



Indian and Northern
Affairs Canada

Affaires indiennes
et du Nord Canada

Final Report

*Summative Evaluation of
INAC's Economic Development
Programs*

(Project Number: 07/47)

April 2009

Evaluation, Performance Measurement,
and Review Branch
Audit and Evaluation Sector

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Canada 

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Executive Summary

This report presents the findings of the summative evaluation of INAC's economic development programs, including the Economic Development Programs (EDP) and the Aboriginal Business Development Program (ABDP). The EDP provides support to First Nation and Inuit communities and community-based organizations. It is intended to provide core and project funding to community economic development organizations. ABDP provides financing, business support and information to develop and increase the competitiveness and success of Aboriginal businesses in Canadian and world markets.

The purpose of the evaluation was to assess the relevance, success and cost effectiveness of these programs, identify best practices, and inform future programming, especially the new Federal Framework for Aboriginal Economic Development.

Methodologies included a document and literature review, an administrative data review, key informant interviews (n=69), six case studies (6), a survey of ABDP recipients (n=144), and a survey of EDP recipients (n=62).

Conclusions

Relevance

According to the evidence, ABDP and EDP are consistent overall with INAC and federal government priorities for Aboriginal economic development as expressed through recent budget speeches, INAC's Program Activity Architecture and other federal documents. EDP does not, however, cover Métis communities, but the situation reflects the program Terms and Conditions in the period covered by the evaluation. Evidence also indicates that there is an ongoing need to support Aboriginal economic development as unemployment and poverty rates remain high in Aboriginal communities compared to non-Aboriginal communities. Aboriginal businesses, especially on-reserve, have difficulties obtaining equity from other funding sources.

Success

Overall findings indicate that both ABDP and EDP contributed to Aboriginal economic development as they increased participation of Aboriginal people in the economy, through the creation and retention of an estimated 6,500 jobs per year. Revenues generated by businesses supported by the Aboriginal Business Development (ABD) component far exceed the ABD investments. ABD contributed to the creation and retention of thousands of jobs on an annual basis and leveraged significant resources from public and private sources.

Aboriginal Financial Institutions, supported by ABDP, have collectively achieved a sizeable volume of loan activity, which has likely contributed to significant job creation. Many Aboriginal Financial Institutions however, are experiencing financial difficulties. The overall

loan loss rates have been higher than typical commercial banks, but the loan recovery rate is deemed acceptable for the types of loans allocated by the institutions, that is, higher risk loans. The loan recovery rate obtained by the Aboriginal Financial Institutions would be considered high for a government cost-recovery contribution program.

The Community Economic Development Program component of EDP contributes to economic development by supporting local initiatives and allowing many communities to engage economic development officers. Many of these officers play a central role in supporting planning and local businesses, and leveraging various sources of funding.

The Community Support Services Program has played a role in increasing the capacity of some economic development officers. The Community Economic Opportunities Program has contributed to local and regional community economic development through non-financial assistance to business projects by supporting, for example, feasibility studies and training activities. There is evidence it has leveraged resources from other sources. However, there was insufficient evidence to assess the extent of EDP's overall contribution to Aboriginal economic development.

The absence of gender disaggregated data made it difficult to draw conclusions about the relative impact of ABDP and EDP on women and men. The evidence shows the majority of ABDP recipients are men and that some eligibility criteria may pose barriers to women in accessing assistance.

Cost Effectiveness, Factors Influencing Success and Duplication

The evaluation found that ABDP is cost effective considering the revenues, jobs and profits generated. Alternative Service Delivery organizations are viewed as slightly more cost effective than delivery through INAC offices. The cost effectiveness of the support to Aboriginal Financial Institutions under ABDP could not be assessed due to lack of data. Both ABDP and EDP are deemed cost efficient in terms of administrative overhead, to a point that INAC could actually invest more resources in the management of EDP.

A number of factors influencing success and delivery issues were identified for both programs. For ABD, the client-based approach is seen as a strength. However, ABD decisions are not always timely. The reach of the program is uneven across regions, some regions being less well served by ABD (the Territories in particular, but also remote areas). Program data shows that two-thirds of ABD projects are located off-reserve, and that this trend has not changed since 2005, when the EDP Business Equity Program was abolished. This indicates ABD has not filled the gap in equity financing on-reserve left when the program was eliminated.

ABD's performance measurement (Business Performance Review) system is extremely effective in reporting results. However, program administration was weakened when it was transferred to INAC from Industry Canada, as it lost its ability to process on-line applications. For ABDP Aboriginal Financial Institution programming, there is evidence of risk aversion by Institutions, especially those experiencing financial difficulties, making it more difficult for some higher risk projects to access funding.

For EDP, noted strengths include its flexibility, allowing communities to orient resources to their specific needs and priorities. However, the Program's lack of strategic focus compromises its ability to achieve results. The population-based funding design of the Community Economic Development Program disadvantages smaller communities, which often receive insufficient support to hire a qualified, fulltime economic development officer. In some cases, INAC has overcome this problem by supporting regionalized delivery approaches whereby program funds are pooled under the administration of a single Aboriginal entity, an approach that is seen as a best practice.

EDP's performance measurement system is seen as problematic and incapable of producing a reliable national roll-up of results. Insufficient financial and human resources to support, manage and report on the program are also factors limiting the success of EDP. The current year-to-year funding available to most communities, fails to facilitate longer-term economic development perspectives and planning. In addition, the current design of EDP does not encourage sound governance, including the separation of political and economic development functions, that experts say is needed for successful economic development.

The evaluation found no major duplication between ABDP and EDP, except in the area of business planning, which can be supported by ABD or the Community Economic Opportunities Program for businesses on-reserve. Apart from ABDP, there are a number of other funding sources for Aboriginal businesses. In general, these funders appear to complement each other and allow for larger projects to obtain the necessary funding. However, greater coordination would increase complementarity.

Recommendations

It is recommended that:

- 1) INAC continue to support economic development programming that includes assistance for Aboriginal businesses and community economic development.
- 2) Given the expanded mandate of the Department, INAC ensure its economic development programming meets the needs of all Aboriginal groups (First Nation on- and off-reserve, Inuit and Métis); and takes into consideration the different characteristics of Aboriginal communities (on- and off-reserve, urban, and remote); their access to equity financing; and the differing needs of women and men, in line with INAC's Gender-Based Analysis Policy.
- 3) INAC ensure that the design of EDP is strategically focused on the achievement of intermediate and long-term results. Key considerations should include:
 - continuing support for capacity development, strategic planning and community economic development projects
 - assessing the feasibility of adjustments or alternatives to the current population formula funding approach; and
 - modifications, such as, support for regional approaches, and multi-year funding.

- 4) INAC determine the Department's role in supporting Aboriginal community economic development and business development, and take steps to ensure sufficient and appropriate human, financial and information technology resources are in place to support Aboriginal businesses and communities, as well as to manage, monitor and report on programming.
- 5) INAC consider expanding ABDP support through third-party delivery as part of a strategy to ensure effective and efficient program delivery and leverage.
- 6) INAC develop and implement a performance measurement strategy for departmental economic development programming which integrates both EDP and ABDP, and allows the programs to measure progress, make ongoing adjustments to programming, and report on results.

Management Response / Action Plan

Summative Evaluation of INAC's Economic Development Programs
Project #: 07/47

Recommendations	Actions	Responsible Manager (Title)	Planned Implementation and Completion Date
<p>1. INAC continue to support economic development programming that includes assistance for Aboriginal businesses and community economic development.</p>	<p>The Government of Canada, through INAC's Lands and Economic Development Sector, is committed to implementing a new federal approach to Aboriginal economic development, one that will create the necessary conditions to enable Aboriginal Canadians to pursue economic development opportunities successfully. The Framework will support, in part through INAC's Economic Development programming, the development of investment-ready communities, viable Aboriginal businesses and a skilled labour force.</p>	<p>DG, Lands and Economic Development Policy Branch</p>	<p>Framework completed Spring 2009</p> <p>Implementation of Framework to commence April 1, 2010</p>
	<p>INAC's economic development programming will:</p> <ul style="list-style-type: none"> - Continue to support Aboriginal businesses through the renewal/amendment of program authorities. - Continue to support community economic development through the renewal/amendment of program authorities 	<p>DG Business Development Branch DG, Community Investment Branch</p>	<p>Program renewal completed April 1, 2010</p> <p>Authorities to expire March 31, 2015</p>

<p>2. Given the expanded mandate of the Department, ensure that INAC's economic development programming meets the needs of all Aboriginal groups (First Nation on- and off-reserve, Inuit and Métis); and takes into consideration the different characteristics of Aboriginal communities (on- and off-reserve, urban, and remote); their access to equity financing; and the differing needs of women and men, in line with INAC's Gender-Based Analysis Policy.</p>	<p>Undertake research to identify and propose strategies to address gender barriers to economic participation by Aboriginal peoples</p>	<p>DG, Lands and Economic Development Policy Branch</p>	<p>Research and action plan to be completed date: March 31, 2010</p> <p>Implementation of action plan to be completed by April 1, 2015 (in line with INAC's economic development program authorities)</p>
	<p>Continue to provide business development programming to all Aboriginal groups, on- and off-reserve</p> <p>Explore possibilities of specific business development initiatives for women, in line with INAC's Gender-Based Analysis Policy, if necessary, based on on-going research and data collection</p>	<p>DG, Business Development Branch</p>	<p>Renewal of program authorities completed March 31, 2010</p> <p>Implementation of specific business development initiatives implemented by April 1, 2010</p>
	<p>Consider Community Economic Development Program renovations that include programming to meet the needs of all Aboriginal groups.</p>	<p>DG, Community Investment Strategies</p>	<p>Program renovation proposal completed Fall 2009.</p> <p>Implementation April 1, 2010.</p>
	<p>To assist with identifying and addressing differential program access and uptake (including equity financing), work with Information Management Branch (FNITP - First Nations and Inuit Transfer Payment Program project) to ensure that information pertaining to the characteristics of Aboriginal recipients is captured and made available to program managers</p>	<p>Director, Resource Planning and Reporting Directorate</p>	<p>Completed: March 31, 2010</p> <p>Implemented: April 1, 2010</p>

<p>3. INAC ensure that the design of EDP is strategically focused on the achievement of intermediate and long-term results. Key considerations should include:</p> <ul style="list-style-type: none"> - continuing support for capacity development, strategic planning and community economic development projects - assessing feasibility of adjustments or alternatives to the current population formula funding approach; and - modifications, such as, support for regional approaches, and multi-year funding. 	<p>Community Investments Branch (CIB) will develop a suite of new programs in keeping with the Federal Framework, the considerations identified with respect to this recommendation, and the overall findings of this evaluation.</p>	<p>DG Community Investment Branch</p>	<p>Program renovation proposal completed Fall 2009.</p> <p>Implementation April 1, 2010.</p>
<p>4. INAC determine the Department's role in supporting community economic development and business development, and take steps to ensure sufficient and appropriate human, financial and information technology resources are in place to support Aboriginal businesses and communities, as well as to manage, monitor and report on programming.</p>	<p>INAC's role in community economic development and business development will be defined through the Federal Framework for Aboriginal Economic Development</p> <p>As a part of the program renovation activities in keeping with the Framework, INAC will undertake a review of resources (human, financial and IM/IT) dedicated to the delivery of community economic development and business development programming, and allocate human and financial resources to effectively manage, monitor and report on the new suite of economic development programs.</p>	<p>DG Community Investment</p> <p>DG Business Development Branch</p>	<p>Research completed Fall 2009.</p> <p>Implementation: April 1, 2010</p>
<p>5. INAC consider expanding ABDP support through third party delivery as part of a strategy to ensure effective and efficient program delivery and leverage.</p>	<p>Continue with an independent comprehensive review (initiated October 2008) of Aboriginal Financial Institutions (to be completed in March 2010). Based on the review assess the readiness of Aboriginal Financial Institutions to act as delivery agents of INAC's business development programming</p>	<p>DG, Business Development Branch</p>	<p>Review completed March 31, 2010, implementation of findings to commence April 1, 2010</p>

<p>6. INAC develop and implement a performance measurement strategy for departmental economic development programming which integrates both EDP and ABDP, and allows the programs to measure progress, make ongoing adjustments to programming, and report on results.</p>	<p>An economic development programming performance measurement strategy, integrating both community economic development and business development programming will be developed and included in program renewal, taking into consideration reporting burden and IM/IT requirements.</p>	<p>DG Community Investment DG Business Development Branch</p>	<p>Completed, Fall 2009 Implemented April 1, 2010</p>
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I approve the above Management Response and Action Plan*

Sara Filbee
Assistant Deputy Minister, Lands and Economic Development Sector

Date: April 8, 2009

The Management Response and Action Plan for the Evaluation of INAC's Economic Development Programs were approved by the Evaluation, Performance Measurement and Review Committee on April 17, 2009.

1. Introduction

Economic development has long been seen by the federal government as the means to close the socio-economic gap between the majority of Aboriginal Canadians and the Canadian population as a whole. In 1989, the federal government launched the Canadian Aboriginal Economic Development Strategy, an interdepartmental approach to enhance the economic self-reliance of Aboriginal people. Under the strategy, Indian and North Affairs Canada (INAC) took on responsibility for community and resource development, Industry Canada assumed responsibility for business development, and Human Resources Development Canada oversaw training and employment development.

INAC's Economic Development Programs (EDP) provide funding to communities and community economic development organizations. Since 1989, EDP's sub-programs have gone through a number of changes including the introduction in 1998, and cancellation in 2005, of programs that provided equity for First Nation and Inuit businesses.

Industry Canada established the Aboriginal Business Development Program (ABDP) in 1989. In December 2006, the ABDP, including Aboriginal Business Canada, was transferred to INAC to create 'single window' approach to Aboriginal economic development programming.

The purpose of the evaluation is to assess the relevance, success and cost effectiveness of the EDP and ABDP, identify best practices, and inform future programming, especially the new Federal Framework for Aboriginal Economic Development.

1.1 Program Profile: Economic Development Programs (EDP)

Authority: Payments to support Indians, Inuit and Innu for the purpose of supplying public services in economic development / 109,002,000\$

Under its 2005 Treasury Board Terms and Conditions, EDP provides support to First Nation and Inuit communities. It is intended to provide core and project funding to community economic development organizations to assist communities with:

- getting community members into employment;
- developing community plans;
- developing land and resources under community control;
- accessing opportunities from lands and resources not under community control;
- promoting investment in the community;
- research and advocacy; and
- developing community-owned and community member businesses.

According to the EDP logic model, the program's intermediate outcomes are decreased community unemployment rates, increased community business development and increased community incomes. These outcomes are expected to contribute to a final outcome of decreasing the economic gap between First Nation and Inuit communities and the rest of the Canadian population.

Four program components are identified in EDP's 2005 Treasury Board Terms and Conditions. One of these programs – Community Development Equity – was never implemented as the 2005 expenditure and program review cut some \$29 million per year from EDP programming. The other three components are discussed below.

1.1.1 Community Economic Development Program

This component provides financial assistance to First Nation and Inuit communities and community economic development organizations¹. Between 2005 and 2007, approximately 500 communities/organizations per year received support through a formula that bases funding levels on population. Communities use this assistance as core funding for community economic development organizations, planning, community projects and business development. Some communities use these funds as seed money to attract other sources of support. Assistance is provided through contributions, annual flexible transfer payments or alternative funding arrangements.

1.1.2 Community Economic Opportunities Program

This program supports the efforts of First Nation and Inuit communities to access economic and business opportunities. INAC provides contributions to projects such as: consensus-building activities leading to economic development plans and projects; training and development; business plan preparation; economic infrastructure serving multiple businesses; and business aftercare activities. This program does not provide equity for businesses.

1.1.3 Community Support Services Program

This component funds training and support services for First Nation and Inuit community economic development organizations. Assistance is for both one-time projects and training initiatives and ongoing activities aimed at increasing the capacity of economic development organizations. Contribution funding is provided based on proposals submitted by communities or community economic development organizations.

INAC established Regional Program Management Advisory Committees (RPMACs) in each INAC region, except Quebec, to provide advice to the department on program management. In most cases these committees advise on the Community Economic Opportunities Program and, in some regions, the Community Support Services Program. This may include advice on project selection and/or regional strategies, alliances with other departments and programs, and training

¹ According to the program Terms and Conditions Tribal Councils or regional organizations and associations that represent different communities can also receive funding.

initiatives. Each region has established its own protocol about membership and consultation practices. Membership in these committees includes both INAC officials and, depending on the region, First Nation, Innu and/or Inuit Representatives. The department established a National level program management advisory committee for EDP but it was suspended in 2006.

1.2 Program Profile: Aboriginal Business Development Program (ABDP)

Authority: Aboriginal Business Development Program (ABDP) / Contributions under the Aboriginal Business Canada Program / \$37,250,000

ABDP invested about \$38 million annually in Aboriginal businesses and is open to all Aboriginal people (First Nation on- and off-reserve, Inuit, and Métis). ABDP provides financing, business support and information to develop and increase the competitiveness and success of Aboriginal businesses in Canadian and world markets. According to its 2003 Treasury Board Terms and Conditions, which were amended in 2008², the objectives of the ABDP are:

- to increase the number of viable businesses owned and operated by Aboriginal Canadians;
- to cultivate a culture of entrepreneurship in the Aboriginal community and to improve access to business opportunities;
- to establish, expand and diversify the network of Aboriginal-owned and controlled financial institutions providing developmental capital in Canada, that are functionally complementary to the mainstream financial sector;
- to enhance access to capital for Aboriginal businesses that have difficulty in obtaining conventional commercial financing; and
- to enhance the capacity of Aboriginal financial and business development organizations to provide financial services, business information and developmental support services.

According to the program's logic model, ABDP's intermediate outcomes are improved access to business financing, improved business management skills, improved access to markets and improved Aboriginal organizations. This is to lead to the ultimate outcome of "creation and expansion of viable businesses in Canada owned and controlled by Aboriginal peoples".

The three components of ABDP – Aboriginal Business Development (ABD), Aboriginal Financial Institutions and Access to Capital – are outlined below.

² In 2008, the Terms and Conditions were amended to implement two pilot initiatives: Loan Loss Reserve and Major Resource Development and Energy Investments that seek to increase access to capital for business and access to equity for communities to participate in major investments. Since the introduction of those initiatives, the ABDP objectives changed slightly with the addition of a new objective: "To increase Aboriginal participation in economic benefits from major resource development and energy investments". These changes fall outside the scope of the review.

1.2.1 Aboriginal Business Development

ABD provides financial and development assistance to increase Aboriginal commercial enterprise activity. The average contribution to an Aboriginal business between 2003 and 2007 was \$92,792. ABD addresses the need for equity, providing quasi-equity contributions that a business can use to secure additional financing. An equity contribution through ABD can result in an opportunity achieving “bankable” status whereby a mainstream financial institution is willing to provide a loan for the remaining funds needed by the project. Typically ABD provides between 30 percent and 40 percent of a small business project’s total value³.

Aboriginal Business Canada field officers located in urban centres across Canada deliver the program. These field officers are present in all regions, except in the Nunavut and Yukon regions, where ABDP is delivered through External Delivery Organizations and Alternative Service Delivery organizations (These delivery mechanisms are explained in the next section.)

Priority areas, such as youth entrepreneurs, as well as specific sectors including manufacturing, tourism, and businesses linked to major developments, drove ABD, until June 2008. The program now accepts a wider range of potential projects. However, the program maintains a number of eligibility requirements including the need for the applicants to provide 15 percent equity (10 percent for youth), and the requirement that recipients work full time at their business, except for seasonal businesses. Current guidelines offer contributions up to \$99,999 per project and up to \$1 million for community-owned projects. Prior to June 2008, contributions were up to \$75,000 for individual projects and up to \$500,000 for community-owned projects.

ABD - External Delivery Organizations and Alternative Service Delivery

ABDP has agreements with 15 External Delivery Organizations, four of which are Alternative Service Delivery organizations, to extend the reach of the program beyond Aboriginal Business Canada offices. The External Delivery Organizations received \$13 million in operating funds between April 1, 2003 and October 31, 2007 to assist Aboriginal clients in the development of viable business proposals. ABD provides operational funding to allow External Delivery Organizations to hire qualified staff and to offset the costs associated with travel, administration and management. Aboriginal Business Canada staff retains responsibility for approval and management of business funding proposals.

ABD also uses third party business development organizations to deliver the program under Alternative Service Delivery. Begun as a pilot in 2000, Alternative Service Delivery became a permanent feature of ABD in 2006. An alternative service delivery arrangement consists of two parts: operational funding including support for salary, travel and administration and the establishment of an equity pool by which contributions are made to eligible Aboriginal clients. Alternative Service Delivery organizations have responsibility for approving contributions in a defined geographic area of up to \$50,000. Approvals must be made in accordance with ABD

³ Vodden, Keith. 2008. Summative Evaluation of the Aboriginal Business Development Program: Final Report. TNS Canadian Facts (Publication No. N0816). Ottawa, ON.

project and client eligibility requirements. Alternative Service Delivery organizations received \$5 million in operating funding and \$14.2 million in equity funds up to September 30, 2007.

1.2.2 Aboriginal Financial Institutions

ABDP support to Aboriginal Financial Institutions is intended to establish, expand and diversify a network of Aboriginally owned and controlled financial institutions providing developmental capital that is complementary to the mainstream financial sector. Industry Canada established 35 Aboriginal Capital Corporations since 1985. Currently 29 of those Aboriginal Capital Corporations are active. In order to service the financial and business development needs of the broader Aboriginal business community, the Aboriginal Financial Institution network includes those 29 Aboriginal Capital Corporations, 22 Aboriginal Community Futures Development Corporations and eight 'other' organizations for a total of 59 Aboriginal Financial Institutions supported by ABDP. There are two Aboriginal Financial Institutions that provide training and support services but do not provide loans.

Aboriginal Financial Institution programming consists of two key activities: capitalization top-ups to Aboriginal Capital Corporations and business support officers. Contributions have been provided to assist Aboriginal Capital Corporations in dealing with the demand for developmental lending. Business support officers are intended to assist Aboriginal Financial Institutions in providing business advisory services and loan aftercare services to clients in their operating areas. Under special circumstances, support is also provided for feasibility studies, business planning, market assessments and related marketing activities, negotiation, information gathering and diagnostic studies, and consulting. There were 17 agreements for business support officers in 2005-2006 and 16 agreements in 2006-2007.

Over the last five years, approximately 5,000 businesses have received support through Aboriginal Financial Institutions supported by ABDP.

1.2.3 Access to Capital

This component supports three programs that are managed by the National Aboriginal Capital Corporation Association, which represents Aboriginal Financial Institutions. In 2007-2008, the Corporation received \$536,000 from INAC for its core operating expenses. It received an additional \$2.6 million for delivering specific programs, including the Interest Rate Buy-Down Program and training for Aboriginal Financial Institutions. The Interest Rate Buy-down Program provides an interest rate subsidy for qualifying Aboriginal Financial Institutions who wish to increase their loan capital pools by securing credit lines with mainstream financial institutions. However, Aboriginal Financial Institutions must pay the unsubsidized component of the interest rate to the lending financial institution. In 2007-08, about \$138,000 was allocated to this program.

The Enhanced Access Loan Fund provides additional loan capital to Aboriginal Financial Institutions to allow them to expand outside their normal catchment area to service uncovered or under-served areas. Capital is repaid to replenish the fund as the loans are paid out. In 2007-08, about \$502,000 was allocated to the loan fund.

The Support and Training Program provides funding to improve management practices of Aboriginal Financial Institutions, for example, establishing loan management systems, standardizing administrative or auditing procedures, and putting in place investment services for surplus funds. The program also supports individual training and development activities. Aboriginal Financial Institutions received approximately \$11.5 million for training of staff and board members between 1999 and 2008, including approximately \$1.5 million in 2007-08.

The National Aboriginal Economic Development Board is a private-sector organization that plays an advisory role to the on economic policy and programs to the Minister of Indian and Northern Affairs. The federal government was established it in 1990. The Board helps to guide ABDP in setting funding priorities, along with reviewing and providing recommendations on large investments.

2. Evaluation Methodology

2.1 Evaluation Objectives and Timing

The objective of this summative evaluation is to examine the relevance, success and cost effectiveness of INAC's economic development programs (EDP and ABDP). The evaluation covers the period between April 2003 and March 2008.

2.2 Evaluation Issues

The evaluation focused on the following issues:

- *Relevance:* Do the programs remain consistent with current federal government and INAC priorities and policies for Aboriginal economic development? Is there an ongoing need/anticipated future demand for EDP and ABDP?
- *Success:* To what extent have the programs achieved their objectives and contributed to Aboriginal economic development? Have the programs had any unexpected impacts?
- *Effectiveness and Alternatives:* Are there other more cost effective ways of supporting Aboriginal economic development? What changes, if any would make the programs more effective? What factors have facilitated or detracted from success? To what extent do the programs complement, overlap or duplicate each other and other federal, provincial, and territorial economic development programs or services? What best practices or lessons have emerged that could contribute to improved programming?

The evaluation framework is included in Appendix 1.

2.3 Approach

Two advisory bodies assisted with the evaluation, facilitating access to information, and reviewing and validating key technical data reports, preliminary findings and the draft final report. The Working Group comprised managers and program officers from EDP and ABDP. The Advisory Committee was made up of representatives with economic development expertise from the Assembly of First Nations; the National Aboriginal Capital Corporation Association; the Council for the Advancement of Native Development Officers; the Office of the Federal Interlocutor for Métis, and Non-Status Indians; and the Kakivak Association, representing Inuit.

2.4 Data Sources

Multiple sources of evidence, both qualitative and quantitative, were used to inform the evaluation. An evaluation a pre-assessment was conducted between September 2007 and December 2007. Data for this evaluation was collected between June 2008 and February 2009 using the following methods.

- *Document and Literature Review* – including audits, evaluations, reports on INAC and federal government programs, as well as, research, reports and papers on Aboriginal business and economic development.
- *Administrative Data Review* – Financial and administrative data from both ABDP and EDP were reviewed. ABD data included results from the Business Performance Review, which is based on a 2006 post project survey of businesses one, two and three years after receiving ABD funding. This data provided the basis for cost efficiency and cost effectiveness analyses.
- *Key Informant Interviews*⁴ – A total of 69 interviews were conducted including INAC staff from headquarters and regional offices (40), other federal/provincial/territorial government representatives (9), academics and business experts (5), Aboriginal economic development experts (5), Aboriginal Financial Institutions, Aboriginal Community Futures Development Corporations, and third party delivery organizations (5), ABDP recipients (3), and Aboriginal women’s organizations (2). Those interviewed for the case studies, including many representatives of Aboriginal organizations, are not included in the numbers above.
- *Case Studies* – Six case studies of communities were conducted. The selection of communities for the case studies took into consideration the advice of INAC program officials and the Advisory Committee. Selection criteria included communities of different size and type (on- and off-reserve)⁵. Four of the case studies involved site visits to Aboriginal communities in the Atlantic region, Manitoba, Nunavut, and British Columbia, while Ontario and Quebec case studies were conducted by phone. For each case study, interviews were conducted with INAC regional staff, community representatives, local and regional financial and business organizations, representatives of businesses supported by EDP or ABDP, as well as representatives of other federal departments and provincial and territorial governments.
- *Survey of ABD Funded Business* – Of 568 businesses that received funding from ABD between 2003 and 2007, 144 responded to the telephone survey for a 25 percent response rate. The margin of error for the survey is 7 percent.
- *Survey of EDP Recipients* – A list of 630 names of representatives of communities that received EDP funding was developed. The survey, conducted via Internet and telephone, received 62 responses for a response rate of 10 percent and a margin of error of 11 percent. Only 58 responses were usable for the purposes of evaluating the Community Economic

⁴ The following qualifiers are used in the findings to give the reader a sense of the “weight” of the interview respondents: “some” refers to less than five respondents; “many” refers to less than half of the respondent group, but more than “some”; “most” refers to the majority of respondents; and the “vast majority” of respondents refers to more than 80 percent of the respondent group. The evaluation did take into account the level of knowledge of each respondent and factored these in the selection and interpretation of the findings. Thus, some findings are not weighted according to the above categories.

⁵ One of those case studies was conducted in a community that is not land based to see the impact of EDP in that particular situation.

Development Program. Given the low response rate, the results, where presented, should not be interpreted as representative.

2.5 Considerations and Limitations

INAC requested a joint evaluation of ABDP and EDP to inform program renewal as well as the development of a new Aboriginal economic development framework. This evaluation drew on a 2008 evaluation of ABDP and on previous evaluations and audits of the two programs to develop its methodology. Strong performance measurement data were available for the ABD business equity component of ABDP. However, as in past evaluations, the evaluation team was unable to capture comprehensive information on the results of Aboriginal Financial Institutions through a survey of loan recipients. The team was not successful in obtaining lists of clients from the Aboriginal Financial Institutions within the timelines of the evaluation. Client lists are only available in the files and databases at the Aboriginal Financial Institutions.

Previous evaluations of EDP were largely based on qualitative data due to the paucity of performance information. However, even annual program reports, which were available for previous evaluations, were absent for the last three years under review. An attempt to roll-up the annual reports sent by Community Economic Development Program recipients since 2005 was made but inconsistencies between those reports and INAC's financial database indicated problems with the reliability of the data. As in past evaluations, major gaps in databases containing recipient names and coordinates made it difficult to compile a list of EDP recipients for the survey. These difficulties contributed, in part, to the low response rate to the EDP survey.

The lack of gender information in EDP databases also prevented the team from conducting a gender analysis based on program information. The same situation was experienced with ABDP databases that did not include gender information (although the information is being collected by INAC through application forms). Survey data did, however, allow some gender analyses on the ABD. The impacts of ABDP program on youth were not assessed in this evaluation.

Finally, there was little evidence gathered in the course of this review on unexpected impacts, positive or negative, of the two programs.

3. Evaluation Findings - Relevance

3.1 Overall Findings

Both the ABDP and EDP are consistent overall with INAC and federal government priorities for Aboriginal economic development as expressed through federal budget speeches (2007, 2008, 2009), INAC's Program Activity Architecture and other federal documents. EDP does not, however, cover Métis communities, but the situation reflects the current program terms and conditions. Evidence from the literature review, key informant interviews and case studies indicate that there is an ongoing need to support Aboriginal economic development as unemployment and poverty rates remain high in Aboriginal communities compared to non-Aboriginal communities. Aboriginal businesses, especially on-reserve, also require assistance as many have difficulty obtaining equity from other funding sources.

3.2 Consistency with Federal Government and INAC Priorities and Policies

According to federal government program documentation, ABDP and EDP are consistent with current federal government and INAC priorities and policies for Aboriginal economic development. In line with recommendations by the Standing Senate Committee on Aboriginal Peoples in 2008, the Government of Canada acknowledged in the 2007, 2008 and 2009 Budget Speeches the need to continue to improve the lives of Canada's Aboriginal people through a focus on Aboriginal economic development and skills training. The government committed \$70 million over the following two years to establish a new Federal Framework for Aboriginal Economic Development following Budget 2008.

Economic development and community investments are also key INAC priorities. According to the 2008-2009 Report on Plans and Priorities and INAC's current Program Activity Architecture, economic well-being and prosperity is a major strategic outcome of activities of programs supporting business development and community investment. The only inconsistency between EDP and current government policies is the gap between the federal government's commitment to support Métis and the fact that EDP does not currently cover Métis communities. It should be noted that this program was designed before INAC assumed responsibility for the Office of the Federal Interlocutor for Métis and Non-Status Indians. Thus the program was not designed to support Métis communities and the Terms and Conditions do not allow, at present, for this population to be served. Métis have full access to ABDP programming.

Overall, government and non-government respondents in key informant interviews agreed that the programs are in line with federal government priorities. Respondents generally felt that there was a federal commitment to reduce poverty and improve life conditions, and that economic

development was a means to achieve this. Some respondents mentioned, however, that in recent years INAC's priorities seem to have been more focused on social development than business development.

While many respondents agreed that EDP is consistent with federal objectives, many also expressed more critical views about the program. According to them, the way the Community Economic Development Program is applied as a program does not entirely match the government's vision of economic development. It was explained that as the formula-driven approach is not market or needs driven and it is inconsistent with today's governmental concepts of transparency and accountability. However, several respondents noted that the formula-driven approach reflects the Terms and Conditions of the program and that its flexibility allows communities to invest their funds in local priorities and market-driven opportunities.

3.3 Continuing Need for Aboriginal Economic Development Programming

The literature indicates that there is an ongoing need to support economic development in Aboriginal communities. According to Census data from Statistics Canada, the employment rate for Aboriginal people of core working age, i.e. 25-54 years of age, increased from 61.2 percent in 2001 to 65.8 percent in 2006. There is also evidence that there is a reduction of dependence on social transfers⁶ among First Nations. Despite these improvements, there remains a sizeable gap in the employment rate between Aboriginal and non-Aboriginal persons (15.8 percent, according to Census data).

Many key informants agreed that there is a need for economic development programs as reflected by unemployment and poverty rates among Aboriginal peoples. In addition, the six case studies provided strong evidence of an ongoing and future need for assistance in economic development. Communities suffer from poverty and gaps remain between Aboriginal and non-Aboriginal populations. Economic development programming can help make Aboriginal communities self-sufficient, in part, through support for economic development.

Many barriers also remain for Aboriginal businesses seeking capital. Traditional lenders (i.e. banks and trust companies) consider Aboriginal clients too "high-risk" to be eligible for financing, and prospective borrowers who live in remote or rural locations in Canada often have difficulties accessing lending services in their region. As well, as per the provisions of the Indian Act, most First Nations cannot use reserve land as collateral for loans. Such factors have contributed to the continuing need for access to capital and equity/financial assistance.

Many communities have businesses in a start-up stage that have difficulties obtaining financial support from private sources. For example, in British Columbia it was reported that Aboriginal businesses have few alternative funding sources to raise the needed capital to expand or initiate businesses. Conventional bank financing was stated as being unavailable for all but a few of the largest and most successful Aboriginal businesses in the community. In one Territory case study,

⁶ Making Poverty History Expert Advisory Committee. 2008. The State of the First Nation Economy and the Struggle to Make Poverty History. Assembly of First Nations. www.afn.ca/misc/FSNE.pdf

evidence indicated that entrepreneurs lack alternatives in accessing capital, as it was widely reported that the major banks that are present in the Territory are mostly based in the capital city, and do not readily lend to entrepreneurs situated in the other communities.

Some cases also suggest that community planning is needed to manage shifts towards new sectors or business opportunities. A case study in the Quebec region indicated that Community Economic Development Program funds are used there to develop economic development plans and meet an essential need in this area. There are many business opportunities in the region in the areas of commercial fishing, outfitting, lumber, energy (windmills), tourism and construction (housing) and communities need strategic plans to take advantage of them.

4. Evaluation Findings - Success

4.1 Overall Findings

Overall findings indicate that both ABDP and EDP contributed to Aboriginal economic development as they increased participation of Aboriginal people in the economy through the creation and retention of an estimated 6,500 jobs per year. Revenues generated by businesses supported by ABD far exceed the ABD investments. ABD contributed to the creation and retention of thousands of jobs on an annual basis and leveraged significant resources from public and private sources.

Aboriginal Financial Institutions have collectively achieved a sizeable volume of loan activity, which has likely contributed to significant job creation. Many Aboriginal Financial Institutions however, are experiencing financial difficulties. The overall loan loss rates have been higher than typical commercial banks, but the loan recovery rate is deemed acceptable for the types of loan allocated by the institutions, that is, higher risk loans. The loan recovery rate obtained by the Aboriginal Financial Institutions would be considered high for a government cost-recovery contribution program. ABDP appears to have made significant progress toward its ultimate outcome of creating and expanding businesses owned and controlled by Aboriginal peoples.

The Community Economic Development Program contributes to economic development by supporting local initiatives and allowing many communities to engage economic development officers. Many of these officers play a central role in supporting planning and local businesses, and leveraging various sources of funding.

The Community Support Services Program has played a role in increasing the capacity of some economic development officers. The Community Economic Opportunities Program has contributed to local and regional community economic development through non-financial assistance to business projects by supporting, for example, feasibility studies and training activities. There is evidence it has leveraged resources from other sources.

There was insufficient evidence to assess the extent of the contribution of EDP's three programs to community economic development. Thus, the evaluation could not determine whether the program is making progress towards achieving its intermediate outcomes of decreased community unemployment rates, increased community business development and increased community incomes.

The absence of gender disaggregated administrative data made it difficult to draw conclusions about the relative impact of ABDP and EDP on women and men. The evidence shows the majority of ABDP recipients are men and that some eligibility criteria may pose barriers to women in accessing assistance.

4.2 Success and Results of ABDP

4.2.1 ABD

Between 2003 and 2007, ABD authorized \$383 million in funding to 4,136 projects⁷. Through this funding, ABD made significant contributions to successful business start-ups, to business development and to job creation. Among these, 1,992 projects were delivered by the network of External Delivery Organizations and Alternative Service Delivery organizations, as detailed below.

Table 1 - Businesses supported by external delivery partners (April 1, 2003 to September 30, 2007)

Type of business	Alternative Service Delivery	External Delivery Organizations and ABD offices	Total	
Start-up business	256	987	1243	(62.4%)
Acquisitions	32	142	174	(8.7%)
Existing business	106	469	575	(28.9%)
Total	394	1598	1992	(100%)

Source: Vodden, 2008.

ABDP 2006 Business Performance Review data covered 632 organizations that received contribution funding between 2003 and 2007. Analysis of this data⁸ indicated that approximately 60 percent of ABD funding recipients received contributions at the business start-up stage, which suggests that the funding has a strong incremental impact. According to the ABD survey results, without ABD funding 46 percent of the existing businesses would have closed and over 90 percent of projects would have been cancelled, delayed or smaller in scope.

With respect to job creation, the analysis of the Business Performance Review shows that ABD contributed to the creation or retention of more than 4,100 full-time equivalent jobs by the businesses after their first year of operation after receiving ABD funds. (This is based on the assumption that two part-time jobs equal one full-time job.) Aboriginal persons hold most full-time jobs while non-Aboriginal persons hold most part-time jobs. However an analysis of whether those jobs went to women or men was not possible, as the data was not disaggregated by gender.

Based on the sample of 632 organizations, financial analysis demonstrates that for each ABD investment of \$5,354, one full-time equivalent (FTE) job year is created and in terms of wages, each ABD dollar contributes to the generation of \$3.19 in wages. Each ABD dollar also

⁷ One organization could receive more than one contribution.

⁸ The ABDP Business Performance Review is based on surveys conducted by the program to assess business performance (indicators on the current status of the business viability, employment, financial information) of a sample of businesses that received funds from ABD program. The system, however, did not survey all businesses systematically. Businesses could be surveyed up to three times for the three consecutive years after funding, but only a selected number of organizations were surveyed through the Business Performance Review after one year, based on their level of risk.

leverages \$3.16 from other sources for projects. However, the proportion of leveraged funds coming from public and private sources is unclear.

Table 2 - ABD Results according the Business Performance Review

	Totals
Total authorized assistance (ABDP contribution)	\$ 29,212,499
Total proponents contributions to projects	\$ 92 388 279
Total generated revenues of ABDP supported businesses	\$ 661,784,460
Total FTEs-years, over three years (1)	5,456 (4,100 after one year)
Total Wages (up to 3 years total)	\$ 93,217,655

	Financial Ratios
Revenue/authorized assistance	22.65
Average annual profits/revenue	0.04
Leveraging (proponents contributions/authorized assistance)	3.16
Authorized Assistance per FTE-years	\$5,354
Wages/authorized assistance	3.19
Proponent contribution to projects/authorized assistance	3.16

Source: ABDP 2006 Business Performance Review data (n=632)

The Business Performance Review data also provides useful background information about funding recipients and their businesses. According to the database, 65 percent of projects are off-reserve and 35 percent of projects are on-reserve. However, the data shows that on-reserve projects tend to be larger in size (in dollar value) than off-reserve projects. In terms of heritage, status First Nations businesses benefit more from the program (60 percent), followed by Métis businesses (36 percent). Inuit businesses represent only 4 percent of the projects, as shown below. As a reference, Census data (2001) indicate that First Nations people made up 62 percent of the Aboriginal population, while 30 percent were Métis and 5 percent were Inuit.

Table 3 - ABDP Business Profiles

Project Profile	Distribution of Projects (percent rounded)
Heritage	
Status	57
Non-Status	3
Métis	36
Inuit	4
Non-Aboriginal	1
Location	
Urban	39
Rural	50
Remote	10
Reserve Status	
On-reserve	35
Off-reserve	65

Source: Business Performance Review Data (n=632)

Having a comparable survival rate among ABD-funded businesses and other Canadian businesses is an objective of the program. While the data from the 2006 Business Performance Review only represents a sample of ABD-funded business, the survival rates for these firms appear to be better than other Canadian firms reported by Statistics Canada⁹. ABD funded businesses have a 90 percent survival rate after the first year, 70 percent in year two; 56 percent in year three. This compares to 77 percent, 60 percent and 50 percent respectively for Canada overall. The 2008 Summative Evaluation of ABDP also concluded that for new and existing businesses reached through the Business Performance Review process, 75 percent have a positive net worth, 67 percent are profitable and 3 percent break even.

Although ABDP contributes extensively to these impacts through business support and funding, full attribution should not be given to ABDP as program criteria requests an equity contribution from funding applicants according to the total amount of the project (the percentage required depends on level of risk). Many recipients applied for ABD funding either before or after obtaining equity funds and accessed equity funding from a variety of sources, for example, an Aboriginal Financial Institution, commercial bank, credit union, or trust fund. According to the ABDP survey 45 percent of ABD recipients applied for and received funding from another source immediately before or after applying for ABD funds. As indicated below, the first source in importance is commercial banks. These are followed closely by the Aboriginal Financial Institutions.

⁹ Statistics Canada. "Failure rates for new Canadian firms: New perspectives on entry and exit". (Cat. No. 61-526-XPE. 2000. The authors of the evaluation note, however, that data used for this study only covers those businesses that submitted T4 data to Revenue Canada.

Table 4 - External funding sources to ABD-funded projects

Source of funding	Percent of all ABD recipients receiving other sources of funding
Aboriginal Financial Institution	16%
Commercial bank	18%
Indian and Northern Affairs Canada	3%
Credit union or trust company	3%
Business Development Bank	2%
Private lender	2%
Human Resources and Skills Development Canada	1%
Total % of ABD recipients receiving external sources of funding	45%

Source: ABD survey (n=144)

Overall, key informant interview respondents and recipients agreed that ABD had significant impacts, assisting Aboriginal entrepreneurs to start or develop a business, and create jobs. Respondents provided a number of examples, including businesses in the oil and gas sector, transportation, energy, high technology, lumber, accommodation and entertainment, retail, and wineries, among others.

The evaluation team interviewed a representative of an Aboriginal corporation that had extensive success over the years which, in part, was credited to ABD. This corporation received ABDP support to start and later expand to become a large and successful Aboriginal-owned business working in transportation, equipment repair and services. Revenues reached approximately \$90 million in 2007 in the transportation sector alone. The corporation employs about 300 full-time employees, 30 percent of which are Aboriginal persons. It is interesting to note that company representatives meet with the economic development officer of their community on a quarterly basis to discuss opportunities and other issues.

Unfortunately, according some key informants and case studies, some businesses struggle to remain profitable, including larger businesses, many years after obtaining ABDP support.

4.2.2 Aboriginal Financial Institutions

A 2007 report on the state of Aboriginal Financial Institutions indicates that since their inception, Aboriginal Financial Institutions have provided \$1.2 billion in loans to Aboriginal small businesses and that nearly \$1 billion were repaid. The five-year rolling average of loan-loss rates of Aboriginal Financial Institutions for the period ending March 31, 2007 was 16.5 percent. This could be perceived as high when compared to commercial banks (that typically aim for a one percent loan-loss rate). However, a low loan-loss rate would actually indicate a lower incremental impact for the program given the Institutions' role in supporting higher risk lending. On the other hand, based on the experience of previous evaluations, a recovery rate of 84 percent would be considered high for a government cost-recovery contribution program.

The National Aboriginal Capital Corporation Association has used a formula to assess the number of jobs created through Aboriginal Financial Institution loans. The formula assumes that each loan produces 2.1 jobs, a ratio based on past empirical data. We should be cautious about formulas based on past performance given that changing conditions may mean that performance is not replicated. Nevertheless the formula indicates that loans through Aboriginal Financial Institutions would have created 700 jobs in 2008. Many factors are likely contributing to this job creation, including ABD support for businesses receiving loans, but the figure gives a sense of the considerable contribution made by the Aboriginal Financial Institutions over the last five years (up to 3,500 jobs).

Respondents agreed that overall, the Aboriginal Financial Institution funding component has been effective, but that the effectiveness is variable from one organization to another. Some institutions are very effective, but some to a point of being too risk averse.

One respondent explained that the effectiveness of both Aboriginal Financial Institution loans and ABD contributions is increased when both are delivered through Aboriginal Financial Institutions acting as External Delivery Organizations, "They understand finance and they understand the communities." In one region, most ABD contributions are given to recipients who also obtain loans from an Aboriginal Financial Institution. According to one informant's estimate, more than 40 percent of Aboriginal Financial Institution loan recipients also benefit from an ABD contribution.

An Aboriginal Community Futures Development Corporation representative said that one of the strengths of ABDP is its capacity to support entrepreneurs at all ends of the spectrum, from small contributions, loans, follow-up loans and post-funding business support. ABDP also leverages monies from other sources, such as chartered banks, provincial development corporations, local Aboriginal corporations, private sector investors, and other levels of government.

Representatives from the National Aboriginal Capital Corporation Association and Aboriginal Financial Institutions believe their organizations are successful at supporting Aboriginal business development. Some said the ABDP assistance provided through the National Aboriginal Capital Corporation Association plays a role. The Association developed a loan management system and does systems reviews to ensure that Aboriginal Financial Institutions have effective systems in place. It does annual monitoring and scores individual Aboriginal Financial Institutions with

specialized tools. The Association also provides training and plays a scanning role for Aboriginal Financial Institutions to monitor legislative changes. According to statistics provided by the Association, Aboriginal Capital Corporations have improved their management activities, and their loan losses have decreased over the years.

Interest-Rate Buy Down allows Aboriginal Financial Institutions to expand their loan capital by accessing loans from chartered banks. The program pays part of the interest to the bank (4 percent). Evaluators were told the program is underused because the interest rates are still considered too high¹⁰. Replenishments of loan funds by INAC have been inconsistent and done on an ad hoc basis per Aboriginal Financial Institution. When the Aboriginal Capital Corporations were created in the 1980's, it was assumed that interest revenues would cover their operating costs. However, these corporations were set up in a period when interest rates were much higher than they are currently.

While, some respondents suggested a number of Aboriginal Capital Corporations are having financial difficulties, it does not reflect the contribution they have made to Aboriginal economic development over the years. For example, one Aboriginal Financial Institution, founded 23 years ago, is currently experiencing financial difficulties with an overall debt of over \$ 1 million. The leaders of this Institution explained it has provided 1,300 loans since 1986 for a total of \$25 million in loans that led to the creation of 950 businesses and 2,300 jobs.

Some Aboriginal Financial Institutions fare better, in part, because they are delivering other provincial or federal programs. Many have diverse sources of funding, including Human Resources and Skills Development Canada, provincial programs and ABD External Delivery Organization revenues.

A case study in British Columbia showed how an Aboriginal Financial Institution can play a key role by providing loans and ABD services as an Alternative Service Delivery organization. Many successful businesses have been assisted by the Aboriginal Financial Institution, which aims to be a “one-stop shop” for businesses in the 14 communities it serves.

The evidence leads us to conclude that although a number of Aboriginal Financial Institutions are experiencing financial difficulties they have collectively achieved a sizeable volume of loan activity, which has likely contributed to significant job creation. Although the loan loss rates have been higher than typical commercial banks, the loan recovery rate is deemed acceptable for the types of loan allocated by the Institutions, that is, higher risk loans.

4.2.3 Results Achieved

According to the ABDP logic model, the ultimate outcome of the program is the “creation and expansion of viable businesses in Canada owned and controlled by Aboriginal Peoples”. The ABDP performance measurement framework (2008) identifies a number of program targets, including:

- Comparable survival rates between ABDP funded businesses and other Canadian businesses;

¹⁰ It should be noted that while the Bank of Canada prime rate is historically low, commercial banks have not lowered their rates at the same pace as the Bank of Canada's rate.

- A leveraging ratio of 1 to 3;
- A job creation ratio of 4 jobs per business; and
- A 70 percent rate of profitable businesses.

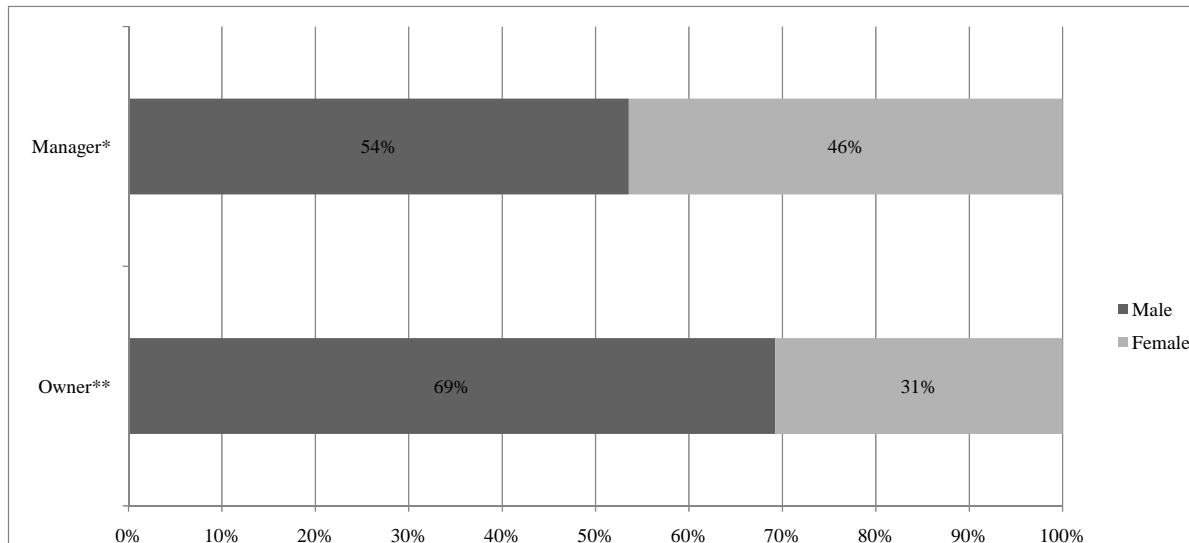
The results measured by this evaluation indicate that the stated targets for ABDP are generally met as demonstrated by the results of the Business Performance Review. Unfortunately, the lack of reliable quantitative information did not allow the evaluation team to assess the contribution of Aboriginal Financial Institutions to the performance targets.

4.2.4 Gender Equality

Although gender equality was not analyzed in previous ABDP evaluations, the literature indicates that lack of financial equity is a major barrier for women to access loans. The literature also indicates that Aboriginal women entrepreneurs tend to have smaller firms, home-based businesses, and take more time for development. This is supported by interview data that showed that Aboriginal women either on- or off-reserve face many barriers in setting up businesses. These can include the lack of childcare, insufficient skills to formulate a business proposal and even the lack of awareness that Aboriginal women can become successful entrepreneurs.

A 2005 evaluation of EDP proposal-driven programs indicated that women owned many of the businesses supported by the Business Equity Program. According to a survey conducted for the purposes of that evaluation, approximately 60 percent of the businesses that were started, expanded or bought as a result of program funding had some ownership by women. This contrasts with the results of the survey of ABD recipients that showed men represent a larger proportion than women of both the business owners and managers. As shown in the table below, according to respondents, 54 percent of the managers are men while 46 percent are women. Among the owners, 69 percent are men while 31 percent are women.

Figure 1 - Gender of Owners and Managers of ABD Funded Firms



Source : ABDP Survey

*n=28 **n=104

While INAC administrative data is not disaggregated by gender, key informants from the department agree that a majority of ABDP recipients are men. They said that no specific programs or efforts have been made to increase the percentage of women among those receiving ABD funding. One regional representative said that the trend in contributions to women is actually going down in terms of volume and size. A number of respondents thought that some of the eligibility criteria for ABD could discourage or even discriminate against women applying or wishing to apply for funding. These include the required equity contribution and the requirement to work full-time in the management and operation of their business – even though these criteria likely contribute to the success of ABD overall. This last requirement also has the potential to affect men, as well as all successful entrepreneurs who want to open more than one business.

Aboriginal Financial Institution representatives and other observers confirm that there are no specific initiatives to ensure gender equality in accessing financing. Some Aboriginal Financial Institutions said that proponents are judged according to cash flow and net worth. A number said that applicants are often family-run businesses (or businesses to be), that involve a husband and wife. Some respondents confirm that 70 percent of loan recipients are male.

A stakeholder suggested that INAC should do a gender analysis, or at least ensure that the gender data is collected and reported. Programs should be designed to ensure that they are gender inclusive, including specific funds targeted to women, and with appropriate supports, for example, providing childcare for those involved in training.

4.3 Success of EDP

4.3.1 Overview

The following sections analyze the available evidence first for the Community Economic Development Program followed by the Community Economic Opportunities Program and the Community Support Services Program.

Community Economic Development Program (Formula-Driven)

Communities or community economic development organizations obtain Community Economic Development Program funding by submitting an annual operational plan. The amount of funding a particular community receives is determined by its population. The delivery of the Community Economic Development Program varies widely across the country according to the region and kind agreement with INAC. British Columbia, Quebec and Ontario, however, have developed hybrid funding formulas to reduce the differences in the amount of funding available to smaller and larger Aboriginal communities. For example, in Quebec, each community receives a minimum contribution of \$50,000 a year, up to a maximum of \$350,000. In Ontario, the minimum contribution is \$15,000 a year for communities with less than 50 members. In many parts of the country, the smallest communities receive only a few thousand dollars a year through the program.

However, in some areas, funds are allocated to regional corporations that cover multiple communities. In Saskatchewan, INAC communities are aggregated under tribal councils or other corporations to receive Community Economic Development Program funding. In some cases, Tribal Council advisory services in economic development were transferred back to the communities. In Yukon, communities operate under a self-government agreement and receive funds through a multi-year funding agreement. In Nunavut, funding from the program supports the core operational costs of three sub-regional economic development bodies.

According to key informants inside INAC as well as those external to the department, for the most part, the program helps cover the costs of economic development officers or the staff or consultants who assume that role in the community. Commonly, this would include support for salary, travel and support services. In many smaller communities the Chief or band manager assumes the economic development role. Just under half (48 percent) of the community economic development officers that responded to the EDP survey conducted for this evaluation said that funding from the Community Economic Development Program allows their community to hire a full-time economic development officer. This corresponds to the information in the following table provided by EDP, which gives a description of the regional distribution of Aboriginal economic development officers.

Table 5 - Number and Distribution of Aboriginal Economic Development Officers

Region	Full-time economic development officers	Part-time economic development officers	Total
Alberta	15	20	35
Atlantic	6	15	21
British Columbia	98	32	130
Manitoba	18	4	22
Northwest Territories	23	2	25
Nunavut	4		4
Ontario	22	102	124
Quebec	8	4	12
Saskatchewan	14	11	25
Yukon	6	4	10
Total	214	194	408

Source: EDP INAC

Many key informants said that community economic development officers play a key role in leveraging resources for local businesses and their communities. They said that officers spend considerable time completing funding applications. While some informants thought this assisted communities in leveraging other resources, others thought economic development officers should take on a more strategic role.

The important role played by economic development officers in community development is supported by findings from the EDP survey¹¹. According to the survey results, the most typical

¹¹ It should be noted that the survey yielded only a nine percent response rate from economic development officers supported by the Community Economic Development Program and can only be used to identify trends and confirm results from other sources of evidence.

activities undertaken by economic development officers are providing services to businesses (48 percent) developing economic development strategies (40 percent) and coordinating training activities (25 per cent). The coordination of training activities may reflect the fact that, according to INAC regional staff, economic development officers may be involved in the delivery of other departments' programs such as those under Human Resources and Skill Development Canada's Aboriginal Human Resource Development Agreements.

The 58 economic development officers surveyed indicated they played a significant role in supporting community business development. They said they meet with an average of eight businesses a year, for a total of 323 businesses (all respondents). The officers said they had personally assisted 214 businesses at the start-up stage over the past three years. Most of these were small businesses with less than 10 employees. In total, the economic development officers estimated that the businesses they assisted employ nearly 1,000 community members, including business owners.

These findings are supported by evidence from the survey of ABD recipients. It found that 30 percent of on-reserve ABD recipients had received information or advice from the economic development officer in their community.

Although dated, the 2003-2004 and 2004-2005 Community Economic Development Program Annual Reports¹² indicated that activities undertaken by Community Economic Development Officers contributed to the creation of 12,346 jobs in 2003-2004 and 9,000 jobs in 2004-2005, which would be in the same range of the survey results (1,000 jobs for 58 communities). However similar annual reports were unavailable for the other years covered by the evaluation and following 2005 the program no longer provided equity financing to businesses.

Table 6 - Activities funded by the EDP and jobs created

Activities funded	2003/2004		2004/2005	
	Percentage of expenditures	Jobs created ¹³	Percentage of expenditures	Jobs created
Administration	20	-	24	-
Training and employment	25	3924	23	3282
Business Support	31	4942	25	3776
Resource Management	5	1687	7	1002
Other Economic Development	12	1793	21	940
Other	8	-		
Total	101 ¹⁴	12,346	100	8,000

Source: Community Economic Development Program Annual Reports

¹² Based on mandatory operational reports produced by communities that received Community Economic Development Program funds, EDP produced annual reports for 2003-2004 and 2004-2005. In year 2003-2004, 90.5% of organizations/communities reported, while 80% organizations/communities reported in 2004-2005.

¹³ It should be noted that the Community Economic Development Program contributed in part to the creation of these jobs as many other factors such as financing and support also likely played a role.

¹⁴ Due to rounding percentages add up to more than 100.

The information from the two available annual reports aligned with the EDP survey in the support provided to businesses as in 2003-2004 the economic development officers supported an average of 14.2 new or existing businesses and in 2004-2005 an average of 5.5 new or existing businesses. The 2004-2005 report also indicated that each Community Economic Development Program dollar leveraged \$0.40 from other sources (up to \$20 in some regions) in 2004-2005.

INAC staff said that, in some communities, the Program has supported the development of economic development plans, infrastructure and businesses, while in others, limited development has been observed.

The vast majority of respondents to the EDP survey said their communities have some form of economic development plan. According to one INAC informant, while many communities had developed plans, they often lack the qualified staff to implement them. The evaluation's survey results provide some support for this perspective: according to the officers, 13 percent of communities had fully implemented their economic development plans, while the balance had partially implemented their plans. The majority of respondents said their community economic development plans had contributed to the development of recreational facilities or tourism infrastructure.

Respondents interviewed during the case studies also said having an economic development officer allowed them to undertake important projects that in some cases resulted in the development of community land and resources. For example, the evaluators were told economic development officers played a key role in negotiating tree cutting rights for forestry development in one community, and in the development of tourism infrastructure and mining in others.

The case studies also demonstrated how community economic development organizations facilitate an improved environment for economic development through expanding economic opportunities, creating networks and supporting local businesses. This is particularly the case with consolidated models where a community economic development organization services many communities. For instance, the economy of scale allowed one community economic development organization to use half of its Community Economic Development Program funding to offer forgivable loans (20% of the contribution is forgivable) for eligible businesses (community or individual). In another case, the community economic development officer was able to collaborate with the schools, economic development organizations and territorial and federal authorities to develop programs to overcome the social barriers that limit access to the job market.

Community Economic Opportunities Program

Regional delivery of the proposal-based Community Economic Opportunities Program also varies across the country. In some regions, such as Ontario, Alberta and Quebec, project selection is done in the beginning of each fiscal year based on established criteria, while in others, such as British Columbia and Manitoba; applications are assessed by INAC regional offices on a first-come, first-serve basis.

INAC regional staff generally had a positive view of the Community Economic Opportunities Program explaining the program supported various projects including strategic planning, training, business planning, feasibility studies, environmental studies and community meetings for planning. These projects covered various economic sectors, from natural resource sectors to real estate.

A 2008 review of 186 Community Economic Opportunities Program projects revealed that the program leveraged \$1.40 in investment for every program dollar¹⁵. Since the inception of the Community Economic Opportunities Program in 2005, the reviewers concluded that it contributed to 712 new jobs, 24 new businesses, 17 business expansions, \$1 million in signed contracts, 18 community members trained, \$61 million in capital investment, and \$1.7 million in new equipment purchases.

Case studies provided several examples of successful projects supported by the Community Economic Opportunities Program. In Ontario, support from the program assisted one First Nation in establishing a partnership with a diamond trading company. The First Nation now has agreements in place with three of the largest mining companies in the world. In Nunavut, one regional economic development organization used Community Economic Opportunities Program funding to train daycare workers helping to increase employment opportunities for local women.

In Quebec, a case study revealed how a community successfully combined the resources of EDP and provincial programs. The economic development officer in this community, supported by the Community Economic Development Program, is active in community development planning and supporting businesses by seeking various sources of funding. Through support from the Community Economic Opportunities Program, a local business was able to conduct a feasibility study for a fishing vessel that was useful in making the initial purchase decision and in obtaining funding from various sources. The study also identified how the boat could be adapted for different fisheries. This allowed the owners to upgrade the boat, several years following the purchase, to add shrimp to their catch and expand their markets.

Community Support Services Program

The Community Support Services Program is a proposal-based program that has been used to support region-wide training for economic development officers, funding for Regional Program Management Advisory Committees and other developmental activities. The program supports a national certification program for economic development officers in English Canada delivered by the Council for the Advancement of Native Development Officers (CANDO) in collaboration with eight accredited colleges and other institutions. To date, CANDO has certified 70 economic development officers through this program.

In Ontario, the Community Support Services Program, along with Community Economic Development Program funds from some communities, has allowed 11 Aboriginal economic development officers to graduate from a training program offered by the University of Windsor. The program provides them with a chance to enhance their business and analytical skills, learn

¹⁵ Jennings, G. M. 2008. INAC-Community Economic Opportunity Program Results-Based Review: Final Report. September 30

how to effectively evaluate business opportunities and become knowledgeable about funding programs available to stimulate economic development programs in their communities. According to INAC representatives, program graduates tend to stay longer in their positions than community economic development officers without similar training.

The program also provides annual funding to support economic development officer training to the Alberta First Nations Economic Developers Network, as well as the Quebec and Labrador Economic Development Commission.

While these programs appear to have made some progress in developing capacity, some of those interviewed said much further training is needed. One INAC official said a recent study estimated it would cost more than ten million dollars in initial training and several additional million dollars each year to “raise the bar” in enhancing the qualifications of Aboriginal economic development officers. Regional allocations for the Community Support Services Program currently stand at about \$3.4 million a year.

4.3.2 Results Achieved

Overall, it appears that the three programs of EDP have made some contributions to six of the 10 immediate outcomes outlined in the program logic model: increased employment of community members; more, larger or stronger community businesses; increased community capacity; greater utilization and value of community land and resources; more or better access arrangement to lands and resources not under community control; and a better climate and environment for community economic development. However the available evidence does not allow the evaluators to assess the extent of this contribution. There is insufficient evidence to demonstrate that the program is making progress toward achieving its intermediate outcomes: decreased community unemployment rates, increased community business development and increased community incomes. While there is evidence that the programs are leveraging other resources, it is far less than the leveraging of \$5 for every \$1 invested expected in the EDP’s 2005 Treasury Board Terms and Conditions. However, that expectation may have been overly optimistic, given the expected leveraging for ABDP was only \$3 from other sources for every program dollar invested.

4.3.3 Gender Equality

The absence of gender disaggregated data made it difficult to draw conclusions about the relative impact of EDP on women and men. However, some evidence supports the findings of previous evaluations in this area. In the 2003 evaluation of EDP, the study team assessed the gender balance among economic development officers¹⁶. According to that review, a number of communities had new female economic development officers and women’s issues had influenced the priorities of projects in some communities. Among the economic development officers who responded to the EDP survey, 40 percent were women. This is consistent with the

¹⁶ Indian and Northern Affairs Canada. 2003. Evaluation of the Community Economic Development Program.

results of a recent survey conducted by the CANDO¹⁷ that identified the gender balance among Aboriginal economic development officers.

The 2005 evaluation of proposal-based programs noted that training supported by those programs was primarily for male-dominated professions. A regional INAC representative noted that this continues to be the case for training supported through the Community Economic Development Program and Community Economic Opportunities Program.

4.4 Contribution to Aboriginal Economic Development

The overall objectives of ABDP and EDP are to contribute to economic development. The results in this section suggest that on a yearly basis, the programs contributed to the creation and retention of between 3,000 and 9,000 jobs (or an average of 6500 full-time equivalents per year)¹⁸, excluding indirect jobs created. However, these figures remain estimates, as there is no way to assess the potential overlaps of the different programs as EDP and ABDP each fill a role in the spectrum of economic development. ABDP supports businesses in accessing capital and equity to take advantage of market opportunities. EDP supports communities in building capacity and developing grassroots activities, specific to community needs, priorities and social conditions that can lead to greater self-reliance.

One of the challenges in assessing the true incremental impact of the programs is the role of other government programming. Some provinces support Aboriginal economic development, and other federal programs support Aboriginal employment. Aboriginal Human Resource Development Agreements have a significant effect on economic development among Aboriginal people, as they invest heavily in the development of needed human resources. In 2006-07, this investment reached \$361 million, \$99 million from Employment Insurance funds and \$262 million from the Consolidated Revenue Fund. In annual flow of funding, therefore, it exceeds all INAC economic development programs combined. Payments under settlements of comprehensive land claims could have an even greater economic effect, depending on their size and on whether the funds are allocated to economic development.

At the same time, the ABD survey conducted for this study indicates that many business projects would not have occurred without ABDP. This supports the idea of some level of attribution of the program. Although it is difficult to assess the true incremental impact of the programs at the macro level, an analysis of macro economic indicators still supports the hypothesis of a positive impact overall by the programs to job and wealth creation (or at least does not support the contrary hypothesis). As discussed earlier, the unemployment rates of Aboriginals have been

¹⁷ 2008 National Survey of Aboriginal Community Economic Development Officers (Draft), 2009. Population Research Laboratory, University of Alberta.

¹⁸ Source for figure: ABD contributes to about 4,000 jobs per year (Business Performance Review, 2006); Aboriginal Financial Institutions contribute to about 700 jobs per year (National Aboriginal Capital Corporation Association, formula derived from past results), EDP contributes to up to 9000 jobs per year (2004-2005 EDP annual report).

declining this last decade, and according to a recent report by the Assembly of First Nations, First Nations have reduced their dependency on government income programs.

These macro indicators probably reflect the positive economic climate of the 2003-2008 period. But at the very least, results from this evaluation indicate that the programs allowed many Aboriginal businesses and individuals to seize the economic opportunities that existed during the period. As there is evidence indicating that many Aboriginal businesses have limited access to private business financing sources, we can conclude that INAC Aboriginal economic development programs played a significant role in allowing Aboriginal people to benefit from the positive economic climate in that period.

5. Evaluation Findings –Effectiveness /Alternatives

5.1 Overall Findings

The evaluation found that ABDP is cost effective considering the revenues, jobs and profits generated. Alternative Service Delivery organizations are viewed as slightly more cost effective in delivering ABD than through INAC Aboriginal Business Canada offices. The cost effectiveness of the support to Aboriginal Financial Institutions under ABDP could not be assessed due to lack of data. Both ABDP and EDP are deemed cost efficient in terms of administrative overhead, to a point that INAC could actually invest more resources in the management of the EDP program.

A number of factors influencing success and delivery issues were identified for both programs. For ABD, the client-based approach that whereby INAC staff and other delivery organizations build the skills and confidence of Aboriginal entrepreneurs is seen as a strength. However, ABD decisions are not always timely. The reach of the program is uneven across regions, some regions being well less served by ABD (the Territories in particular, but also remote areas). Program data shows that two-thirds of ABD projects are located off-reserve, and that this trend has not changed since 2005, when the Business Equity Program was abolished indicating ABD has not filled the gap in equity financing on-reserve left when the program was eliminated.

ABD's performance measurement (Business Performance Review) system is effective in reporting results. However, program administration was weakened when it was transferred to INAC from Industry Canada, as it lost its ability to process on-line applications. For ABDP Aboriginal Financial Institution programming, the trend toward risk aversion by institutions, especially those experiencing financial difficulties makes it more difficult for some higher risk projects to access funding.

For EDP, noted strengths include its flexibility, allowing communities to orient resources to their specific needs and priorities. However, the program's lack of strategic focus compromises its ability to achieve results. The formula-based funding design of the Community Economic Development Program disadvantages smaller and more remote communities, which often receive insufficient funding to hire a qualified, full-time economic development officer. To overcome this problem, INAC is supporting regionalized delivery approaches whereby program funds are pooled under the administration of a single Aboriginal entity, an approach that is seen as a best practice.

EDP's performance measurement system is seen as problematic and incapable of producing a national roll-up of results. Insufficient financial and human resources to support, manage and report on the program are another factor impacting on the success of EDP. The current year-to-

year funding, available to most communities, also fails to facilitate longer-term economic development perspectives and planning. In addition, the current design of EDP does not encourage sound governance, including the separation of political and economic development functions that experts say is needed for successful economic development.

ABDP was transferred to INAC in 2006 to facilitate an integrated approach to Aboriginal economic development programming. Considerable progress is still needed to achieve this goal. However, the evaluation found no major duplication between ABDP and EDP, except in the area of business planning, which can be supported by ABD or the Community Economic Opportunities Program for businesses on reserve.

Apart from ABDP, there are a number of other funding sources for Aboriginal businesses. In general, these funders appear to complement each other and allow for larger projects to obtain the necessary funding. However, greater coordination would increase complementarity.

5.2 Cost Effectiveness

The analysis of ABD's financial and performance information systems demonstrate the program is cost-effective in terms of the revenues, jobs and profits generated (See section 4.2). The revenues generated far exceed the ABD investments. However the absence of representative performance information for EDP and the ABDP Aboriginal Financial Institutions meant it was impossible to assess their cost effectiveness.

One indicator used for measuring cost effectiveness is the extent to which program funding assists recipients in leveraging other sources of funding. As indicated earlier in the report, the cost effectiveness analysis conducted for this evaluation indicated that each ABD dollar leverages three dollars in project funding from other sources. Under the previous chapter, the evaluation discussed the fact that each Community Economic Development Program dollar leveraged \$0.40 in 2004-2005 and each Community Economic Opportunities Program dollar leveraged \$1.40.

The cost effectiveness of ABD is supported by two previous evaluations. A 2008 evaluation of ABDP found that typical recipients (business owners) of ABD support provide 15 percent of the total amount in equity to their business projects¹⁹. A 2002 evaluation indicated that about half of the businesses assisted by ABD were able to leverage additional support from other financial sources²⁰, which is consistent with survey findings quoted earlier (45 percent of recipients obtained funding from other sources).

Previous ABDP evaluations have assessed the ABD's external delivery mechanisms. A 2006 evaluation of the portion of ABD delivered by External Delivery Organizations, found a slight majority of interviewees agreed that program delivery by Aboriginal Financial Institutions

¹⁹ Vodden, 2008.

²⁰ Vodden, Keith and Janice Cook. 2002. Summative Evaluation of the Aboriginal Business Development Program. ARC Applied Research Consultants (Publication No. 0517). Ottawa, ON. Retrieved August 13, 2008

working as External Delivery Organizations was efficient and cost-effective. Those who believed that Aboriginal Financial Institution program delivery was inefficient and not cost-effective most often mentioned that turnaround times in dealing with Aboriginal Business Canada were lengthy. It was also felt that these delays were due to excessive administrative requirements.

The 2008 evaluation of ABDP by Vodden assessed the efficiency of Alternative Service Delivery Organizations, which extend the reach of ABD support and improve client service through local decision-making. Results of the efficiency analysis suggested that Alternative Service Delivery Organizations are the most efficient delivery option as measured by cost per weighted project. ABD delivered by INAC's Aboriginal Business Canada (with Industry Canada at the time of data collection), however, is more efficient as measured by the cost per all projects. The difference in results is due to a low proportion of other projects being delivered by Alternative Service Delivery organizations compared to Aboriginal Business Canada and External Delivery Organizations²¹. External Delivery Organizations were found to be the least efficient delivery option under either scenario, however some External Delivery Organizations were as efficient as the average Alternative Service Delivery Organization.

A number of respondents to this evaluation believed that the further transfer of program delivery to External Delivery Organizations and Alternative Service Delivery organizations would make the process more cost-efficient. However, one INAC headquarters staff person wondered if the quality of service of these organizations was comparable to INAC staff.

To assess the cost efficiency of ABDP and EDP program administration the evaluation team calculated the ratio of overhead costs to grants and contributions. For ABDP, the ratio is 16.6 percent, just slightly above the 15 percent ratio that is typically expected from such a program. The cost-efficiency ratio for EDP was significantly lower at 8 percent.

5.3 Design and Delivery Factors Influencing Success

5.3.1 ABDP

Client-Based Approach

ABD provides funding but also business support, mentoring and aftercare services that increase the likelihood of success of their contribution recipients. The strength of this approach is supported by ABD survey findings indicating that most ABD recipients are satisfied with the delivery of the program. According to findings, 88 percent of respondents were satisfied with their dealings with ABD overall, 82 percent were satisfied with the application process, and 86 percent were satisfied with the help they obtained to complete the application forms. One respondent said that ABDP's strength is that it works directly with businesses – not through communities where it is more difficult to get projects going.

²¹ The only significant variable able to explain the efficiency results was the total number of projects delivered by an organization. Cost per weighted project declined for organizations delivering up to 50 total projects per year. Thereafter costs per weighted project increased, suggesting some inefficiencies of scale were occurring as delivery organizations managed more projects

Associated with the client-based approach is the mentoring role played by ABDP staff. The evaluators were told that incremental development of entrepreneurs through business support and the provision of resources increases community confidence as a result of repeated program interventions of ABDP. The aftercare/mentoring component of ABD is widely promoted as a condition of funding and is seen by some key informants as being a positive factor in business sustainability.

Timeliness of service

Despite the high satisfaction rates with ABD in general, a few respondents said that the time required to obtain ABD applications can be lengthy and deters applicants. It can take several months before a funding decision is announced to the proponents. The timeliness of decisions was the lowest rated satisfaction dimension in the ABD survey results (63 percent satisfaction). Interviews indicate that the transfer of ABDP from INAC seems to have reduced the timeliness of service. According to a respondent, processes must move faster since applicants are waiting six to nine months for a letter of approval, which can prevent them from seizing business opportunities.

Some respondents said that there is a lack of awareness on the part of some Aboriginal Business Canada officers of the situation on-reserve and in the North, and that this contributes to funding delays. They suggested that Aboriginal Business Canada officers need to travel to communities to better understand the challenges these communities face.

Limitations to Reach of Delivery Structure

The geographical location and physical size of many Aboriginal communities is a major factor limiting the success of economic development initiatives. Many communities are remote, small in size as well as population and are separated from larger territories as well as local, regional economies. Consequently, their economic viability can be severely challenged, as access to markets is more difficult. In Nunavut, it is said that three major factors affect businesses: the remoteness of most communities; the quasi absence of business banking services; and the high cost of doing business in the North, all of which are associated.

According to several of those interviewed, the degree of remoteness is a key factor affecting the delivery of ABDP assistance. Some regions are less well served by ABD (the Territories in particular and remote areas) and Aboriginal Financial Institutions. This may explain in part why the program has been more successful at reaching urban and Métis populations, and less so in reaching remote First Nations populations. As indicated earlier, program data shows that two-thirds of ABD projects are located off-reserve where the majority of Aboriginal Canadians reside. However, this trend has not changed since 2005, when the Business Equity Program under EDP was abolished. This suggests ABD has not filled the gap in the availability of equity financing on-reserve left when the EDP equity program was eliminated.

In 2003 and 2004, ABD had 32 percent of projects on-reserve. In 2006 the proportion was unchanged (32 percent) and even a lower proportion for the first half of 2007 at 26 percent. Again, some respondents suggested that budgets be allocated to allow ABD staff to travel to more remote communities. Although Aboriginal Financial Institutions help to extend the reach of ABDP, their distribution is also uneven across regions as shown below.

Table 7 - Regional Distribution of Aboriginal Financial Institutions

Regions	Number of Aboriginal Financial Institutions
Atlantic	1
Alberta	5
Quebec	5
Ontario	9
Saskatchewan	6
Manitoba	9
BC	12
Nunavut	5
Northwest Territories	6
Yukon	1
Total	59

Source: INAC Administrative Data

Figure 2 - Distribution of Aboriginal Financial Institutions according type of services



Blue: Aboriginal Financial Institution, or Aboriginal Financial Institution-Alternative Service Delivery. Green: Aboriginal Financial Institution-External Delivery Organization. Red: Aboriginal Financial Institution-External Delivery Organization-Alternative Service Delivery; Yellow: External Delivery Organization. Light blue: Community Futures Development Corporations-External Delivery Organization. Note: Some Aboriginal Financial Institutions in the same region cannot be seen. Source: INAC administrative data

Equity Contribution a Barrier

Some respondents mentioned that the equity requirements for ABD funding were a barrier for many potential applicants, especially those located in remote communities that have access to less resources, as well as women entrepreneurs.

Transfer of ABDP to INAC

INAC key informants both in the regions and at headquarters said that ABDP has experienced difficulties since it was transferred to INAC from Industry Canada in 2006. The program faced challenges in transferring ABDP program and reporting data to INAC systems. At Industry Canada, ABD applicants could submit an electronic application through the departmental website. However, this functionality and the resulting data entry efficiencies were lost with the transfer. An electronic tool that enabled ABD program staff to access a toolkit containing guidelines and processes was also lost. In addition, the evaluators were told that legal services at INAC lack the competencies in commercial matters the program could access at Industry Canada.

Performance Measurement System

Many respondents mentioned and the evaluators observed that the performance measurement (Business Performance Review) system for ABD is extremely effective in reporting results. While the system is effective, it was designed to track businesses based on risks. Only high-risk organizations were monitored through their third year. The program recently changed its policy and now all business projects will be monitored for a minimum of three years.

Some respondents mentioned that while ABDP reporting is effective on tracking the results of ABD contributions, Aboriginal Financial Institution quarterly reporting is inconsistent. Electronic reporting tools have been tried in the past, with uneven success.

Risk Aversion by Some Aboriginal Financial Institutions

Another important factor detracting from ABDP's success is a trend toward risk aversion by many Aboriginal Capital Corporations. In the 2002 summative evaluation of ABDP, concern was expressed by a small number of staff that Aboriginal Capital Corporations may be becoming more risk averse possibly resulting in some unmet needs for development support. This issue was also raised by respondents in this evaluation, who said that some Aboriginal Financial Institutions, especially those experiencing financial difficulties have focussed their level of lending to lower risk lenders. At least one Aboriginal Financial Institution has a loan loss rate comparable to banks, which would not be expected if the Institution was fulfilling its role of financing higher-risk clients.

An unexpected impact is that as Aboriginal Financial Institutions have become tighter in their lending practices, some Aboriginal businesses as well as communities that have easy access to banking services prefer use traditional lenders for their first loan.

5.3.2 EDP

Flexibility

Both INAC regional staff and members of the Evaluation Advisory Committee identified the flexibility of EDP as one of its strengths. This flexibility allows communities with differing resources and opportunities to adapt the program to community needs. For example, a northern location may be limited to one or two resource industries, while urban communities may have diversified economies. Each requires different types of economic development support. Results from the literature review recognized that Inuit, Métis and First Nations communities face unique

economic development challenges, and significant regional and individual differences that require adapted economic development solutions.

Strategic Focus/ Formula-based Funding

While flexibility may be one of EDP's strengths, the lack of strategic focus appears to compromise its ability to achieve and report on results. This lack of focus is reflected in the program logic model, which spans over 10 pages. INAC staff and external stakeholders told the evaluators that the EDP's Terms and Conditions are too flexible and the program requires clearer objectives, expected outcomes and tighter accountability mechanisms.

Many key informants, including INAC regional and headquarters staff said the formula-based delivery of the Community Economic Development Program does not facilitate the strategic use of program funding. It was suggested the broad objectives of the program do not encourage communities to tie funded initiatives to an economic development plan that guides development and provides a long-term perspective. One INAC headquarters representative said that the formula approach leads to a sense of entitlement. Many headquarters and regional INAC staff suggested that the Program be proposal-based and opportunity driven instead of determined by the level of population. Some INAC staff wondered whether the department should only fund those who are ready for economic development. Other respondents believe the program is ineffective and needs to be entirely redesigned with some suggesting the three EDP programs could be merged.

An Aboriginal stakeholder, suggested that the real issue around the lack of strategic focus for the Community Economic Development Program was more an issue of accountability than the funding formula and that the program could improve its focus through strengthened reporting. Another respondent suggested that funding should be allocated based on results instead of by population.

It appears that the current formula-based funding model disadvantages smaller remote communities in many regions. Under this model, in many regions, the size of a community and resulting funding available is a determinant of whether the community has a full-time economic development officer, and the training and experience of that officer. One Aboriginal Financial Institution representative said that while some economic development officers are successful, the amount of funding available does not allow communities to access qualified expertise. For this reason, economic development officers tend to be low-level clerks who are more reactive than proactive. According to one INAC regional staff member the turnover rate of community economic development officers his region is as high as 30 per cent per year, partially due to low salaries and the lack of professional development opportunities.

To overcome the problems faced by smaller communities and strengthen program delivery, several INAC regions have moved to regionalized delivery approaches whereby communities pool their Community Economic Development Program funds under the administration of a single entity, either a separate corporation, association or tribal council. Case study evidence as well as interviews with regional INAC staff indicate this approach is seen as successful in the majority of cases and is often cited as a best practice. One INAC headquarters official

emphasized that successful regional economic development bodies are formed at the initiative of communities who decide to form alliances and that imposition of such a model would run contrary to the local decision making the program is trying to encourage.

One example of such a regional body is the Yukon Indian Development Corporation (YIDC), owned by all Yukon First Nations, which receives Community Economic Development Program funding to cover operating costs and capacity development. According to an INAC staff member, the corporation makes strategic business development investments aimed at creating sustainable wealth and economic stability. However, as case study evidence from British Columbia indicates, smaller, remote communities may still see little direct benefit from such regionalized approaches.

Different solutions were suggested to assist smaller and remote communities, allow them to access economic development expertise and develop strategic initiatives. Some of those suggestions aligned with the 2003 evaluation of the Community Economic Development Program, that suggested reviewing the criteria for the formula based on population to ensure that each community has an economic development officer and some money to operate. As one respondent mentioned, the program reference levels have not been increased since 1992 and the amount of funding for an economic development officer has not increased since then.

Year-to-Year Funding

Currently, most communities and community organizations apply for EDP funding each year (except for those under five year funding agreements). The document review and key informant interviews indicated that this has, at times, led to delayed projects as communities waited for project approval and the delivery of funding. The year-to-year funding model runs contrary to the findings of the literature review which found that long-term, sustainable approaches to Aboriginal economic development work best. The literature showed that a long-term perspective is key to avoiding short-term solutions that will not lead to long-term goals. Some stakeholders outside INAC said that multi-year funding would also make the program more cost efficient as multi-year agreements require less administration since new proposals do not have to be reviewed and agreements put in place every year.

Reporting

The lack of consistent performance data from EDP has hampered the program's ability to track and demonstrate results. While the program produced annual reports for 2003-04 and 2004-05 such reporting was unavailable for the last several years. Since 2005, the program has failed to enter data into a project management information system. An INAC respondent explained that a system was developed in 2005, but a lack of support from the department prevented its implementation.

The majority of INAC key informants said that annual reports and operational plans provided by communities receiving Community Economic Development Program Support do not provide sufficient information to assess economic development within communities. One regional representative explained that the reporting templates are very limiting, and fail to provide a true story of what is actually occurring at the community level. A number of stakeholders outside the department agreed, saying that EDP lacks stated performance measures in its applications and

reporting templates. In addition, community-based reporting templates, do not adapt well to regionalized delivery, such as the model in Nunavut. A number of INAC headquarters staff admitted that they did not know the extent of program impact on economic development due to reporting deficiencies.

Resources

Insufficient financial and human resources are one of the factors impacting on the success of EDP. The 2003 evaluation of the Community Economic Development Program found stakeholders believed that the budget for the program was inadequate and should be increased because it did not reflect the current realities and demand.

In 2005, under program review, EDP saw its funding shrink by \$29 million per year when programs that provided equity for First Nations and Inuit businesses were cancelled²². The following tables show since that time EDP funding has been stable with the exception of the Community Economic Opportunities Program, which saw a decrease in expenditures in 2007-2008.

Table 8 - Community Economic Development Program Allocated Amounts

REGIONS	FISCAL YEARS		
	2005-2006	2006-2007	2007-2008
ALBERTA	\$6,659,326	\$6,729,206	\$6,778,859
ATLANTIC	\$2,555,290	\$2,120,129	\$2,170,357
BRITISH COLUMBIA	\$7,205,630	\$9,877,455	\$7,656,299
MANITOBA	\$7,415,745	\$7,596,226	\$7,417,336
NORTH WEST TERRITORIES	\$1,827,758	\$1,577,618	\$3,512,009
NUNAVUT	\$1,815,630	\$2,655,010	\$2,658,910
ONTARIO	\$10,660,533	\$9,747,518	\$10,378,967
QUEBEC	\$5,780,917	\$5,892,522	\$5,906,910
SASKATCHEWAN	\$6,664,591	\$7,260,058	\$6,736,553
YUKON	\$550,646	\$459,630	\$463,901
HEADQUARTER	\$591,600	-	\$37,500
TOTAL	\$51,727,667	\$53,915,372	\$53,717,602

Source: INAC Administrative Data

²² The rationale for the elimination of the EDP Business Equity Programs was overlap and duplication with Industry Canada and Human Resources and Skills Development Canada programs, which at the time were seen as having more effective business and skills development programs.

Table 9 - Community Economic Opportunity Program Allocated Amounts

REGIONS	FISCAL YEARS		
	2005-2006 ²³	2006-2007	2007-2008
ALBERTA	\$2,442,854	\$3,266,600	\$2,474,912
ATLANTIC	\$52,697,276	\$2,188,359	\$1,777,710
BRITISH COLUMBIA	\$10,005,982	\$6,977,926	\$4,256,531
MANITOBA	\$3,430,771	\$5,232,274	\$3,298,063
NORTH WEST TERRITORIES	\$6,766,104	\$2,617,156	\$2,485,426
NUNAVUT	\$654,871	\$923,962	\$528,240
ONTARIO	\$2,959,900	\$5,259,500	\$4,921,700
QUEBEC	\$686,500	\$2,543,450	\$2,116,116
SASKATCHEWAN	\$1,328,179	\$4,756,379	\$2,730,630
YUKON	\$270,160	\$345,338	\$341,325
HEADQUARTER	\$660,975	\$423,500	\$10,000
TOTAL	\$81,903,572	\$34,534,444	\$24,940,653

Source: INAC Administrative Data

Table 10 - Community Support Services Program Allocated Amounts²⁴

REGIONS	FISCAL YEARS		
	2005-2006	2006-2007	2007-2008
ALBERTA	-	\$336,813	\$229,930
ATLANTIC	\$631,041	\$1,100,211	\$1,345,323
BRITISH COLUMBIA	-	\$1,442,306	\$1,171,835
MANITOBA	-	\$395,382	\$309,342
NORTH WEST TERRITORIES	-	\$139,710	\$218,519
NUNAVUT	-	\$246,787	\$239,575
ONTARIO	-	\$1,248,378	\$1,175,085
QUEBEC	\$3,052,207	\$1,812,355	\$2,281,245
SASKATCHEWAN	-	\$342,000	\$256,500
YUKON	-	\$180,867	\$168,000
HEADQUARTER	\$6,131,996	\$2,972,237	\$3,268,739
TOTAL	\$9,815,244	\$10,217,046	\$10,664,093

Source: INAC Administrative Data

Key informants outside INAC said the level of funding for the EDP is not significant enough to make a difference as the amount of money available from the program is insufficient to help communities make timely decisions about potential opportunities. This is supported by what many representatives of smaller Aboriginal communities told the INAC consultations on the new

²³ In fiscal year 2005-2006, the department made a one-time \$50 million contribution for a special project in the Atlantic region, which explains the increased allocation that year.

²⁴ CSSP Total Authorized Amounts are based on INAC's financial database. This amount includes funds transferred to the Regional offices (about 3.5 million) to support Aboriginal organizations and Regional Program Management Assessment Committees, as well as, to support for national initiatives. In some cases, at the regional level transfers are made between Community Economic Opportunity and Community Service Support Program funds.

Federal Framework on Aboriginal Economic Development²⁵. They said the amount of money provided through the per-capita funding model is inadequate to support meaningful economic development initiatives. This reality limits the effectiveness of economic development officers in their communities and leads to pressure to allocate economic development funds to other areas.

In addition, the effectiveness of these programs has been hampered by INAC's level of investment in program management. As discussed earlier, the cost of administering EDP is represents only 8 percent of the value of grants and contributions. A 2008 audit of the Community Economic Opportunities Program and Community Support Services Program concluded insufficient resources are allocated to properly manage the two programs, and formal risk management processes are not followed, preventing the assurance that the best projects were funded. A number of respondents said that regional staff is busy dealing with social issues and other crises and should invest more time in economic development. A few INAC headquarters staff acknowledged that INAC officers responsible for economic development often lack the specific expertise to actively support community development efforts.

Findings from one regional case study indicate that INAC economic development staff lack the time to work with communities to promote innovative approaches and to move projects forward. Rather they are caught up in reacting to proposals and managing other programs. One INAC staff member said that until recently, the program area has not been fully staffed. "There are about 70 Community Economic Opportunities Program agreements delivered by two INAC economic development officers in this region. Many projects are falling through the cracks."

Equity Financing

Two INAC representatives mentioned that the disappearance of the Business Equity Program in 2005 had reduced access to equity on reserve. According to the 2005 evaluation of EDP proposal-driven programs, the Business Equity Program²⁶ was successful at leveraging other sources of funding and in creating sustainable businesses. One respondent interview for this current review said the cancellation of the program left a gap in funding sources for community businesses. As mentioned earlier, ABD has not filled this gap. However, a representative of an Aboriginal organization believes the change has forced communities to take more time to select their projects and put their efforts into those projects that are most important for their communities and have the best chance of success.

Governance

The literature review revealed sound governance, including freedom from political interference, is a fundamental prerequisite to successful economic development. Good governance

²⁵ INAC. 2008. Report on the Ontario/Manitoba Aboriginal Economic Development Workshop, Toronto, December, 2008

²⁶ The Business Equity Program initiated in 1998, was made up of three components: The Economic Opportunity Fund, which focused in the non-resource sector; the Resource Acquisition Initiative, which focused on resource sector businesses; and the Major Business Project Program, which supported the development of large First Nation and Inuit businesses.

necessitates that political processes be separated from government administration and business management²⁷, for example, by instituting independent boards of directors²⁸.

The current design of EDP does not encourage sound governance at the local level, except in cases where regional economic development agencies receive EDP funding or when there is clear separation between the economic development function in the community and the band council. Program funding, in most regions, is administered by local bands or tribal councils and, according to INAC headquarters staff, funding is often transferred to general band revenue funds and not accounted for separately. In addition, it is the Chief or band manager in the smallest communities that often takes on the responsibility for economic development. In many communities, the use of the EDP funds and the ability of communities to maximize their resources depends on the Chief and Council and their mandate. Some Councils place more emphasis on social/education needs than economic development activities.

To alleviate political influence some respondents suggested that economic development planning and support be delegated to Community Futures Development Corporations or Aboriginal Financial Institutions. While some INAC respondents suggested that Community Economic Development Organizations be institutionalized, others said that there is a need to increase community leaders' understanding of economic development.

5.4 Duplication

While the document review and most of those interviewed did not point to significant duplication between the ABDP and EDP, there is evidence that both programs provide funding for feasibility and other pre-loan studies for businesses on reserves. This was highlighted in two of the case studies and by interviews with INAC staff. This duplication is especially problematic if staff from both programs do not coordinate. Evaluators were told that in some regions, ABDP staff are hesitant to fund projects that were prepared using funding from the Community Economic Opportunities Program because the business plans do not conform to their standards.

This points to the need for a rapid integration of the ABDP and EDP within INAC. Evidence from the case studies shows that while ABDP was transferred to the department more than two years ago, the programs still work largely independently in many regions.

A number of respondents said that the programs complement each other, one focusing on business financing, the other on community development. One respondent mentioned that ABDP and EDP also complement INAC programs funded through the Northern Economic Development Directorate. However, a few respondents said that the department lacks the tools to ensure its programs are not duplicating one another.

²⁷ Government of Canada. Office of the Auditor General of Canada. 2003. Report of the Auditor General of Canada to the House of Commons, Chapter 9 Economic Development of First Nations Communities: Institutional Arrangements. Ottawa, ON.

²⁸ Harvard Project on American Indian Economic Development. 2008. *The State of the Native Nations: Conditions under U.S. policies of Self-Determination*. New York: Oxford University Press.

Key informant respondents mentioned that a number of programs from other federal and provincial government departments support Aboriginal businesses, including regional economic development agencies and provincial/territorial programs. For example, the services provided by the Aboriginal Human Resource Development Agreements can sometimes be seen to overlap when it comes to employment-related support. The federal economic development agencies also provide business loans through their Community Futures Development Corporation networks. Some of these organizations are Aboriginal and provide loans to Aboriginal business. There are also some programs at the provincial and territorial level whose objectives overlap to some extent with ABDP and the Community Economic Development Program, such as:

- in British Columbia, the First Citizen's Fund supports a business loan program and business advisory centres;
- in Saskatchewan, small Aboriginal businesses can access grants for projects up to \$50,000 through the Saskatchewan First Nation & Métis Economic Development Program; and
- in Quebec, the provincial government also provides support to Aboriginal communities that is similar to the Community Economic Development Program.

Most of the key informants agree that these programs and ABDP/EDP complement each other. According to some respondents, Aboriginal businesses and economic development officers leverage various sources of funding to complement that provided by ABDP. In cases of larger business projects, proponents will leverage resources from different sources as most programs cap their funding amounts. Funding organizations appreciate this as it usually reduces their risks. This is true of the case study in Quebec where the economic development officer has sought and received funding from INAC, as well as provincial programs and other funding sources.

A few respondents said that there could be overlaps with other federal programs if more than one provides funding to pay for core operations. Some mentioned that there was room for greater coordination between the various players involved, including INAC and the federal regional development agencies. Some regional representatives report good cooperation in some areas.

6. Conclusions and Recommendations

6.1 Conclusions

Both ABDP and EDP are consistent with federal government and INAC priorities and policies. The two programs respond to a continuing need for support to Aboriginal economic development given gaps in poverty and unemployment rates between Aboriginal communities and non-Aboriginal communities.

Overall the findings indicate that both ABDP and EDP contributed to Aboriginal economic development by increasing the participation of Aboriginal people in the economy through significant job creation. ABD contributed to the creation and retention of thousands of jobs a year and leveraged significant resources from public and private sources. Aboriginal Financial Institutions have also likely contributed to significant job creation.

The Community Economic Development Program provided funding for community economic development officers who have played a central role in supporting planning and local businesses. The Community Support Services Program and Community Economic Opportunities Program have contributed to increased community capacity and supported successful business projects, leveraging resources from other sources. However, there is insufficient evidence to assess the extent of EDP's contributions.

Data was also missing on the differing impact of the two programs on women and men. However, it appears the majority of ABDP recipients are men and that some of the program's eligibility criteria may pose barriers to women in accessing assistance.

The evidence shows that ABDP is cost effective considering the revenues, jobs and profits generated. Alternative Service Delivery organizations are viewed as slightly more cost effective than delivery through INAC offices. The administration costs of ABDP are within the expected range of a government contributions program. However, EDP's administrative costs are only about half that level, indicating more resources could be invested in the management of the program.

A number of success and delivery issues were identified for the two programs. ABD's client-based approach is a strength. However, the reach of the program is uneven across regions whereby businesses in the Territories and remote areas may face difficulty accessing ABD services. Evaluators were told that on-reserve communities face difficulty in accessing equity contributions since the Business Equity Programs of EDP were cut in 2005. Evidence shows that ABD has not filled that gap.

Smaller, remote communities are also disadvantaged by the Community Economic Development Program's population-based funding model that provides insufficient funds for many communities to engage a qualified, full-time economic development officer. While the flexibility

of the funding formula allows communities to respond to local needs and priorities, the Program lacks the strategic focus needed to achieve and report on results. The current year-to-year EDP funding available to most communities, also fails to facilitate longer-term economic development perspectives and planning. In addition, the current design of EDP does not encourage sound governance, including the separation of political and economic development functions, that experts say is needed for successful economic development.

While ABD has a robust performance measurement system, the systems for measuring the results of ABDP support to Aboriginal Financial Institutions and of EDP need to be improved. EDP's current performance measurement system left the program incapable of tracking and reporting on results. Both EDP's difficulty in implementing an information system to support its performance management and the loss of ABD's online application function when the program transferred to INAC point to the need to strengthen information technology support to the programs.

Despite the continuing need for economic development assistance EDP's financial resources declined significantly over the evaluation period. Evidence shows the program has insufficient human resources to support and manage the program.

ABDP was transferred to INAC in 2006 to facilitate an integrated approach to Aboriginal economic development programming. Considerable progress is still needed to achieve this goal. However, there appear to be no major duplications between the two programs, except in the areas of business planning.

The evaluation found that other federal and provincial government funding sources for Aboriginal economic development appear to complement INAC programming and allow for larger projects to obtain the necessary funding. However, greater coordination would increase complementarity.

6.2 Recommendations

Given these conclusions, it is recommended that:

- 1) INAC continue to support economic development programming that includes assistance for Aboriginal businesses and community economic development.
- 2) Given the expanded mandate of the Department, INAC ensure its economic development programming meets the needs of all Aboriginal groups (First Nation on- and off-reserve, Inuit and Métis); and takes into consideration the different characteristics of Aboriginal communities (on- and off-reserve, urban, and remote); their access to equity financing; and the differing needs of women and men, in line with INAC's Gender-Based Analysis Policy.
- 3) INAC ensure that the design of EDP is strategically focused on the achievement of intermediate and long-term results. Key considerations should include:

- continuing support for capacity development, strategic planning and community economic development projects
 - assessing the feasibility of adjustments or alternatives to the current population formula funding approach; and
 - modifications, such as, support for regional approaches, and multi-year funding.
- 4) INAC determine the Department's role in supporting community economic development and business development, and take steps to ensure sufficient and appropriate human, financial and information technology resources are in place to support Aboriginal businesses and communities, as well as to manage, monitor and report on programming.
 - 5) INAC consider expanding ABDP support through third-party delivery as part of a strategy to ensure effective and efficient program delivery and leverage.
 - 6) INAC develop and implement a performance measurement strategy for departmental economic development programming which integrates both EDP and ABDP, and allows the programs to measure progress, make ongoing adjustments to programming, and report on results.

Appendix 1: Evaluation Framework

Evaluation Issue	Documents, Literature	Program Data / External Statistics	Interviews	Case Studies	Surveys	Cost effectiveness Study
Rationale and relevance						
1. Do the programs remain consistent with current federal government and INAC priorities and policies for Aboriginal economic development?	♦		♦			
2. Is there an on-going need and an anticipated future demand for the Aboriginal Business Development and Community Economic Development Programs?	♦	♦	♦	♦	♦	
Success and Impacts						
3. What impact have the Aboriginal Business Development and Community Economic Development Programs had on Aboriginal economic development?	♦	♦	♦	♦	♦	
4. To what extent have the Aboriginal Business Development Program and Community Economic Development Program achieved their objectives?	♦	♦	♦	♦	♦	
5. Have the Aboriginal Business Development and Community Economic Development Programs had any unexpected impacts, positive or negative?	♦		♦	♦	♦	
Effectiveness / Alternatives						
6. What factors, internal (e.g., design and delivery) and external to the Programs, have facilitated or detracted from success?			♦	♦	♦	
7. Are there other more cost effective ways of supporting Aboriginal economic development? What changes, if any, would make the current programs more effective?	♦	♦	♦	♦		♦
8. Do the Programs complement, overlap or duplicate other INAC, federal, provincial, territorial or other economic development programs or services?	♦	♦	♦	♦	♦	
9. What best practices and lessons learned have emerged that could contribute to improved programming?	♦		♦	♦		