

Promise and Performance

Recent Trends in Government Expenditures on Indigenous Peoples

by Tom Flanagan

If better-funded government programs were the answer to Indigenous poverty, we would have seen the results by now. Between 1981 and 2016, federal spending on Indigenous programming was multiplied by more than four times, yet the gap in the average Community Well-Being Index between First Nations and other Canadian communities barely budged. It was 19.5 in 1981 and 19.1 in 2016. From the fiscal crisis of the mid-1990s to the end of Stephen Harper's Conservative government in 2015, federal spending on Indigenous programs grew at a compound annual rate of 2.5% (constant dollars). In the name of Reconciliation, the Liberal government headed by Justin Trudeau has more than doubled that rate of increase since 2015.

Federal budgets project a total increase of at least 50% by fiscal 2021/22. Spending totals from the Main Estimates and Public Accounts suggest that actual increases in Indigenous spending are even higher than the budgetary projections. Indigenous spending is now the federal government's second largest operational program expense, behind only national defence.

Meanwhile provincial expenditures, although still small compared to federal outlays, continue to increase even more rapidly than federal appropriations. Own-source revenues earned by First Nation governments through their business activities also continue to increase. Taken together, these trends mean that far more money is being spent in the name of Indigenous peoples than has been seen for 25 years (though in fact the majority of the outlay goes to civil servants and consultants, not to Indigenous persons).

The stated goal of Reconciliation through increased spending on government programs is to attain economic equality between Indigenous people and other Canadians. Yet there are serious questions about the effectiveness of these programs. The most highly touted promise of Budget 2016 was to eliminate all long-term water advisories on Indian reserves by March 2021 at a cost of \$1.8 billion. But we now know that deadline will not be met, even though the estimated expenditure has more than doubled. A flood of money has not been able to overcome intractable problems of small size, remote location, and lack of economic pricing for water and sewerage.

Another high priority is education, and federal budgets have promised additional hundreds of millions for school operating expenses and capital construction. Money can provide higher teacher salaries and nicer buildings, but

not necessarily better education results. The Cree educator Waubageshig has identified parental support as the crucial variable: "If a majority of parents continue to low-ball education success and achievement, their children will too."

Housing is a third area where large additional amounts of money are to be spent. Of course, it is always possible to build more homes, but their useful life will be short without private ownership or rental. Government-owned housing is a recipe for long-term failure because it does not create incentives for further investment and maintenance. As with clean water and education, more money may be helpful in some ways, but inadequate funding is not the root of the problem.

The biggest single problem facing First Nations is lack of economic opportunity. Seventy percent of First Nations are located more than 50 kilometres from the nearest town or city, and almost 20% have no all-weather road connection. Development of natural resources such as forestry, oil and gas, and minerals is by far the best hope that remote First Nations can have for prosperity.

Government can overcome distance by fostering infrastructure, including roads, railways, pipelines, power lines, communication towers, and harbours. Governments may have to build some of these facilities, but private investors would build many of them if governments would get out of the way. Better transportation and communication to enhance economic opportunities for remotely located Indigenous peoples is a more promising pathway out of poverty than increased government programming.



*Promise and Performance:
Recent Trends in Government
Expenditures on Indigenous
Peoples*

by Tom Flanagan

Click here to read
the full report

