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Asset-Building and Aboriginal Peoples in Canada

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Executive Summary

“We cannot stimulate transformative change when we are stuck trying to manage poverty.”

National Chief Fontaine, Assembly of First Nations, April 2005

“Transformative change will require fresh ideas and innovative approaches.”

National Chief Dorey, Congress of Aboriginal Peoples, May 2005.

SEDI (Social and Enterprise Development Innovations) has prepared this brief paper at the request of senior officials at Indian and Northern Affairs Canada. The purpose of the document is to outline our interest in exploring asset-building as a policy tool to enhance self-sufficiency, personal responsibility and access to the economic mainstream for Canada’s Aboriginal Peoples, and to make the case for a further dialogue with Aboriginal Canadians.

Asset-building is an approach to addressing poverty that recognizes the importance of assets, alongside income and social services while also bringing hope and opportunity to those who need them most. It includes a wide array of options to support access to short, medium and long-term financial and tangible assets over the life-course. It is an approach that is rooted in an understanding of development – it recognizes the need for a wider range of resources, the need for individual and community engagement and the potential to create intergenerational impacts through interventions made today.

"What moves people out of poverty are assets, not income. Income can change when a company decides to move somewhere else or when an emergency hits a family. The thing that makes the difference is that cushion to fall back on."

Rebecca Adamson, Cherokee, founder of the First Nations Development Institute and First Peoples Worldwide

The first section of the paper reviews the current context within which any new asset-building initiatives might be used to support self-sufficiency and opportunity for Canada's Aboriginal Peoples through housing, life-long learning, small business development and financial capability.

The following section briefly reviews some examples of asset-building among Aboriginal groups in Canada and abroad. There have been to date a handful of asset-building pilot projects in Canada where some lessons can be drawn from the participation of Aboriginal persons and much can also be learned from international experience in the United States, Australia and New Zealand.

In the final section, we first propose a set of principles that should guide any asset-building policy or program for Aboriginal Canadians and then briefly outline a series of policy options for further consideration. These options are drawn from the policy priorities and themes discussed in the first section of this paper, as well as the examples of asset-building practice highlighted in the second section.

It is SEDI's hope that stakeholders in positions of leadership will continue to recognize the potential of asset-building to contribute to the policy aims of government, the objectives of the national Aboriginal organizations and the aspirations of Aboriginal persons. Much more work will be needed to develop the early concepts presented here, to continue the early dialogue SEDI has initiated and to invest in community-based innovation to pilot asset-building in a context that is meaningful to Aboriginal Peoples and which can inform future policy and programming.

Introduction

SEDI (Social and Enterprise Development Innovations) has prepared this brief paper at the request of senior officials at Indian and Northern Affairs Canada. The purpose of the document is to outline our interest in exploring asset-building as a policy tool to enhance self-sufficiency, personal responsibility and access to the economic mainstream for Canada's Aboriginal Peoples. The paper is founded on SEDI's expertise in the asset-building field and is informed by recent informal discussions with various stakeholders including Aboriginal community members, national Aboriginal organizations and governments.

SEDI is a catalyst for people who are struggling to be included in the economic mainstream and who are looking for opportunities to become and stay more self-sufficient. We inspire them to build a brighter future and we develop the practical tools they need to make it happen. We believe that the surest route to enhanced prosperity, competitiveness and growth is if all Canadians have meaningful opportunities to participate in the economic and social mainstream where they can reap the benefits of self-sufficiency. This means investing in social innovation in ways that improve the lives of Canadians and can inform policy for long-term and sustainable change.

This paper is intended to make the case for a further dialogue with Aboriginal Canadians. The purpose of the dialogue would be: 1) to determine the level of interest in asset-building; 2) give greater clarity and priority to the applications discussed in this paper; 3) to identify available resources for innovative pilot projects that will bring hope and opportunity to participating Aboriginal Canadians; and, finally 4) to inform the development of policy that can make a positive difference in the lives of all Aboriginal Canadians.

Asset-building is an approach to addressing poverty that recognizes the importance of assets, alongside income and social services while also bringing hope and opportunity to those who need them most. It includes a wide array of options to support access to short, medium and long-term financial and tangible assets over the life-course. It is an approach that is rooted in an understanding of development – it recognizes the need for a wider range of resources, the need for individual and community engagement and the potential to create intergenerational impacts through interventions made today.

A small but growing body of research suggests that assets may have impacts on well-being that income and social services alone cannot, recognizing that in many cases the aim is to create a virtuous cycle between asset development, income security and social services. The most extensive description of the possible effects of asset-holding was best described by Dr. Michael Sherraden in his ground-breaking book, *Assets and the Poor*. Sherraden's list includes:

- *Smoothing consumption* – by providing stocks of resources that can be drawn down over time.
- *Improving household stability* – by cushioning the impact of economic or financial shocks.
- *Creating an orientation toward the future* – by encouraging planning and hope.
- *Stimulating the enhancement of new and existing assets* – by leveraging further investments.
- *Enabling focus and specialization* – by, for example, addressing the lumpy-costs often associated with specialization in education or enterprise.

- *Providing a foundation for risk taking* – by providing an alternate source of resources when income may temporarily be lower, for example when returning to school or starting a new business.
- *Increasing personal efficacy* – by increasing the sense of personal choice and control over the future.
- *Increasing social connectedness and influence* – by increasing social capital in addition to other forms of capital.
- *Increasing political participation* – by making political participation more relevant to protect personal interests in assets.
- *Enhancing the well-being of offspring* – by creating more stable and better resourced households during development as well as increasing the likelihood of inter-generational transfers of wealth.

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A study of asset-building among US First Nations, described the role of assets in Aboriginal communities in the following way: "assets are important because they improve quality of life (long-term investment), increase current and future resources, and strengthen tribal government"¹. Asset-building is one possible approach for governments and Aboriginal communities interested in innovative and holistic strategies to increase social and economic development. It recognizes the shared responsibility of governments, Aboriginal communities and individual Aboriginal persons. It offers a range of opportunities for flexible and responsive initiatives that are locally-driven and that build local capacity.

It is SEDI's hope that stakeholders in positions of leadership will continue to recognize the potential of asset-building to contribute to the policy aims of government, the objectives of the national Aboriginal organizations and the aspirations of Aboriginal persons. Much more work will be needed to develop the early concepts presented here, to continue the early dialogue SEDI has initiated and to invest in community-based innovation to pilot asset-building in a context that is meaningful to Aboriginal Peoples and which can inform future policy and programming.

This paper first briefly reviews the current context within which the concept of asset-building might be a timely and relevant innovation in policy and programming for Canada's Aboriginal Peoples. It then discusses some of the ways in which asset-building has been employed so far in Aboriginal communities. The third section describes SEDI's framework to date for thinking about the future of asset-building and Canadian Aboriginal communities. The paper then concludes with a short discussion of proposed next steps to refine the framework, engage

¹ Source: Hicks, Sarah (2004) "A broad vision for Tribal asset-building", presentation to Center for Social Development conference, Washington, August, 2004, available on-line at http://gwbweb.wustl.edu/csd/asset/The_Broad_Vision_of_Asset_Building.pdf, accessed August 2005.

stakeholders and invest in innovation at the community level. SEDI's expectation is that this paper will enable us to begin to locate resources that can be invested in determining whether or not the concept of asset-building has the power in practice to bring greater opportunity and self-sufficiency to Aboriginal Canadians.

Current Context

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This section of the paper reviews the current context within which any new asset-building initiatives might be used to support self-sufficiency and opportunity for Canada's Aboriginal Peoples through housing, life-long learning, small business development and financial capability. The ways in which asset-building might be used are discussed at greater length in the following section.

Canada's Aboriginal Peoples represent a vibrant and diverse segment of the Canadian population. Progress has been made, particularly in the last ten years to begin to acknowledge inherent rights, address historic grievances and move ahead with strategies to support economic and social development for Canada's Aboriginal Peoples.

Aboriginal Canadians still face significant social and economic exclusion. Aboriginal Canadians are, as the Assembly of First Nations has noted², the youngest and fastest growing segment of the Canadian population. Demographics alone are increasing demand for basic programs and services in Aboriginal communities through out the country. Added to this pressure is the gap in outcomes between Aboriginal and non-Aboriginal Canadians. Many Aboriginal youth lack the education and skills needed to improve their own well-being and that of their communities. Annual incomes among Aboriginal persons are nearly half the Canadian average, rates of dependence on social assistance are significantly higher and levels of educational attainment that are nearly three decades behind that of other Canadians.

While Canada's Aboriginal communities are rich in resources, including cultural, social and natural resources, access to important physical, human and financial assets like housing, small business development, life-long learning and post-secondary education is often more limited for Canada's Aboriginal Peoples for a variety of historic and present-day social and institutional reasons. Where financial resources are available within a community, too often the resources flow straight out of the community again, making the accumulation or maintenance of productive assets more difficult. For example, Crown ownership of Reserve housing prevents many First

² Assembly of First Nations (2005) “First Nations Education Action Plan”.

Nations families and communities from capitalizing on what is for most Canadians the largest asset they will ever own – their home. Similarly, while federal income tax exemptions on certain income, benefits and property are important recognitions of inherent rights, they also mean that many First Nations families and individuals will receive little or no benefit from much of the existing tax-based system of incentives to save and build assets. For example, there is little or no tax benefit (and in fact often a price in retirement) for Registered Retirement Savings Plan contributions for Canadians with no income tax to pay. Taken together, these tax-based measures add up to nearly \$22 billion annually in spending to support the asset accumulation of middle and upper income Canadians³. The goal should be to increase access the same mainstream government and private market resources that are available to other Canadians in a way that builds sustainable self-sufficiency. Recognizing that asset-building is part of a wider range of approaches to reach this goal, the challenge for government is to better distribute its support for asset development so all Canadians, including Aboriginal Canadians and other disadvantaged groups, can share in the benefits of having a stake in their communities and in their own future.

There have recently been efforts at the federal level to renew the partnership with Canada's Aboriginal Peoples and to better engage Aboriginal leaders in the policy-making process at the most senior levels. The Canada-Aboriginal Peoples Roundtable is one such effort to bring together Aboriginal leaders from across the country to discuss policy priorities with federal and provincial governments. Among the priorities articulated by the Roundtable and its various sectoral sessions, there are three where asset-building may be most relevant: housing, life-long learning and economic opportunities.

Housing

Adequate housing on and off-reserve remains a significant challenge for Canada's Aboriginal Peoples. According to 2001 data regarding on-reserve housing from the Department of Indian and Northern Affairs Canada, there is an accumulated shortage of 8,500 housing units and 44% of the existing stock is in need of repair or renovation. The department also estimates that 4,500 new units will be needed each year for the next several years just to keep pace with population growth. In urban areas, many Aboriginal Canadians are in core housing need and are at increased risk of homelessness. Early research suggests that a significant percentage of core need renters (many of whom are Aboriginal Canadians) currently paying market rents could afford a mortgage for home purchase at the same monthly cost, but only if the challenges of accumulating a downpayment and adequate financial information for new buyers were first addressed⁴.

“Well educated owners and tenants are a key element in determining the sustainability and longevity of units in both on and off reserve housing.”

Assembly of First Nations, “First Nations Housing Action Plan”, May 31, 2005.

³ Compiled from Department of Finance (2004) “Tax Expenditures and Evaluations 2004”; Canada Mortgage and Housing Corporation (2004) *Canadian Housing Statistics 2003*; Human Resources and Skills Development Canada (2004) “Departmental Performance Report for the Period Ending March 31, 2005”; Department of Finance (2004) Budget 2004

⁴ Source: Personal communication with Steve Pomeroy, research consultant.

The Sectoral Session on housing of the Canada-Aboriginal Peoples Roundtable heard, among other recommendations that:

- New funding mechanisms are needed to increase access to affordable housing (including private rental, social housing and homeownership) without increasing the debt load borne by Aboriginal households and communities; and
- Individual Aboriginal persons need better education and information on housing-related topics specifically but also on financial matters more generally. Housing (ownership or rental) is the largest financial investment for families and individuals and the best way to mitigate the risks involved are to ensure that occupants are equipped with adequate information to plan and manage their needs and resources.

These recommendations were echoed in the May 2005 agreements⁵ with national Aboriginal organizations in which the parties agreed to foster on-reserve markets for housing, to support affordable housing off-reserve and to increase the financial management skills of Aboriginal persons.

Asset-building is not going to be the full solution to the challenge of affordable and adequate housing for Canada's Aboriginal Peoples. However it can be a flexible tool to support more market-based models in housing delivery both for rental and ownership. It can, for example, enable Aboriginal households to build pools of financial capital (in the form of savings or grants) that can leverage other sources of capital and produce long-term economic and social returns.

Life-long learning

Indian and Northern Affairs' 2003 Aboriginal Education Action Plan⁶ committed the Government to working with Aboriginal communities to increase overall attendance, increase graduation rates and enhance the level of educational involvement of parents in Aboriginal communities. In addition to supporting Aboriginal Head-Start and K-12 education for Aboriginal children, the department provides funding for post-secondary education that enables nearly 4,500 eligible First Nations students to graduate from Canadian colleges and universities. Although the administration of most education funding has been transferred to First Nations, there are concerns that the federal funding has not kept pace with the real costs of tuition, supplies, living expenses and other costs associated with participating in post-secondary education⁷. The Government of Canada recently signalled its intention to delay an early decision to treat Post-secondary Student Support Program funding as taxable income, however a sustainable solution has not yet been found.

In the report⁸ of the Life-Long Learning Sectoral Session of the National Roundtable, recommendations included:

⁵ See http://www.ainc-inac.gc.ca/nr/prs/m-a2005/2-02665_e.html, accessed August 2005.

⁶ http://www.ainc-inac.gc.ca/ps/edu/eap/acc_e.html, accessed July 2005.

⁷ See for example, "First Nations Education Action Plan", Assembly of First Nations, <http://www.afn.ca/cmslib/general/Education-Action%20Plan.pdf>, accessed July 2005.

⁸ See http://www.aboriginalroundtable.ca/sect/lrng/rprt_ecd/index_e.html, accessed August 2005.

- More support for education-related and participation requirements (such as transportation, clothing and supplies or equipment) for Aboriginal children and youth in early learning through secondary school;
- Aboriginal students in post-secondary programs and skills training programs also need this kind of support as well as increased flexibility in funding to better respond to the needs of growing numbers of Aboriginal youth and adults; and,
- Resources need to be targeted to key transition times – for example the transition from elementary to secondary school, from secondary to post-secondary studies and transitions during working age adulthood that make life-long learning particularly crucial.

Asset-building programs could be one way to deliver more and flexible support for the participation costs, provide an incentive to increase parental engagement (for example in planning and actively saving for a child's higher education) and boost graduation levels as well as increasing participation in learning and skills development over the life-course.

Economic opportunity

Opportunities to meaningfully participate in Canada's economy are the foundation on which the well-being of Aboriginal communities is based. Adequate and affordable housing and investments in life-long learning cannot be sustained over the long-term unless Aboriginal Canadians have opportunities in the economic mainstream that build self-sufficiency. Despite poorer economic outcomes in terms of overall employment and income levels, there are signs the trends are beginning to reverse. Employment and self-employment is growing faster among Canada's Aboriginal population than among other Canadians and the size of the Aboriginal labour force is growing faster than the rest of the Canadian population. To respond to these challenges, the federal government is currently preparing a new national Economic Development Framework to guide future economic policy and programming for Aboriginal Canadians. The Framework will be informed, in part by the recommendations of the Sectoral Session on Economic Opportunity of the National Roundtable⁹. These include:

- Increasing access to capital for Aboriginal entrepreneurs and communities; and
- Increasing education and training in small business development for Aboriginal Canadians.

Asset-building policies could be one way to enable Aboriginal entrepreneurs to develop both the financial capital they need to start or expand viable businesses and develop the human capital required to plan for, manage and sustain productive enterprises.

⁹ Source: http://www.aboriginalroundtable.ca/sect/econ/rprt/index_e.html, accessed July 2005.

Links to policy themes outside the Roundtable process

Urban Aboriginal Strategy

The percentage of Canada's Aboriginal people living in urban areas has increased dramatically since the 1950's from less than 10% to roughly 50% today¹⁰. Yet until recently, governments at all levels have struggled to acknowledge this new reality or begin to respond to it in policy and programmatic terms. The Urban Aboriginal Strategy, originally launched in 2003/2004 and extended to 2006/2007, is intended to pilot a series of place-based and innovative projects to tackle challenges facing Aboriginal persons living in (originally 8 and now 12) priority urban centres across Canada. The UAS provides a mechanism to fund new approaches and share knowledge in a way that can inform the broader policy environment, particularly when the UAS is reviewed and discussions regarding its renewal begin. Many of the local challenges to be addressed in pilot initiatives may in fact be a good fit for asset-building – adequate and affordable housing, access to education and training, micro-enterprise development – all areas where asset-building has previously been used with success to meet the needs of the broader urban low-income population but where more targeted and culturally appropriate programs may be needed for the Urban Aboriginal Population.

Financial capability for Aboriginal persons in Canada

The success of any attempts to increase prosperity, competitiveness and mutual responsibility (though asset-building or other means) among Aboriginal Canadians will at least in part rely on the degree to which Aboriginal Canadians have access to mainstream financial services and have financial knowledge, skills and confidence required to build and sustain self-sufficiency. Canadian financial institutions have made efforts to increase their accessibility to Aboriginal Canadians, yet often the areas where Aboriginal persons live (be it rural or remote communities, First Nations reserves and depressed urban centres) are under-served by mainstream financial institutions. Access to investment capital for business development or mortgage lending has long been a challenge for Aboriginal communities and in response a network of some 116 Aboriginal capital corporations has been developed, reaching nearly every region of the country. These financial institutions have the potential to significantly improve the availability of a much wider range of financial services, including those required to implement asset-building initiatives. Personal financial capability will also be critical as Aboriginal Canadians increase their individual financial assets, for example through resource dividends, settlements for residential schools survivors, new asset-building initiatives and greater access to mainstream resources to build wealth and self-sufficiency.

Renewing the Income Assistance Program

Indian and Northern Affairs Canada, the Assembly of First Nations, Human Resources and Skills Development Canada, and other stakeholders, have been working to renew the Income Assistance Program. This program delivers income assistance in situations of last resort for eligible First Nations normally residing on a reserve. Most of the funding is transferred to local First Nations to administer, however the overall policy framework is still lead by INAC and

¹⁰ H. Drost (2005), York University.

guided by the social assistance policies and regulations of provinces as laws of general application. In recent years, many of these provinces have moved to implement changes to their social assistance programs to increase the capacity of beneficiaries to build productive assets that might increase self-sufficiency and reduce dependence on income benefits over the long-term. As the stakeholders work to better integrate the Aboriginal Human Resources Development Strategy and to improve the design, accessibility and delivery of the Income Assistance Program, they may want to follow the example of the provinces of British Columbia, Quebec, Nova Scotia, Alberta, Ontario and Manitoba and examine the relationship between income support and asset-building. In reaching the objective of increasing self-sufficiency and mutual responsibility for Aboriginal Canadians, including those receiving Income Assistance benefits, an enabling environment for asset-building may be key.

Existing Program Models

Asset-building among Aboriginal Peoples is not entirely without precedent. There have been to date a handful of asset-building pilot projects in Canada where some lessons can be drawn from the participation of Aboriginal persons. Canada can also learn much from international experience in the United States, Australia and New Zealand – in fact there may be value in international collaboration and networking should the asset-building field in Canada continue to grow to serve Aboriginal Canadians. The following section briefly reviews some examples of asset-building among Aboriginal groups in Canada and abroad.

Canada

SEED Winnipeg's Initiatives in North End Winnipeg

Winnipeg's North End has long been recognized as one of the most economically depressed urban communities in Canada and a community where Aboriginal persons make up a significant and growing segment of the population. After learning about asset-building from SEDI and SEDI's international network, a local community development agency, SEED Winnipeg has launched a series of initiatives aimed at helping North End residents (including the area's large Aboriginal population) build assets. SEED's Individual Development Account (IDA) program provides support for low-income families and individuals who want to save for housing, education or small business development. Participants open a special savings account and each dollar deposited into the account is matched at a 3:1 ratio. Participants also take part in a financial literacy training course developed by SEED and also delivered as a stand-alone service to other clients. IDA participants have up to 2 years to save in the account and can build up to \$4,000 in productive assets. Funds are disbursed directly to the vendor of the eligible asset purchase (for example, the vendor of a house, a school providing a training program, etc.). Since the IDA program was launched in 2000, 161 participants have enrolled and have deposited a total of \$161,700 into IDA accounts with an average of roughly \$30 per month. Project staff have noted that this monthly average is somewhat misleading in that deposits tend to be very 'lumpy' – participants may make a large lump-sum deposit and then may not save regularly again for some time. To date the project has distributed \$179,300 in matched savings to participants who have used their personal and matching savings to invest in housing, education or small business start-up. Participation in the project by Aboriginal clients

averages 11% of the total number of participants. Staff attribute this to a series of factors including income levels, project asset goals, etc..

In addition to the IDA program, SEED runs a series of other initiatives that have or will impact the ability of low-income Aboriginal clients to build assets. In 2002, SEED launched the Savings Circle project to complement the IDA program with a shorter-term more flexible program that may have more appeal to participants at very low income levels or for whom there are more short-term lumpy costs to address before making medium to long-term investments. For example, participants in the Savings Circle will often save for household items they could not afford on their income flow alone – most are on social assistance. As in the IDA program, participants open special savings accounts and see their deposits matched at a 3:1 ratio over a six month savings period. Participants also take part in a financial literacy training program and opportunities for peer support are more strongly encouraged than in other asset-building programs. Since the start of the program, just under 250 low-income participants have enrolled in the project, roughly 35% of whom are from Winnipeg's Aboriginal community. Participants have saved a total of \$58,300 of their own money and have used a total of \$86,800 in matching funds for a wide range of goals.

In July of 2002, Claudette joined the SEED Winnipeg Saving Circle Program with the goal of savings towards furniture – a 'lumpy' expense she couldn't afford on her income alone. She is a young Aboriginal woman with two children, and at the time she entered the program, Claudette and her children were living on an income of less than half (37%) the Low Income Cut-Off, or about \$9,000 . As a participant in the program, Claudette attended the Money Management Training workshops, made regular monthly deposits, and reached her goal within six months. By the following October, Claudette was able to purchase a new couch for her family.

After graduating from the savings program, Claudette joined SEED Winnipeg as a Program Assistant for the very same Savings Circle Program that had made a difference to her own family. At the same time she pursued training in the area of Aboriginal self-government and was invited to return as a key note speaker to the Native Women's Transition Centre for their 25th Anniversary, a centre she had been a resident of. More recently, Claudette has been working as a research assistant at the Winnipeg Social Planning Council and volunteering much of her personal time at Thunderbird House, an Aboriginal organization in Winnipeg's inner-city. Claudette is very focused on giving back to her community and helping people find the same success that she has found.

Late in 2004, SEED Winnipeg launched an asset-building project with nearly 90% participation by Aboriginal clients. Fresh Hope is an initiative developed in response to interest from other local social service agencies. Similar in most respects to the Savings Circle program, Fresh Hope aims to enable participants to save over 6 months for short-term lumpy-costs they could not otherwise afford through income alone. However, the program is tailored to ex-offenders (both men and women) who have employment income but who may need more help on the financial capability side as part of getting their lives back on track. Participants can save up to \$250 matched at a 3:1 ratio to build a pool of \$1,000. They also receive a more intensive level of financial and basic life skills development. The first wave of the program is still on-going however SEED Winnipeg already has plans to repeat it again.

SEED Winnipeg will also be launching a new program later this year in partnership with Ka Ni Kani chihk Inc. called Self-Employment Program for Aboriginal Women (SEPAW). This program will deliver a comprehensive approach to small business development for Aboriginal women in Winnipeg. The program will include a matched savings account (similar to an IDA) to help participants build start-up capital, self-employment and business development training and counselling, as well as training in financial and other essential skills that will be delivered with an eye to Aboriginal history and culture. More information will be available on the program in the near future.

Aboriginal participants in learn\$ave

SEDI has designed and is currently managing the implementation of a national demonstration of Individual Development Accounts for adult learning. Launched in 2000, *learn\$ave* is a 9 year project funded by Human Resources and Skills Development Canada to evaluate the effectiveness of matched individual savings accounts and financial literacy training as a mechanism to boost participation in life-long learning among low-income adult Canadians. The project is evaluated by the Social Research and Demonstration Corporation and is being delivered in 10 diverse communities across the country by a network of community-based agencies who have partnered with SEDI. Three financial institutions, RBC Royal Bank, Assiniboine Credit Union and Caisse d'économie Desjardins, are also taking part in the project by providing deposit accounts, financial services and account information services.

The project has been designed as a policy experiment and includes many variations in program design to test differences in impact. Among participants who are eligible for *learn\$ave* accounts, the project offers a 3:1 match rate (this ratio varies in several case study sites in the project) on the first \$1,500 of savings deposited into the IDA. Most participants are also expected to take part in a short financial capability training course that enables them to enhance the financial management skills they already have, set a savings and asset goal for the project and develop a savings plan to reach it. At the end of the 3 year savings period, participants may have as much as \$6,000 to invest in adult learning through formal education, skills training or, to a lesser degree, micro-enterprise development. *learn\$ave* also provides some limited support for the non-tuition related costs of learning including childcare, supplies, books, etc..

There are, among the more than 3,600 low-income participants in the various IDA programs included in *learn\$ave*, 71 participants who have identified themselves as Aboriginal. Within this smaller sub-sample, personal deposits into the IDA accounts have averaged a little more than \$18 per month. To date, Aboriginal participants in the project have earned more than \$86,000 in matching credits and of that amount, have invested a little more than \$43,000 in adult learning through education or skills training (52%), non-tuition learning supports (40%) and micro-enterprise development (8%).

The implementation, impact and qualitative evaluations of *learn\$ave* are still on-going and further information will be available as the project progresses.

United States of America

The organization at the forefront of the Aboriginal asset-building movement in the US has been the First Nations Development Institute (FDNI). In addition to providing seed funding to initiate

the very first IDA programs, the FDNI has established a research centre and provides technical assistance on asset-building to interested Aboriginal organizations.

Asset-building has been used to increase development in several First Nations communities in the United States. The primary program model of asset-building for Aboriginal persons in the US has been the matched savings IDA. According to the FDNI¹¹, the early development of tribal IDA programs was modest during the late 1990's but with support from federal, state and private sources, there are currently 20-25 programs now active across the US and another 10 or more in development. In addition there are an estimated 10 IDA programs that, while not specifically designed for Aboriginal Americans, serve a predominantly Aboriginal clientele. Together these programs have enabled more than 800 participants to save for productive asset goals, such as homeownership, higher education and small business development, that increase the well-being of participating individuals, their families and communities.

Cherokee Nation IDA Programs

One of the most frequently cited examples of tribal IDA programs in the US is that of the Cherokee Nation in Oklahoma. The Cherokee Nation Tribal Commerce Department has offered an IDA to eligible adults since 1999 with support from the FDNI. Adult members of the tribe are eligible to receive an IDA account provided they meet income guidelines, have a regular source of earned income and live within the broad tribal jurisdictional area. Once enrolled in the program, participants are expected to deposit \$30 per month into their IDA over 24 months and attend 12 hours of financial training. At the end of their savings period, program participants may receive a matching contribution of up to \$3 for each dollar saved if the total funds are invested in first-time private homeownership and \$2 for each dollar saved if the total funds are invested in small business development, higher education or home rehabilitation. As in most other IDA programs, the matching funds are not deposited into the IDA but are instead sent directly to the vendor of the eligible good or service to be purchased. The initiative is described by tribal staff as:

“part of an innovative approach to combating poverty that focuses not just on meeting the most immediate needs to low-income families, but also on the long-term benefits of helping working families acquire a stake in their communities”.¹²

As part of the national Savings for Education, Entrepreneurship and Downpayments (SEED) Policy and Practice Demonstration lead by the Corporation for Enterprise Development, the Cherokee Nation has also introduced a pilot project of IDAs to Cherokee foster children and American Indian youth attending the tribally operated high school. SEED accounts include a one-time endowment, matching contributions on additional deposits made by a child's family, friends or community and financial capability training for both the children and their caregivers.

*Wind River Community Development Fund*¹³

¹¹ Communication with FDNI staff, August and September 2005.

¹² Cherokee Nation, News Release (2004), <http://www.cherokee.org/NewsArchives/News2004Page.asp?ID=1368>.

¹³ See August 18, 2004 presentation to CSD Conference, available on-line at http://gwbweb.wustl.edu/csd/asset/FNDI_StLouis_Presentation.pdf, accessed August 2005.

In addition to IDA programs, the FDNI notes that creative uses of the federal Earned Income Tax Credit (EITC) and expanding the role of Aboriginal Community Development Financial Institutions (CDFIs) are also being explored as avenues to increase the asset development of American Aboriginal persons. One such example is the Wind River Development Fund, an independent, non-profit CDFI serving the Wind River Indian Reservation established in 2003. Among the programs offered by the Wind River CDFI is an IDA pilot launched in 2004 with 10 accounts aimed at EITC recipients on the Wind River Reservation who are interested in entrepreneurship. Program participants use their EITC funds as deposits and earn \$3 for each dollar saved over a period of 18 to 36 months building up to \$6,000 in start-up capital for a new business and helping new entrepreneurs to leverage other sources of business financing (including mainstream loans). Fully half of the funding for matching contribution comes out of the Tribal welfare (Temporary Assistance for Needy Families, TANF) budget. Program participants are required to take financial capability training but may also participate in a 10 week business planning course developed for on-reserve entrepreneurs. This course is mandatory for most business loans clients of the Wind River CDFI and has also been accredited by a local community college.

Options for Consideration

Asset-building is one way to provide economically excluded Aboriginal Canadians with hope and opportunity, while enhancing self-sufficiency and personal responsibility thereby enabling greater access to the economic mainstream. There are a number of different approaches that could be taken to help Aboriginal Canadians build and sustain productive assets and there are a number of different aims that stakeholders might want to achieve in using asset-building models: building housing assets, supporting life-long learning, encouraging entrepreneurship and increasing financial capability. As further discussions, research and pilots are undertaken, it will likely become clear that asset-building is best suited to certain specific applications for Canada's Aboriginal Peoples. However, SEDI's intent, at this stage, is to present as wide a scope as possible for consideration. In this section we first propose a set of principles that should guide any asset-building policy or program for Aboriginal Canadians and then briefly outline a series of policy options for further consideration. These options are drawn from the policy priorities and themes discussed in the first section of this paper, as well as the examples of asset-building practice highlighted in the second section.

Proposed Principles

- *A new tool in the tool-box:* Asset-building should be viewed as a tool to achieve greater access to the economic mainstream for Canada's Aboriginal Peoples, while promoting greater self-sufficiency and mutual responsibility between governments and individuals.
- *From the ground up, not top-down:* For asset-building to be an effective intervention, it must be driven by and responsive to Aboriginal Canadians in the communities where they live. This calls for a flexible and place-based approach to that puts greater control in the hands of local Aboriginal leadership, organizations and individual Aboriginal Canadians themselves. That said, policy-makers and other stakeholders have a role to play in creating an environment that enables and sustains local innovation.

- *Cultural considerations:* Asset-building interventions to promote more mainstream economic activity and participation must ensure that Aboriginal Canadians can maintain their culture, heritage and language. This means ensuring that policies and programs are culturally sensitive and find the right balance between individual and collective responsibilities.

“We must now take on the challenge of preparing for future economic possibilities while protecting our historical realities.”

Nunavut Premier Paul Okalik, October, 2004

- *Inclusive and accessible:* The aim should be to ensure that all Aboriginal Canadians have fair and equal opportunities to participate in asset-building. This means considering both targeted initiatives as well as ensuring that universal asset-based policies are in fact inclusive of Aboriginal Canadians.

Building housing assets

Seed grants, matched savings accounts (like IDAs) and financial capability supports could be used to enable more Aboriginal Canadians to invest in adequate and affordable housing – including new ownership, renovations of existing housing stock, social or collective housing and private rental housing.

- One-time seed grants could be cost-shared by federal and/or provincial and Aboriginal governments for the very lowest income Aboriginal persons. These grants could be placed into individually-owned accounts and withdrawn only for home purchase, home renovation/repair or rental housing costs (social or private rental).
- Deposits made into the accounts could be matched (again cost-shared by federal and/or provincial and Aboriginal governments, or even philanthropic sources) with virtual credits available to be withdrawn and paid directly to the vendor of an eligible housing related good or service (for example rental deposits, downpayments on a new home, repairs or renovations to an existing home, or the costs of moving to new accommodation).
- While neither the grants nor the savings would be enough to cover the full or on-going costs to individuals of entering into homeownership or private rental housing, asset-based approach can be part of a more market-based affordable housing model. They could leverage other investments and more mainstream sources of financing.
- Adequate financial information, education and advice must be made available to Aboriginal Canadians – both inside and outside of housing grants or savings programs. The content should include general financial information as well as information more specific to rental housing and homeownership to ensure that individual owners and renters have the information they need to make informed decisions and sustain their investment. Wherever possible the capacity to develop and deliver this financial capability support should be built within existing organizations that serve Aboriginal Canadians.

Life-long learning

Delivering a financial incentive (through grants at certain age or education milestones, matched savings or some combination of both) and financial capability supports (aimed at both parents and kids) may be one method to increase student achievement and parental involvement in K-12 education. A financial incentive can make the benefits of education more concrete and immediate to both kids and parents and, at the same time, can be used to pay for items that can increase educational success (like a computer). When families receive financial rewards for their child's education, they are more likely to pay attention to that reward and to the education it is connected to. The existing Canada Learning Bond program could provide a platform to build upon if the end use of the funds were for post-secondary education or training. But other options for the end-use of the funds including the purchase of a personal computer or other goods and services might have a more immediate impact on educational participation and performance. In this way more families will be able to see, very directly, the benefits of engaging at the primary and secondary levels and will have greater access to the tools and resources that can foster success.

While post-secondary education costs for First Nations are eligible for funding through Indian and Northern Affairs' programs, the program cannot meet the full costs of higher education or training for all interested Aboriginal students. It is also unclear if the program design supports the full range of possible education and training options or a life-long approach to education and learning. A system of flexible, portable individual accounts available to Aboriginal students and learners through out their lives may be one option to complement existing programs.

- Individual accounts could be established at birth for all low and modest income Aboriginal children. These accounts could be endowed with an initial grant, similar to or even (if transferred into an RESP) including the Canada Learning Bond, but cost-shared between federal and/or provincial governments and Aboriginal governments. The accounts would be held in the child's name and funds could only be used for certain education related purposes. In addition to the initial grant, additional top-ups (similar again or including the Canada Learning Bond) could be made annually or at specific intervals tied to age or academic achievement. Additional deposits into the account by parents, extended family members or friends could be matched by government or philanthropic sources.
- During the K-12 period, funds in the account could be withdrawn by parents to invest in costs related to education that families might otherwise struggle with, for example a personal computer, internet access or even books, supplies and school clothes. All of these modest assets can help increase the odds of educational success and empower parents to make meaningful investments in their child's learning while encouraging them to take a more active leadership in the day to day of their child's education.
- Funds in the account could also be used to help cover some of the costs of post-secondary education. Account balances may never be large enough to cover all the various tuition and non-tuition costs of higher education for every Aboriginal child. But they may be enough to supplement the funding available from existing programs including the Canada Student Loans program, Millennium Scholarships program and INAC's PSE funding to enable a

much larger group of Aboriginal youth to strive towards, to plan for and to participate in the higher education that is increasingly key to being part of Canada's economic mainstream.

- Planning and preparing for post-secondary education is another key area for both saving and parental involvement. Parents will need to be, along with their children, adequately equipped with information on education planning and financing. This could be part of a broader financial capability information, training and advice service for both parents and students and could be located in the schools to again build bridges between the school and home.
- An individual account matched savings and grants model could also be used to encourage more adult Aboriginal persons to re-invest in education, skills training and other forms of learning throughout their working lives. Renewing and continuing to build human capital is critical if Canada's Aboriginal citizens are to participate fully in the labour market.

Economic opportunity

“Economic development can play a role in improving the poverty rates of Aboriginal women if a holistic approach is taken.”

President Kukdookaa Terri Brown, Native Women's Association, April 2004.

One of the many challenges facing Canadian Aboriginal groups is how to generate and sustain local economic activity to generate income for residents and the economic flows that can increase quality of life for all members of the community. There are many existing measures designed to stimulate community economic development but support for small and micro-enterprise development remains limited. Aboriginal entrepreneurs often have difficulty building financial capital or borrowing from mainstream lenders. Among other low-income populations, asset-building in the form of Individual Development Accounts, has been used with some success to help low-income entrepreneurs build the financial capital and financial skills required to get a new business off the ground. When combined with business development programs or entrepreneurship programs (many of which are already in place for Aboriginal Canadians), the available examples suggest that asset-building can be part of a more integrated approach to supporting small business development. Financial capital could be accumulated by seed grants and/or matched savings and could also help many more Aboriginal entrepreneurs leverage greater access to small business loans. Programs, such as the SEEPAW initiative about to be launched by SEED, could be one tool to boost new small business development and support Aboriginal entrepreneurs who want to invest in their own self-sufficiency.

- Individual accounts could be established for eligible Aboriginal entrepreneurs to capitalize new businesses. With cost-shared funding from federal and/or provincial, private sector and Aboriginal government sources, one-time grants could be made to kick-start the savings of the most low-income entrepreneurs and matching grants could be used to incent further savings and encourage mutual responsibility. The financial capital may not be enough to cover all the various costs of getting a new business off the ground but for many

microenterprises and even small businesses, this is likely to have significant impact in leveraging access to other mainstream sources of small business financing.

- A self-employment and/or small business development training program should be tied to the financial incentive to ensure that new entrepreneurs have the business and financial skills, knowledge and confidence to plan for, launch and sustain their new enterprise. Ideally the location for this training should be within an organization that already serves Aboriginal Canadians.

Financial Capability

Even outside programs designed to build financial capital, financial capability is a critical avenue to the economic mainstream and self-sufficiency for Canada's Aboriginal Peoples and a precondition for successful asset building.. Financial capability training, information and advice must be an integral part of any new asset-building initiative to ensure that participants have the skills, knowledge and confidence to participate and succeed. But increasingly, it is clear that financial capability is a basic skill set, for all citizens. Even outside of asset-building programs, settlements and on-going payments made to Aboriginal Canadians, whether to honour treaty obligations or settle claims by residential schools survivors, also heighten the need to ensure that Aboriginal Canadians have affordable and secure services to manage their financial needs and the financial skills and knowledge to do so effectively. The capacity of Aboriginal-serving organizations needs to be enhanced to enable them to deliver relevant, timely and responsive financial capability services to Aboriginal Canadians. At least one example for Canada to draw upon exists in the US Native Financial Education Coalition, a national non-profit organization dedicated to raising awareness of the central importance of financial skills and building the capacity of Aboriginal organizations to provide these skills to their clients.

Renewing the Income Support Program for First Nations

First Nations who administer the distribution of last resort income support from federal sources should view asset-building as a tool to foster mutual responsibility and self-sufficiency among benefit recipients. Interested First Nations communities could partner with provincial governments to innovate to enable benefit recipients to build assets, through personal savings out of income benefits or other sources, without fear of penalty of reduced income support.

Proposed Next Steps

There are several questions that will need to be addressed regarding asset-building in Canada's Aboriginal communities.

Dialogue

The first step will be to engage in a dialogue with Aboriginal and First Nations leaders and communities, some of whom have already expressed their interest in asset-building, and with

federal and provincial governments. This dialogue should be led by an organization or partnership of organizations that can bring together the required expertise in asset-building, credibility within and knowledge of Canada's diverse Aboriginal population and adequate resources to support a meaningful dialogue. The results of this consultation should then be communicated back to Aboriginal organizations and government policy-makers. The outcome of such an exercise should be to:

1. Gauge the level and range of interest and support for asset-building as a policy tool to address existing priorities for Canada's Aboriginal Peoples.
2. Build some reasonable level of consensus about the scope and priority asset-building should hold on the Aboriginal policy agenda.
3. Identify opportunities and resources that could be used to pilot asset-building initiatives in priority areas [housing, life-long learning, economic development] within Aboriginal communities

The dialogue could be kick-started with a brief roundtable discussion that would bring together First Nations, Metis and Inuit policy-makers, federal and provincial policy-makers, and interested members of the private and philanthropic sectors to hear from leading organizations in the asset-building field both in Canada and in other countries where it has already been specifically applied to Aboriginal persons to build self-sufficiency in a context of shared responsibility.

Investing in Community Innovation

The next step will be to invest in communities who are interested in applying asset-building to address local priorities. Because asset-building is still relatively nascent in Canada, and even more so in the context of Aboriginal persons, it should be viewed as a promising innovation that requires piloting and further testing before large-scale programs. For pilots to succeed though, funding must be made available for operating costs, financial incentives and local capacity-building. The source of funding may come from government (federal, provincial or even municipal) sources, from existing budgets of Aboriginal administrations and organizations, from philanthropic sources or from some partnership between these. All stakeholders can show their commitment and involvement by investing in innovation like asset-building through direct or even in-kind contributions.

In many cases Aboriginal organizations may already have the capacity to deliver asset-building pilot projects. However, technical assistance and some capacity building may be needed by other organizations and sufficient support will be needed to enable cross-learning between organizations with asset-building expertise and organizations serving Aboriginal Peoples.

Steps should also be taken to ensure that Aboriginal organizations who do wish to invest in asset-building initiatives can learn from each other's experience and can capture best practices for 'just in time' implementation.

Informing Policy

Finally, the aim in piloting asset-building should be to inform policy affecting the well-being of Aboriginal persons in Canada. The knowledge generated through the consultation process and piloting stage will ultimately need to be part of an integrated approach to address the gap in

social and economic development between Canada's Aboriginal and non-Aboriginal populations.

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