



What is the history of this issue and how does it impact First Nations?

As COVID-19 has made clear, supporting First Nations governments to design their own approaches based on their priorities is essential to ensuring the health and wellbeing of First Nations. Decades of fiscal relationships focused on ensuring compliance with program delivery and reporting requirements rather than empowering First Nations governments to design services based on the priorities of their citizens, along with insufficient funding of First Nations governments, have proven to be barriers to progress. These longstanding challenges affect socio-economic outcomes, innovation, and the strengthening of financial management, human resources, IT systems, and other essential structures required for good governance and services that reflect each First Nation's priorities. This is the driver behind the Governance Sector's work to establish a new fiscal relationship between First Nations and Canada.

The work on the new fiscal relationship is mandated by AFN Resolutions 66/2017, *AFN-Canada Joint Report on Fiscal Relations* and 24/2019, *Engage Extensively with First Nations on the Report of the Joint Advisory Committee on Fiscal Relations*, and continues to pursue objectives set out in these reports:

- *A New Approach: Co-Development of New Fiscal Relationship between Canada and First Nations*, co-authored by the AFN and Indigenous Services Canada, published December 2017; and
- *Honouring our Ancestors by Trailblazing a Path to the Future*, authored by the Joint Advisory Committee on Fiscal Relations, June 2019.

How has the AFN's recent advocacy affected this area?

New Fiscal Relationship Transfer

Based on Resolution 66/2017, the AFN and Canada co-developed the New Fiscal Relationship Transfer (also known as the 10-year grant), a new funding mechanism designed to offer First Nations an alternative to funding through contribution agreements. The NFR Transfer provides several significant benefits:

- a 10-year term (most contribution agreements have shorter terms)
- flexibility to design and deliver services
- flexibility to allocate, manage and use funding to better accommodate local needs and changing circumstances and priorities
- ability to retain unspent funds
- reduced administrative and reporting burden



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As of fiscal year 2022-23, 130 First Nations are now using the NFR Transfer, and that number is expected to grow. The AFN can also confirm that the NFR Transfer is now subject to an escalator that adjusts the Transfer to take into account population growth and inflation and that financial administration laws passed through Band Council Resolution (BCR) can help a First Nation qualify for the Transfer.

The AFN has long called for the repeal of the Default Prevention and Management Policy (DPMP). Replacement by a collaborative approach that supports First Nation capacity development and mutual accountability while respecting the rights and authority of First Nations can also help to ensure Canada is fulfilling its fiduciary duty. Engagement with First Nations on a new policy is planned through a questionnaire on alternative approaches to support First Nation capacity development to prevent default and achieve financial sustainability.

The Joint Advisory Committee on Fiscal Relations envisioned a new fiscal relationship premised on shared responsibilities and mutual accountability, called for an accountability framework to measure and report on the closure of socio-economic gaps, as part of the development of options for statutory transfers between Canada and First Nations. Work continues on a proposed National Outcome-Based Framework and pathways for engagement on that report.

Where do we hope to go in the future?

Now that the escalator has been secured for the New Fiscal Relationship Transfer (10-year grant), and the provision for financial administration laws passed by Band Council Resolution are being put in place for fiscal year 2022-23, attention can move to adapting or expanding eligibility criteria to other First Nations entities and the scope of program funding that can be included in the grant. Discussion also continues on replacing the Default Prevention and Management Policy and repeal of the *First Nations Financial Transparency Act*.

The AFN is also engaged with Indigenous Services Canada to fulfil the Government's Budget 2018 commitment to "undertake a comprehensive and collaborative review of federal government programs and funding that support First Nations governance." Increasing governance funding is a critical element in advancing other solutions under the new fiscal relationship and supporting First Nations self-determination.

Further to Resolution 24/2019, more engagement with First Nations is needed toward developments in the fiscal relationship, including statutory transfers and the development of new institutions, including a First Nations Auditor General, a statistical function, and a fiscal policy institution.