

Commentary



SEPTEMBER 2022

Spending not wisely but too well: Choose instead Indigenous empowerment and autonomy

Brian Lee Crowley

This is the keynote address delivered on August 30, 2022 at the 43rd Annual Conference of the Canadian Council of Public Accounts Committees and the Canadian Council of Legislative Auditors.

Ladies and Gentlemen, Mesdames et Messieurs.

Merci de l'invitation d'être ici parmi vous aujourd'hui. Le travail des comités parlementaires des comptes publics, ainsi que celui des différents vérificateurs-généraux, contribuent fortement à la qualité et au succès de notre démocratie parlementaire et je me félicite de ce que vous avez cru bon de m'inviter à vous adresser la parole aujourd'hui. Merci.

My good friend John Williamson, your co-host here today, and I go way back to his time at the Canadian Taxpayers Federation and my years as the founder of the Atlantic Institute for Market Studies, a regional think tank that focused on Atlantic Canadian issues. I suspect that it is due to John's influence that I am standing before you today and I want to take a moment to pay tribute to John and say that the people of New Brunswick Southwest

The author of this document has worked independently and is solely responsible for the views presented here. The opinions are not necessarily those of the Macdonald-Laurier Institute, its Directors or Supporters.

are well-served by such a thoughtful and distinguished representative in our parliament. I know he will do outstanding work as the chairman of the Public Accounts Committee.

John asked me to say a word about my Institute for those of you who may not be familiar with it. And if you are not, may I just say that you lag seriously behind Vladimir Putin and Xi Jinping who, I can assure you, are all too aware of the work of the Macdonald-Laurier Institute.

In fact Vladimir Putin just paid us the greatest honour imaginable in that he recently officially blacklisted seven of our Senior Fellows, and the Institute as a whole, for our work on Russia's brutal and unconscionable invasion of Ukraine. As *persona non grata* in Russia I, sadly, had to cancel my plans for a winter holiday in Siberia.

Xi Jinping's regime in Beijing has similarly condemned MLI for holding them to account for their abuse of their Uyghur population, their aggressive actions toward Taiwan and their disinformation and intimidation efforts in Canada.

“ Xi Jinping's regime in Beijing has similarly condemned MLI for holding them to account.

On the other hand I was honoured recently when the Latvian Deputy Prime Minister bestowed upon me his country's highest civilian award from the Ministry of Defence in recognition of our work in support of NATO, and particularly Canada's exemplary leadership of NATO's Enhanced Forward Presence Mission in that country.

I started MLI 12 years ago after my two years as the Clifford Clark Visiting Economist at the Ministry of Finance. My overwhelming sense at the end of this stint at the summit of the federal government was that these guys really needed help.

It occurred to me then that Canada was the only Group of Seven (G7) country that did not have a national think tank in the national capital talking about national issues to national policy-makers, the national media and the national electorate. This seemed to me to be a gaping hole in our democratic infrastructure and I set out to fill it.

Twelve years later I can say that we have a column or op-ed in the national or international print media every working day of the year (340 last year alone) and our work was mentioned around 40,000 times in news and other current events commentary. Our webinars attract about a million views annually, much of it international. And we have won just about every major award the think tank community has to offer, including being recognized a few years ago as one of the top three new think tanks in the world.

In addition to our Foreign Affairs, National Defence and National Security department, our work falls into two other groupings. One is our Social, Economic and Governance work, where we talk about: the rule of law, taxes, fiscal policy, energy, immigration, federal-provincial relations, border control, public administration and other domestic issues.

The third is one of the jewels in our crown and what I wanted to talk to you about today: Indigenous Affairs. We have been at the forefront of thinking through what a new relationship can and should look like between Indigenous and non-Indigenous Canadians and I am exceptionally proud to say that many of the leading Indigenous thinkers on these issues have been happy to associate themselves with us, and we are one of the few predominantly non-Indigenous organizations to have attracted funding from Indigenous-led organizations because of the quality and the insight of our work.

“Reconciliation” is a word on everyone’s lips in Canada, and I am of the opinion that all Canadians of good will want to see genuine reconciliation achieved in reality and not just talked about in theory.

But it would also be my view that while vast sums of money are being mobilized to respond to the appalling social and economic realities of many Indigenous communities in Canada, not nearly as much thought has gone into how to spend that money to good effect.

The lessons of the post-war era in Indigenous policy *have not been* successfully distilled out of our experience, and therefore are not being applied. The danger that this creates is that we will continue to spend vast sums to little measurable effect and therefore squander not just the money but the good will of Canadians, who may conclude that Indigenous policy is simply intractable and the problems insoluble. Canadians are more than willing to put their shoulder to the wheel, but not if the evidence is that those efforts don’t produce results.

You may well wonder what those lessons are that we should draw from our experience of Indigenous programming. I could talk about this for hours but happily for you I only have 20 minutes, so let me go right to the conclusions my colleagues and I have drawn from reconciliation efforts to date so that we can then talk about how the people in this room can make a powerful contribution to genuine reconciliation. My short selected list of lessons learned goes like this:

- One: Paternalism doesn’t and won’t work. We have to start from the position that Indigenous people are competent and responsible and know better than distant bureaucrats what their communities need and what their priorities are.
- Two: Money is not the solution to every problem and too much money creates *its own set* of problems.

- Three: Many Indigenous communities suffer from a lack of capacity: they are simply too small and don't have the expertise, training and administrative support to leap through complex bureaucratic hoops that are paternalistic in their conception and that prize bureaucratic control over empowering Indigenous communities to make their own decisions (and their own mistakes). Lest I be misunderstood and you think that "capacity" is some code word for Indigenous incompetence, let me clarify: All I am saying is that Indigenous governments have vast needs but very small administrations, which have to balance everything from constitutional and legal issues to housing, policing, education, health care, social welfare and economic development. These communities have small populations, tiny civil services and incredible complicated policy needs. *Any* community on a similar scale with comparable responsibilities facing similar circumstances would invariably have these issues.
- Four: The application, review and evaluation processes for most government spending are onerous beyond belief – and are beyond the capacity of most communities for the reasons I have given.
- Five: Short-term funding works poorly in coming to grips with long-term issues, and long-term issues are mostly what Indigenous communities face. Communities need long-term stable funding to deal with near-intractable issues. Those of you from provincial governments will know what an irritant it is for you when Ottawa uses its spending power to entice you into some spending program that is not among your own priorities and keeps the money available just long enough for the population to become accustomed to the new service, after which Ottawa loses interest and pulls the funding only to dangle some new offer on a different topic in the next budget. Now imagine how much this issue is magnified for an Indigenous community trying to deal with the challenge of, say, the survival of their language and the dilapidated state of their housing stock. These are long-term issues, but ones that must be addressed through budget allocations that may last only for a year or two at best. Stability is far more valuable than huge budgets that cannot be spent and then disappear as departmental priorities change.

These ideas are not unique to MLI and our work. Many of you will be familiar with the Parliamentary Budget Officer's (PBO) recent report that assessed a lot of spending on Indigenous policy (PBO 2021). My three main takeaways from that report:

- The good news: Between 2015 and this year there has been a significant increase in the amount of money allocated to providing Indigenous services. The current federal government has doubled the rate at which spending on Indigenous programs grows, with the result that spending on those programs is now second among all spending programs, second only to national defence. And the provinces' rate of increase on Indigenous spending is *faster* than the federal rate of increase, albeit from a

much smaller base. And governments are not the only ones deciding to shift major resources toward Indigenous people. Just think about ONE recent court case, over child welfare services, that resulted in a \$40-billion-dollar settlement, or the \$5 billion residential schools settlement.

- The bad news: This increase in spending did not result in a commensurate increase in the ability of Indigenous organizations to achieve the goals that they had set for themselves.
- On the contrary, the ability of Indigenous organizations to achieve the goals that they thought important has declined, according to the PBO.

And I would add to these conclusions that the evidence is scant that this massive increase in spending has produced the results we all want for Indigenous people. Between 1981 and 2016, the latest year for comparable data, Ottawa multiplied total federal spending on Indigenous programming by more than four times yet the gap between First Nations and other Canadian communities in the average Community Well-Being Index, which measures the well-being of individual Canadian communities, barely budged. In 1981, the gap was 19.5 percentage points. In 2016, it was 19.1 (Flanagan 2021).

I mentioned the recent settlement regarding child welfare services. When you consider the land and rights claims cases currently being negotiated with Ottawa or before the courts for adjudication, the impact on government spending and on Indigenous communities is going to be vast and well beyond the trends in program spending I have just outlined.

Yet as I have already stated, the evidence is scant that the volume of spending or the rate of its increase is producing good results for Indigenous peoples. Money is not the solution.

In fact on the contrary, the money is often the problem. Throwing money at problems often papers over the underlying issue and creates the illusion of progress where there is little or none. It certainly doesn't resolve the long-term issue of the capacity of communities to spend the money in a way that actually responds to their needs and priorities.

This is not just an issue for First Nations communities. One of our Senior Fellows recently travelled to Nunavut which, while a territorial government, actually has an Indigenous majority. Even with the administrative capacity of a territorial government at its disposal, Nunavut cannot absorb and spend the massive stream of money headed their way from Ottawa. The result: a \$100 million surplus in this fiscal year in a territory where Indigenous communities need nearly every kind of service you can imagine. Spending all this money is simply beyond their capacity.

The issues are obviously not identical between territorial governments and First Nations, Métis and Inuit communities but the fundamental challenges remain the same. We pour money into governments that do not have the ca-

capacity to spend it effectively.

This brings to the fore a fascinating issue that we still understand poorly. That is the difference between sources of revenue that First Nations have earned for themselves versus those that come in the form of transfers from Ottawa and the provinces.

I am talking here about the difference between own-source revenues (that arise from Indigenous business and entrepreneurship), and transfers/rents (that is, other peoples' money) from governments. And here we get back to the issue of paternalism.

According to Professor Ken Coates, a Canada Research Chair at the University of Saskatchewan and head of our Indigenous policy work at MLI:

The application, review and evaluation processes to get access to government grants are onerous beyond belief – and are beyond the capacity of most communities. Governments routinely announce programmes that communities have neither the time nor the resources to apply for successfully. Far too often, communities discover that the reporting requirements are so onerous that they wish that they had not applied. And constantly changing government priorities mean that communities have to start and restart programs, focus on government targets and not community ones, and get buried in process.

Similarly, Heather Exner-Pirot, one of our Senior Fellows, reports:

I have completed forms for First Nations clients with preposterous, falsely precise measures of conditions and proposed outcomes as a condition of funding. These take time (and often they have to hire people like me to fill them out) and maybe give to the federal department reassuring numbers on paper that they can comfortingly report, but which are not reflective of the actual benefits of a project.

And with respect to housing, Heather says:

I remember seeing the data on the share of housing money that actually goes to build houses on reserve; my recollection is that it is under 25% of the total. It's terribly low whatever it is. First Nations can get money to do assessments of houses needing repairs, or to assess health risks (e.g., mould), but then there is no money to actually repair them. That is a different budget with different requirements.

Basically, we are drowning First Nations communities in paternalistic process, a process that they do not need to undergo to spend their own-source revenues, which they are able to spend reasonably quickly and effectively according to their own priorities.

Does this mean that Indigenous communities should not be accountable for their spending of public money? Of course not. But what it does mean is that we need to step back from our focus on bureaucratic and paternalistic controls that place the emphasis on what government officials think Indigenous people should want and that protect those same officials at the expense of the success of Indigenous communities. Prospective control isn't working. Clearly a shift to retrospective accountability has to be part of the solution.

Indigenous people need to be given much more autonomy and control over money set aside for their needs but the corollary is that they have to be answerable for what they do with the money. And it is worth noting that my colleagues and I have learned that many – though not all – Indigenous communities have high accountability standards, with a lot of community engagement on their financial affairs. As Ronald Reagan said, we need to trust, but we also need to verify.



Indigenous people need to be given much more autonomy and control over money set aside for their needs.

Excessive prospective control on Indigenous spending *transfers power* from Indigenous communities to distant governments ignorant of conditions on reserve. Combined with vast increases in spending this creates the illusion of progress on Indigenous issues while building immense frustration and resentment in Indigenous communities who have to leap through hoops to get money for things *bureaucrats* think they should have while *community priorities go begging*. And the increase in funding combined with the continued emphasis on prospective control means the ocean of paperwork is now a tsunami gathering speed, diverting ever more attention and limited capacity to governments' needs rather than the needs of Indigenous communities. Ladies and gentlemen, *it isn't working*.

This is why I wanted to bring this message to you today, because both public accounts committees and auditors general together are the strongest control points we have in our democracy for retrospective assessment of the value of public spending. If we are to move to a system of trust that Indigenous communities know what is good for them and are competent to make their own decisions, we have to have a strong retrospective system of verification to show Indigenous and non-Indigenous Canadians together that the money was spent on genuine improvements in conditions in Indigenous communities, according to the priorities of those communities themselves.

If we are successful in doing this we will be breaking vital new ground in creating the third order of government we so badly need in Canada, an order of government neither provincial nor territorial but Indigenous.

I can think of no group of people than this audience and no institutional structure better able to: 1) understand the issues of retrospective control; 2) ask the tough questions of government officials as to why their vast increases in spending are creating so little on-the-ground measurable benefit; and 3) highlight and celebrate the successes of First Nations, Métis and Inuit in using both government transfers and own-source revenues to achieve good results for their people so that successful approaches can be copied and adopted by other First Nations.

The people in this audience understand the important difference between the romance and power of spending promises where ministers stand up in parliament or the legislature and engage in vast rhetorical flights of fancy about what will be done with this or that new spending, as opposed to the hard, unromantic, unglamorous, slogging grind needed to find out how the money was actually spent and what was achieved.

Now is the time for you to hold ministers and officials to account *in a different way*, to show them what the evidence so clearly demonstrates to me at any rate, that more money is not the solution and we are making the problem worse with vast spending promises rather than the unglamorous but indispensable work of supporting First Nations, Métis and Inuit communities in building capacity – trusting them to know what their communities need – but holding them properly to account for the results they achieve.

To sum up, the advice from my colleagues and I to you on Indigenous spending is the following:

- Remember the extremely high and rising costs of compliance, reporting and applying under a regime of prospective control;
- Focus on long-term effectiveness, not immediate results;
- Beware of positive-sounding initiatives and look to results, not promises or intentions;
- The degree of Indigenous decision-making autonomy actually matters more than the size of budgets;
- Help Indigenous and non-Indigenous people learn from Indigenous successes and how to replicate them;
- Recognize capacity challenges in many communities;
- Remember that provincial and territorial governments in Canada have more experience than Ottawa in program delivery to local populations

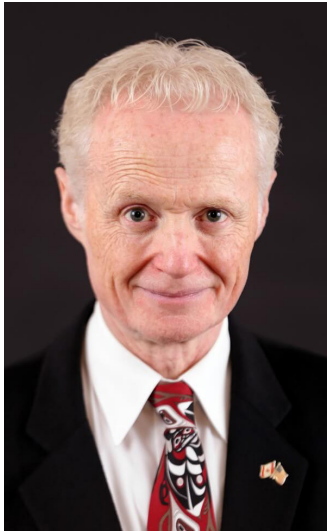
and are more responsive to local and regional realities. Use them more;

- Failure to get the relationship between control and accountability right will damage public support for reconciliation;
- Smaller budgets with longer time horizons are more valuable than larger budgets that only last for a year or two; and
- Finally, focus on the effectiveness, not the scale of spending, and look chiefly backward, focusing on outcomes, not forward, focusing on controls.

These are daunting challenges that require us to think about the perennial problems of democratic control of public spending in new ways. But I can think of fewer people more suited to this challenge than the people in this room. Reconciliation will fall to you in ways you cannot have imagined even a few short years ago. It will be hard, but a better Canada of which we can all be even prouder is the prize that awaits you.

Merci and bonnes délibérations.

About the author



Brian Lee Crowley has headed up the Macdonald-Laurier Institute (MLI) in Ottawa since its inception in March of 2010, coming to the role after a long and distinguished record in the think tank world. He was the founder of the Atlantic Institute for Market Studies (AIMS) in Halifax, one of the country's leading regional think tanks. He is a former Salvatori Fellow at the Heritage Foundation and a former Senior Fellow at the Galen Institute, both in Washington. In addition, he has advised think tanks in Canada, USA, France, Britain, Brussels and Nigeria.

Crowley has published numerous books, most recently *Gardeners vs Designers: Understanding the Great Fault Line in Canadian Politics*. His previous books include *Northern Light: Lessons for America from Canada's Fiscal Fix*, which he co-authored with Robert P. Murphy and Niels Veldhuis, and two bestsellers: *Fearful Symmetry: the fall and rise of Canada's founding values* (2009) and MLI's first book, *The Canadian Century; Moving Out of America's Shadow*, which he co-authored with Jason Clemens and Niels Veldhuis. Crowley twice won the Sir Antony Fisher Award for excellence in think tank publications for his health care work and in 2011 accepted the award for a third time for MLI's book, *The Canadian Century*.

From 2006–08 Crowley was the Clifford Clark Visiting Economist with the federal Department of Finance. He has also headed the Atlantic Provinces Economic Council (APEC), and has taught politics, economics, and philosophy at various universities in Canada and Europe.

Crowley is a frequent commentator on political and economic issues across all media. He holds degrees from McGill and the London School of Economics, including a doctorate in political economy from the latter.

References

Flanagan, Tom. 2021. “A more promising path out of poverty for remote Indigenous communities.” *Financial Post* (January 26). Available at <https://financialpost.com/opinion/tom-flanagan-a-more-promising-path-out-of-poverty-for-remote-indigenous-communities>.

Parliamentary Budget Officer [PBO]. 2021. Clean Water for First Nations: Is the Government Spending Enough? Office of the Parliamentary Budget Officer, December 1. Available at <https://distribution-a617274656661637473.pbo-dpb.ca/8544c3674361c171dbaded06eaff8c5261695d58b608cbc5505f21aaab326fb>

constructive *important* *forward-thinking*
high-quality *insightful*
active

Ideas change the world

WHAT PEOPLE ARE SAYING ABOUT MLI

The Right Honourable Paul Martin

I want to congratulate the **Macdonald-Laurier Institute** for 10 years of excellent service to Canada. The Institute's commitment to public policy innovation has put them on the cutting edge of many of the country's most pressing policy debates. The Institute works in a persistent and constructive way to present new and insightful ideas about how to best achieve Canada's potential and to produce a better and more just country. Canada is better for the forward-thinking, research-based perspectives that the **Macdonald-Laurier Institute** brings to our most critical issues.

The Honourable Jody Wilson-Raybould

The **Macdonald-Laurier Institute** has been active in the field of Indigenous public policy, building a fine tradition of working with Indigenous organizations, promoting Indigenous thinkers and encouraging innovative, Indigenous-led solutions to the challenges of 21st century Canada. I congratulate **MLI** on its 10 productive and constructive years and look forward to continuing to learn more about the Institute's fine work in the field.

The Honourable Irwin Cotler

May I congratulate **MLI** for a decade of exemplary leadership on national and international issues. Through high-quality research and analysis, **MLI** has made a significant contribution to Canadian public discourse and policy development. With the global resurgence of authoritarianism and illiberal populism, such work is as timely as it is important. I wish you continued success in the years to come.

The Honourable Pierre Poilievre

The **Macdonald-Laurier Institute** has produced countless works of scholarship that solve today's problems with the wisdom of our political ancestors. If we listen to the **Institute's** advice, we can fulfill Laurier's dream of a country where freedom is its nationality.

M A C D O N A L D - L A U R I E R I N S T I T U T E



323 Chapel Street, Suite 300,
Ottawa, Ontario K1N 7Z2
613-482-8327 • info@macdonaldlaurier.ca



@MLInstitute



facebook.com/MacdonaldLaurierInstitute



youtube.com/MLInstitute



linkedin.com/company/macdonald-laurier-institute