



# TEN TIMES HARDER

## FSMA LEVELING THE PLAYING FIELD

It is currently ten times harder to create jobs and wealth on First Nation lands than anywhere else in the country.

This “arithmetic” lies at the heart of the problems besetting First Nation communities – less wealth means poverty, joblessness, and poor quality infrastructure. Any “solution” to First Nation poverty that doesn’t change this arithmetic is ultimately not a solution.

ITAB has spent ten years working with First Nations trying to improve this arithmetic. This work has led to successful passage of the First Nations Fiscal and Statistical Management Act (FSMA). The FSMA will create four institutions that will together help First Nations develop infrastructure and create wealth. They will not provide the whole solution but they are a step in the right direction. An explanation is provided below.



### THE CURRENT PICTURE

Economic development involves both the public and private sectors.

#### PUBLIC SECTOR ROLE:

Governments use their revenues to pay for local services and infrastructure such as roads, water and sewer. A typical Canadian community can finance \$6 million in new infrastructure from \$1 million in annual property tax revenues.

A typical First Nation community must commit three times as much revenue to finance the same amount of infrastructure.

Typical Canadian Community:      \$1 Million Annual Tax Revenue = \$6 Million Infrastructure

Typical First Nation:                      \$1 Million Annual Tax Revenue = \$2 Million Infrastructure

#### PRIVATE SECTOR ROLE:

Governments use their infrastructure and services to entice investors to build residential, commercial, and industrial developments on their land. This is what creates jobs and wealth. A typical Canadian community will entice \$5 million in additional private investment for every \$1 million in infrastructure improvements.

A typical First Nation entices about one third this amount of new investment for every dollar’s worth of infrastructure improvement.

Typical Canadian Community:      \$1 Million New Infrastructure = \$5 Million New Investment

Typical First Nation:                      \$1 Million New Infrastructure = \$1.5 Million New Investment





In sum, First Nations are facing two serious handicaps. We are paying effectively “triple” for our infrastructure and receiving only one quarter the economic payoff per piece of infrastructure. The net result – wealth is roughly ten times harder to create on First Nation lands than elsewhere.

*FIGURE 1: WEALTH CREATION IN A TYPICAL CANADIAN COMMUNITY*

These problems are represented in the figures below. Figure 1 shows a typical Canadian community where \$1000 in annual property tax revenues bring \$30,000 into the local economy.

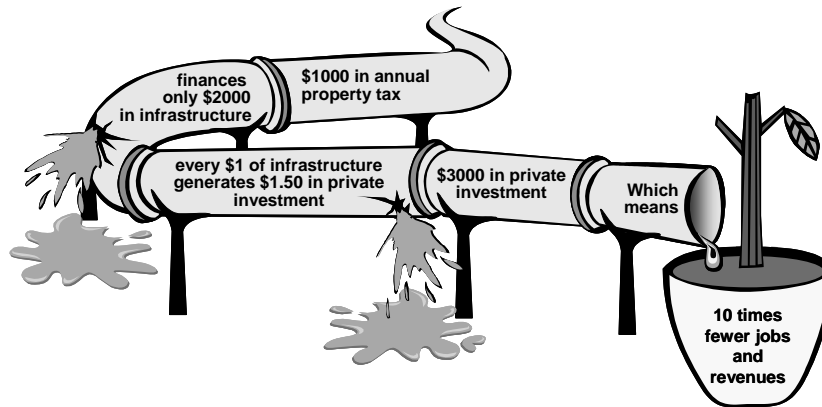
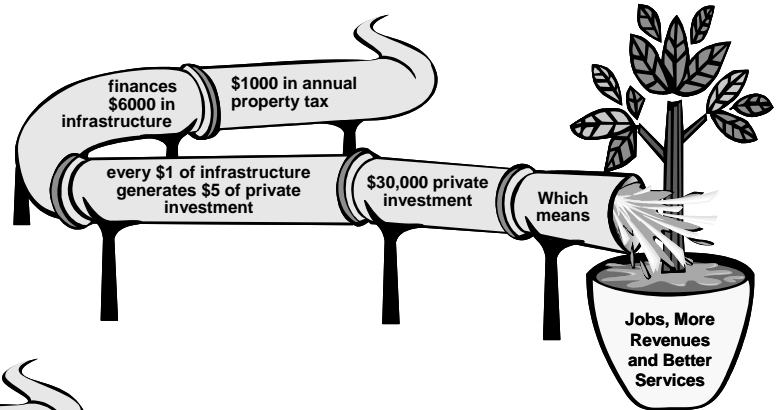


Figure 2 shows the same situation in a First Nation context. That same \$1000 generates only one-tenth the new wealth or \$3000. This means fewer jobs, less revenue, and poorer services.

*FIGURE 2: WEALTH CREATION IN A FIRST NATION COMMUNITY*

## THE SOLUTION

The “solution” is to improve our ability to finance infrastructure and our ability to use infrastructure only to attract investment. The institutions created by the FMSA will start plugging the leaks described above by:

- improving First Nations’ access to capital so they can buy infrastructure more “cheaply”;
- helping First Nations get the best infrastructure for their money;
- creating better information about First Nation communities and their investment opportunities;
- promoting First Nation investment opportunities; and,
- inspiring investor confidence in financial reporting, fair process and First Nation administrations.

