



Nunavut Association of Municipalities

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Nunavunmi Nunaliit Katojikatigiigit

President Elisapee Sheutiapik's
Speech to Nunavut Economic Forum's
Annual General Meeting in Iqaluit, Nunavut
on May 31, 2006:

**“NAM's Mandate from Nunavut
Municipalities and its' Relationship to the
Nunavut Economic Development Strategy”**

The Nunavut Association of Municipalities has been mandated to support municipal governments in developing sustainable local economies.

There are three parts to the mandate:

- First, to support communities in developing community-based economic strategies that compliment and contribute to the Nunavut Economic Development Strategy;
- Second, to advocate a share of Nunavut's public resource revenues for municipal governments that fairly reflect their roles and responsibilities, and
- Third, to identify and advocate principles and objectives of devolution and resource revenue sharing that are important at the community level.

This mandate anticipates the development of Nunavut's natural resources over the longer term. There are currently some sixty active mineral projects in Nunavut, targeting gold, diamonds, uranium, iron, and other minerals. More natural gas is discovered in Nunavut than in the Mackenzie Delta and there is growing interest in transporting it to markets.

Nunavut's natural resource wealth is recognized by industry and the public sector. A mining industry survey ranks the mineral potential of Nunavut second only to the Northwest Territories among Canadian provinces and territories, and tenth among 64 regions worldwide. Current estimates of Nunavut's oil and gas resources are comparable to those of Newfoundland and Labrador.

The Council of the Federation's Panel on Fiscal Imbalance recently pointed out that the non-renewable resource activity

represents the greatest economic potential for Nunavut and that the resulting revenues are more than adequate to meet the costs of preparing to participate in the opportunities and mitigating the resulting pressures on infrastructure and social programs.

But resource abundance and resource wealth provide no assurance that most of the people in Nunavut's communities will benefit from them. Often communities in resource-rich parts of the world are no better off from the production of their resources and too many are worse off. In many regions resource extraction accompanies poor economic growth, inadequate investment in health, education, and sanitation, and increased social and security problems. Nunavut has its own example. Roughly two billion dollars of zinc, lead and silver were produced from the Nanisivik mine over 25 years yet the community of Arctic Bay gained few lasting benefits.

Such opportunities need not be lost. Sustainable growth from nonrenewable resources is achieved in many resource-producing regions throughout the world as a result of planning and systematic public and private investment.

Since the closing of Nanisivik, the mining industry has recognized that it has to change. Sustainable community development has become a central issue within the mining industry. The Mining Association of Canada's 2004 sustainable mining principles:

- support the capability of communities to participate in opportunities provided by new mining projects and existing operations.
- are responsive to community priorities, needs and interests through all stages of mining exploration, development, operations and closure.

- provide lasting benefits to local communities through self-sustaining programs to enhance the economic, environmental, social, educational and health care standards they enjoy.

At its May 2006 annual general meeting, NAM was authorized to address community economic development by facilitating development of community-based strategic plans.

Municipal leaders resolved that:

- they adopt a community-based strategic planning process;
- NAM provide coordinating and supporting services to the planning processes; and
- NAM explore and identify potential funding sources for strategic planning.

This mandate complements the Nunavut Economic Development Strategy. It will support systematically investing in natural capital, human capital, organizational capital, and physical capital to develop a sustainable Nunavut economy. It also supports the Nunavut Strategy goal to increase participation by Nunavut communities in the economic development strategy.

One of the Nunavut Strategy's guiding principles is to place control of economic development in the hands of community members. Similarly, the Government of Nunavut's Pinasuaqtavut principles recognize that building the capacities of communities will strengthen Nunavut; and that all levels of government working together will strengthen Nunavut.

The NAM mandate also supports the Nunavut Strategy observation that "Finding additional revenues for economic development is central to implementation of the Strategy."

Revenue needs can be more effectively met with sound economic strategies at the community as well as the territorial levels.

NAM recognizes at the community-level what the Nunavut Strategy identifies as the need for increased federal investment - a need that is echoed by the Panel on Fiscal Imbalance which says that:

It is clear to the panel that the long-term development of Nunavut will require a considerable catch-up effort to provide the most basic social and economic infrastructure. Strategic investments, outside the [Territorial Formula Financing] will be required to help Nunavut and its people begin to narrow the gap and reduce dependence on the federal government over the long term.

Thomas Berger recently made the same point regarding Nunavut education.

The Nunavut Strategy and the Panel on Fiscal Imbalance both call for increases in Territorial Formula Financing. The Panel says:

A return to a formula based on expenditure need would restore the responsiveness of federal transfers. The formula must include an adequate base that takes into account obligations to implement Aboriginal rights agreements. It must also include appropriate escalators and fiscal incentives for economic development.

The Strategy and the Panel also recognize the fundamental importance of devolution and resource revenue sharing to Nunavut's greater fiscal self-sufficiency.

The Panel points out the inherent unfairness of the current arrangement. "We depend on Northerners as stewards and custodians of our North, yet we do not give Northerners a fair share of the wealth that comes from the land on which they dwell."

The federal government must invest more in Nunavut and NAM intends to be active in making our case for more investment at the community level.

But NAM also has a mandate to seek a fair share of future resource revenues for municipalities which needs to be incorporated into the Nunavut devolution and resource revenue sharing framework.

What are devolution and resource revenue sharing?

Devolution is the transfer of legal authority and responsibilities from the federal government to the Government of Nunavut. Devolution of education, health and social services to territorial governments took place before Nunavut was created. But legal responsibility and authority over Nunavut's land, water, environment and non-renewable resources remain with the federal government. The purpose of devolution now is to transfer these remaining responsibilities to Nunavut along with the staff, financial resources and the facilities to manage them.

Resource revenue sharing involves the sharing of public revenues from resources among governments. Right now the federal government receives all the federal taxes, all the royalties and in some cases, a share of the profits from northern natural resources. In addition, it reduces its transfer grants to the territories by 80¢ for

every additional dollar of revenue that a territorial government receives through its own tax system.

The purpose of negotiating resource revenue sharing is for the revenues to be shared more fairly between the federal government and Nunavut governments.

It must not be assumed, however, that a Nunavut devolution and resource revenue sharing agreement with Ottawa that follows the examples of the Yukon and Northwest Territories will contribute to Nunavut's sustained economic development at either the community or territorial level. The Panel on Fiscal Imbalance observed that under the Yukon devolution agreement only eight to ten cents of every resource dollar produced from Yukon's resources will stay in the Territory. Less than a penny of that will flow to First Nation governments that represent the majority of Yukon communities. In the Panel's view the Yukon agreement serves neither territorial nor national interests and should be renegotiated in the interests of both Canada and the Yukon.

The most important lesson to be learned from the Yukon Agreement (and for that matter the first Newfoundland and Nova Scotia agreements of the 1980s) is that the federal government cannot be relied upon to negotiate an agreement that serve the interests of the territory. Instead, it has, until the recent changes in the east coast agreements, negotiated with mandates designed to maintain so far as possible federal administrative authority over regional resources and to maximize federal resource revenues.

Perhaps the second most important lesson is that it took Nova Scotia and Newfoundland twenty years, hundreds of millions of dollars in lost oil and gas revenues and some good luck before they disentangled themselves from the agreements.

Nunavut needs to develop its own devolution mandate based on its own interests and strategic plans rather than waiting to respond to the federal government's mandate if it is to avoid the same costly mistakes.

Nunavut's interests in devolution and resource revenue sharing are as multi-faceted and intertwined as the Nunavut Economic Development Strategy.

With a view to devolution and resource revenue sharing negotiations, the municipal governments have resolved:

- that fiscal benefits from resource development need to be fairly shared among the three orders of government, based on their respective local, territorial and national jurisdictions authorities and responsibilities;
- that public revenues including the municipal share or resource revenues need be allocated equitably among communities. Communities that have been impacted, however, or that are expected to be impacted by resource development should receive supplemental funding to prepare the local communities for participation in the development.
- that the Government of Nunavut and municipal governments need to jointly explore the concept of allocating a portion or non-renewable resource revenue to a Nunavut heritage fund.
- that the Government of Nunavut and municipal governments, as key stakeholders, need to collaborate on local and territorial strategic planning for resource development including offshore development in Nunavut.
- that planning by all orders of government need to emphasize development of sustainable communities and socially responsible resource development.

The terms and conditions of devolution and resource revenue sharing are fundamental to Nunavut's sustained economic development. so it seems appropriate that Nunavut's negotiation mandate be viewed within the framework of the Nunavut Economic Development Strategy.

Such an approach has advantages in addition to providing Nunavut's negotiating parties with a broad, firm foundation on which to base principles and objectives of their negotiating mandate. A transparent process for developing the mandate principles and objectives could mobilizes a broad cross section of Nunavut society in support of the Nunavut mandates. It would also provide markers by which to measure the outcome of the eventual agreement.

Showing that Nunavut's devolution and resource revenue sharing principles and objectives are essential to sound community and territorial strategies for sustained economic development will strengthen Nunavut's negotiating position. It will also demonstrate to all Canadians that Nunavut is ready, able and willing to take responsibility for the development of Nunavut to serve territorial and national interests.