

COMMUNITY-BASED ECONOMIC DEVELOPMENT
FOR NORTHERN QUEBEC

Makivik Corporation

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October , 1984

The Honourable André Bissonnette
Minister of State for Small Business
Ottawa, Ontario

Re: Makivik Proposal to the Native Economic
Development Fund

Dear Mr. Bissonnette:

The Inuit of northern Québec are a relatively isolated group within Canada's north. We are geographically distinct from the largest segment of the Inuit homeland, and we have experienced undeserved and perhaps even unintended neglect during the ordeal of the Canada-Québec discord.

Nevertheless, we are one of the first native people to traverse the land claims process, and we now have had nearly a decade of experience in coping with the process of change and all its impacts which has been generated by the James Bay and Northern Québec Agreement.

Makivik Corporation is an uncommon «development corporation». Not only do we have responsibility for the proper and wise investment of the compensation funds which the Inuit view as a heritage fund for present and future generations, but we also have a broad mandate as «native party» of the Agreement to promote the political, social and cultural welfare of Inuit of northern Québec. We are, therefore, a multipurpose development corporation with multiple responsibilities and their associated costs.

We are in a sound position to know and to understand the basic needs of our people, as well as to recognize the various constraints which hamper the legitimate meeting of these needs. Makivik has laboured doggedly to overcome these constraints which hamper the cultural, political, social and economic development of our people.

Our proposal describes the basic development needs of Inuit of northern Québec and the responses through which Makivik has attempted to meet these needs.

Our responses correspond to the regional character of the basic needs themselves, for example housing, schools, transportation, implementation of the Agreement, and the responses

The Honourable André Bissonnette
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further conform to the overall regional responsibility which we have for the fair and equitable service of all Inuit beneficiaries and communities.

The regional character of Makivik's mandate, the basic needs themselves, and therefore our responses have necessitated a careful and difficult allocation of our available resources.

This effort is proceeding to address, though not yet completely satisfy, some of the more pressing regional infrastructure needs. There remains, however, an inescapable need for action on the level of community economic animation and development.

Our constituency is ardently pressing for community-based economic development. This community-level approach would well complement the regional-level development initiatives which have demanded our available funds.

Our need, therefore, is for a community-based economic development initiative in northern Québec which would first of all respond to a clear need, complement continuing regional processes of development, and finally, offer to other northern groups an approach to economic development that features limited but sufficient tools for community animation, skills building and movement toward economic self-determination.

We request a streamlined business development process, and a modest business investment fund which will permit our communities to express a take-charge attitude in developing their economic opportunities, skills and future.

Makivik is ready to cooperate fully with you and with the communities in exercising this opportunity.

Sincerely yours,

Mary Simon
President

EXECUTIVE SUMMARY

This proposal is a request by Makivik Corporation for the funding required to establish a community-based economic development program for the 15 Inuit communities of northern Québec. This request for funding is divided into two parts, which are mutually required in order to promote community-based economic programs in northern Québec, taking into account the barriers to development.

Part One:

A request for a 4-year funding of a Business Development Component in the total amount of \$2,200,000.00. The Business Development Component comprises five functions that will be carried out over an initial 4-year period:

1. community economic workshops;
2. community economic coordination;
3. opportunity analysis and proposal development;
4. business and management training;
5. increased access to public and private sector resources.

Part Two:

A request for an amount of \$8. million to be dedicated to the establishment of a Development Trust Fund, the revenues of which would be used exclusively as seed capital grants. To this amount, Makivik undertakes to add \$200,000.00 per year in order that an amount of approximately \$1. million would be available per year for such grants.

The revenues of the Development Trust Fund would be used to finance businesses and economic ventures which are generated through the business development component. Such grants will be

available to compensate for the high start-up costs of northern enterprises, recognizing the low level of capital-formation in the communities.

The proposal describes what Makivik Corporation is and identifies what we believe to be the five basic development needs for Inuit of northern Québec and the constraints which hamper meeting these needs. These basic needs are:

- need for greater self-determination;
- need for infrastructure development;
- need for adequate social and economic programs;
- need to reduce living and operating costs;
- need for balanced economic development.

Based on what Makivik has accomplished with the revenues derived from its compensation funds, the following conclusions become apparent:

- a. Makivik is a multi-purpose development Corporation with broad responsibilities and corresponding expenses, which limit its ability to respond to all needs;
- b. Makivik has the responsibility to be fair and equitable in dealing with all beneficiaries and communities;
- c. Makivik's varied responses to these basic needs have a primarily regional character;
- d. There is a glaring need to bring the economic development process to the level of the individual communities;

- e. A community-based economic development approach involves more than capital-infusion for business investments.

This proposal aims at creating a process and form of funding that will promote community-based economic development in northern Québec.

1. MAKIVIK: A CORPORATE PROFILE

Makivik Corporation (hereinafter «Makivik») was established pursuant to the James Bay and Northern Québec Agreement (the «Agreement»), by Special Act of the National Assembly of Québec and proclaimed as law on June 28, 1978 (the «Charter»)¹. Pursuant to its Charter, Makivik is a non-profit association without share capital and without pecuniary gain for its members and is governed by Part III of the Québec Companies' Act. In addition, pursuant to the Agreement (section 1.11), Makivik is the native party succeeding to the Northern Québec Inuit Association as the representative of Inuit of northern Québec.

Objectives of Makivik

The Charter of Makivik provides that it shall have the following objectives, namely:

- a. to receive, administer, use and invest the part, intended for Inuit, of the compensation provided for in the Agreement and the revenues therefrom, the whole in accordance with its Charter;
- b. to relieve poverty and to promote the welfare and the advancement of education of Inuit;
- c. to develop and improve Inuit communities and to improve their means of action;
- d. to exercise the functions vested in it by other Acts or the Agreement;
- e. to foster, promote, protect and assist in preserving the Inuit way of life, values and traditions.

¹ See, An Act to establish the Makivik Corporation, 1978, Appendix 1.

Head Office

The head office of Makivik is located at Kuujjuaq, Québec. In addition, the corporation has offices in Inukjuak and Montréal, Québec.

Membership

Pursuant to its Charter, a person is entitled to be enrolled as a Member of Makivik:

- A. if on November 15, 1974, he or she was
 - i. a person of Inuit ancestry who was born in Québec, ordinarily resident in Québec, or recognized by one of the Inuit communities of Northern Québec as being a member thereof;
 - ii. the adopted child of a person contemplated in paragraph (i).
- B. if after November 15, 1974, he or she was
 - i. a descendant in the male or female line of a person contemplated in (A);
 - ii. the adopted child of a person contemplated in (A) or in paragraph (i);
 - iii. the lawful spouse of a person contemplated in (A) or in paragraph (i) or (ii).

Board of Directors

In conformity with the Charter and By-Laws of Makivik, at present the Board of Directors consists of 22 persons, made up as follows:

- 13 directors elected by the Inuit communities, that is one representative elected from and by each Inuit community;
- 6 persons elected from among the members of the Corporation at large, by the members of the Corporation

at annual general meetings as Officers/Directors-at-Large (ie. President/Director-at-Large, Treasurer/-Director-at-Large etc.)

- 2 directors appointed by the Government of Québec;
- 1 director appointed by the Minister of Indian Affairs and Northern Development.

The term of office of the Directors is 3 years, with elections are held in such a way as to provide for staggered terms.

Meetings of the Board of Directors and Members

The Board of Directors meet at least four times per year. However, informal telephone conversations, up-date reports and field trips made by the Officers, keep the Directors informed as to the activities of Makivik.

The Members of Makivik meet annually within six months of the fiscal year end (September 30). All members of the age of majority have the right to vote at such meetings or to vote by proxy. However, no Member may hold more than 10 proxies. The Charter provides that Makivik provide the funds necessary to cover the expenses incurred by at least two representatives of each Inuit community to attend the annual meeting.

It is an unwritten policy of Makivik, following tradition, that the Board of Directors and Annual General Meetings of Members be held in a different community on each occasion.

Auditors

The auditors of Makivik are Peat, Marwick, Mitchell & Company, Chartered Accountants, 1155 Dorchester Boulevard West, Montreal, Québec.

Legal Counsel

Legal counsel of Makivik are Joffe, Pennee, Gagné & Silverstone, 4898 de Maisonneuve Boulevard West, Westmount, Québec.

Company Bankers

Makivik's principal bankers are the Canadian Imperial Bank of Commerce, 800 Dorchester Boulevard West, Montreal, Québec.

FINANCIAL RESPONSIBILITIES AND ACTIVITIES

Compensation Funds

Pursuant to the Agreement, Makivik is entitled to receive, for the use and benefit of the Inuit beneficiaries, the sum of \$91,709,750.00, representing the Inuit share of the total \$225,000,000.00 compensation provided for in the Agreement. As of September 30, 1983 (the last fiscal year end), Makivik had received a total of \$61,421,048.00.

Of this amount \$30,394,774.00 was paid in the form of Province of Québec Debentures issued in five equal and consecutive series on November 1 in each of the years 1975-79. While these Debentures have a maturity date of 20 years, they may be presented by the holder on their 10th or 15th anniversary date. The average yield on the 5 issues is 10.15%.

Of the balance of the compensation funds, one-half is to be received in accordance with an established schedule between March 31, 1976 and January 1, 1985 and the other half determined with reference to installed generating capacity of hydroelectric generating stations built in the territory north of the 49th

parallel of latitude after the execution of the Agreement and payable over a maximum period to December 31, 1996.

Until October 31, 1987, at least 75% of this balance of compensation funds must be invested in investments described in the Schedule to the Agreement, a copy of which forms part of the Charter being Annex 1 and hereinafter referred to as the «Schedule of Investments». This percentage declines to 50% on November 1, 1987 and remains at that level until October 31, 1997. As of September 30, 1983, the amount of compensation so restricted was \$23,269,705.00.¹

Until 1982 the majority of the portfolio invested was limited to short-term deposits, in order to take advantage of the high rates of interest being offered. Since that time, the portfolio has been more diversified and actively traded.²

Based on the financial philosophy outlined by the Agreement and the desire to protect the capital of the compensation for future generations it is the policy of the Corporation to limit its expenditures to the revenue being generated by the compensation.

Investment Review Committee

The Board of Directors has mandated an Investment Review Committee to be responsible, within the guidelines established by the Schedule of Investments, to determine the investment parameters of the Corporation's portfolio. This Committee is presently made up of the following persons:

¹ Please see copy of audited financial statements of Makivik for the year ended September 30, 1983 attached as Appendix 2.

² The results of the investments made pursuant to the Schedule of Investments are attached as Appendix 3. We believe these results compare very favourably with those of similar investment funds.

Mary Simon, President of Makivik Corporation for the past two years, having previously held other Executive positions with the Corporation. Prior to her election as President of Makivik, Mrs. Simon was the Secretary-General of the Kativik School Board. Mrs. Simon has also held executive positions with the Inuit Circumpolar Conference and

Jobie Epoo, Treasurer of Makivik Corporation since 1981, having previously held other positions with the Corporation. Moreover, Mr. Epoo is an Officer and Director of all of the Corporation's subsidiaries.

Kamal Hanna, B.Comm., C.A., Director of Finance of Makivik Corporation since 1979. Prior to his appointment, Mr. Hanna worked in public audit firms including, during a period of 9 years the audit firm of Peat, Marwick, Mitchell & Company. As Director of Finance, Mr. Hanna is responsible for executing investment decisions.

Simon Sénécal, a Director of Makivik Corporation appointed by the Minister of Indian Affairs and Northern Development. Mr. Sénécal is also the Chairman of the Board of Brault, Guy, O'Brien.

Bernard Pennee, B.A., B.C.L., L.L.B, M.B.A., a member of the Corporation's legal counsel, who has been involved in the affairs of the Corporation since 1977. Mr. Pennee has taught law courses at Mc Gill university since 1977 and previously taught Economics at Concordia University.

Corporate Structure

Each of the Directors-at-Large are elected for a 3-year term to an Executive officers position. At the present time these officers are:

Mary Simon	-	President
Mark R. Gordon	-	First Vice-President
Johnny Peters	-	Second Vice-President
Minnie Grey	-	Third Vice-President
Martha Kauki	-	Secretary
Jobie Epoo	-	Treasurer

The following is a functional area organigram of the Corporation:

BOARD OF DIRECTORS

PRESIDENT

<u>1st Vice-President</u>	<u>2nd Vice-President</u>	<u>3rd Vice-President</u>	<u>Treasurer</u>	<u>Secretary</u>
<ul style="list-style-type: none">- Political development- Constitution- Claim negotiations- Special Projects	<ul style="list-style-type: none">- Research Environment- Coordinating Committee- Anguvigaaq	<ul style="list-style-type: none">- Project planning and development- Landolding Corporations- Socio-economic and cultural matters	<ul style="list-style-type: none">- Budget management and financial statements and procedures- Investments<ul style="list-style-type: none">- securities- subsidiaries- Accounting controls and procedures	<ul style="list-style-type: none">- Administration- Polices and procedures- Offices and personnel- Translation services- Training- Communications- Information Services

2. NORTHERN QUEBEC: A REGIONAL PROFILE

The Land Mass

Northern Québec stretches northward from the 55th parallel and encompasses over one-third of the Québec land mass. The total area is roughly the size of Spain and the two Germanys (see Figure 1). Northern Québec is bounded on the east by Labrador, and elsewhere by the sea.

The Climate

Northern Québec experiences harsh weather conditions and temperatures. Winters last from late-August to mid June. The days when temperatures remain above freezing vary from 100 days in the southernmost reaches to 20 days in the northern reaches by Hudson Strait.

Inuit

Inuit have lived in northern Québec for thousands of years, subsisting on the resources of land and sea. The present population numbers near 6,000 and 60% of the Inuit today are under 25 years of age. The population can be expected to grow significantly in the next decades. The prevalent language is Inuktitut, and English is the more common second language.

Brief Political History

The Inuit homeland was annexed to the Province of Québec in 1898 and 1912. The northern Québec-Labrador border which passes through traditional hunting and fishing domains is still contested. The landmark in recent northern Québec political history was the

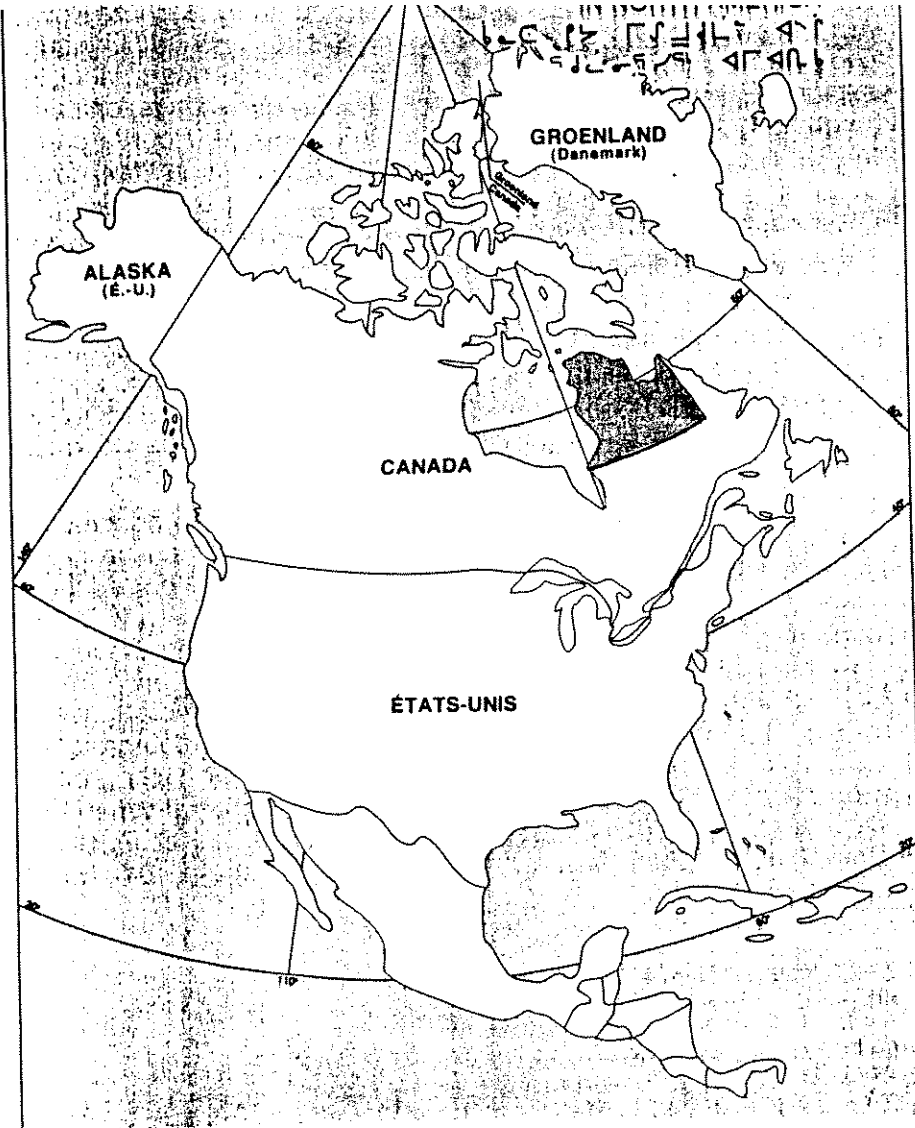
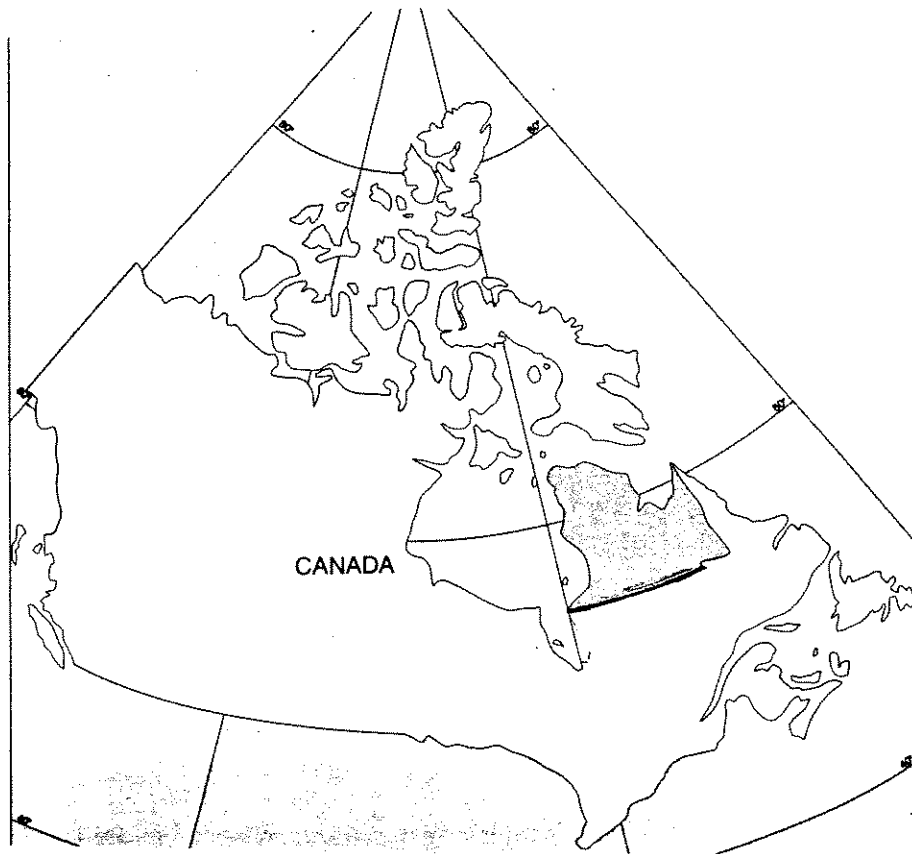


figure 1

Geographic Location



James Bay and Northern Québec Agreement (the «Agreement») of 1975 which transferred some ancestral rights of Inuit to the Crown in return for Inuit title over certain lands, varied administrative responsibilities and compensation monies.

The Communities

There are 15 Inuit communities scattered along the coastline of northern Québec (see Figure 2). These settlements are connected primarily by air as there are no roads linking the communities. A summer sealift permits very limited and brief sea transportation. The population of the communities vary between 1,000 (Kuujuuaq) and 66 (Aupaluk). Not only are our 15 communities isolated from each other, but our region is distant from Montreal (Kuujuuaq - Montreal 1,850 km).

<u>Community</u>	<u>Population</u>
Inukjuak	650
Kuujuuarapik	1,133
Povungnituk	752
Akulivik	241
Ivujivik	184
Salluit	518
Kangiqsujuaq	279
Quaqtaq	163
Kangirsuk	279
Aupaluk	102
Tasiujaq	106
Kuujuuaq	1,068
Kangiqsualujuaq	333
Taqpangayuk	
Umuijaq	

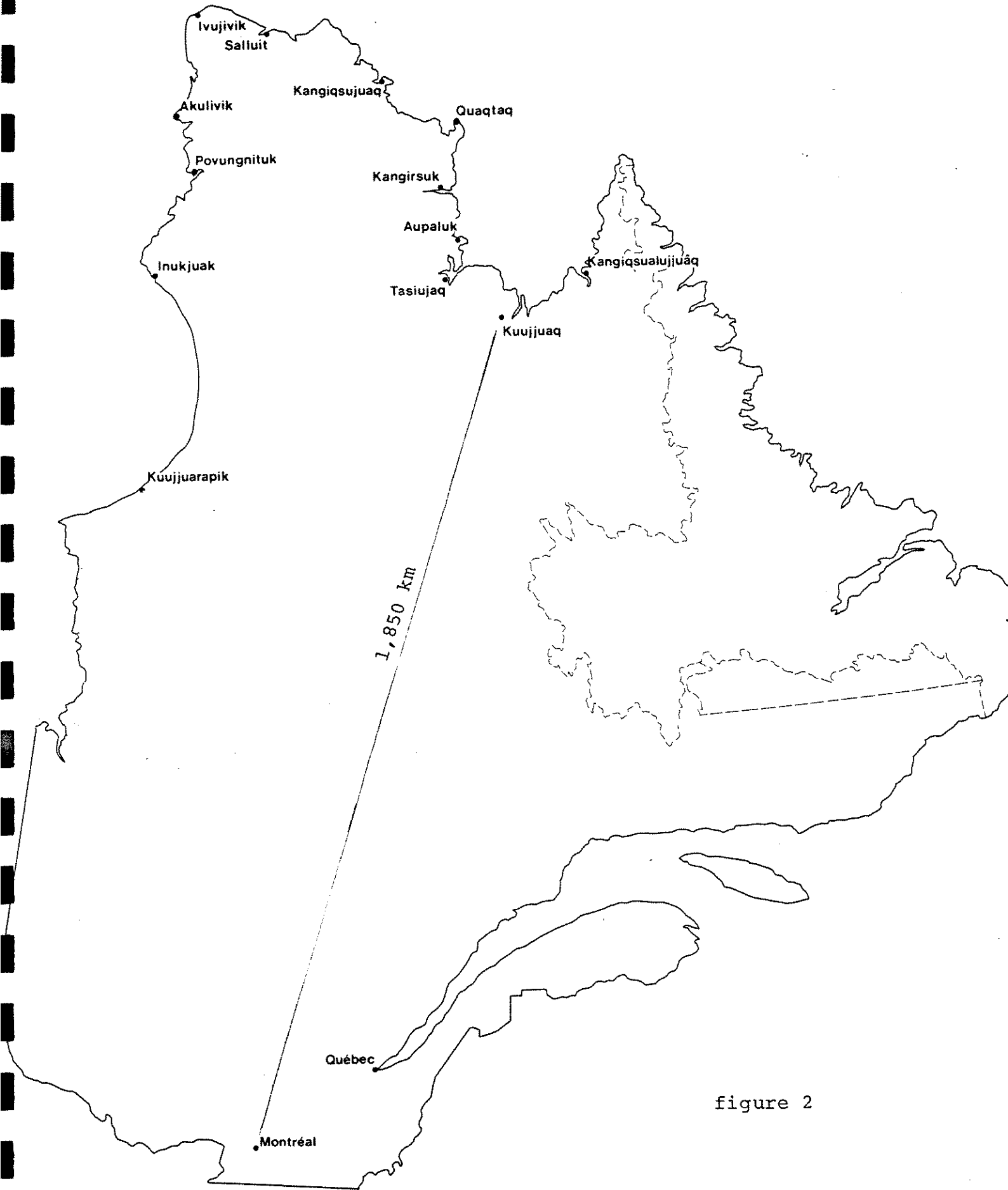


figure 2

3. THE DEVELOPMENT PROCESS IN NORTHERN QUEBEC: INUIT ORGANIZATIONS AND MANDATES

In addition to Makivik, various Inuit organizations are involved in the process of development within northern Québec. In this section, we will briefly identify these organizations and their mandates. Supporting details can be found in the indicated appendices.

Kativik Regional Government

The Kativik Regional Government (K.R.G.) was provided for in the James Bay and Northern Québec Agreement and, as a result, was created under Québec law in 1978 with jurisdiction and responsibility for administration of the territory north of the 55th parallel in Québec and all communities in that region. The powers of the K.R.G. include town-planning and land-development; transport and communications; and manpower training and employment.

La Fédération des Coopératives du Nouveau-Québec

The Fédération des Coopératives du Nouveau-Québec (the «F.C.N.Q.») was established in 1967 to coordinate the efforts of the then five cooperatives of Kuujjuarapik, Povungnituk, Kuujjuaq, Kangirsuk and Kangiqsualujjuaq. Today, the F.C.N.Q. is made up of twelve northern Québec cooperatives. As a natural extension of the local cooperatives, the F.C.N.Q. has the same purposes and objectives as its affiliates. It handles marketing of carvings and handicrafts and is involved in outfitting. It also constitutes a centralizing body for purchasing and for negotiating loans, and acts as accounting advisor to its member cooperatives.

Kativik Regional Development Council

The Kativik Regional Development Council (the «K.R.D.C.») was established in 1980 in accordance with the Agreement. The K.R.D.C. is the preferential consulting body of the Office de Planification et de Développement du Québec (O.P.D.Q.) in matters related to public consultation and advice on development in the region north of the 55th parallel. The objects of the K.R.D.C. include: promotion of economic and social development of the territory, in accordance with the expectations and needs of the population and in cooperation with the organizations concerned; consultation of the population on economic development matters; assisting in preparation of a regional development plan; and ensuring that the population of the region takes an active part in the development of the region.

Kativik School Board

The Kativik School Board (the «K.S.B.») was created in 1978 as a result of the Agreement. Education was gradually taken over from the former federal schools of the Department of Indian Affairs and Northern Development («D.I.A.N.D.») and the Québec School Commission. The K.S.B. has the responsibility to provide educational services to Inuit and non-Inuit at the kindergarten, primary, secondary and adult education levels.

Iliqvik Inc.

Iliqvik Inc. («Iliqvik») was incorporated in 1982 to facilitate vocational training courses for Inuit. Makivik, K.R.G. and the K.S.B. are members and have appointed representatives to the Board of Iliqvik.

The Landholding Corporations

The Landholding Corporations (the «L.H.C.s») were created in 1978 as part of the Agreement. The L.H.C. act as the local ethnic body representing Inuit community interests. The powers and duties of the L.H.C.s include:

1. certain activities related to the ownership and administration of lands within each community;
2. supervision of certain hunting and fishing rights of non-residents and non-natives;
3. exercise of certain rights concerning the establishment of commercial fisheries in or near communities.

The Northern Village Corporations

The Northern Village Corporations (the «N.V.C.s») are the non-ethnic municipal governments headed by an elected mayor and responsible for public security, public health and hygiene, land-use, public services and public works.

Anguvigaq Wildlife Management Inc.

Anguvigaq Wildlife Management Inc. («Anguvigaq») was created by the Inuit in 1982 to provide clear direction to the Inuit, all northern institutions and government agencies on wildlife issues in northern Québec. The principal objective of Anguvigaq is to protect the renewable resource base on which the Inuit subsistence economy depends as well as to protect the interests of Inuit harvesters.

Avataq Cultural Institute Inc.

Avataq Cultural Institute Inc. («Avataq») was created as a non-profit organization to promote all forms of Inuit culture and education.¹

¹ For activities of Avataq, see Appendix 4, page .

4. THE DEVELOPMENT PROCESS IN NORTHERN QUEBEC: BASIC NEEDS AND MAJOR CONSTRAINTS

4.1 The Need for Greater Self-Determination

Self-determination involves more than just rights related to culture and language. It also includes appropriate institutions designed, controlled and managed by Inuit, as well as sufficient and adequate resources to exercise these functions.

Notwithstanding the Agreement, no unified system for the delivery of municipal services was worked out among Canada, Québec, K.R.G. and the N.V.C.s. In fact, the federal government unilaterally transferred their administrative responsibility for such services to Québec, thereby reducing the ability of our regional institutions to exercise effective control in these areas.

In addition, the lack of an adequate revenue base in the region has made the K.R.G. and N.V.C.s wholly dependant on capital and operating budgets from Québec. The inadequacy of these budgets jeopardizes the ability of our regional and local governments to properly and effectively exercise their already severely diminished powers.¹

¹ To the same effect, see Rouland, Les Inuit du Nouveau-Québec et la Convention de la Baie James, Université Laval, Québec, 1978, pp. 157-158.

4.2 The Need for Infrastructure Development

Facilities and services available in Inuit communities in northern Québec are clearly inferior to those in similar communities in the Northwest Territories. This is largely due to the jurisdictional disputes between Canada and Québec which took place in the 1960's and early 1970's. As a result, essential services such as airstrips, housing, schools and municipal services, were not maintained and experienced serious decline.

Community centres and other municipal infrastructures are still sorely needed. Such infrastructure development could have been financed through federal-provincial agreements under D.R.I.E. as in the Northwest Territories. However, such agreements have not been available in Québec.

It is only recently that cost-sharing arrangements have been concluded with respect to an accelerated program of construction for schools and housing. In addition, it is only in late 1983 that a federal-provincial cost-sharing agreement was finally signed to allow for an airstrip improvement program to begin in Inuit communities. Such program has commenced in 1984 with the construction of the first airstrip and will continue throughout a 10-year period.

4.3 The Need for Adequate Economic and Social Programs

The spirit and letter of chapter 29 of the Agreement, recognizes virtually all aspects of economic activity in the territory north of the 55th parallel require further government initiatives. Aside from one major exception,¹ no new programs

¹ The Inuit Hunter Support Program was implemented by Québec legislation (Bill 83) passed on December 16, 1982. See An Act respecting the support program for Inuit beneficiaries of the James Bay and Northern Québec Agreement for their hunting, fishing and trapping activities, S.Q. 1982, c. 47.

have been created to implement chapter 29 and no laws have been proposed by the federal or Québec government for enactment by their respective legislatures.

In addition, the Agreement provides a mandatory obligation on the part of Canada and Québec to provide financial and technical assistance to Inuit entrepreneurs.¹ Yet, no assistance was available for start-up costs when Makivik set up such regional economic operations as Air Inuit and Kigiak Builders. Financial assistance for these large projects could have been provided through Special A.R.D.A. programs if they had been available in Québec.

The federal Implementation Review Report,² summarized the profound effects of such poor federal-Québec cooperation as follows:

«Comprehensive development strategies with special emphasis on the needs of native people have been developed, and are being implemented in other northern areas of Canada through the mechanism of long-range development agreements, entered into by provincial and territorial governments and Canada. It is ironic that the Crees and Inuit, who appear, on the basis of the letter and spirit of the Agreement, to perhaps have a greater claim than others to such development assistance have as yet not received any significant help. This is an urgent problem which deserves immediate attention by all the parties to the Agreement.» (Emphasis added)

¹ See section 29.0.39 of the Agreement which provides: «Canada and Québec shall support Inuit entrepreneurs by providing them with technical and professional advice and financial assistance.» (Emphasis added)

² See Department of Indian and Northern Affairs, James Bay and Northern Québec Agreement Implementation Review Report, February 1982, at p. 66.

A major anticipated benefit obtained by Inuit under the Agreement was the right to priority in regard to both contracts and employment on projects by government as well as other proponents.¹ Despite these provisions, until this year, no contracts have been granted by Québec to Inuit enterprises in the region to build schools or houses in our northern communities.² This has been especially unfair since it is primarily through Inuit efforts that additional federal monies (\$26 million) for the accelerated program for school and housing construction are being channeled into northern Québec.

Moreover, in the important area of construction, the rules and regulations governing the industry have themselves been an impediment to Inuit obtaining employment.³

The lack of adequate economic and social programs is especially marked in the area of appropriate training. The establishment of the Kativik School Board in northern Québec has provided some basic schooling to our people up to grade 12.⁴

¹ See sections 29.0.31 and 29.0.32 of the Agreement.

² In 1984, Kigiak Builders Inc. and the Fédération des Coopératives du Nouveau-Québec were given schools and housing projects for Aupaluk and Akulivik respectively by a Québec Government Decree that specifically awarded such contracts without submitting to the usual tendering process.

³ In his summary at the Québec Parliamentary Commission hearings into the Construction Industry held in August 1984, the Ministre du Travail, the Honourable Raynald Fréchette recognized for the first time that in order to fulfill the obligations of the government in regard to priority of employment pursuant to section 29.0.31 of the Agreement, the rules and regulations governing the construction industry would have to be modified. To such end, an Interministerial Committee was established with the mandate to recommend the necessary amendments.

⁴ The K.S.B. appears to be often hampered in developing curriculum and specializing training due to the lack of adequate funding.

However, business and management training designed to promote Inuit control of their basic institutions has been severely neglected by the federal and provincial governments. Iliqvik was created to try to coordinate and administer certain vocational trades training programs previously delivered by D.I.A.N.D.

4.4 The Need to Reduce Living and Operating Costs in the North

A well-known fundamental characteristic of the north is the high cost of living. Although Inuit housing, including heating and water delivery are heavily subsidized¹ by federal and provincial governments, food and fuel are at least 40% more in the north than in the southern parts of Canada. Transportation costs are often double in the north than in the south.² The degree-days which determine heating needs vary from 6,700 degree-days in our southernmost communities to 9,400 degree-days for those in the northern reaches of the land mass. This is double the degree-days needed to heat homes in Montreal. The situation which results is that northern inhabitants are penalized with high transportation, food, fuel and other costs because the area is one of low population density and little economic development.

Excessive living costs produce a tremendous drain on the financial resources of Inuit residents of northern communities. In addition, such high costs discourage the start-up, or else prevent the profitable operation, of commercial enterprises in the

¹ While Inuit housing may be subsidized, the overall housing supplied to federal and Québec government employees brought up to the north is of far superior quality, particularly in terms of facilities and living space per person.

² A return flight from Montreal to Kuujjuaq, a distance of approximately 1,000 miles, amounts to \$671.00. This compares very disfavouredly with southern rates for a 1,000 mile journey.

north.¹ This latter situation has the effect of severely decreasing the number of sustainable businesses. Since housing and fuel subsidies received from governments apply only to our residences, any Inuit commercial enterprise must pay the full costs of heating and municipal services in our communities.

The lack of adequate infrastructure increases the difficulty of providing an efficient service at a reasonable price to the consumer.²

¹ In regard to construction in the north, labour costs are approximately 90% higher, while the cost of building materials is approximately 20% higher due to the added transportation and related insurance costs.

It should be noted that the construction industry in Canada uses a multiple of 2.2 in comparing northern and southern construction costs. (Note all figures used are for 1981).

On the basis of southern hourly construction costs recommended by the Association des Constructeurs du Québec utilizing a typical 50-hour work week, the cost per hour for a construction worker is \$27.84.

Additional costs per hour for northern construction are:

Food	\$ 3.50
Lodging	10.50
Travel	2.01
Operating Costs (tools, trucks, etc.)	4.32
Workmen's Compensation	0.40
Additional minimum hourly rate due to overtime	<u>4.17</u>
Total	\$24.90

Percentage increase in costs is \$24.90 over \$27.84 equals 89.4% or approximately 90%.

² For example, one of our subsidiaries, Air Inuit Ltd., is restricted to flying a daytime airline service due to lack of major airstrips and navigational aids in most Inuit communities in northern Québec.

4.5 The Need for Balanced Economic Development

Balanced economic development in the north requires sufficient funds, expertise and Inuit participation. In sharp contrast to the situation in the Northwest Territories, the government of Canada and Québec have been unable to conclude a general economic development agreement to jointly select and implement increased initiatives for the socio-economic development of Inuit of northern Québec.¹

Besides the lack of economic funds and agreements to pursue balanced economic development, a further constraint is the long-standing attitude by government and industry that large-scale, non-renewable resource development is the main, if not sole, form of economic development in the north. This perception has resulted in numerous conflicts between the proponents of large-scale northern development and native peoples, whose regionally-based economies include extensive subsistence activities.²

¹ See An Economic Development Agreement between the Government of Canada and the Government of the Northwest Territories, dated December 21, 1982.

Under the Canada - Northwest Territories general agreement, a number of important subsidiary agreements have been entered into to provide for economic programs related to inter-settlement trade of indigenous commodities between communities; planning and implementation of renewable resource projects; small business assistance; tourism development; community-based economic development planning; the enhancement of business management capabilities of northern businesses; and measures to provide aboriginal peoples with the opportunity to participate in training programs and employment opportunities and to overcome any barriers they might feel in participating in a wage economy.

² Recently, the government of Canada formally recognized the need to achieve a balance between wage employment and native subsistence activities. See «An Economic Agreement Between the Government of Canada and the Government of the Northwest Territories», dated December 21, 1982, section 2.2(d).

If we are to achieve balanced economic development in the north, hydroelectric development, mining and oil and gas activities must not necessarily be seen as the major or dominant uses of, or activities in, northern regions. Small-scale local developments, with lesser adverse impacts, will be desirable and necessary in the future if we are to establish a more diversified and sustainable economy in arctic and sub-arctic regions.

Another major impediment on balanced economic development in northern Québec is the lack of comprehensive economic planning in which Inuit could participate and in which their values and interests would be protected.¹

A further constraint on balanced economic development in northern Québec is the lack of suitable banking and other financial services at the community level. Such services not only provide incentives to individuals to save and invest in business activities, but also furnish vital sources of financing and expertise. Currently, there is only one banking facility located in northern Québec.

A chronic constraint on a balanced approach to economic development is the low-level of animation, skills and opportunity analysis in the communities themselves. Regional needs relating to economic development have all too often diverted human and financial resources from more community-based initiatives. This

¹ New land-use powers, which have been conferred upon municipalities in other parts of Québec, have not been extended to our territory above the 55th parallel. See An Act respecting Land Use Planning and Development, R.S.Q., c. A-19.1, s. 266 of the Act provides: «This act does not apply in the territories situated north of the 55th parallel ...». In addition, section 1 of the Act excludes northern village corporations in our territory from the definition of municipal corporations under this Act.

priorization has seriously limited the opportunity for community-based economic development efforts, and has to that degree imbalanced the economic development process and potential in northern Québec.

5. THE DEVELOPMENT PROCESS IN NORTHERN QUEBEC: THE MAKIVIK RESPONSE

The comprehensive mandate of Makivik empowers it to initiate and pursue activities relating to virtually all aspects of the development process. As the Inuit party to the James Bay and Northern Québec Agreement, Makivik has responded to multiple politically-oriented issues which impact the cultural, social and economic development of Inuit. Many of the issues arise in the context of self-determination and the role and responsibilities of the Inuit party as per the Agreement. Another broad category of Makivik responses are more specifically related to the development and implementation of economic initiatives, businesses and the required financial, human and physical infrastructures for regional development.

It is important to note that these fundamental types of responses are not mutually exclusive. They are attempts to deal with the wide range of developmental issues which confront Inuit of northern Québec.

We shall succinctly describe the major responses and activities of Makivik in its attempt to overcome major constraints which hamper the developmental process in northern Québec.

5.1 Responses Relating to Self-Determination

Self-Government

While existing institutions in northern Québec exercise certain powers of self-government, it is generally felt that additional powers are required as well as new, more independent systems of financing. New structures may also be required. In

order to collect preliminary information and consult Inuit communities, a Northern Québec Task Force on Self-Government was created. This Task Force has now been replaced by a new group made up of representatives of Makivik and other regional organizations, as a result of a Special General Meeting of Regional Organizations held last May in Povungnituk. Much work remains to be done on this complex and challenging issue.

Constitution - National Level

Since 1978, Makivik has devoted a significant amount of time to constitutional issues affecting Inuit interests. As a member of the Inuit Committee on National Issues (I.C.N.I.), Makivik has contributed substantially to the formulation of Inuit constitutional positions, participated at numerous constitutional conferences and appeared before various committees of the Senate and House of Commons. Makivik is continuing to play an active role in the ongoing constitutional process.

Constitution - Within Québec

In November 1982, Makivik, together with certain other aboriginal organizations, played a major role in creating the Aboriginal Peoples of Québec Task Force on the Constitution.

The Task Force is comprised of Inuit, Indian and Métis and Non-Status Indian organizations in Québec and was successful in persuading Premier Lévesque to take part in the 1983 and 1984 First Ministers Conferences. Discussions with the Task Force also led Québec to establish parliamentary committee hearings in the National Assembly in regard to the rights and fundamental needs of Amerindians and Inuit.

Inuit Offshore Interests

As aboriginal peoples, northern Québec Inuit continue to have extensive rights and interests in the offshore area surrounding northern Québec. These rights and interests include such matters as wildlife harvesting and management, environmental management and protection, coastal zone management and participation in economic development. Therefore, there is a substantial amount of ongoing work to be completed in regard to the offshore.

Inuit Circumpolar Conference

Makivik and other Canadian Inuit organizations participate with Inuit from Alaska and Greenland in their international entity, Inuit Circumpolar Conference (I.C.C.). In July 1983, Canadian Inuit submitted an extensive working paper entitled «Principles and Values for Consideration in a Draft Arctic Policy». Since February 1983, the I.C.C. has N.G.O. (Non-Governmental Organization) status in the United Nations.

Killiniq Relocation

Last January, after six years of discussion, the former population of Killiniq and Makivik instituted legal proceedings against the Government of Canada and the Government of the Northwest Territories to obtain compensation for the damages Killiniq Inuit sustained as a result of their forced relocation in February 1978. Negotiations with the federal government are continuing with a view to creating a new community at Taqpanyayuk.

Resolute Bay/Grise Fiord Relocation to Inukjuak

Negotiations are continuing with the federal government to ensure an adequate plan for relocating Inuit families in the

High Arctic communities of Resolute Bay and Grise Fiord back to their original community, Inukjuak.

Kuujjuarapik Relocation to Umiujaq

After three years of negotiation, a relocation agreement was signed between Québec and Inuit parties to allow for the relocation of Inuit from Kuujjuarapik to Umiujaq, as provided under the Agreement (section 6.4). Throughout the negotiations, Makivik worked together with the Inuit affected and has provided substantial technical and financial resources to ensure that government commitments under the land claims agreement will be fulfilled. Negotiations with the federal government are continuing in regard to the construction of additional housing, public buildings and other facilities in Umiujaq.

Caniapiscau Diversion Negotiations

Subsection 8.10 of the Agreement gives rise to certain obligations on the part of the James Bay Energy Corporation, Hydro-Québec and the Government of Québec in favour of Inuit of northern Québec. More specifically, these obligations involve remedial measures to be taken to minimize to a reasonable extent the possible and probable damages of the Caniapiscau diversion on Inuit or wildlife north of the 55th parallel. For this purpose, Makivik has formed a Joint Committee with the municipality of Kuujjuaq and the Landholding Corporation of Kuujjuaq called the «Joint Committee on the Caniapiscau Diversion». The Joint Committee was designed to work closely with the local Fishermen's Committee and with the Joint Study Group on the Caniapiscau Koksoak river system. The purpose of this Joint Committee is to consult with the community of Kuujjuaq and to prepare for negotiations on remedial measures related to the Caniapiscau Diversion. These remedial measures will include both individual and community

compensation procedures. Makivik has provided funding to the Joint Committee and to the community of Kuujjuaq to work on the Caniapiscau Diversion issue.

Cultural Development

Through contributions of both human and financial resources, Makivik supports the work of Avataq Cultural Institute Inc., which is the primary entity in northern Québec focussing on Inuit cultural development. Last August, Avataq held its Third Annual Elders Conference in which Makivik participated.

Inuit History Project

The purpose of the Inuit History Project is to produce a textbook and other educational materials on the history of northern Québec from an Inuit perspective. The project is being jointly undertaken by Avataq Cultural Institute, Makivik and the Kativik School Board.

5.2 Responses Relating to Infrastructure Development and the Reduction of Living and Operating Costs

Implementation of the James Bay and Northern Québec Agreement

Since its inception in 1978, Makivik has been carrying out its varied responsibilities in regard to implementing the Agreement. Subject matters under the Agreement include the Inuit land regime; regional and local government; health; education; justice and police; environment; hunting, fishing and trapping and Inuit social and economic development. In light of the large number of implementation issues to be dealt with, D.I.A.N.D. established a Secretariat, last February, after substantial discussions took place with Makivik.

Essential Services in Inuit Communities

After much discussion and negotiation, federal-provincial cost-sharing agreements have finally been concluded in regard to three essential services: airstrips, housing and schools. Makivik is currently monitoring these programs to ensure that these new agreements are implemented as intended.

Information/Communications

The Makivik Information/Communications Department is based in Kuujuaq. Through Taqralik magazine and Tusaqvik radio programs, among other activities, our goal is to inform northern Québec Inuit on all major issues and events affecting the region on an ongoing basis.

The Department has been successful in publishing the «Taqralik» magazine on a regular basis. The publication covers all major activities of Makivik and its subsidiaries as well as general interest events affecting northern Québec Inuit. Although «Taqralik» is only available through subscriptions to the general public, it is distributed free of charge to all Inuit beneficiaries of the Agreement upon request.

Alternate Energy and Energy Conservation Project

In April 1983, Makivik and the K.R.G. submitted a joint proposal to Energy, Mines and Resources Canada to obtain funding under the Remote Community Demonstration Program. The Makivik/K.R.G. proposal outlines a series of detailed energy planning activities in two pilot communities in northern Québec, which will establish a basis for energy planning in all Inuit communities in the region.

5.3 Makivik Responses Relating to Balanced Economic Development

Makivik Subsidiaries

Since its inception, Makivik has established a number of subsidiary economic activities on a regional basis with the following goals: 1) job creation for Inuit; 2) good service; and 3) profitability. These subsidiary activities are the following:¹

Air Inuit Ltd. - a commercial air service based in Kuujjuaq, Québec and serving the northern communities on the Ungava and more recently the Hudson Bay coast. Moreover, the company services a route from Kuujjuaq to Nain, Labrador. The company holds licences to operate charters out of a base in Montreal. It also deals in the selling and leasing of aircraft.

Kigiak Builders Inc. - a construction company which bids exclusively on public and private contract work in northern Québec. Moreover, a division of this company operates the only fuel service in Kuujjuaq, Québec.

Sanak Maintenance Inc. - a recently established company doing the maintenance work for almost all of the public and some private institutions in northern Québec.

Kigag Travel Agency Inc. - a company handling travel arrangements not only for Makivik and its subsidiaries, but most other major northern Québec Inuit organizations.

Regional Development Plan

Makivik, the K.R.D.C. and the K.R.G. are pooling their efforts to work together in preparation of a Regional Development Plan.

¹ Makivik has, in the past, operated a deep-sea shrimp fishing vessel through its subsidiary Imaqpiq Fisheries Inc. However, given the condition of the fishing industry and the difficulty in obtaining licences allowing year-round access, the company has discontinued operations.

A «Regional Development Plan» provides a major tool for ensuring orderly and planned development and use of their region's land and resources in a manner and pace consistent with rationale land-use criteria and the goals and needs of inhabitants of the region.

Hudson Bay Oil and Gas Committee

In May 1982, the federal government established the Hudson Bay Oil and Gas Committee in accordance with section 5(b) of the Canada Oil and Gas Act. Makivik continues to be a member of the Committee, which is concerned with both environmental and economic issues related to oil and gas exploration and development in Hudson Bay.

Royal Commission on the Economic Union and Development Prospects for Canada (Macdonald Commission)

Makivik presented a comprehensive brief to the Royal Commission at its hearings last November. We subsequently submitted a further response to the Commission's interim report «Challenges and Choices» indicating our views on the approach to economic development in northern Québec.

Makivik Training Department

Makivik formed a Training Department that has as its object to develop and put in place suitable training programs for the corporation and its subsidiaries. The Department coordinates the supporting role of the Employment and Immigration Commission (C.E.I.C.) and the Department of Indian Affairs and Northern Development (D.I.A.N.D.).

Training sessions have taken place in the following fields: wildlife and research techniques, fisheries, cartography, information and communications, secretarial skills (receptionist, clerk typist), bookkeeping, translation, cargo handling and civilian air mechanics.

The Department acts as an alternative referring counsellor upon request for the training of pilots, syllabic typists, heavy equipment operators and first-aid instructors.

Makivik Research Department

The Research Department was established because it became apparent that in order to effectively implement the hunting, fishing and trapping regime of the James Bay and Northern Québec Agreement, a data base for the northern Québec territory had to be developed. From the onset Makivik accepted the principle that if some control was to be retained over wildlife, harvesting activities, economic development based on renewable resources and environmental protection that the Corporation would have to create and fund a core group to conduct research and in certain cases actually subsidize research programs. Experience had shown that left to government or industry to develop, data bases become problematic.

All research conducted by the Department is oriented towards developing a regional data base for northern Québec or to address specific resource management problems. In developing a data base the first priority has always been to provide information

which will lead to the proper use and management of wildlife, in other words the management and protection of the subsistence economy of the Inuit. This acquisition of food from the land continues to be a vital component of the Inuit economy and is one that the Inuit wish to maintain into the future. The second priority is to provide information necessary to take decisions on the commercial development or exploitation of wildlife resources and their by-products without jeopardizing the subsistence economy. To this end, the Research Department has successfully conducted a number of research projects.

Some of the major research outputs are:

- «Research to Establish Present Levels of Native Harvesting: 1973-80»
- Land-Use and Ecological Mapping
- Biological Studies of Arctic Char, Salmon, Beluga Whales
- Inshore Cod Fishery Study at Killiniq
- Eider Duck Management Study
- Caribou Commercialization Reports.

See Appendix 5 for additional details on these activities.

The Landholding Corporations

Makivik has, since 1979, funded the Landholding Corporations. Following consultation with representatives of each of the Landholding Corporations, it was resolved that the allocations be made on the following basis, namely: that \$500,000.00 would be divided equally among the 15 Landholding Corporations and the remaining \$500,000.00 would be divided based on the percentage of each Landholding Corporation's membership to the total membership. As Povungnituk and Ivujivik did not agree to

establish their Landholding Corporations, the funds otherwise to be allocated to them were either redistributed among the other Landholding Corporations or used by the corporation to hold training sessions and seminars.

The money so allocated could be used by the Landholding Corporations as they deemed fit with the proviso that in accordance with the Charter of Makivik, the said money in its entirety would be used for community purposes only.

The allocations, made to date by Makivik, have been used by the Landholding Corporations to cover minimal administrative costs and, in some very limited instances, to finance viable local businesses.

However, due to the lack of proper economic animation, advisory services, and adequate training, it has been difficult for the Landholding Corporations to carry out all their land-use and administrative functions, while at the same time promote effective economic development initiatives in the communities.

Makivik is presently attempting to obtain CORE funding to cover the administrative costs of the Landholding Corporations.

Makivik Community Development Department

The Community Development Department has had as its main emphasis since inception to update the accounting records of all Landholding Corporations, including tax filings. Assistance in the areas of leases and other general administration is also an important objective of the department.

In 1984, the Department has decided to develop a coordinated and comprehensive economic development effort which

would be community-based. This approach would focus on the creation of community business initiatives and support services to generate feasible economic activities and businesses.

This community-based approach would complement the range of regional-level economic development activities which have already been started and require our continued involvement.

5.4 Key Elements of the Makivik Response to the Development of Northern Québec

Makivik's responses to the issues of development in northern Québec reflect its legal mandate and its responsibility for the Inuit of northern Québec as a whole. The main characteristics of Makivik's role in this developmental process can be summarized:

1. Makivik is a multi-purpose development Corporation. In addition to the responsibilities of investing the compensation funds, Makivik has the mandate to promote the welfare of Inuit as legal representative of the native party. This comprehensive mandate involves a wide set of responsibilities and expenses, covering political, social and cultural affairs.
2. Makivik has a responsibility to be fair and equitable in its dealings with the 15 communities whose interests it represents.
3. Makivik's major response to the development needs of northern Québec has been concentrated primarily on the development of regional infrastructure such as housing, schools, community services, transportation. It has been possible to set up some subsidiaries to develop private

sector services in some of these areas. These business subsidiaries and the further negotiation of accelerated infrastructure development programs continue to demand Makivik initiative and resources.

4. There is a glaring need to bring the economic development process to the level of the individual communities. The lack of economic opportunity, business skills development, and related employment in the communities produces a structural imbalance in the overall regional development process.
5. The implementation of a community-based economic development approach involves more than capital-infusion for business investments.

Our experience with the Landholding Corporations has revealed that merely providing some investment capital without linking it to community economic planning, opportunity analysis, development of business skills, is an ineffective generator of community economic development.

6. A COMMUNITY-BASED ECONOMIC DEVELOPMENT INITIATIVE FOR NORTHERN QUEBEC

Makivik perceives a definite and urgent need to implement an economic development program in the 15 communities of northern Québec. Our constituents have clearly expressed their need for such a program. We propose to respond with a community-based economic development initiative which has two components:

1. BUSINESS DEVELOPMENT
2. BUSINESS INVESTMENT

6.1 Business Development

The overall objective of the business development component is to provide each community with appropriate animation, advisory services and business-skills development in order to survey opportunities and analyze their feasibility; in other words, to take an idea and attempt to bring it to the level of a worthwhile business investment.

We propose to achieve this business development through the following specific activities:

6.1.1 Community Economic Workshops:

Objective: to animate the community in the basic steps of community economic development planning.

Task: 1. hire a consultant¹ to design a workshop in community economic development planning;²

¹ The Consultant will be asked to review existing workshop models, eg. School of Native Studies, University of Lethbridge, Alberta, Department of Indian and Northern Affairs.

² Subsequent workshops will be developed and implemented through 6.1.4 Community Business and Management Capability, see page 41.

2. provide the workshop in 15 communities.

Anticipated and measurable results:

1. develop planning skills in the community; in various community managers, and in potential business entrepreneurs;
2. survey and identify business opportunities and economic development potential;
3. generate attitudes and processes of self-help and economic self-determination.

6.1.2 Community Economic Development Coordination:

Objective: to provide a responsibility-centre for the coordination of economic development activities in each community.

- Task:
1. hire an economic development coordinator who would serve as clearing-house and facilitator on the community-level;
 2. develop and implement an information transfer system to utilize the coordinators as a vehicle for appropriate information relay between the communities and Makivik.

Anticipated and measurable results:

1. a creation of coordination centre for a community-based effort;
2. a specifically designated individual to assume coordination responsibilities;
3. a coordinator who will also benefit from hands-on training given by advisory staff and program professionals;
4. creation of an animation process and information transfer in each community.

6.1.3 Opportunity Analysis and Proposal Development:

Objective: to provide advisory services to analyze the opportunities generated by the community participants as a result of the community workshop(s). Possible business opportunities foreseen prior to the workshops but lacking sufficient feasibility analysis to warrant

present funding will also be admissible for proper feasibility analysis.¹ Also, to take suitably analyzed opportunities and to develop them into appropriate proposals for either specialized feasibility studies and/or financing.

Task:

1. hire a program officer to do opportunity analysis (pre-feasibility and in some cases feasibility) on business possibilities generated by the community workshops;
2. hire a program officer to write funding proposals for business possibilities which receive a favourable opportunity analysis;
3. develop a timetable of community consultation through the economic development coordinator in order to analyze opportunities generated by the workshops;
4. prepare funding proposals for analyzed economic and business opportunities which are deemed viable.

Anticipated and measurable results:

1. advisory services to analyze opportunities generated by the community economic planning workshop and process;
2. professional expertise to guide the community economic development process, including advice and information transfer to the community through the economic development coordinator;
3. pre-feasibility studies on identified opportunities;
4. selected feasibility studies on identified opportunities;
5. development of proposals suitable to various funding sources, both internal to Makivik, and external (public and private).

¹ In this regard, see Research Department outputs at page 34 as possible projects of this nature.

6.1.4 Community Business and Management Capability:

Objective: to provide appropriate training to community economic development agents and business entrepreneurs so that they may develop required business and managerial skills.

- Task:
1. hire a consultant to design an appropriate business training and business management training program suited to the needs of community-based economic development in northern Québec;
 2. develop a funding strategy, and obtain the funds required to implement such a training program. It is understood that NEDP funds would be used only for the design of an appropriate system and the development of a funding strategy. The funds to implement this business and management training will then be sought from a suitable government agency. We believe that a well-designed program and proper funding proposal, presented in the context of an NEDP-financed community-based economic development initiative, would ensure the funding of this aspect of our business development component.

Anticipated and measurable results:

1. production of a design study for a business and management training program appropriate to community-based economic development;
2. development of a funding strategy for obtaining non-NEDP financing to implement this training program;
3. the development of community-oriented business and managerial expertise;
4. improvement of productivity in targeted community business and economic ventures;
5. development of skills and abilities which encourage economic self-determination.

6.1.5 Coordination and Increased Access to Public and Private Sector Resources:

Objective: to optimize the network of public and private sector resources which can be utilized to

promote community-based economic development in northern Québec.

- Task:
1. hire a commercial officer to survey, negotiate and coordinate access to public and private sector resources, both financial and human.

Anticipated and measurable results:

1. on-going update on public and private sector environment as to policy directions and available opportunities which could promote our community-based economic development initiative;
2. advice and information to community economic development coordinators on programs and special opportunities which could be useful to their communities;
3. guidance to proposal developers as to appropriate funding targets;
4. negotiation with public or private sector parties relating to funding proposals and/or business ventures.

6.2 Business Investment

In order to complement business development activities in the communities, it is essential that start-up capital be made available for those business ventures that are developed by the process.

The overall objective of the business investment component is to provide seed capital grants to projects generated through the business development component.

As already indicated, community-based projects are handicapped by a lack of sufficient local capital, high start-up costs and high operating costs. Community entrepreneurs face the serious problem of generating sufficient revenue to cover on-going operating costs as well as provide an acceptable rate of return on the required start-up investment.

The seed capital grants will provide funds to finance the start-up costs of an otherwise viable commercial venture. These initial seed capital grants would permit community proponents, Makivik (through its venture capital funds) and/or other financial institutions to invest in such projects and earn the required fair rate of return based on acceptable risk. However, Makivik shall not be the proponent or take majority position in any such commercial venture. We also perceive modelling our conditions, criteria and procedures for seed-capital grants on those that have been developed by the N.E.D.P.

6.2.1 The Amount

An ongoing sum of \$1,000,000.00 per year will be provided for the seed capital financing of suitable businesses and commercial operations in the 15 Inuit communities of northern Québec. This average of approximately \$66,000. available per community is, in our opinion, a rigorous minimum in order to support some carefully-selected community-based economic ventures.

6.2.2 Start-Up

The business investment fund will be established within six months of the start-up of the business development component. This would ensure the availability of seed capital grants for early projects where the feasibility studies could likely be completed in a short time period.

6.2.3 Eligibility

Any individual, association, partnership, cooperative or corporate body that is community-based and composed in majority of Inuit beneficiaries of the James Bay and Northern Québec Agreement shall be eligible to apply to the Fund.

6.2.4 Conditions

Seed-capital grants will be made only where:

- a) the business activity is community-based;
- b) the business activity is the result of the community animation, opportunity analysis and proposal development process of our business development phase;
- c) the project would not be undertaken without financial assistance;
- d) the project would benefit many as compared to a few;
- e) the project would have the potential to become commercially viable;
- f) the project would allow equal access to male and female proponents;
- g) the individual proponents (including partners and shareholders) would have to indicate their commitment to the project by either their financial participation (risk capital as compared to loans) or in sweat equity (deferred salaries or benefits).

6.2.5 Criteria

In order to determine the amount of any seed-capital grant, proposals will be assessed against the following:

- a) the objectives and anticipated benefits;

- b) management capacity and expertise of the proponents;
- c) the potential for business success;
- d) the accounting procedures and practices;
- e) the amount of support for the project in the community;
- f) a business plan including:
 - i) the objectives of the project;
 - ii) the proposed activities and expected and measurable results;
 - iii) a time-phased and costed work plan
 - iv) identification of market; and
- g) the degree of investment in the project from other sources, including proponent equity (risk or sweat equity).

6.2.6 Administration of Project Seed Capital Grants

The making of seed capital grants shall be the responsibility of the Community Development Department headed by the Third Vice-President. The Community Development Department will undertake to develop the required application procedures for:

1. investigation;
2. summary and recommendations;
3. approval;
4. acceptance or rejection;
5. disbursements;
6. reporting and monitoring on use.

The administrative costs in carrying out the above functions shall be absorbed by Makivik Corporation by utilizing its resource personnel, including accounting and legal. In order to avoid unnecessary duplication, we foresee that our resource people would be able to establish such procedures in consultation with the Secretariat of the N.E.D.P.

Investment decisions for seed capital grants shall be made by the Third Vice-President of Makivik, in consultation with an Advisory Board composed of one representative from each of Makivik, the F.C.N.Q., the K.R.D.C. and the N.E.D.P. Investment decisions will be made taking the following into account:

1. the existing level of economic activity in the area, in order that as much as possible all the northern Québec communities will benefit from the Fund;
2. wealth creation as compared to service-orientation in order that a foundation be laid for further economic activity;
3. job creation among age groups and between the sexes.

In order to measure the commitment of people who are the proponents of a project when sweat equity is involved, comparisons would be made with salary levels for similar type work being performed in the community.

All seed capital funding would be made pursuant to a Contribution Agreement, which would provide the following:

- a. an identification of the parties to the Contribution Agreement;
- b. the purpose of the contribution;
- c. effective date;
- d. a list of conditions attached to the Contribution;

- e. financial responsibilities of Makivik and the proponent;
- f. allowable expenditures;
- g. financial limitations;
- h. method of payment (advance payments, progress payments, etc.);
- i. a provision indicating that the proponent does not assign the Contribution Agreement unless previously authorized by Makivik;
- j. provision for audit and financial record keeping;
- k. circumstances for breach of contract;
- l. provision for recovery of moneys in the event of breach;
- m. evidence that facility and equipment are insured to the satisfaction of Makivik.

No assets in respect of which a contribution has been made shall be sold or otherwise disposed of or shall cease to be used for purposes authorized prior to 12 months after the expiry or termination of the Contribution Agreement except in ordinary course of business without prior written consent of Makivik.

In addition, we have attached a Time-Phased Work Plan and Project Management Chart in regard to the Business Development Component.

7. BUDGET: BUSINESS DEVELOPMENT COMPONENT

BUDGET: YEAR ONE

		\$
1. <u>Community Economic Development Workshops</u>		
Task 1: Hire Consultant - 6 months		\$ 20,000
Task 2: Give Workshops (10 communities)		
<u>Per Workshop:</u>		
Workshop Facilitator	2,000	
Travel	1,200	
Lodging and expenses	500	
Equipment and materials	300	
	<u>4,000</u>	
	(10)	<u>40,000</u>
	Total - Task 1 & 2:	<u>\$ 60,000</u>
2. <u>Community Economic Development Coordinator</u>		
Task 1: Hire coordinators (15)		
\$18,000 X 15		\$270,000
Task 2: Develop and implement information transfer system		
\$3,000 X 15		<u>45,000</u>
	Total - Task 1 & 2:	<u>\$315,000</u>
3. <u>Opportunity Analysis and Proposal Development</u>		
Task 1: Hire opportunity analyst (1)		
Salary	35,000	
Travel and expenses	5,000	
	<u>40,000</u>	\$ 40,000
Task 2: Hire proposal developer		
Salary	35,000	
Travel and expenses	5,000	
	<u>40,000</u>	40,000
	Total - Task 1 & 2:	<u>\$ 80,000</u>

4. Community Business and Management Training

Task 1: Hire consultant		\$ 40,000
Task 2: Develop funding strategy and obtain funding		<u>10,000</u>
	Total - Task 1 & 2:	<u>\$ 50,000</u>

5. Coordination and Increased Access

Task 1: Hire Commercial Officer			
	Salary	40,000	
	Travel and expenses	<u>10,000</u>	
			<u>\$ 50,000</u>

BUSINESS DEVELOPMENT: YEAR 1

1.	\$ 60,000
2.	315,000
3.	80,000
4.	50,000
5.	<u>50,000</u>

GRAND TOTAL: \$555,000

BUDGET: YEAR TWO

1.	<u>Community Economic Development Workshops</u>		<u>\$</u>
	Workshops (5 remaining)		
	\$4,000. per workshop		<u>\$ 20,000</u>
2.	<u>Community Economic Development Coordinator</u>		
	(15) coordinator salaries @ \$18,000	270,000	
	(15) information transfer @ \$ 3,000	<u>45,000</u>	
			<u>\$315,000</u>
3.	<u>Opportunity Analysis and Proposal Development</u>		
	Opportunity analysts (2)		
	Salaries @ \$40,000	80,000	
	Travel and expenses @ \$5,000	10,000	
	Proposal developers (2)		
	Salaries @ \$40,000	80,000	
	Travel and expenses @ \$5,000	<u>10,000</u>	
			<u>\$180,000</u>
4.	<u>Community Business and Management Training</u>		
	Funded through other sources		<u>\$ 0</u>
5.	<u>Coordination and Increased Access</u>		
	Salary	40,000	
	Travel and expenses	<u>10,000</u>	
			<u>\$ 50,000</u>

BUSINESS DEVELOPMENT: YEAR 2

1.	\$ 20,000
2.	315,000
3.	180,000
4.	0
5.	50,000
	<u>575,000</u>
GRAND TOTAL:	<u><u>\$575,000</u></u>

BUDGET: YEAR THREE

1.	<u>Community Economic Development Workshops</u>	\$ (ended)
2.	<u>Community Economic Development Coordinator</u> Same as year 2	\$315,000
3.	<u>Opportunity Analysis and Proposal Development</u>	\$180,000
4.	<u>Community Business and Management Training</u>	Ø
5.	<u>Coordination and Increased Access</u>	\$ 50,000

BUSINESS DEVELOPMENT: YEAR 3

1.	(ended)
2.	\$315,000
3.	180,000
4.	Ø
5.	50,000
	<hr/>
GRAND TOTAL:	\$545,000
	<hr/> <hr/>

BUDGET: YEAR FOUR

(same as year 3)

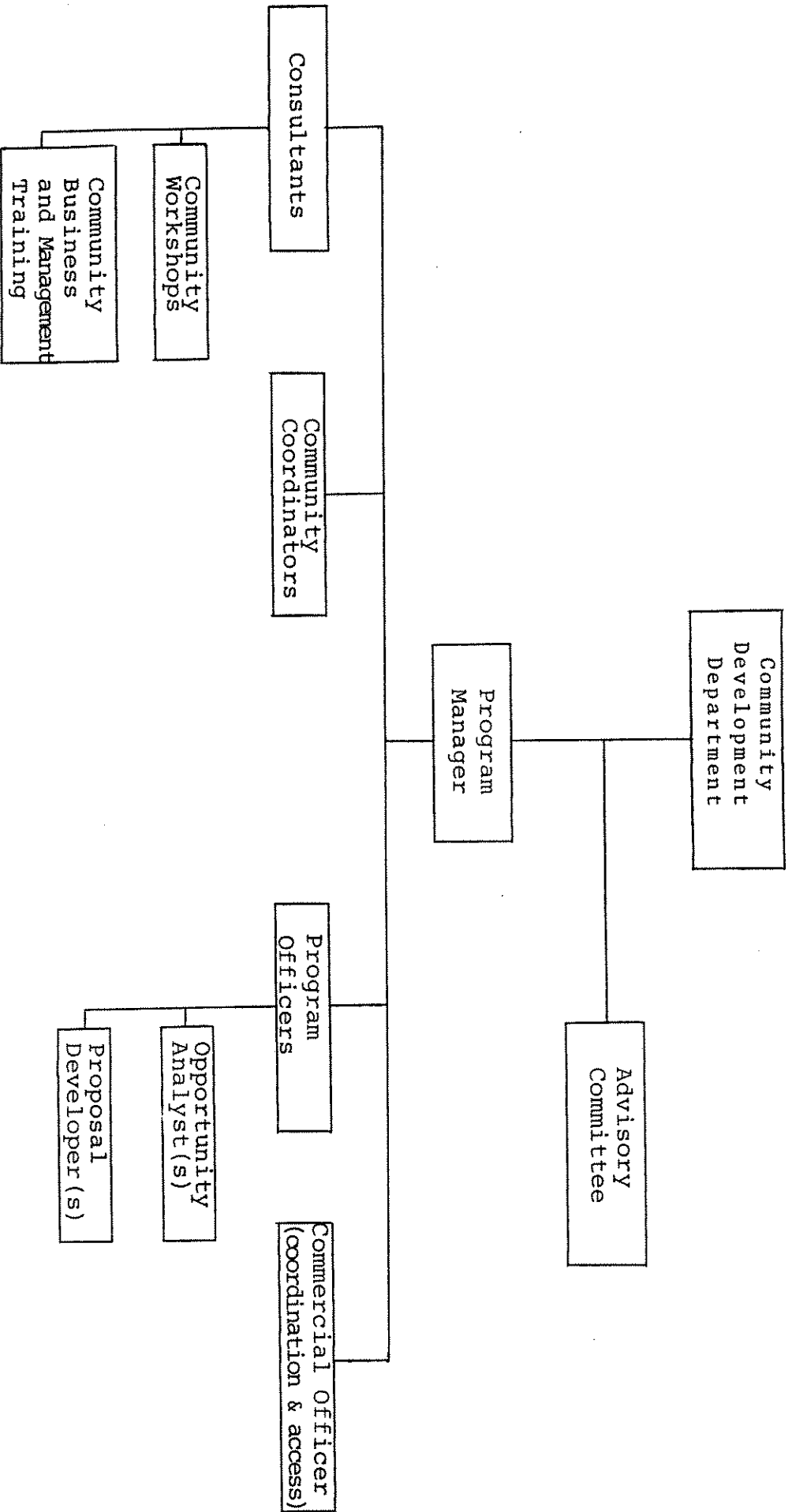
BUDGET: Business Development Component

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
1. Community Economic Development Workshop	60,000	20,000	Ø	Ø	Ø
2. Community Economic Development Coordinator	315,000	315,000	315,000	315,000	Evaluated for alternative funding
3. Opportunity Analysis and Proposal Development	80,000	180,000	180,000	180,000	Evaluated for alternative funding
4. Community Business and Management Training	50,000	funded elsewhere	funded elsewhere	funded elsewhere	funded elsewhere
5. Coordination and Increased Access	50,000	50,000	50,000	50,000	Evaluated for alternative funding
TOTAL (per year)	\$555,000	\$575,000	\$545,000	\$545,000	

GRAND TOTAL
(4 years)
\$2,220,000

BUSINESS DEVELOPMENT	YEAR 1												YEAR 2												YEAR 3												YEAR 4												YEAR 5																							
	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12												
1. Community Workshops	Task 1: hire consultant design workshop												Task 2: give workshop (19)												Projected end of Workshop #4 Community Business & Management Training												Possibility of additional workshops designed and implemented through #4 Community Business & Management Training												Same as year 3												Possibility of continuation as per year 3											
2. Community Coordinators	Task 1: hire coordinator												Task 2: develop and implement an information transfer system												On-going coordination; information transfer training												On-going coordination; information transfer training												Same as year 3												Positions evaluated for alternative funding											
3. Opportunity Analysis & Proposal Development	Task 1: hire opportunity analyst #1												on-going work opportunity analyst #1												Hire opportunity analyst #2												On-going work (2 persons)												Same as year 3												Positions remained or funded otherwise											
4. Community Business Management Training	Task 1: hire consultant to design business training & management training program												Task 2: develop funding strategy obtain funding												Start-up business and management training												On-going development and operation												Same as year 3												Continuing											
5. Coordination & Increased Facility Access	Task 1: hire facility labor												on-going work												on-going work												on-going work												Same as year 3												Position evaluated for continued facility funding											

PROJECT MANAGEMENT CHART



8. FUNDING REQUEST

As our community-based economic development approach comprises both a business development and business investment component, Makivik is therefore proposing a two-part N.E.D.P. contribution to implement this program.

Part One: Business Development Contribution

We request a 4-year funding of the business development component:

YEAR 1	YEAR 2	YEAR 3	YEAR 4
555,000.	575,000.	545,000.	545,000.00
4 YEAR TOTAL			
\$2,220,000.			

Such funding would be made by way of a 4-year Contribution Agreement, the terms and conditions of which would include, among other things, the following:

- (a) that the contribution funds would only be used in accordance with the business development component pursuant to its budget and work plan;
- (b) that each year's funding would be conditional on Makivik reporting and accounting for its use of the funds in accordance with the business development component for the previous year;
- (c) provision for audit by the Crown, if it so desires.

Makivik, in conjunction with the K.R.G., the N.V.C.s and the K.R.D.C., would negotiate funding from the Québec provincial government for those positions that are deemed necessary for the continuation of an appropriate community-based business development process after the fourth year. In light of an expanded role being assumed by the N.V.C.s and K.R.G. in the future, and based on the obligations of section 29 of the Agreement, such necessary funding should be forthcoming by that time.

In any case, Makivik would, due to its expanded capital base by 1989, be in a position to support those positions that are deemed necessary to continue an appropriate community-based business development process.

Part Two: Development Trust Fund

We request that \$8,000,000.00 be allocated to Makivik to be dedicated to a Development Trust Fund.

This fund will be invested and financially managed by Makivik as a distinct trust fund in conformity with the Corporation's existing Schedule of Investments (see Appendix 6).

The investment parameters established by the Corporation's Investment Review Committee within the guidelines set forth in the Schedule of Investments would be used to monitor investment decisions. The internal control procedures for safeguarding the investments of the fund, both in the money market and in stocks and bonds are fully outlined in the documents entitled Internal Control Procedures - Investments in Bonds and Stocks and Investment in Money Market Instruments (see Appendix 7).

The revenues derived from the Development Trust Fund will be used exclusively as seed capital grants as outlined in the Business Investment Component (section 6.2). To the amount of annual revenue derived from the fund, which we estimate conservatively to be at least \$800,000.00, Makivik undertakes to add \$200,000.00 per year. This will result in a perpetual sum of approximately \$1,000,000.00 per year being available for seed capital grants.

All administrative costs connected with the management of the fund will be borne by Makivik. This will guarantee that there be no diminution of the amount available for community-based economic activity.

As described in section 6.2.6, the allocation of seed capital grants shall be made by Makivik in consultation with the Advisory Board, with the criteria, conditions and procedures as therein outlined.

The establishment of the Development Trust Fund would be made by way of a lump-sum Contribution Agreement in the amount of \$8,000,000.00, the terms and conditions of which would include, among other things, the following:

- (a) that the \$8. million would be invested in accordance with the Schedule of Investments of Makivik;
- (b) that the revenues derived from the Development Trust Fund would be used exclusively in accordance with the Business Investment component, that is seed capital grants for community-based economic ventures and in accordance with the criteria, conditions and procedures established pursuant to section 6.2.5;

- (c) provision that monies not used in any year would be added to the Development Trust Fund to be used in subsequent years;
- (d) that Makivik manage the fund as a prudent administrator with a view to securing the capital base in the amount of at least \$8. million but taking into account diminutions of capital caused by fluctuations in the financial markets.
- (e) that the investments made pursuant to the Development Trust Fund would be exempt from seizure save in respect of debts and obligations relating to such investments and not to be used as real security.

We foresee that in the future if the total amount of seed-capital grants is no longer required to promote viable economic activities, that in such event, the revenues of the Trust Fund could then be used in the following ways:

1. Scholarships and Specialized Training

Assistance may be made available for establishing and funding scholarships or specialized training programs aimed at increasing business, technical and applied scientific expertise in the northern communities.

2. Product and Process Innovation

The Program may assist the development or demonstration of scientifically or technically feasible new products or production processes which offer a good potential for commercial exploitation by Inuit.

3. Marketing

Activities aimed at increasing the marketing of Inuit products or services may be assisted under the Fund, including:

- i) the publication and dissemination of catalogues or other literature;
- ii) market research and analysis;
- iii) advertising;
- iv) trade shows, seminars or other similar events.

4. Special Studies

The Fund may contribute to studies on Inuit business issues where they study will have significant or direct benefits for Inuit economic development.