with no successors.

A plenary group discussion on day 2 served to validate the key elements of a Métis Community Opportunity Fund (MCOF) initially proposed in the Métis Nation Economic Development Framework in February 2009 and since refined based on the structuring of a number of Métis-specific investment funds across the Métis homeland. The key element, which can be viewed as the foremost Métis Nation recommendation in the overhaul of INAC community economic development programs, is a single opportunity-driven fund to support Métis community business and infrastructure projects in the five provinces of the Métis homeland. The fund would be a revolving capital pool making equity investments in eligible projects and would not be limited to the energy and resource sector as is the case with MRED. MCOF will be jointly owned by the economic and business development affiliates of the Governing Members and employ a model of corporate governance, accountability and administration similar to that of Métis Entrepreneurship Fund combining:

- professional management and Board
- arms-length decision-making
- low cost leveraged delivery based on existing financial management
- accountability to directly elected Governing Members

The Fund would place a premium on joint ventures and partnerships with industry and can include co-investments with other funds including those of other Métis development institutions. In the case of Ontario and BC, where the Métis lack capital corporations, the fund would cover costs to engage investment advisory/management services on a fee for service basis to perform due diligence on projects that would be forwarded to the Board for consideration. This will

partially address the foremost impediment to economic development in these two provinces as identified by their participants in breakout sessions, the acute lack of access to capital in the absence of capital corporations.

The plenary session of the Forum also discussed the size of MCOF. Based on the assessments of capital corporation managers and on actual deal flow of the CCDF in Saskatchewan for this type of project, a \$100 million fund capitalized over 10 years (\$10 million annual capital contribution to MCOF by Canada) was deemed to be realistic to address existing opportunities and ensure self-sustainability of the fund. This would break down roughly into \$2 million per year per province although, as in the case of the Métis Entrepreneurship Fund, it is anticipated that Board approval of investments will be done on a “first come, first served” basis (that is, the strength of the opportunity and business plan) which is also in the mutual interest of the joint owners of MCOF.

Engaging Private Industry with Métis Communities in Energy and Resource Development Projects

Participants in breakout sessions viewed recognition of Métis Aboriginal rights as a key lever for Métis participation in energy and resource development projects near Métis communities. They also expressed considerable frustration with the tendency of industry to overlook the Métis in Duty to Consult consultations. In this regard, a recommendation to the federal and provincial governments, as representatives of the Crown on which the Duty rests, is to take a more proactive stand in ensuring that corporate sponsors of these projects such as pipeline construction take the necessary steps beyond MOUs to reach Impact Benefit Agreements that will provide for maximum Métis participation and benefits.

Forum participants also expressed frustration with the lack of community capacity to effectively engage with industry when it does look for local Aboriginal partners in projects. The Forum featured a panel on various successful initiatives to build this capacity, one of which is the Business Ready Investment

Development Gateway or BRIDG in Saskatchewan managed by Westcap Mgt. Ltd. with funds coming from MRED. Under this initiative, Metis Nation--Saskatchewan Western Region 3 is receiving support to establish an effective economic development corporate structure and governance, acquire business readiness training and expertise, develop a strategic plan, and identify and capitalize on key business opportunities in the resource and energy sector. In addition to building investment infrastructure and knowledge required for transactions beyond individual small businesses, BRIDG matches participating communities with opportunities together with strategic industry partners and capital providers including the Province's First Nations and Métis Fund also managed by Westcap

The Forum also heard from Governing Members whose consultations with energy and resource corporations pursuant to Duty to Consult are proving to be effective to date both in establishing interests and moving toward accommodation arrangements that can yield tangible benefits. The Regional director from Metis Nation--Saskatchewan Eastern Region II reported on progress with Shore Gold on the Star-Orion South Diamond Project. Representatives from Hydro One and the Métis Nation of Ontario reported on their joint consultative work that has secured procurement for Métis and also removed impediments to greater business opportunities through measures such as changing the weighting system on tenders.

Government Procurement Policies

There was a general consensus that the federal procurement strategy for Aboriginal business was not working. The electronic tendering system (MERX) was not considered user-friendly and bidding on federal contracts was too unwieldy and taking too long, causing entrepreneurs to give up. The view was

also expressed that Métis small business owners found that the federal government took long to pay them on contracts.

Managers of the capital corporations and CCDF reported that one of the objectives in their building Métis business directories has been to help entrepreneurs access federal procurement opportunities. They reported that a few of their clients have had success in bidding on federal contracts but generally shared the view of other participants that PSAB is not working properly and must be simplified. They also expressed frustration over the apparent lack of accountability within the federal government to make sure it works.

Negotiated set-asides with Métis governments are considered the preferable route to follow in ensuring that Métis businesses and individual workers benefit from governments' Aboriginal procurement and employment policies. A prime example was the Red River Floodway Aboriginal Set Aside Program in Manitoba which ensured work for Métis contractors. As well, an MMF representative reported on how the MMF partnership with Manitoba Hydro is enabling the MMF to access resources to help them fill the jobs promised to Métis.

The Forum also showcased a Métis government procurement policy launched by the MMF, part of that organization's strong belief in value creation through the purchasing power of Métis individuals, communities and their government. The MMF has developed a procurement policy to the benefit of Métis suppliers of goods and services. Another innovation is the Métis Affinity Program which rewards Métis consumers with discounts on their purchases in affiliated stores, and also generates revenues for the MMF.

INAC Funding and Reporting Requirement Issues

Forum participants expressed considerable concern over the reporting burden, lack of predictable financing, and micro-management by funding agencies which they see as major deterrents to efficiency in their operations. These problems were most pronounced on the human resources side of the economic development infrastructure of the Métis Nation governments, particularly relating to ASETS, economic development and business support officers. There was widespread concern over the lack of stability in funding arrangements and the concomitant difficulty in retaining skilled and experienced personnel who have to look at future careers. In the absence of secure and predicable funding, too many of these officers leave, some of them going to INAC itself. There was a consensus that five year multiyear funding was required at a minimum to provide confidence to these officers and greater stability in planning.

Funding was not as major an issue for the financial institutions given the nature of their operations. As for reporting, as stated at the Forum, the CCDF in Saskatchewan can serve as a model for reporting requirements as it is considered a Crown corporation for audit purposes and is required to report once a year through its audited financial statement and report.

3 Next Steps

It is evident from this Forum and the approach the Métis have generally taken on economic development, that the implementation of the new federal framework through initiatives such as program renovation would be most effective if it avoided bureaucratic programs and concentrated on deploying capital for targeted investments in Métis businesses and communities that would:

stimulate direct business and job creation; and

promote self-sustainability of the Métis capital pools.

The professionally managed and arms-length loan and equity capital providers accountable to the directly elected leadership of the Métis people constitute a proven investment infrastructure for managing new funds that could fulfill these objectives. The next steps in the implementation of the new federal framework as it applies to the Métis should be:

- a) the approval and initial capitalization of the Métis Entrepreneurship Fund;
- b) the development of a business plan for a Métis Community Opportunity Fund with INAC support and collaboration similar to that offered for the Métis Entrepreneurship Fund;
- c) completion of the review of the business plan of the Métis MRED fund in Manitoba and its approval and capitalization; and
- d) MEDS-2 with a focus on specific areas of federal-provincial-Métis collaborative work i.e procurement, building community capacity, and corporate engagement that could form the basis of further planning for conference and a closing communiqué.

Explanatory Note: Métis Nation financial institutions can be broken into two types:

Providers of Loan Capital:

These consist of three capital corporations of the MNC Governing Members on the Prairies which have been in existence since the 1980s and which make loans to Métis small business:

Saskatchewan Métis Economic Development Corporation
 Louis Riel Capital Corporation (Manitoba)
 Apeetogosan (Métis) Development Inc. (Alberta)

The MNC and these capital corporations have worked with INAC on a business plan for a Métis Entrepreneurship Fund that would be jointly owned and administered by the three capital corporations and would enable them to access the mid-range market for loans to growing Métis businesses (loans in excess of \$250,000).

Providers of Equity Capital:

The Clarence Campeau Development Fund (CCDF) is affiliated with the MNC's Saskatchewan affiliate, the Métis Nation-Saskatchewan, is capitalized with a small percentage of gaming revenues in that Province and can make a broader range of investments including equity investments. CCDF received \$5 million from the federal government to operate an MRED fund targeting businesses in the energy and resource sector.

A new Métis Economic Development Organization in Manitoba affiliated with the Manitoba Métis Federation (MMF) will be capitalized out of a new \$10 million Métis economic development fund established by the Province. The MMF is also working with INAC on a business plan for a new MRED fund for the Métis in Manitoba.