

Bending the Curve

Recent Developments in Government Spending on First Nations

by Tom Flanagan and Taylor Jackson

How much money are governments spending on Indigenous peoples? How have these amounts been changing over time? How effective is the spending? This is the third in a series of Fraser Institute studies of these questions. This publication extends the previous work on government spending in support of First Nations, including federal transfers from Indigenous Affairs and Northern Development (INAC), Health Canada spending on First Nations, Aboriginal program spending by provincial governments, and own-source revenue (OSR) generated by First Nation governments.

In this paper, basically the same methodology has been used as in the earlier papers: INAC expenses recorded here do not include Northern expenditures or internal administration. Own-source revenue is counted slightly differently from the previous attempt to tabulate it.

Main empirical findings

∞ INAC support for First nations as measured in constant dollars continued to increase from 1995/96 to 2015/16, but not as rapidly as in the preceding 40 years. The very large cost of the Residential Schools Settlement Agreement (about \$5 billion), which was paid to individuals rather than First Nation governments, has inflated the apparent amount of transfers.

∞ INAC spending per Registered Indian has declined in this 20-year period because legal changes have led to a rapid increase in the number of Registered Indians. INAC

spending per Registered Indian living on reserve has experienced ups and downs but is now about the same as it was 20 years ago.

∞ After growing rapidly from 1995/96 to 2005/06, provincial spending on First Nations grew less rapidly in the last ten years. It is a significant total but remains small compared to overall federal spending.

∞ Own-source revenue declined slightly in constant dollars from 2013/14 to 2015/16; the reasons for this decrease are not certain, though it was obviously a time of low natural resource commodity prices.

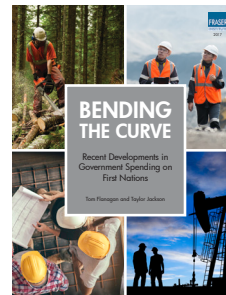
In its first two budgets, the Liberal government of Canada promised a substantial increase in federal spending on First Nations, but figures from the Public Accounts are not yet available to determine how great an increase has actually been implemented.

The announced spending hikes will have to contend against an already large deficit, increasing interest rates, and other claims on the budget, such as higher defence spending.

Increased expenditure is not a panacea because some problems faced by First Nations have deeper causes than shortage of money. Clean water, for example, may be difficult to supply in remote locations subject to flooding. Educational deficits may arise more from family disorganization and lack of community support than from budgetary shortfalls. Thus, increased spending should be accomplished by rigorous program evaluation to ensure the increases actually achieve results and are not merely transferred to organized rent seekers.

Own-source revenue, which is already equal to over 50% of federal spending, is a way for many First Nations to improve

their well-being. Natural resource development is promising for some First Nations in remote locations but, unfortunately, the contemporary environmental movement and the federal government are making resource development more difficult even as it promises to increase fiscal transfers to First Nations.



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Spending on First Nations by INAC compared to overall federal program spending, 1995/96–2015/16 (index: 1995/96 = 100)

