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# Policy Brief

***The Task Ahead:  
Advancing First Nations  
Forest Sector Participation***

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## Introduction

While First Nations make up a significant portion of the population living in forest regions across Canada, they remain under-represented in the forest sector in terms of employment, business activity, and involvement in decision-making. This is a major lost opportunity for First Nations' socio-economic development, for smooth growth in the forestry industry, and for sustainable forest stewardship in general. Indeed, participation in the forest sector represents a leading if not the only major economic opportunity for many of Canada's poorest First Nations communities.

As we concluded in a recent study, all players – First Nations, both levels of government, and industry – need to make the issue of First Nations forest sector participation a much higher priority.<sup>1</sup>

The study was conducted for sponsors from three perspectives on the issue – the National Aboriginal Forestry Association (NAFA), the Forest Products Association of Canada (FPAC), and the First Nations Forestry Program (FNFP)<sup>2</sup>. It consisted of interviews with 75 officials in First Nations, both levels of government, and industry, from every province and territory nationwide. It focussed on the legal and policy frameworks that impact the level of First Nations involvement.

## Progress To-Date and Tasks Ahead

While First Nations nationwide are at greatly differing stages in terms of their involvement in forestry, there have been a number of major successes which provide lessons and inspiration for others. And in general, virtually all interviewees indicated that significant progress has been made over the years. In comparison with past decades, our study found that First Nations have more jobs and contracts, a greater say in forest stewardship, and growing forestry-related skills and business capacity. Many First Nations have also developed strong relationships with local companies.

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<sup>1</sup> See Jake Wilson and John Graham, "Relationships between First Nations and the Forest Industry: the Legal and Policy Context", at [www.iog.ca](http://www.iog.ca)

<sup>2</sup> FNFP is a joint Natural Resources Canada and Indian and Northern Affairs Canada initiative.

But in many cases this progress has arrived too slowly to bring about major improvements in communities' socio-economic conditions. The following statistics show what has been achieved:

- 0.25% of the Canadian forest is reserve land
- Forest licenses held by Aboriginal people or communities amount to some 7 million cubic metres, or 4.1% of the national total<sup>3</sup>
- In a survey of 60% of First Nations, INAC found about 1500 forest sector businesses. These businesses employed some 17,000 people, which equals 4.7% of the 361,000 jobs in the Canadian forest sector (to compare, status Indians are 2.3% of the Canadian population).<sup>4</sup>

Despite these achievements, there are strong reasons to believe that a lot more work needs to be done: First Nations are far likelier to live in forest regions than the average Canadian; unemployment is a startling 19.1% among status Indians and 27.6% on reserve<sup>5</sup>; and First Nations forest sector employment remains disproportionately confined to lower-paid jobs in harvesting and silviculture.

Nationally, the Canadian forest industry accounts for some \$74 billion in annual production.<sup>6</sup> A modest increase in the First Nations share of this activity would represent major economic advances for their communities. It would also give First Nations a greater voice in the stewardship of the forest ecosystems so integral to their way of life.

## Growing Pressures

A number of pressures are mounting on all players to make concerted efforts to improve First Nations forest sector participation. The following trends are of particular note:

- **A growing First Nations land base** – the resolution of land claims and modern treaties is greatly expanding the forest lands directly controlled by First Nations.

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<sup>3</sup> NAFA, 2003, "Aboriginal Held Forest Tenures", p. 73.

<sup>4</sup> INAC, 2003, "Economic Development On Reserves: Profile from the 2001 Census"; INAC, 2003, "Reserve Establishments and Minimum Employment"; *The State of Canada's Forests 2002-2003*, at [www.nrcan.gc.ca](http://www.nrcan.gc.ca)

<sup>5</sup> Statistics Canada, 2001 Census figures.

<sup>6</sup> *The State of Canada's Forests 2002-2003*.

- **Court rulings** such as *Delgamuukw*, *Marshall*, *Haida*, and *Powley* are clarifying and in some ways expanding the scope of Aboriginal and treaty rights, and consultation and accommodation requirements.
- **International commitments** – Canada has signed a number of international declarations which put an onus on sustainable forest management and respect for the rights of indigenous forest dwellers, such as the Rio Declaration, the Statement of Forest Principles, and the Biodiversity Convention.
- **The Canadian Boreal Initiative** is gaining momentum, as conservationists and forest sector companies are forging linkages with First Nations in a bid to better conserve boreal forest regions across Canada.
- **The National Forest Strategy 2003-2008** includes seven action items aimed at facilitating Aboriginal involvement in the sector.
- **The Canadian Council of Forest Ministers' Criteria and Indicators**, which have recently been established, will help to some extent in measuring progress and setting goals around First Nations forest sector participation
- **Certification Standards** are increasingly requiring evidence of significant efforts to involve Aboriginal people in forest management processes.
- **Corporate Social Responsibility** – an approach to management based on pursuing the 'triple bottom line' of social, environmental, and economic objectives, and ensuring all stakeholders benefit from company activities – is gaining acceptance throughout the forest sector and places emphasis on positive First Nations relations.
- **First Nation governance advances** – such as the establishment of arms-length economic development corporations; longer election cycles; improved financial management systems; and forestry coordination units at a Tribal Council level – facilitate capacity building and more stable relationships with external partners.

## Barriers to Overcome

It is also important to note a considerable number of obstacles to progress. Indeed, in this light, what has been achieved thus far can only be characterized as impressive. Eight of the most significant barriers that the various players need to work together to minimize are the following:

1. There are many outstanding treaty, land, and rights issues that need to be resolved.
2. Particularly because of the softwood lumber dispute, market conditions are very tight, and constrain industry's ability to help build First Nations capacity and establish partnerships.
3. The level of technical skills, and organizational and business capacity in many First Nations is very limited.
4. On the other hand, many companies also lack the capacity required to work effectively with First Nations.
5. Forestry is increasingly 'high-tech' and substantial capital investments are required to enter the industry, even in harvesting.
6. Much of the best land is 'tied-up' in long-term licenses to major forest companies.
7. Many of the better jobs in the industry – particularly in mills – require high skill levels and are unionized, so turnover is low.
8. Many First Nations face divisions within their communities between entrepreneurs and other members, and have unstable governance systems.

The following case study of Saskatchewan's achievements with respect to First Nations forest sector participation provides some insight into what can be achieved under ideal conditions, when key barriers are overcome. Most other provinces do not currently share the conducive policy environment that has been present in Saskatchewan over the last decade or two, but windows of opportunity do emerge, and they need to be recognized and seized upon when they do.

## **Case Study: Saskatchewan's Successes**

### **1. Contextual Factors**

A number of contextual factors in Saskatchewan have been conducive to achieving a high level of First Nations participation in the forest sector:

- Aboriginal people form a good proportion of the population (status Indians alone account for 11.5%), have some political 'clout', and are a major policy priority at the provincial level
- The province's forest industry has been expanding rapidly, including a four-fold increase since 1985
- Most First Nations are well organized and led by pragmatic leaders in Tribal Councils, and are generally open to forming partnerships with industry that are clearly focused on business
- Treaty Land Entitlement agreements have been concluded with many First Nations
- 'Champions' of First Nations forest sector participation have played lead roles on all sides – politicians, senior public servants, industry and First Nation leaders – and were willing to put differences aside and work together.

### **2. Major Initiatives**

Major political 'battles', funding outlays, and business initiatives by champions on all sides were undertaken to advance First Nations participation:

- A failing state-owned mill was privatized in 1988 to a partnership of the Meadow Lake Tribal Council (MLTC) and the millworkers' union. MLTC has since taken over full ownership, and levered its stake to further invest in the mill.
- In 1999, as much as 50% of major forest licenses were 'clawed back' and reallocated to First Nations and Métis businesses working in partnership with the original licensees
- First Nations set up arms-length development corporations to manage business ventures
- Substantial training investments have been made over the years, including in a new forestry centre and a forestry training plan, each with Aboriginal components
- Industry and government have collaborated on a substantial strategy beginning in 1999 to double the size of the provincial forest industry.

### **3. Resulting Accomplishments**

- Today, all major licenses in the Province are operated in partnerships with Aboriginal communities.
- The MLTC forestry businesses are the largest cluster of Aboriginal business in Canada, employing some 500 people. MLTC has a 25% stake in the second largest OSB mill in the world. Revenues from these businesses account for a significant portion of the revenues of the communities involved.
- Relations between First Nations, industry, and government are generally collaborative and positive.
- A great number of jobs have been created for Aboriginal people, at all levels of the industry, not only in harvesting and silviculture but also in mills, forestry, and in business management.
- Many Saskatchewan First Nations now have high levels of business capacity to utilize elsewhere.

## **Gaining Stake and Building Capacity**

In discussing these issues First Nations interviewees often talk about the need to 'gain a greater stake' in forestry. What 'stake' means in this context is acquiring more land or forest management licenses, exercising a strong voice in forest management planning, getting jobs for community members, or taking on part-ownership of mills or other businesses. Industry interviewees, on the other hand, say they are more than willing to work with First Nations that have the 'capacity' to

partner and contribute to their operations. What 'capacity' means here is building workers' skills, as well as First Nations' financial, business, technical, managerial, and organizational capabilities.

Based on experience nationwide, it appears that both groups are partly correct in their analysis: stake *and* capacity need to be developed simultaneously in order for First Nations to reap benefits from forest sector participation. On the one hand, governments and industry need evidence that First Nations have the capacity to

manage greater stake if they are to help provide it. Further, First Nations will benefit little from tenures they do not have the equipment to operate or job opportunities they are not qualified for.

On the other hand, ‘learning’ in business is often best achieved by ‘doing’ – and First Nations need a sense of control and responsibility over something real in order to build capacity over time. For example, First Nations youth are unlikely to seek training in forestry if they see no hope for such jobs in their community when they are done.

To put it simply, stake requires capacity and capacity requires stake. It would be helpful if First Nations, industry, federal and provincial officials could come together ‘on the same page’ in their discussions on these issues: particularly, by affirming that both sets of priorities – gaining stake and building capacity – are everyone’s goals.

## Paths Forward

From the experience of the broad range of individuals involved in the study, the IOG would recommend the following measures to advance First Nations forest sector participation in the various provinces and territories nationwide. There are tasks for all players – both levels of government, First Nations and industry.

### 1. All provincial governments should make First Nations forestry a higher priority and use the policy tools in their grasp

Given the promise of forest sector participation for First Nations and the obstacles which require concerted efforts to overcome, all provincial governments should make First Nations forestry a much higher policy and program priority – with one possible exception of Saskatchewan. The federal government could increase its levels of funding support to assist First Nations capacity building, but it is the Provinces and Territories that hold the key policy levers required to spur greater participation, particularly in terms of helping First Nations gain greater stake in licenses or business partnerships. The array of policy measures various jurisdictions have been able to employ include:

- Requiring First Nations partnerships as conditions for companies to harvest in greenfield areas or to establish new mills (SK)

- Granting licenses in underutilized or historically undeveloped areas to First Nations on a preferential basis (ON)
- Requiring negotiation with First Nations around resource benefits as a condition of environmental assessment processes (ON)
- Building First Nations capacity to seek conventional forest licenses or to gain an ownership stake in companies or mills (SK)
- Sharing forest revenues with First Nations and/or reallocating existing forest licenses to First Nations (BC, SK, NB)

Taking such measures can be controversial, and so there is a need to ensure commitment to the initiatives by senior level public servants and Ministers. In most provinces, First Nations forestry is currently not receiving the senior-level policy attention it deserves, perhaps in part because of its interdepartmental and intergovernmental character.

### 2. Federal departments should coordinate their various programs related to First Nations forestry more strategically, and in cooperation with the Provinces

Federal funding for Aboriginal forest sector initiatives is available through no fewer than eight organizations: Human Resources and Skills Development Canada (HRSDC), Aboriginal Business Canada (ABC), INAC, the four regional development agencies, and of course FNFP. With the exception of FNFP, the programs available do not focus exclusively on forest sector projects, and so are not ideally placed to effectively prioritize such initiatives or ensure fairness in distribution of resources nationwide. FNFP, on the other hand, is forced to direct its modest funding of \$5.0 million annually towards a wide range of crucial forestry-related activities – seed capital, training, research, consultation, planning, capacity building, etc. – and thus often has to lever other funding sources in supporting projects. In this uncoordinated funding environment First Nations’ reporting burden can be onerous, and major opportunities can be missed.

Given the importance of First Nations forest sector participation it appears there would be great value in developing a government-wide Aboriginal forestry strategy. Such a strategy would be based on a province by province (and separate north and

south) analysis of opportunities for federal roles, better coordination among its economic development programs, more resources dedicated to forestry initiatives, and above all ongoing involvement by Ministers and senior officials.

Historically, Forest Resource Development Agreements (FRDAs) were based on a high level of federal-provincial collaboration and planning. Inter-governmental cooperation has dropped off in recent years, and needs to be rebuilt. Indeed, the National Forest Strategy includes this as one of its priorities and we would affirm that it should be a key focus.

### **3. All players should work together to develop a long-term capacity strategy**

If senior level commitment can be elicited and First Nations forestry becomes a greater programming priority across governments, an early step should be a multi-party process to develop a long-term capacity development strategy for First Nations forestry in each province and territory – including with regional and First Nation-specific components.

Community leaders, Tribal Council managers, federal and provincial governments, industry, training centres, and lending institutions should all be involved in such an initiative. Means to develop financial, technical, managerial, and business capacity in First Nations – and particularly at the Tribal Council level – need to be considered. In addition, the forestry-related skills development of First Nations individuals need to be supported.

As the above discussion on ‘stake’ and ‘capacity’ indicated, skills development and organizational strengthening investments will only pay off if they are undertaken in conjunction with viable partnerships with industry that provide First Nations businesses the chance to ‘learn by doing’. Such partnerships may require patience on all sides, but they are crucial for long-term success.

### **4. First Nations should reform governance structures so as to better manage the business-politics relationships**

As the IOG has argued in more depth elsewhere, managing the relationship between business and politics is a central economic development

challenge for First Nations.<sup>7</sup> The forestry study confirmed this hypothesis – industry and government officials alike pointed to the need for First Nations to establish arms-length economic development corporations that can focus on profit. This structure is crucial to allowing First Nations and industry to build stable partnerships based on shared rather than competing goals, and on the basis of long-term agreements that can weather changes in community leadership over the often short election cycles.

Other interviewees – including a number from First Nations – expressed concern over the fact that leaders in disadvantaged communities often face pressures to use band-owned businesses as ‘employment vehicles’, rather than focussing on paying off debts, building profits, reinvesting and growing the business.

On the other hand, some First Nations have expressed dissatisfaction with the managers of development corporations as the communities have in some cases felt that they have ‘lost control’. A balance must be struck here – total ‘separation’ of business and politics is too strong, because political leaders will always have a role and need a role in guiding community economic development. Rather, the challenge is effectively managing the relationship between ‘business’ and ‘politics’. This can be achieved in three principal ways:

- a. Gaining community acceptance of the business initiative early on in its development and ensuring a strategic fit with the community’s long-term goals.
- b. Involving the whole community in decisions on how to use business profits, and following through on the agreed-upon approach in a clear and transparent manner, whether the choice is to reinvest in the business, to invest in new ventures, to support community programs and services, or to pay dividends to all members.
- c. Allowing business managers to focus on profit and growth, so as to maximize revenue streams and benefits to the community in the long-term. This would include hiring qualified outside staff for certain functions where required.

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<sup>7</sup> See IOG Policy Brief No. 17, “Business and Politics In Aboriginal Communities”, at [www.iog.ca](http://www.iog.ca)

## **5. First Nations should build stronger aggregated organizations to help coordinate forest-sector activities**

Aggregated First Nations organizations such as Tribal Councils can play a key role in achieving significant levels of First Nation forest sector participation, and facilitate effective long-term relationships with government and industry, if the organizations manage to keep their activities well connected to community priorities.

Such organizations can develop a higher level of capacity than individual communities to manage certain key forestry-related functions, such as:

- coordinating training and job opportunities;
- contributing to technical processes around natural resource and environmental management
- helping access various program funds
- managing relations with industry, government, NGOs, academic researchers, and media.

There is considerable debate over the effectiveness of such aggregated approaches, and a lot of communities are resistant to transferring decision-making to other First Nations bodies like Tribal Councils. However, major forest sector initiatives in every region of the country that would have been difficult to achieve on a community-by-community basis have been built through Tribal Councils, including Carrier-Sekani (BC), Meadow Lake (SK), West Region (MB), North Shore (ON), the Grand Council of the Crees (QC), and Innu Nation (NL), to name but a few examples.

In order to provide a basis for stable business partnerships, such organizations need to elicit long-term commitments from their member First Nations. On the other hand, they also need to keep closely linked to communities' priorities, and keep First Nations members 'bought-in' to their decisions through transparent governance.<sup>8</sup>

## **6. Forest sector firms should emulate established best practices in building positive relationships and business ventures with First Nations.**

Some companies are beginning to see positive First Nations relations as potential competitive advantages, and are strategically positioning themselves as 'preferred partners' in the long-term. In pursuing this, there is a range of proven best practices firms can employ to build relationships and business partnerships with First Nations. Many of these practices have low to minimal cost implications, and should be emulated to the greatest extent possible.<sup>9</sup> Some of the areas in which concrete steps can be taken include the following:

- **Corporate organization** – promoting Aboriginal share acquisition, appointing Aboriginal people to the firm's board, or creating a high-level Aboriginal relations unit
- **Company Policies** – developing formal policies in consultation with First Nations on issues such as forest stewardship, employment and training, contracting, and community relations
- **Employment and Training** – finding ways to track progress, set goals, and help Aboriginal people overcome barriers to employment
- **Aboriginal Business Development** – finding ways to facilitate Aboriginal contracting and capacity building in the process
- **Forest Stewardship** – establishing cooperative management process with Aboriginal communities in order to ensure full respect for traditional land-use values
- **Relationships with Communities** – developing a range of positive connections between the company and Aboriginal communities in order to build trust and mutual understanding.

## **7. Other Recommendations**

The study developed a number of other paths forward in advancing First Nations forest sector participation, principally the following:

- **Address the regulatory gaps with respect to forest management on-reserve**

Regulatory gaps around on-reserve forestry exist under the Indian Act timber code, particularly due to inadequate enforcement mechanisms. Also, increasing numbers of First Nations are adhering to the new First Nations Lands Management Act

<sup>8</sup> See IOG Policy Brief #18, 'Aggregation and First Nation Governance' at [www.iog.ca](http://www.iog.ca) for more information

<sup>9</sup> See "Aboriginal Communities and the Canadian Forest Industry: an Inventory of Best Practices", at [www.iog.ca](http://www.iog.ca).



(FNLMA) to remove themselves from Indian Act land regulations, and developing their own codes. This can further exacerbate the regulatory gap, because often no bylaws or enforcement systems are established with respect to forest management. Some FNLMA signatory First Nations have substantial reserve forest lands, and if managed effectively, this land could provide a ‘home base’ on which to build business and gain experience in order to compete off-reserve. Rather than ‘reinventing the wheel’ in addressing these gaps under the Indian Act and FNLMA, First Nations should cooperate and share their experiences.

▪ **Conduct more research on joint ventures**

A wide variety of joint-venture models have been developed between First Nations, industry, and other investors. Like all forms of business, the success rate is highly variable. There remains little consensus on which models are most successful, and why. Further research is required.

▪ **Improve data gathering efforts by all parties – and particularly labour market research**

IOG interviewees made it is clear that there has been progress in First Nations forestry over the years, but also that much more remains to be done. But there is very little quantitative information to provide a clearer picture – particularly around labour market and business development needs. Industry – which has legal concerns around tracking employees’ ethnic identities – as well as First Nations and government need to develop ways to gather data, measure progress, and plan effectively.

▪ **Share lessons within similar regions – ‘North’ versus ‘South’**

Based on the IOG interviews, it appears there are two largely distinct policy areas existing in Canada, and there is perhaps greater value in sharing knowledge and experience within each of these broad areas than between the two. The ‘North’ comprises regions where there has been historically little forestry development, but First Nations form a very large portion of the population – the territories, northern regions of the Prairie provinces, Ontario north of the 51<sup>st</sup> parallel, northern Québec, and Labrador. The nature of economic opportunities, the level of First Nations involvement in planning, and the ecological issues at play are often quite

different from those of more ‘southern’ forest production regions, where industry is much more established and First Nations are a smaller portion of the populace.

▪ **Increase government support for value-added and non-timber forest products ventures**

Because so much of the primary sector is ‘tied-up’ in long-term licenses, and major capital investments are required to enter the market, many suggest that profitable niches could exist for First Nations in value-added and non-timber forest products fields. Furthermore, Aboriginal brands could be particularly valuable with such products. However, most government departments, forest companies, and banks are not well positioned to support First Nations in pursuing such niche businesses, so new partnership approaches may need to be developed.

▪ **Increase government support for First Nations participation in forest management planning**

The recent *Haida* case affirmed governments’ lead role in consulting First Nations around resource development. It is also clear that there is a role for government to support First Nations’ in building capacity gathering information, and planning so as to ensure such consultation is meaningful and leads to real opportunities for involvement. To put it simply: genuine consultation costs money.

## **Conclusion**

To conclude, all of the issues we have discussed affirm that, like forest stewardship, building effective and cooperative relations between First Nations and the forest sector is a long-term venture. Progress requires patience, and firm commitments to building trust, respect, and mutual understanding in the face of multitudes of smaller, divisive issues. Some failures are inevitable, for that is the nature of business. There are no quick fixes, but frank communication and debate leads to modest practical steps that can grow into major advances over time.

Despite the considerable progress over the decades, all players still need to make First Nations forest sector participation a higher priority. Many of the poorest First Nations communities in Canada have simply no other promising path to economic development.