

# FIRST NATIONS FISCAL AND STATISTICAL INSTITUTIONS INITIATIVE

## BACKGROUND

### Overview

To provide needed tools for economic development and improving the quality of life on reserve, First Nations are leading an initiative to establish, through optional legislation, four institutions which will be operated by and for First Nations. The proposed institutions include a Finance Authority, a Tax Commission, a Financial Management Board and a Statistical Institute. The Tax Commission and Finance Authority will build upon the established reputations and expertise of the existing Indian Taxation Advisory Board and First Nations Finance Authority Inc.

These proposed institutions will provide First Nations that choose to participate, with the access to capital markets available to other governments. They will strengthen the First Nations real property tax system and provide greater representation for taxpayers. They will help First Nations achieve higher financial standards and increased financial management capacity. Finally, they will assist in developing statistical management capacity in communities while encouraging First Nation participation in national data collection activities.



### **First Nations Finance Authority (FNFA):**

Community infrastructure is fundamental to the quality of community life and economic growth. However, First Nations seeking to borrow funds for such infrastructure currently face prohibitive transaction costs, processing times and interest rates. A dollar of First Nation tax revenue buys 30 to 50 percent less in capital works than that of other governments. Many First Nations are unable to finance infrastructure as a result. The problem is principally rooted in the legislative and institutional framework.

With the leadership of Westbank First Nation, the First Nations Finance Authority Inc. was created in 1995 to provide member First Nations with investment opportunities. Since that time it has worked hard, with an expanding circle of First Nations to find the means by which First Nations might use debentures, like other governments, for access to longer-term, more affordable financing. This circle has benefited from its partnership with an expert in the field, the Municipal Finance Authority of British Columbia (MFA-BC), with 30 years' experience and a "AAA" credit rating.

The FNFA will allow participating First Nations, like local governments, to raise long-term private capital at preferred rates for roads, water, sewer, etc. They will do so by securitizing a portion of their potential real property tax revenues generated under the Bill. It is estimated that \$120 million in debt financing will be raised over the first five bond issues. This revenue will ensure basic health and safety for participating communities and also allow First Nations to develop infrastructure to a standard that supports business investment.



### **First Nations Tax Commission (FNTC):**

In 1988 the *Indian Act* was amended to allow interested First Nations to enter the field of real property taxation. Since 1989, the Indian Taxation Advisory Board (ITAB) has successfully nurtured and sustained the First Nation real property tax system.

In its first 15 years, ITAB exceeded expectations with over 100 First Nations establishing real property tax bylaws and generating \$290 million in revenues. It is building awareness of the real property tax system and providing the tools for its implementation. The First Nation real property tax system is being built within the context of provincial regimes. The ITAB has worked in partnership with the University of Victoria for purposes of training tax administrators, and with Harvard University for purposes of strengthening dispute resolution.

It is now proposed that ITAB evolve to become the FNTC. For participating First Nations, the FNTC will provide the additional services required for the securitization of real property tax revenues, assume and streamline the law approval process, serve as an authoritative body to help balance community and taxpayer interests and have enhanced capacity for timely and professional dispute resolution. The FNTC will benefit from commissioners representing major taxpayers (residential, commercial and utilities) and a continued dialogue with recognized experts in the realm of real property taxation.

### **First Nations Financial Management Board (FMB):**



This is a new institution. Its initial task will be to provide the independent and professional financial management assessment services required by those First Nations seeking entry into the FNFA borrowing pool.

The FMB will have two primary functions. First, the FMB will certify financial management systems, practices and standards and monitor financial performance of those First Nations who have chosen to enter into property taxation under the Act and have borrowed through the Finance Authority against their property tax revenues. It will also, in exceptional circumstances, provide intervention services with respect to those First Nations. Second, for all other First Nations, the FMB will provide, on request, services relating to research and advocacy, policy development, capacity development and partnerships relating to financial management, reporting and standards development.



### **First Nations Statistics (FNS):**

This institution will support the First Nations fiscal institutions initiative in two ways. First, it will work with participating First Nations and the other institutions to produce the statistical information necessary to improve First Nation credit rating and attract potential buyers of the FNFA debentures. Second, it will work with participating First Nations and the other institutions to develop and produce the statistical information required by potential investors on First Nation lands.

The proposed FNS will assist all First Nations in meeting their local data needs while advising Statistics Canada and other statistical gathering agencies, on how First Nations may be better represented in the national statistical system. FNS and Statistics Canada share an interest in raising the value of First Nation statistics and information by making them more reliable, comparable and timely for First Nations and other users.

The FNS will provide a First Nation perspective in the analysis of First Nation data and can assist Statistics Canada in developing data collection instruments and techniques which reflect First Nation customs and culture. It will also assist Statistics Canada and other government departments in identifying and filling the gaps in First Nation statistical information to the mutual benefit of both First Nation communities and government agencies.

### **Other Considerations:**

The four proposed institutions are designed to support participating First Nations in improving their infrastructure and administrations while developing an attractive investment climate. Certain services, such as joining the First Nation borrowing regime, will require that First Nations meet the requirements set out in the legislation. First Nation participation is expected to grow progressively as the tangible benefits of taking up the opportunities in the Bill become a reality.

## **History:**

The fiscal institutions is a national initiative that was initially developed by ITAB and the FNFA. In order to provide the institutional framework required to support the FNFA debentures and to attract investment to First Nation lands, the FMB and FNS were added. The First Nations fiscal institutions initiative evolved to its current form through the National Table on Fiscal Relations (NTFR) which was established in 1999 by a Memorandum of Understanding between Indian and Northern Affairs Canada (INAC) and the Assembly of First Nations (AFN). It also involved representatives from First Nations across Canada and the Departments of Finance, Statistics Canada, Health Canada, and the Canada Customs and Revenue Agency.

Currently, further development of the institutions is being led by two First Nation Boards and two First Nation Advisory Panels. The existing Indian Taxation Advisory Board (ITAB) and the original First Nations Finance Authority Inc. are continuing their key roles in the development of the Tax Commission and Finance Authority. The British Columbia Summit is sponsoring development of the Financial Management Board and the Union of Ontario Indians is sponsoring First Nations Statistics.