

FINANCING ABORIGINAL
ENTERPRISE DEVELOPMENT

FINANCING ABORIGINAL ENTERPRISE DEVELOPMENT

The Potential of Using Co-operative Models

LOU HAMMOND KETILSON
and
KIMBERLY BROWN

Centre for the Study of
CO-OPERATIVES



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This occasional paper originated as a report to Indian and Northern Affairs Canada (INAC), which approached the Centre for the Study of Co-operatives with a request to research the potential for Aboriginal Financial Institutions to evolve from their current developmental role into full-service financial providers. The Centre was grateful for the opportunity to explore the topic and to work once again in partnership with the department. The authors would like to acknowledge the advice and assistance provided by Michael Mills, David Elgie, and James Sinclair at INAC in the preparation of this document.

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LIST OF ACRONYMS

- ACC — Aboriginal Capital Corporations
ACDF — Arctic Co-operatives Development Fund
ACFDC — Aboriginal Community Futures Development Corporations
ACL — Arctic Co-operatives Limited
ACU — Affinity Credit Union
AFI — Aboriginal Financial Institution
ANCU — Anishinabek Nation Credit Union
ANDEVCO — All Nations Development Corporation
ANTCO — All Nations Trust Company
CED — Community Economic Development
CPK — Caisse Populaire Kahnawake
CUCC — Credit Union Central of Canada
CUCS — Credit Union Central of Saskatchewan
CUCM — Credit Union Central of Manitoba
MLG — Ministerial Loan Guarantee
NACCA — National Aboriginal Capital Corporations Association
NLCU — Northern Lights Credit Union
NWCU — North West Credit Union
NWT — Northwest Territories
OUI — Ontario Union of Indians
RCAP — *Report of the Royal Commission on Aboriginal Peoples*
TWCC — Tribal Wi-Chi-Way-Win Capital Corporation
UDG — Ulnooweg Development Group

CENTRE FOR THE STUDY OF CO-OPERATIVES

THE CENTRE FOR THE STUDY OF CO-OPERATIVES is an interdisciplinary teaching and research institution located on the University of Saskatchewan campus in Saskatoon. Contract partners in the co-operative sector include Credit Union Central of Saskatchewan, Federated Co-operatives Ltd., Concentra Financial, and The Co-operators. The centre is also supported by the Saskatchewan Ministry of Enterprise and Innovation and the University of Saskatchewan. The university not only houses our offices but provides in-kind contributions from a number of departments and units — Bioresource Policy, Business, and Economics, Management and Marketing, and Sociology, among others — as well as financial assistance with operations and nonsalary expenditures. We acknowledge with gratitude the ongoing support of all our sponsoring organizations.

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EXECUTIVE SUMMARY

THE GOAL OF THIS STUDY was to explore the potential for Aboriginal Financial Institutions (AFIs) to evolve from their current developmental role to full-service financial providers, possibly by becoming credit unions. The research examined the factors that motivate AFIs to explore new institutional arrangements and the potential challenges or hurdles they perceive or have faced in pursuing this objective. The study considered whether, as credit unions, existing AFIs could continue to provide developmental loans and thus continue to serve their current client base. Finally, the study identified potential challenges and opportunities for the development of new credit unions in Aboriginal communities and in Canada generally.

FACTORS CONTRIBUTING TO SUCCESSFUL AFIS

The AFI network was established as a response to the challenges faced by Aboriginal entrepreneurs in accessing business financing. Today this network consists of a total of fifty AFIs across Canada, including twenty-five Aboriginal Capital Corporations (ACC), twenty Aboriginal Community Futures Development Corporations (ACFDC), and five AFIs with ACC-ACFDC joint designations. The following factors were identified as contributing to the more successful AFIs:

- sufficient capitalization in the start-up stages
- diversification of business activities to ensure an ongoing stream of revenue to counterbalance declining interest rates
- an integrated network through which ongoing mentoring and support services can be provided to the loan recipients

- an understanding that in addition to accessing capital, capacity building is also required. For example, Arctic Co-operatives Ltd (ACL) annual members' meetings consist of workshops and training sessions for delegates, as well as an opportunity to participate in leadership and decision making for ACL. And All Nations Trust Company shareholder meetings often include workshops and information sessions to ensure open, inclusive, and informed decision-making processes.
- a strong commitment on the part of the loan recipients to the development and success of the loan fund

Unfortunately, many AFIs struggle to cover operating costs and maintain their capital bases. Overall, the financial health of the AFI network is declining steadily and some AFIs have considered alternative institutional arrangements. Their motivations for exploring new models are influenced by local factors and conditions, with two common issues prompting them to consider the creation of a deposit-taking financial institution in their communities: to improve the level of access to a broader range of financial services for Aboriginal individuals and First Nations governments; and to reduce the leakage of resources from their communities.

CHOOSING THE CREDIT UNION MODEL

As demonstrated in Chapter Three, the credit union model is well suited to meet the needs and aspirations of Aboriginal communities. Credit unions have a long history of providing financial services in communities when other mainstream financial institutions have found it unprofitable to do so. As locally owned businesses, they contribute to the growth of their communities by recycling profits, developing infrastructure, and facilitating business development and the creation of social capital.

Those Aboriginal communities that have chosen to establish credit unions have done so because the model — democratic, community-based, and locally owned — fit well with the community's philosophy, spirit, and desire to control its own affairs. They found that a credit union was the most affordable as a start-up financial institution, and in addition, there were significant tax benefits for establishing a *caisse populaire* that was headquartered on reserve. *Caisse Populaire Kahnawake* was able to confront the lack-of-security issue and therefore reduce overall risk by implementing the innovative trust-deed system.

CHALLENGES

Despite the recognized fit of the credit union or *caisse populaire* model, there are a number of challenges associated with the creation of a credit union and limitations to what can be accomplished through the model with regard to high-risk lending. Today's credit unions are operating within a context of rapid consolidation. As a result, there is limited support for starting new credit unions in the system at large. The development of a new credit union is a lengthy and costly process, requiring an AFI to fully engage the wider community in understanding and ownership of the model in order to be successful.

Once the credit union is established, a challenging asset base of \$50 million is necessary in order to start commercial lending, potentially delaying the community's ability to meet some of its initial goals. Further, although credit unions have been instrumental in the introduction of nontraditional lending programmes, they typically do not engage in high-risk lending. And while AFIs may make mainstream and high-risk loans, a credit union needs to establish a solid reputation as a viable and stable financial institution, and must operate within the regulatory parameters set out by the deposit guarantee corporations. Together, these factors make it unlikely that credit unions will engage in high-risk lending activities. By evolving into a credit union, an AFI is likely to lose its ability to make high-risk loans and may not be able to serve a portion of its existing client base.

All of these above factors make starting a new credit union very daunting. It may be more realistic for AFIs to consider partnering with existing credit unions. AFIs can play an instrumental role in facilitating linkages between their member communities and credit unions. At the same time, credit unions need to reach out and show that they are willing to build partnerships and do business with Aboriginal communities. The partnership option offers opportunities to provide financial services to Canada's northern communities. While cross-border restrictions prevent credit unions from operating in adjacent provincial jurisdictions, there is potential for an outside credit union to operate in Nunavut or the NWT because existing legislation does not prohibit the operation of an outside credit union in their jurisdictions. Innovative partnership examples include Affinity Credit Union in Saskatchewan, where new governance structures have served to enhance Indigenous control in a partnership with an existing credit union, and Northern Lights Credit Union in northern

Ontario, where lessons can be learned regarding the power of new technologies to expand geographic reach and lower costs.

Alternatively, if the community's goal is to establish a financial institution owned by its member communities, but distinct from an AFI, then creating a credit union is the best option. An AFI is well placed to take the lead in conducting background research, acquiring financial resources, and developing a new credit union owned and controlled by its member communities, such has been done by the Ulnooweg Development Group in Atlantic Canada.

In summary, this study recommends that AFIs explore the partnership option first, as the least costly option. However, if partnering with an existing credit union does not fit with their goals and community context, then they should look to establish a credit union in parallel to the AFI.

Chapter One

INTRODUCTION

BACKGROUND

ABORIGINAL FINANCIAL INSTITUTIONS (AFIs) are a key source of business financing and support services for Aboriginal entrepreneurs. AFIs provide development loans to fill current gaps resulting from private lenders' reluctance to provide commercial loans to Aboriginal businesses. Studies and evaluations of AFIs confirm that developmental lending activities are, in and of themselves, not sustainable over the long term. The high costs of developmental lending stem from both higher risk due to Aboriginal entrepreneurs' relatively lower formal business training and inexperience starting and running businesses, as well as high administrative costs associated with servicing small numbers of clients over large geographic areas. As a result, AFIs collectively continue to sustain annual deficits, which eat into and erode their capital base.

At the same time, the emerging Aboriginal private sector continues to mature and business financing needs are becoming more diverse. Over time, as Aboriginal education rates increase and entrepreneurs gain experience, it is expected that Aboriginal business financing needs will become less developmental and more commercial. Against this backdrop, the current roles and activities of AFIs will become less relevant to the marketplace. AFIs will face the choice of serving fewer and fewer clients as their capital bases diminish, or evolving as institutions and moving into new business lines.

Alongside changing business needs, many Aboriginal individuals and communities require access to a broader range of financial services ranging from deposit-taking to mortgages and investments. Given that a significant portion of the Aboriginal population lives in rural and remote locations, many do not have access to these services in their communities. For

example, the chartered banks do not have branches in most communities across Canada's North. In the past decade, a number of Aboriginal communities in Québec and Ontario have established caisses populaires, or credit unions, to address these needs. Within this context, some AFIs are exploring the creation of a financial institution to service personal and community banking needs.

RESEARCH OBJECTIVES

The main objective of this study is to explore the potential for AFIs to evolve from their current developmental role into full service financial providers by becoming credit unions. To this end, the research examines the factors that motivate AFIs to investigate new institutional arrangements and the potential challenges or hurdles they perceive or have faced in pursuing this objective. This study also aims to identify potential challenges and opportunities for the development of new credit unions in Aboriginal communities and in Canada generally. Finally, this study considers whether, as credit unions, existing AFIs could continue to provide developmental loans and serve their current client base.

METHODOLOGY

The methodology of this study has two key components. The first is the development of a conceptual framework for exploring the potential evolution of AFIs to a credit union model. To this end, the researchers conducted a review of pertinent literature and background reports on the AFI network, co-operatives and credit unions, and community economic development. Second, they carried out eighteen semistructured personal interviews with key informants. Interviews with AFI personnel helped identify key factors motivating some AFIs to explore alternative institutional arrangements and what models, if any, they perceived as most suitable for their communities. In addition, interviews with Aboriginal credit union personnel as well as individuals in the credit union movement generally provided information regarding the processes, challenges, and benefits of setting up Aboriginal credit unions in the past and the potential issues resulting from changes presently taking place in the credit union system across Canada. Interview participants were selected to ensure a broad range of regional and provincial perspectives.

ORGANIZATION

This report is organized into five chapters. Chapter One provides introductory material. Chapter Two reviews the challenges of access to capital for Aboriginal entrepreneurs and communities, and the creation of the AFI network as a response to such challenges. It discusses examples of successful AFIs as well as the challenges facing the AFI network as a whole. Chapter Three looks at the current relationship between Aboriginal communities and co-operatives in Canada, including credit unions, and discusses the role of credit unions in the development of local communities and economies. This chapter includes two sections from *A Report on Aboriginal Co-operatives in Canada: Current Situation and Potential for Growth*, which reflect upon how co-operatives may address the development goals of Aboriginal leaders.¹ Chapter Four examines the credit union model as an alternative institutional arrangement for existing AFIs. It identifies and discusses the requirements and considerations of a start-up credit union, as well as the potential opportunities and challenges. This chapter also considers two options for AFIs looking to improve the level of access to financial services within their member communities. Chapter Five summarizes the main conclusions of this study.

Chapter Two

ABORIGINAL ENTERPRISE DEVELOPMENT AND THE AFI NETWORK

THE FIRST SECTION OF THIS CHAPTER addresses the barriers to access to capital for Aboriginal entrepreneurs and communities, including the perceived high-risk nature of some Aboriginal enterprises and the regulatory framework of Section 89 of the *Indian Act*. The second section describes the AFI network and discusses some of the current challenges to its sustainability.

ABORIGINAL BUSINESS FINANCING AND ACCESS TO CAPITAL

Enterprise development is critical for the community economic development (CED) of Aboriginal communities. It is important not only in establishing independent sources of income for a community, but also in helping to build human and social capital by improving skills and knowledge among its members through leadership development, employment, and education. The inability to access capital from mainstream financial institutions is a major barrier to Aboriginal enterprise development. This is not a recent revelation; the lack of access to capital by Aboriginal entrepreneurs and communities has been known for quite some time. The 1996 *Report of the Royal Commission on Aboriginal Peoples* (RCAP) stated: “Generally, access to capital is a problem for small businesses in Canada, especially those located in less developed regions of the country. In Aboriginal communities, the lack of capital is often cited as the principal constraint facing those who wish to establish or expand business ventures.”² More than ten years after RCAP, calls to improve access to capital for Aboriginal entrepreneurs continue. The 2007 Senate Committee Report entitled *Sharing Canada’s Prosperity* echoed RCAP’s findings:

Access to capital has been, and continues to be, a primary issue for many Aboriginal communities and individuals seeking to start, expand or acquire a new business. In addition, because financing options are often limited, communities find themselves unable to invest in infrastructure improvements or participate in large scale resource development projects.³

The challenges and obstacles to Aboriginal business financing are well documented, with a number of factors increasing the perceived risk associated with it. First, the socio-economic conditions of communities impact opportunities for business development.⁴ It is difficult for individuals to save money in Aboriginal communities with high unemployment and low incomes. Entrepreneurs from such communities may have difficulty meeting the minimum equity contributions required to secure a business loan from mainstream financial institutions. Second, Aboriginal businesses tend to be sole proprietorships, to be small scale, and to be in the early stages of development.⁵ Small business start-ups are typically viewed as high-risk ventures, and as a result, mainstream financial institutions are often reluctant to make loans to them. Third, while education, training, and skill levels have increased in Aboriginal communities, some potential Aboriginal entrepreneurs have limited management experience, training, or financial track records, making it difficult to be approved for any type of loan.⁶ Fourth, Aboriginal businesses tend to be located in rural, remote, and small communities with a limited market base. For mainstream lenders, this raises concerns about the feasibility of the business as well as the high costs associated with servicing rural and remote clients.⁷

Fifth, the legal structure imposed by the *Indian Act* is a significant deterrent to mainstream financial institutions with regard to making loans to Indian bands and on-reserve businesses.⁸ The title to reserve lands is held by the Crown and only individual Indian bands have the right to use this land. In order to preserve the integrity of the reserve land base, Section 89 of the *Indian Act* prevents Indian people and bands from pledging real and personal property located on reserve as collateral to a non-Indian entity, including incorporated entities such as financial institutions, to secure a loan. Chartered banks and other mainstream financial institutions are often reluctant to do business with Indian bands or to finance on-reserve businesses because on-reserve assets cannot be pledged as collateral for loans.⁹

The final barrier to access to capital for Aboriginal entrepreneurs is that, in some cases, the perceived risk associated with financing Aboriginal businesses may be exaggerated. A lack of understanding of Aboriginal communities, cultures, economies, and political structures

may prevent some mainstream financial institutions from doing business with Aboriginal entrepreneurs.¹⁰ One interview participant who has worked extensively with mainstream financial institutions stated:

There are inherent prejudices that are not articulated but (are) there in the lending decisions.... In other words, you will have a lot of good things said about lending to Aboriginal enterprises and you will have the right speeches made. You have lenders ... that have grown up with the view of the world of Aboriginal lending. That perception is part of the lending equation.... It (doesn't) have anything to do with security. It has something to do with their perception of the competencies of that business.¹¹

This highlights a real problem with existing attitudes towards Aboriginal people and underscores the pressing need to build a greater understanding of Aboriginal culture, communities, and needs among mainstream financial institutions.

Given the factors described above, the likelihood of mainstream lenders to finance Aboriginal businesses is small. In their report on access to capital and Aboriginal business financing, Growth Connections explains:

[Commercial financial institutions] operate in a very competitive environment and their primary responsibility is to secure optimal commercial returns on their capital in order to enhance their shareholders' investments and/or their institution's borrowing capacity. Consequently, in the absence of any specific Federal incentives for financing Aboriginal businesses, the mainstream financial institutions including credit unions and venture capitalists generally service the retail Aboriginal business market on strictly commercial terms primarily using generic products and services.¹²

AFIs were created to address some of the barriers to access to capital. As community-based, Aboriginal-owned financial institutions, AFIs use their own lending criteria and have a strong understanding of their communities and local economies. The next section provides an overview of the AFI network.

THE AFI NETWORK

The AFI network was established as a response to the challenges faced by Aboriginal entrepreneurs in accessing business financing. The network consists of Aboriginal

Capital Corporations (ACC) and Aboriginal Community Futures Development Corporations (ACFDC). There are a total of fifty AFIs across Canada, including twenty-five ACCs, twenty ACFDCs, and five AFIs with ACC-ACFDC joint designations.¹³ This network also includes the National Aboriginal Capital Corporations Association (NACCA), an organization that provides a variety of products and services to support the AFI network, such as training, access to capital initiatives, advocacy, and institutional capacity building.¹⁴

ACCs are lending institutions that are locally owned and controlled by Aboriginal people. In the mid-1980s, Industry Canada provided initial capitalization funds of \$157 million for the ACC network.¹⁵ The amount received by individual ACCs ranged from \$1.5 million to \$8 million depending on the size of the population and geographic area to be served.¹⁶ Since its initial capitalization, the ACC network has received \$17.6 million of additional funding to cover further start-up and operational costs.¹⁷ As mentioned above, ACCs were created to provide developmental financing to Aboriginal entrepreneurs who were unable to access business financing from mainstream financial institutions. The community focus of ACCs allows them to understand specific economic, geographic, and market characteristics that are relevant to local entrepreneurs. Although lending is their core focus, some ACCs offer additional products and services to their clients, such as pre- and post-loan care services, and have expanded their business activities to generate alternative sources of income.

ACFDCs support community economic development (CED) in Aboriginal communities outside of large urban centres. Although funded by the federal government's Regional Development Agencies (e.g., Western Diversification Canada), ACFDCs are independent, non-profit organizations governed by local volunteers and managed by salaried staff. ACFDCs provide various products and services for Aboriginal communities and entrepreneurs, including CED planning, business development and counseling, loans for small to medium-sized businesses, and loans and services for youth and entrepreneurs with disabilities.

Both ACCs and ACFDCs have made important contributions to the establishment and development of Aboriginal enterprises across Canada. A recent report on the AFI network stated that ACCs thus far have made over twenty-one thousand loans for more than \$881 million.¹⁸ Another report on Aboriginal business financing noted that, together, ACCs and ACFDCs have increased their total loan portfolios by 20 percent between 2001 and 2006.¹⁹ During this same period, the average loan size has increased from \$30,000 to \$43,000.²⁰

Three relatively successful AFI models are described below. The first is the Arctic

Co-operatives Development Fund (ACDF), an ACC that operates within an existing integrated support network provided by Arctic Co-operatives Limited (ACL). The second, the Tribal Wi-Chi-Way-Win Capital Corporation (TWCC) in Manitoba, is an example of a province-wide ACC that has been successful in generating income from additional business activities to sustain its lending operations. The third is the All Nations Trust Company (ANTCO) in British Columbia.

Arctic Co-operatives Development Fund

ACDF is a developmental loan fund that operates within an existing integrated network provided by ACL, a federation owned by co-ops in the Arctic, and serves many communities across a vast geographic territory. Established in 1986, ACDF received more than \$10 million from the Native Economic Development Fund, the Department of Indian and Northern Affairs, and the Government of the Northwest Territories to provide developmental loans to local co-ops in the Northwest Territories (NWT), including the territory that comprises Nunavut today. ACDF is a co-op federation owned by thirty-three local co-ops that also own ACL. ACL and ACDF are governed by one board of directors, which helps create operational efficiencies and continuity for the system. ACDF provides three kinds of financing for its members, including loans for working capital, financing for facility development, and debt restructuring services. Working capital loans comprise the largest component of its lending activities.

To date, ACDF has provided \$356 million in financing for its members and has increased its capital base to nearly \$30 million, almost three times its original size. According to Andy Morrison, CEO of ACL and ACDF, four key factors have contributed to ACDF's success. First, the ACL system provided an existing and integrated co-op network and service federation within which ACDF operated. He explains:

ACL provides operational and technical support to local co-operatives that work very closely with the (Arctic) Co-op Development Fund.... If a plan went off the rails, there was somebody that was there that could step in and support the local co-op in improving the business.... ACL provides an accounting service so all our member co-ops have regular financial statements (and) ACDF was able to monitor the performance of a local co-op. We provide management support so if you know a co-operative is experiencing difficulties, somebody can go in and support it.... Most other small business in

Aboriginal communities do not have access to those kinds of services. The fact that it was there for the co-operatives really contributed to the stability of ACDF.²¹

The existing ACL system provides ACDF with in-depth knowledge about their members and a cost-effective way to monitor borrowers' progress, to detect business difficulties, and to intervene when needed.

Second, ACDF was sufficiently capitalized from the beginning, which allowed it to cover its operational costs and grow its capital base. While the capitalization of most AFIs ranged from \$1.5 million for small local community organizations and \$8 million for province-wide organizations, ACDF was capitalized with more than \$10 million.²² Initially, interest rates were anticipated to be between 12 and 14 percent. When interest rates dropped to below 10 percent, many AFIs were not able to make enough revenue from interest payments to cover their operational expenses and loan losses. In contrast, because of its large capital base, ACDF is able to lend a sufficient amount of money and generate enough revenue from interest payments to cover its operational expenses, maintain its capital base, and reinvest profits back into the organization. Moreover, patronage refunds usually are reinvested into ACDF. This helps grow member co-ops' equity in ACDF and its capital base, and as a result, increases the number of loans that can be made.

Third, ACDF introduced a Share Capital Assessment Program, which also helped grow its capital base. Besides the regular interest rate, borrowers pay an additional 2 percent "interest," which is considered a new investment by the co-ops into ACDF. For example, if the interest rate for a loan is 10 percent, the borrower pays 12 percent, 2 percent of which is reinvested into ACDF.

Lastly, ACDF's member co-ops demonstrated a strong commitment to the development and success of the loan fund. This can be illustrated by their decision as members and owners to reinvest patronage refunds and to support the Share Capital Assessment Program. This commitment originated before the establishment of ACDF and stems from the frustration arising from the lack of access to capital. In the mid-1970s, ACL member co-ops decided they should pool their nonrepayable contributions from the Eskimo Development Fund — a program designed to provide small loans or contributions to Inuit businesses — to create a small loan fund internal to ACL. Morrison explains:

It was the idea of building something that all the co-ops owned together. There was a very strong commitment to repaying those amounts and they

did. No co-op that ever stayed in business defaulted on them. They were all repaid.... The important thing is the mindset of the model — “We’re stronger as a group than we are as individuals.” When the new (Arctic) Co-op Development Fund was started, the commitment to repay the loans was very strong. The thinking was, “If we default on something, we’re not going to have it tomorrow.”²³

Member co-ops recognize that the ACDF has contributed, and will continue to contribute, to the growth and success of their businesses.

Tribal Wi-Chi-Way-Win Capital Corporation

TWCC, based in Winnipeg, was established in 1993 and is owned and controlled by five tribal councils and five independent First Nations in Manitoba. It serves forty-five communities, eighteen of which are remote, by providing business loans to Aboriginal entrepreneurs. TWCC was capitalized at \$7 million and received additional capital injections of \$2 million and \$500,000 in 2003 and 2007 respectively, for a total of \$9.5 million.²⁴ TWCC offers commercial, agriculture, and youth loans, holds a service-provider contract with Canada Student Loans, and is part owner of Aski Financial Services. It has provided more than \$30 million in loans to Aboriginal enterprises and has experienced an overall loan loss of approximately 3 percent.²⁵

Although TWCC has had some slight erosion of its capital base, it has generally covered its operational costs and maintained its base.²⁶ This is largely a result of TWCC’s efforts to diversify its business activities to create additional revenue sources and to meet the financial needs of its member communities. In 2001, TWCC applied for, and was awarded, the contract for the Aboriginal service provider for the Canada Student Loan Program.²⁷ This contract allows TWCC to provide employment, training, and skill development for members of the community. The TWCC student loan call centre, for example, is expected to increase the number of agents from thirteen to thirty-six by the end of 2008.²⁸ TWCC is also part-owner of Aski Financial, a financial services company and subsidiary of TWCC that offers employer benefit loans, tax preparation and discounting, and re-loadable debit card services. These services provide individuals in rural or remote communities with a cheaper and more convenient way to access money. They also reduce the likelihood that individuals will patronize predatory lenders that provide convenient, but costly, loans.²⁹ Both business activities are profitable and help TWCC cover many of its operating expenses. Its 2008 operating budget,

for example, is approximately \$2.8 million, of which only \$600,000 is expected to come from loan interest revenues.³⁰ Much of the remaining revenue is expected to come from these other business activities.³¹

TWCC continues to look for new ways to meet financial-services gaps in its member communities. As it considers expanding into new lines of business, TWCC may also have to examine new institutional arrangements or structures. For example, it recently completed Phase I of a feasibility study examining the possibility of providing on-reserve mortgages to First Nations people throughout Manitoba. However, certain legislative regulations will likely require TWCC to find an alternative delivery institution to make housing mortgages.

All Nations Trust Company

Located on the Kamloops Indian Reserve, ANTCO was created in 1984 and commenced business in 1988. The company is regulated under provincial legislation and is registered as a trust only; it is not a deposit-taking entity.³² ANTCO's core business is providing developmental business loans, commercial mortgages, and band and individual housing mortgages — both on and off reserve.³³ It also offers trust and administrative services. The All Nations Development Corporation (ANDEVCO), a wholly owned ANTCO subsidiary, provides technical, management, and business advisory and support services for Status, Non-Status, Métis, and Inuit individuals. ANTCO is entirely Aboriginal owned; its shareholders include a number of Indian bands, tribal councils, Aboriginal and Métis organizations, as well as Status, Non-Status, and Métis peoples, all of whom are situated within the Kootenay, Lillooet, Shuswap, Nlaka'pamux (Thompson), and Okanagan Tribal areas. The company is governed by a thirteen-person board of directors who are elected at the shareholders' AGM.

ANTCO has been, and continues to be, an important source of capital for Aboriginal enterprises in BC. Since its inception in 1988, the company has made 1,174 loans/mortgages, injecting \$56.6 million into the Aboriginal economy.³⁴ Meanwhile, it is able to offset the risk of developmental lending and grow its capital base by diversifying its loan portfolio to include mortgage lending and by providing trust and administrative services. ANTCO's asset base increased from \$339,000 in 1988 to nearly \$13 million in 2007.³⁵ The company has more than \$1 million in share capital, received a total of \$6.75 million when a partnership agreement with the Native Economic Development Program ended in 1997, and acquired nearly \$2.64 million in subsequent government contributions.³⁶ In addition to maintaining this capital base, ANTCO has achieved retained earnings of \$2.2 million.³⁷

From the beginning, ANTCO has stressed the importance of capacity building among Aboriginal individuals and within Aboriginal communities. Shareholder meetings, for example, often include workshops and information sessions to ensure open, inclusive, and informed decision-making processes.³⁸ As well, while the provision of commercial and housing mortgages is successful as a revenue-generating activity, it also helps build financial capacity, equity, and independence for Aboriginal individuals and communities through home ownership.³⁹ As an agent and administrator of services, such as the Canada Mortgage and Housing Corporation Direct Lending Program, ANTCO is able to use existing programs and structures to benefit and build capacity within its shareholders' communities.⁴⁰ The company works to establish and develop strategic partnerships with existing agencies in order to provide access to a range of financial services for its shareholders and communities.⁴¹

Currently, ANTCO has more than \$11 million lent out in business and mortgage loans.⁴² This demonstrates the company's success in providing important and needed services for Aboriginal individuals and communities. However, with \$13 million in assets, the company needs to find additional sources of capital to meet the emerging financial needs of Aboriginal people.

THE CHALLENGES OF DEVELOPMENTAL LENDING

As illustrated above, some AFIs have been successful in meeting the business needs of Aboriginal individuals and communities. Unfortunately, many AFIs struggle to cover operating costs and maintain their capital bases. Overall, the financial health of the AFI network is declining steadily. Profitability in 2001 and 2005 amounted to a loss of \$1.283 million and \$3.054 million respectively.⁴³ The original vision saw ACCs, after their initial capitalization, covering their operating expenses and maintaining or growing their loan portfolios with profits earned from loan-interest revenue.⁴⁴ Several unexpected factors have contributed to the deterioration of the AFI network's financial health. First, interest yields on gross loans were assumed to be between 12 and 14 percent.⁴⁵ However, interest yield rates were only 9.1 percent in 2001 and 6.9 percent in 2005.⁴⁶ Second, AFI operating costs and loan loss levels were underestimated, which led to operating deficits and loan-capital shrinkage.⁴⁷ For these reasons, some AFIs have shifted away from developmental lending towards more mainstream lending, thus deviating from their original mandate.⁴⁸

It is within this context that some AFIs have considered alternative institutional arrangements. Their motivations for exploring new models are influenced by local factors and conditions. Nevertheless, interviews with a number of AFI leaders reveal two common issues prompting some AFIs to consider alternative institutional arrangements, or the creation of a deposit-taking financial institution in their communities. The first motive was to improve the level of access to a broader range of financial services for Aboriginal individuals as well as First Nations governments.

(The need for additional financial, advisory, or support services) is why I was looking at a credit union back in 2002. The (name of Aboriginal group) people call (name of AFI) their (name of Aboriginal group) bank but we don't take deposits, we don't provide any personal banking services, and we haven't been aligned with any credit union or bank.... We have been asked to do personal mortgages. We've been asked if we will finance cars and we don't do that.⁴⁹

One of the things that (name of organization) knows is that there was a large amount of borrowing requirements within the First Nations governments that it was not meeting that were being met by mainstream banks. It took a look at the nature of that borrowing and whether or not an Aboriginal financial institution or response could be created to address it.... The study is recommending that the First Nations chiefs form an alternative financing corporation to address the existing and emerging borrowing needs of the First Nations governments.⁵⁰

One of the things we're looking at for five to ten years from now is the whole full-blown deposit-taking entity. I see branches in (names of communities). The credit union model — being owned and operated by its own members being the tribal councils of those communities — is exactly what we see as a long-term future for us.⁵¹

Some AFI leaders also mentioned the need to reduce the leakage of resources from their communities.

Peace Hills Trust comes into Aboriginal communities and is an Aboriginal company, but it is owned by the communities in the West. All the revenues that are made from our loans here are not coming back into our community.

All the leakage that is going on is an issue with us. If we could have a credit union model here, then all those dollars generated from personal lending, credit cards, or whatever products that can be provided will stay within the community.⁵²

One thing that is a real concern in our area is the money that's going out from the community. We're hearing it more and more from our leadership that they want to keep those dollars within their communities. There is so much money being spent outside our communities that is not coming back. We're not supporting our own economy. It's time we start looking at major initiatives that are going to do that.⁵³

In the end, some member communities of existing AFIs are not satisfied with their overall access to a full range of financial services and products, such as mortgage loans, personal lending, or commercial loans for Aboriginal governments. As well, some communities want better relationships with financial institutions and would like to address the broader issue of CED by reducing the leakage of resources from their communities. The next chapter examines how co-operatives and credit unions contribute to CED and what role they can play in the development of Aboriginal communities and businesses.

Chapter Three

CO-OPERATIVES, COMMUNITY ECONOMIC DEVELOPMENT AND ABORIGINAL COMMUNITIES

THIS SECTION DISCUSSES THE RELATIONSHIP between co-operative organizations, including credit unions and caisses populaires, and Aboriginal communities in Canada. It also considers the role that co-ops and credit unions can play in meeting the CED goals of Aboriginal communities. The chapter first provides an overview of the credit union and caisses populaires sectors in Canada and then discusses the relationship between credit unions and CED. It describes some specific examples of CED activities, including nontraditional lending practices. The next two sections are taken from the 2001 study *A Report on Aboriginal Co-operatives in Canada: Current Situation and Potential for Growth*.⁵⁴ The first reflects on the co-operative approach and the extent to which it conforms to the stated ideals of Aboriginal leaders regarding the development of their communities. The second details the relationship between the co-operative sector and Aboriginal communities today. This provides the context within which to consider the potential of the credit union and caisse populaire model for financing Aboriginal enterprises.

AN OVERVIEW OF CREDIT UNIONS AND CAISSES POPULAIRES IN CANADA

Credit unions and caisses populaires are community-based, member-owned, and democratically governed financial co-operatives. Credit unions are situated in Anglophone communities, whereas caisses populaires are owned and managed by Francophone, Acadian, or bilingual communities. Although most caisses populaires are located in the province of Québec, they are also found in New Brunswick, Ontario, Manitoba, and

Saskatchewan. Some credit unions or caisses populaires require their members to be part of a “common bond of association,” which may be defined as a specific geographic area, ethnic group, union, industry, or trade. Members must purchase at least one share, typically ranging between \$5 and \$150.⁵⁵ Unlike other financial institutions, members have equal voting rights (one member/one vote), regardless of how many shares they own. Members may also run for the board of directors, participate in annual general meetings, and vote on special resolutions. Finally, members may receive yearly dividends, the amount of which is determined by their level of patronage of the credit union as opposed to the number of shares they own.

Credit unions and caisses populaires operate on a for-profit basis. However, their main focus is service to their members and their communities. They play an important role in the development of the local economy by “recycling” funds through the reinvestment of deposits and profits in the community and dividend payments to members. In more than nine hundred communities in Canada, a credit union or caisse populaire is the community’s only financial service institution.⁵⁶ These organizations offer the same services as trusts or banks, including savings and chequing accounts, term deposits, Registered Retirement Savings Plans, Registered Educational Savings Plans, consumer and business loans, credit cards, debit cards, on-line services, mortgages, wealth management, insurance services, and estate and investment planning. Credit unions are playing an increasingly important role in the small-business sector and are the second largest lender to small businesses in Canada today.⁵⁷

Canada is home to one of the most active credit union movements in the world, with close to 11 million Canadians — approximately one third of the Canadian population — being a member of a credit union or caisse populaire.⁵⁸ Although credit unions or caisses populaires exist in all provinces, the sector is strongest in Québec, Saskatchewan, and Manitoba.⁵⁹ In Québec, nearly 70 percent of the population is a member of a caisse populaire, while approximately 50 percent of those in Saskatchewan and Manitoba are credit union or caisse populaire members.⁶⁰ In 2008, there were 440 credit unions and 568 caisses populaires with a total of 3,338 locations across Canada.⁶¹ Together, Canadian credit unions and caisses populaires have more than \$226 billion in assets.⁶²

Credit unions are members of their provincial credit union centrals (central). Provincial centrals are responsible for maintaining liquidity levels in the credit union system, which are required to fall between 8 and 10 percent. Centrals also act as trade associations. They provide a range of financial, technical, advocacy, and educational services and products to their

members, such as market research and development, human resources and marketing consultation, employee education, cheque processing, the facilitation of electronic payments, and customer Internet services.

Each provincial central is a member of Credit Union Central of Canada (CUCC), which establishes liquidity policies for the Canadian credit union system, represents credit unions at the national level, and also helps maintain liquidity levels. CUCC and six provincial centrals are federally regulated under the *Cooperative Credit Associations Act*.⁶³ The organization may receive liquidity support from the federal government through the Bank of Canada or the Canada Deposit Insurance Corporation. In addition, CUCC belongs to the World Council of Credit Unions, a trade association that seeks to improve and expand credit unions for the economic and social development of communities around the world.

Credit unions and caisses populaires are regulated at the provincial level and do not operate outside their respective provincial jurisdictions. Member deposits are protected by credit union deposit insurance corporations and/or stabilization funds. The amount of coverage available for member deposits varies by province and ranges from \$100,000 to unlimited deposit coverage (see Appendix B).

The Mouvement des caisses Desjardins includes caisses populaires from Quebec, Manitoba, Ontario, and New Brunswick.⁶⁴ Each caisse is a member of the Fédération des caisses Desjardins du Québec as well as its own provincial federation. Much like provincial centrals, the Fédération des caisses Desjardins provides its members with many financial, technical, and educational services and products, and represents their interests at the national level.⁶⁵ The Mouvement des caisses Desjardins is more centralized in its structure than the credit union system as caisses populaires operate under a single brand name.⁶⁶

There is a trend towards consolidation in the credit union and caisse populaire sector. The total number of both types of institutions decreased from 2,700 in 1990, to 1,595 in 2001, and to 1,008 in 2008.⁶⁷ Yet while the total number is decreasing, the average asset size of both continues to grow. The combined assets of credit unions and caisses populaires in Canada increased from \$131 billion in 2001 to more than \$226 billion in 2008.⁶⁸ Total membership also continues to grow steadily, while the number of credit union and caisse populaire locations has decreased only slightly.⁶⁹

In brief, the scope and success of credit unions and caisses populaires in Canada is considerable. They exist in communities in every province, and with more than \$205 billion in

combined assets, are major actors in the financial services industry in Canada. The next section provides a more in-depth look at how credit unions are distinct from other mainstream financial institutions and how they contribute to the development of local economies.

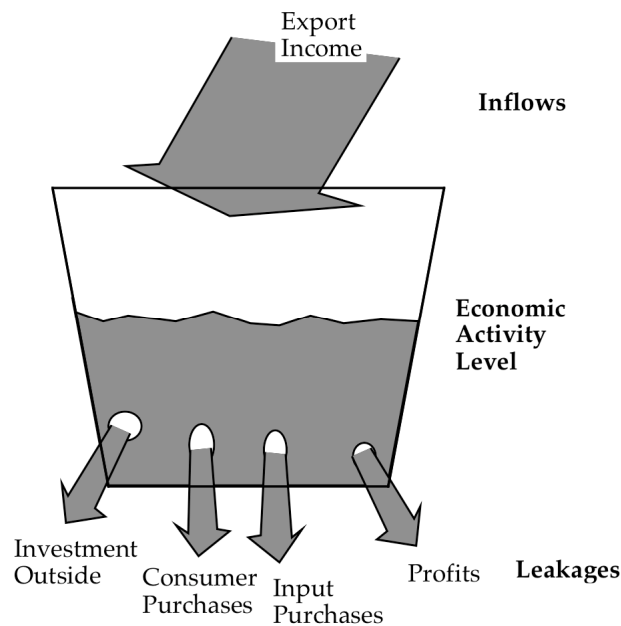
CO-OPERATIVES AND COMMUNITY ECONOMIC DEVELOPMENT

In their work *Credit Unions and Community Economic Development*, Fairbairn et al. discuss the concept of CED, and how credit unions contribute to it.⁷⁰ The authors define community development as “a process by which people are given the power to affect the course of social and economic change, following priorities they set according to community, democratic, and other values.”⁷¹ The authors make an important distinction between development *in* the community and development *of* the community (or community development). Development *in* the community focuses on traditional economic development strategies aimed at providing jobs and increasing the incomes of local people.⁷² In this approach, “the ‘development’ is of discrete enterprises that happen to be located ‘in’ the community, but have few connections to it.”⁷³ In contrast, development *of* the community “builds the community’s overall capacity to initiate and respond to change.”⁷⁴ The latter approach focuses on developing local leadership capacities and enhancing the community’s ability to identify local problems, needs, and solutions.⁷⁵ While the main motivation of investor-owned companies is to generate the highest possible rate of return for their shareholders, co-operatives and other community-based organizations have a real interest in the development of their communities because their survival as businesses depends on the economic and social well-being of their members and owners.⁷⁶

An effective way to demonstrate the importance of local ownership of economic activities is the “rusty bucket” analogy (see Figure 3.1, facing page),⁷⁷ in which the bucket symbolizes the community and the level of water in the bucket represents the level of economic activity in the community. The water coming into the bucket corresponds to inflows of earnings generated from export-oriented industries or other sources external to the community, while the water leaking from the bottom of the bucket represents earnings that are spent outside the community by its residents. In *A Report on Aboriginal Co-operatives in Canada*, Hammond Ketilson and MacPherson explain that “[t]he ability of a community to capture and retain these inflows — that is, to sustain a level of economic activity — depends

not only on the inflow of export earnings but also on leakages from the system.”⁷⁸ As community-based and locally owned organizations, co-operatives are well situated to restore the balance between export and local-oriented activities by helping to retain export earnings in the community.⁷⁹ Credit unions and caisses populaires are examples of how community-based, co-operative forms of ownership have been used to build strong local economies and community infrastructure.

Figure 3.1: Rusty Bucket Model of Community Economic Development



Source: Brett Fairbairn, June Bold, Murray Fulton, Lou Hammond Ketilson, and Daniel Ish, *Co-operatives and Community Development: Economics in Social Perspective* (Saskatoon: Centre for the Study of Co-operatives, 1991), 49. Reprinted with permission.

There are many ways in which credit unions and caisses populaires have contributed to CED. Because their success is linked to the health of their local economies, credit unions have a real interest in promoting CED initiatives. This section will discuss four ways that credit unions contribute to CED. First, credit unions help build the capacity of individuals and organizations in the community by networking, partnering, and conducting educational seminars and workshops.⁸⁰ This develops greater community awareness and a deeper understanding of local issues and events among community members.⁸¹ Second, credit unions often donate financial and human resources, as well as equipment, to community events,

charities, and buildings. Even though credit unions may not benefit financially from such contributions, these activities enhance their visibility and reputation in the community.⁸² Third, in some communities, credit unions have initiated CED projects on their own or in partnership with others. Examples of this may include promoting shop-locally initiatives or providing financial advice to local businesses.⁸³

Finally, the main business of credit unions — that is, deposit-taking, lending, and investing — is directly linked to CED.⁸⁴ Certainly, the accumulation of savings and investments in the community is important. But in terms of enhancing or creating new economic activity, lending funds to individuals and businesses is critical. According to Fairbairn et al., some of the first credit unions established in Germany and Québec focused on developing community businesses: “These founders of credit unions specified that the purpose of a credit union was to make loans ‘for productive purposes’ — to help craftsmen buy their tools, to enable farmers to improve their farms, to assist anyone to go into business and earn a living.”⁸⁵ Although credit unions in English Canada typically have focused on consumer lending, they are well-situated to be agents for business development.⁸⁶

This section identifies two approaches to business lending practiced by some credit unions. First, like chartered banks, credit unions do traditional lending whereby the financial institution focuses on maximizing return on investment and minimizing financial risk. Chartered banks typically use formula-based approaches and collateral lending practices to assess the degree of risk associated with a certain project.⁸⁷ In general, credit unions are more familiar with local markets and economies and may assess financial risk with such factors in mind. Still, much of their lending activities are focused on serving mainstream markets with generic products and services. Traditional lending is the most common lending done by credit unions and is crucial for CED in any community.

However, certain individuals, organizations, and communities are unable to access traditional business financing because they do not meet mainstream lending criteria or are involved in sectors that mainstream financial institutions know little about. It is within this context that some credit unions have developed nontraditional lending programmes aimed at providing business loans for individuals, groups, or organizations that do not qualify for traditional business financing. This is the second approach to business lending practised by some credit unions. Other financial institutions, such as ACCs and ACFDCs, also provide nontraditional (or developmental) loans. Unlike AFI, however, credit unions are deposit-taking institutions. And among deposit-taking institutions, credit unions are at the forefront

in developing nontraditional lending programmes. They have established a deep understanding of niche markets and have used their knowledge of the local economy and community networks to make nontraditional loans in partnership with other organizations or on their own.

Nontraditional lending products and services are tailored for the unique needs of a particular market and/or community. Here, the aim is not to provide an exhaustive list of credit union involvement in nontraditional lending programmes, but to identify common ways in which they are involved. The first kind of nontraditional lending is “in-house” lending (see Figure 3.2, below). The main feature of in-house lending programmes is that loans are made with the credit union’s own financial resources, usually from its general loan portfolio or from a separate and special “social investment” account or fund into which members may deposit money, usually for a lower interest rate. Because the funds are provided exclusively by the credit union, the credit union determines the scope and nature of the loan programme — its mandate, for whom it is intended, and its terms and conditions — and assumes any financial risk associated with the loans. Such programmes are often used to finance community-based organizations such as nonprofits, co-ops, or community development corporations that have social, financial, or environmental missions.

Figure 3.2: Nontraditional In-House Lending Programmes

<p><i>VanCity Peer Lending Programme</i></p> <ul style="list-style-type: none"> • Provides first building blocks of small business credit to members • Assists individuals to build or rebuild their credit history in a supportive learning environment • Provides affordable small loans of \$1,000 to \$5,000 to those who may lack assets, equity, or a credit history • Has lent out \$1.1 million to 301 borrowers for a total of 680 loans since 1997
<p><i>FirstSask Credit Union Community Loan Programme (now Affinity Credit Union)</i></p> <ul style="list-style-type: none"> • Provides financing for community enterprises that cannot get financing from traditional sources • Provides mortgage financing, lines of credit, and term financing • Must have community support and strong business track record
<p><i>VanCity Community Investment Programme</i></p> <ul style="list-style-type: none"> • Provides international and local deposit products for members, earning slightly lower interest rate • Uses deposits to invest in projects to enhance local quality of life (environmental protection, affordable housing, and CED) • Provides financial assistance through low-interest-rate loans, reduced rates on mortgages, and other credit services

Figure 3.3: Nontraditional Partnership Programmes

<p><i>Small Business Loans Associations</i></p> <ul style="list-style-type: none"> • Community-run co-ops or corporations that provide small and low-interest loans to business that cannot access loans from chartered banks or credit unions • Some credit unions have provided additional loans by taking first position on assets the borrower acquired with an SBLA loan <p><i>Micro Loan Programme in Partnership with Western Economic Diversification Canada (WD)</i></p> <ul style="list-style-type: none"> • FirstSask Credit Union (now Affinity Credit Union) in Saskatoon committed \$1 million over five years to provide financing for existing and start-up businesses in the Saskatoon area that cannot access financing from traditional sources • WD provides loan loss reserve to encourage credit union participation and reduce the credit union's risk • Loan is provided by the credit union from its general loan portfolio; business loans available up to a maximum of \$35,000 • WD covers 80 percent of individual loans, up to a maximum of 20 percent of total loan portfolio • FirstSask (now Affinity) has made seventy loans worth a total of more than \$1.2 million, leading to the creation of 161 jobs in Saskatoon • The WD programme is also offered by the following credit unions: VanCity (BC), Coast Capital Savings (BC), Servus (AB), and Assiniboine Credit Union (MB) <p><i>Community First</i></p> <ul style="list-style-type: none"> • A Saskatoon charitable organization operating a community investment fund • Investors receive 0 to 3 percent return on investment • Finances CED initiatives not able to access financing from mainstream lenders • Partners with financial institutions, including FirstSask Credit Union (now Affinity), by guaranteeing loans provided by the financial institution • FirstSask (now Affinity) also participates in the programme as an investor <p><i>Jubilee Fund</i></p> <ul style="list-style-type: none"> • A coalition of inter-faith and community organizations in Winnipeg, Manitoba • Provides loan guarantees while Assiniboine Credit Union gives preferred interest rates on loans • Secures community development loans for affordable and special needs housing, community services, and commercial businesses • Investors get interest 2 percent below regular term deposits

In the second type of nontraditional lending, the credit union partners with outside agencies such as government, business development corporations, or community loan funds. This partnership may take several forms (see Figure 3.3, above). The credit union and the outside agency may each provide part of the loan and share a portion of the risk.⁸⁸ The credit union may also make a loan while the partner secures the loan with a loan guarantee. In the event that the borrower defaults on the loan, the credit union is able to recoup most or all of its money. In other cases, the credit union may provide additional financing to a business

that has already received funding from an outside agency, but the credit union would likely take first position on the borrower's assets. In the end, the main feature of these partnerships is that the credit union's risk is mitigated, making it possible for it to participate in the loan. While the lending programme's mandate and target market are determined by the outside agency, the credit union decides whether or not to participate in the loan.

In sum, credit unions play a major role in CED and business development. As community-based and member-owned organizations, they help grow and build sustainable local economies by investing in and returning profits to the community. They also help build social capital and community capacity by assisting in the development of local leadership skills, offering educational seminars and workshops, and encouraging community partnerships and networks. Some credit unions contribute to local business development by lending money to individuals, groups, and organizations through both traditional and nontraditional lending products and services. The next section looks at how co-operatives can address the community and economic development goals of Aboriginal leaders, while the section following that examines the current relationship between Aboriginal communities and co-operative organizations in Canada.

MAKING THE LINK BETWEEN ABORIGINAL ECONOMIC DEVELOPMENT AND CO-OPERATIVES⁸⁹

The co-operative movement extends ownership and control to the people who are involved in it as members; it is a movement with a long history and a demonstrated capacity to meet all kinds of needs.

Registered, formally organized co-operatives were first established in Europe during the nineteenth century by people concerned about protecting their interests and improving their economic and social well-being. Based on the fundamental principles of one member, one vote, the practice of rewarding people in proportion to their participation, and the use of education as a means of empowering people, the multifaceted "organized" movement had spread throughout most of the European continent by the beginning of the twentieth century.

In the wake of European migrations, co-operative organizations were established in most

of the rest of the world as well. Today, the co-operatives affiliated with the International Co-operative Alliance are involved in hundreds of different kinds of businesses; today, all told, they have more than eight hundred million members in over one hundred countries.

This institutionalized version of co-operative behaviour, however, must be placed in the context of informal forms of co-operation. In fact, the progress made by co-operative movements around the world corresponds well with the degree to which societies and communities traditionally embraced spontaneous co-operative activities, be it the seal hunt, the harvesting of grains, the collective marketing of produce, the joint purchasing of food and supplies, mutual aid in times of adversity, the sale of art, the sharing of workplace skills, the collective provision of shelter, and community access to health services. Well-rooted co-operative organizations are not just the impositions of an institutional form; they are often the outward manifestations of a deep understanding of the benefits of collaborative behaviour — the kind of understanding that emanates most persuasively from the communal cultures of people, including Aboriginal peoples in many parts of the world. For that reason alone, the future for co-operative development among Aboriginal people is promising, given their common devotion and capacity for collective behaviour.

There are several dimensions of the co-operative tradition that are particularly amenable to the ways in which Aboriginal peoples have envisioned how they could develop their communities.⁹⁰ *First*, co-operatives are — or should be — driven by the needs of their membership. They stress the importance of meeting member needs and of responding to local pressures. They are inclusive and they are respectful of the rights of individuals and the values of communities. Thus, when managed properly, they can become strong manifestations of community needs and community pride. They can be the kinds of responsive, entrepreneurial institutions many Aboriginal people say they want and demonstrably need.

Second, co-operatives are based on democratic principles of one person, one vote, the accountability of elected leaders, and the need for members to be informed about their co-operatives. They can be, as they have been in the Arctic, easily directed by Aboriginal traditions of community participation through which issues of concern are “thrown into the well from which everyone will drink” — the method whereby groups reach a consensus through a process of thinking and talking together. Such traditions can normally be transferred easily into the group decision making that is characteristic of sound co-operative development.

Neechi Foods, a worker co-operative in Winnipeg’s inner city, is an example of the suc-

successful integration of participatory decision making into an Aboriginal-owned co-operative. It has been able to thrive and continue to provide employment when other grocery outlets have discontinued services. While operating in a highly competitive and difficult industry, the enterprise has high social goals of providing harmony, environmental consciousness, and social justice, and it incorporates decision-making practices that hear the voices of its workers.

Third, if managed effectively, co-operatives deepen relationships with members over time by encouraging them systematically to expand their investments in equity and by involving them in a range of activities in the co-operative. They can also, as the experience of the Arctic co-operatives dramatically demonstrates, expand in many creative ways the range of economic and social services they provide their members. In many Arctic communities, for example, co-operatives not only operate stores and sell Inuit art; they operate hotels, tourist businesses, machinery repair shops, and post offices — in fact, any kind of business that is needed in the community and can be operated effectively.

Fourth, the basis in member and community needs, the democratic structures, and the deepening of member participation mean that co-operatives could become one powerful response to the challenge posed by the Manitoba Indian Brotherhood's Wahbung statement in the late 1960s:

A century of government administration and government and church control and the effects of living in an atmosphere of state dependency, where virtually all decisions relating to your life and your future are made by others will require developing new methods of response and community involvement.⁹¹

Fifth, co-operatives stress the importance of autonomy from politics and private enterprise, and that autonomy is often a key to their success. For example, one of the reasons that the Arctic co-operatives became so successful was that they distanced themselves from politics and worked out effective relationships with governments.

Co-operatives were introduced to the Northwest Territories in the 1950s, partly because of the assistance of government officials. For the first few years, however, many of the co-operatives were on the brink of closure, in part because of the involvement of elected council members in business decisions. The turnaround point came when the co-ops placed more stress on member education, emphasizing the value of efficient business management practices aimed at creating dividends and assuring the continuation of services. As members

became better informed, they — and their co-operatives — assumed greater responsibility for their own affairs. In 1972, twenty-six stores joined to form Arctic Co-operatives Limited (ACL) which, by 1999, had sales of nearly \$69 million, returned nearly \$2 million to its (then forty-three) member co-operatives, had retained earnings of \$890,000, and reserves of \$2.265 million. It had become one of the most important economic forces in the Canadian North — arguably the most important of those owned by northerners.

Arctic Co-operatives and the co-ops that owned it also had to distance themselves from government in Yellowknife and Ottawa, which was an important dimension of ACL's decision to move its head office to Winnipeg in 1985. While ultimately a business decision and not without controversy, the move to Winnipeg was important because it led to greater independence from government officials. There is a delicate line to be found for co-operatives, especially as they move beyond the formative stage, when government assistance must be reduced; that time had arrived for the Arctic co-operatives. Since then, the progress has been steady and the stability of the organization — and the co-operatives that own it — has been increasingly evident.

Sixth, the co-operative tradition emphasizes the importance of co-operation among co-operatives. Once more, the experience of Arctic Co-operatives Ltd. amply demonstrates the importance of this principle. It emerged in large part because of the work of leaders in the Co-operative Union of Canada (which eventually merged with the Co-operative College of Canada to form the Canadian Co-operative Association in 1987). The Co-operative College provided important training for the Arctic co-operatives' elected leaders and managers during the formative period. Federated Co-operatives has shown flexibility and steadfastness in providing support for the northern co-operatives over the years, and The Co-operators insurance company has been a supportive investor and good business partner. Several credit union leaders from the south have made efforts to develop northern credit unions, and someday that will happen — probably when the northern co-operatives are more able fully to support them.

The most remarkable demonstration of how co-operation among co-operatives has worked, however, is the Arctic Co-operative Development Fund, a financial services organization owned by the northern co-operatives. The fund began operation in 1986 with a little over \$10 million in assets; by 1999 its asset base had increased to more than \$28 million, including over \$18 million in investments by local co-operatives, most of it built up through dividends returned to the co-operatives each year from the fund's revenues. In addition, it

has recently returned over \$1.5 million in dividends to its member co-operatives. It has operated on a tight budget and distributed loans at low cost because of the already existing infrastructure within Arctic Co-operatives.

In addition, the member co-operatives have learned that the fund is a kind of insurance mechanism through which they help each other in times of need, meaning that only one loan has not been paid — by a co-operative that had closed its doors — and most loans are repaid before they are due. Co-operatives maintain good standing with the fund partly because it is good business to do so, but also because they are working with their peers in a common enterprise. The fund is a striking example of how co-operatives working together can create collective capital and share resources in the common good.

Seventh, co-operatives have a deep attachment to their communities. They cannot be bought and sold without member agreement, which should obviate concerns among Aboriginal people about losing control over any successful enterprise they manage. It is a form of enterprise that cannot be sold regardless of the interests of key stakeholders. That means co-operatives, when operated properly, will contribute permanently to a community's economic and social health.

Around the world, too, particularly among Aboriginal peoples, co-operatives have shown a particular concern for cultural issues. They sponsor special events for elders, perpetuate language study, celebrate traditional dance, and encourage communal pride among the young. They also typically support community activities, such as sports teams, and they commonly provide assistance for young people pursuing their educational goals. Co-operatives, however, are not charities, and they undertake such activities prudently through conscious decisions made after their economic viability is assured.

Eighth, co-operatives develop gradually, recognizing the complexities of personal and community development, relying upon the cumulative impact of education and training programmes, and accumulating capital resources slowly. They are not “quick fixes,” but when successful, they are certain providers of economic security, personal empowerment, and community stability.

All told, then, the co-operative approach fits in well with mainstream Aboriginal ideas about development, which is predominantly collective, centred on the individual Aboriginal community. It responds well to the priorities of the Royal Commission on Aboriginal Peoples. It meets the criteria for economic development presented by other reports — for

example, the 1989 *Scone Report*, in which Northwest Territory councils stipulated that economic self-sufficiency should be based on economic growth that retained and reinvested resources in the community and that built sustainable enterprises.^{91a}

THE EXTENT AND NATURE OF THE ABORIGINAL CO-OPERATIVE MOVEMENT TODAY⁹²

There are an estimated 133 co-operatives in Canada today in which a substantial proportion of the membership is Aboriginal.⁹³ Most of these co-operatives are located in smaller, more remote communities, although there has been increasing evidence of growing interest in sizeable communities located closer to the larger cities and even some interest among Aboriginal people located in the cities.

We have considerable information about seventy-seven (or 57 percent) of these co-operatives because they have submitted data to the Co-operatives Secretariat. We also believe that nearly all the largest co-operatives have submitted data to the secretariat, meaning that the information we have represents far more than 57 percent of the membership and business activities of Aboriginal co-operatives in Canada today.

More than half the co-operatives are in the Northwest Territories, Nunavut, and Nunavik. They had their beginnings during the late 1950s and expanded rapidly during the 1960s and 1970s, in large part because of the efforts of public servants in Northern Affairs and other “southerners” aware of, and committed to, co-operative development. The co-operative approach has proved to be very popular in the Arctic and increasingly in the North generally; by the mid-1990s there were hardly any communities in the Far North that did not have a co-operative.

According to Arctic Co-operatives Limited, more than 95 percent of the memberships of the northern co-operatives are Aboriginal, the remaining 5 percent being made up of southerners residing in the North. Inuit are by far the largest single group within the membership, particularly in Nunavut and Nunavik. In the western Arctic, substantial numbers of Inuvialuit and Dene are also members, and in recent years the Dene have been joining existing co-operatives in increasing numbers and also starting new co-operatives. Subsequently, in this report, co-operatives in this region will be referred to as “the Arctic co-operatives.”

The Arctic co-operatives have developed two distinct federations: one, Arctic Co-opera-

tives Ltd., serving co-ops in Nunavut and NWT, and the other, la Fédération des coopératives du Nouveau Québec, serving the co-ops of Nunavik. These federations have been instrumental in stabilizing the northern co-operatives, in developing system-wide accounting, marketing, and employment standards, and in presenting a united voice to governments. In addition, ACL is a member/owner of Federated Co-operatives, a Saskatoon-based co-operative wholesale owned by co-operatives in western Canada (and through ACL, northern Canada).

In Québec, a second membership network exists associated with the Mouvement Desjardins. In addition to six caisses populaires owned and operated exclusively by Aboriginal people, there are approximately twenty caisses populaires providing Aboriginal people with services specific to their communities.

The only other major concentration of Aboriginal co-operatives is to be found in northern Saskatchewan — the co-operatives that survive from an extensive programme undertaken by the Saskatchewan government during the 1940s and the 1950s. The remaining co-operatives are scattered across southern Canada, their origins highly individualistic and their purposes quite diverse.

The Aboriginal co-operative movement is larger than most people might expect. The seventy-seven reporting co-operatives have more than twenty-six thousand members.⁹⁴ This number is somewhat misleading in that the number of northerners using the stores is higher than that number would indicate. First, the stores also serve nonmembers — a person does not have to be a member to shop in them. Second, most members are really families, and since most Aboriginal families in the North are larger than the Canadian average (and often include extended families), the numbers of Aboriginal people actually affiliated with co-operatives is substantially higher than twenty-six thousand.

In total, the data indicates that Aboriginal people are more likely to be members of co-operatives than other people in Canadian society, although this rather surprising fact is largely accounted for by the high penetration of co-operatives in the northern economy. In fact, northern Aboriginal people are four times more likely than southern Aboriginal people to be members of a co-operative.

The Aboriginal co-operatives reporting to the secretariat annually sell nearly \$250 million in services and products, with the amount increasing steadily in each of the ten years up to 2002, the most recent year for which data is available. They have nearly \$343 million in assets

and member equity stands at almost \$130 million; the co-operatives are managing their liquidity levels in an appropriate way and are generally maintaining their buildings in a satisfactory manner.⁹⁵ Net savings have fluctuated somewhat around \$7 million each year, depending largely upon the extent to which the co-operatives have been improving their physical plant.

It is easy to pass over the importance of the \$7 million in annual net savings. This money is generated entirely by business in the community, making co-operatives one of the most effective forms of economic development in the communities where they exist. Virtually all of the savings are distributed within the community; most of it is spent in the community, stimulating further business and economic activities. The “multiplier” effect is of some significance, although no studies have been done to measure that impact.

The co-operatives employ more than fifteen hundred people, the average co-operative employing about eighteen individuals.⁹⁶ The vast majority of the employees are Aboriginal, the most common exception being managers, most of whom are non-Aboriginal, although this pattern is slowly changing. On average, these co-operatives tend to employ slightly more people than comparable firms owned and operated by non-Aboriginal people. They also appear to be more likely to keep employees in times of adversity.

The co-operatives pay their employees at about the same rate as other similar local businesses; in fact, they pay at a somewhat higher rate. The pay level, though, is lower than the national average and may be a matter of long-term concern. It may also help explain why some co-operatives have difficulty retaining Aboriginal employees once they have become trained.

An important dimension of the role played by co-operatives is that they provide considerable education and training for the people associated with them. In any given year, about a thousand people, virtually all of them Aboriginal, are involved as elected officials in the co-operatives. In that role they learn how to analyze business statements, work with managers, and report effectively to their communities. They take training programmes, travel to seminars, and learn about the activities of the federations. They learn about formal democratic procedures; in fact, more than half the members of the Nunavut Legislature have had significant leadership training and experience within their local co-operative.

Similarly, co-operatives serve as an incubator for employment opportunities within Aboriginal communities. Employees move among the co-operatives associated with the

Arctic federations. Many have moved on to jobs in the public service and with private companies after having been trained in the co-operatives. Others have opened private businesses, sometimes competing with the co-operatives, after they have learned necessary business skills.

A distinguishing feature of the Aboriginal co-operatives is that they are involved in a wide range of businesses, the most common being in the retail trades. The co-op is the only store in some Arctic communities; in others, it is an important competitor of other stores, most of which are owned by two northern chain-store systems. Given the accountability inherent in the co-operative structure, the stores, when managed effectively, are important guarantors of the sale of goods at the most reasonable price.

Most Arctic co-operatives, however, are engaged in a variety of activities, including the marketing of crafts, the repair of snowmobiles, the operation of hotels, and the organization of tourist activities. Many are involved in fishing and fisheries, a few in the provision of electricity and the operation of television cable systems. Three are housing co-operatives. One operates a bus co-op that takes the children of its members to their schools.

CREDIT UNIONS AND ABORIGINAL COMMUNITIES

This section reviews the relationships between Aboriginal communities and the Mouvement Desjardins in Québec and the credit union system in northern Canada, western Canada, and Ontario. Existing research on the relationship between credit unions and Aboriginal communities mainly deals with the Mouvement Desjardins in Québec and northern Canada. There is a limited amount of research detailing the connection between credit unions and Aboriginal communities outside of these regions. Nonetheless, from what information is available, we are able to shed some light on how the credit union sector and Aboriginal communities have come together in parts of western Canada and Ontario.

First, the relationship between Aboriginal communities and the credit union sector appears to be most established in Québec. According to the most recent figures, there are a total of six Aboriginal owned and managed caisses populaires in Québec.⁹⁷ In 1965, the communities of Wendake and Mashteuiatsh each started their own caisse populaire, both of which continue to operate today.⁹⁸ The most recent caisse populaire start-up was in the Mohawk community of Kahnawake, located twenty kilometres from Montreal. Caisse

Populaire Kahnawake (CPK) is arguably the most well-known Aboriginal *caisse populaire* or credit union in Canada. This is largely due to the development of a trust deed system, which CPK designed to overcome the problem of loan guarantees on reserve.⁹⁹ In addition to these Aboriginal owned *caisses populaires*, approximately twenty *caisses populaires* in Québec serve Aboriginal communities and offer services and products specifically designed to meet the needs of Aboriginal peoples.¹⁰⁰

Second, there are no credit unions in northern Canada despite some very determined and notable efforts to establish a credit union system in the Northwest Territories and Nunavut. To date, the major banks have provided a full range of banking services to major northern centres, such as Yellowknife, Rankin Inlet, and Iqaluit. Residents of smaller and more remote communities have access to few, and often costly, financial services through a local store or co-op, or must travel long distances to access a full service financial institution. In turn, many northern communities have expressed a keen interest in establishing their own credit unions.¹⁰¹

In the late 1980s, the board and staff of ACL and ACDF supported a drive to bring credit unions to remote northern communities in the NWT.¹⁰² ACDF invested considerable amounts of human resources, time, and money by co-ordinating and participating in feasibility studies, recruiting consultants, lawyers, and credit union experts from the south, and working with various levels of government.¹⁰³ It was a colossal task. The business plan proposed the creation of several credit unions, a central, and a credit union deposit insurance corporation.¹⁰⁴ Seven million dollars of seed capital were required to move the plan forward.¹⁰⁵ Unfortunately, stakeholders were able to raise only \$4 million and governments and other organizations eventually withdrew their funding.¹⁰⁶ As fiscal frugality and the creation of Nunavut preoccupied governments in the mid-1990s, the idea of establishing of a credit union system died.¹⁰⁷

Since then, there have been a number of studies examining the feasibility of setting up financial institutions in small and remote communities in NWT and Nunavut. Several models have been considered, including chartered banks, trust companies, and credit unions, as well as agency banks and virtual banks.¹⁰⁸ The technological advancements of the past ten years have renewed interest in expanding the range of financial services available to northern communities. In 2004, ACL revisited the idea of creating a credit union system in Nunavut.¹⁰⁹ In addition, RT and Associates produced two reports examining a number of institutional arrangements that may be feasible in northern Canada.¹¹⁰ Nonetheless, such reports have yet

to translate into a serious attempt to bring a full range of financial services to remote northern communities.

Existing research and interview data reveal some instances where the credit union system and Aboriginal communities outside of Québec have come together. Some Aboriginal communities have opted to create their own credit unions. A well-known example is the Anishinabek Nation Credit Union (ANCU) in Garden River, Ontario. Established in 2001, it has forty-three First Nations members located throughout mid- and southern Ontario.¹¹¹ There are also other, less known, examples of Aboriginal communities using the credit union model to provide financial services to their people. The Me-Dian Credit Union in Winnipeg, Manitoba, is a closed-bond credit union that serves people of First Nation and Métis heritages. The North West Credit Union (NWCU) in Buffalo Narrows, Saskatchewan, was established in 1990 to provide banking services to more than fifteen hundred members living in Buffalo Narrows, La Loche, and Beauval.¹¹² While membership was open to people of all ancestries, over 90 percent of the credit union's membership was of Aboriginal heritage and members were able to access services in Dene and Cree.¹¹³ Although NWCU merged with Innovation Credit Union in recent years, a branch operation continues to serve Buffalo Narrows and surrounding communities.

More recently, individual credit unions have made concerted efforts to reach out to the Aboriginal community. For instance, FirstSask Credit Union (now Affinity Credit Union) in Saskatchewan adopted an innovative governance structure that includes a distinct representational district for eight First Nations communities in the province.¹¹⁴ It also trained staff in Aboriginal cultures and offers specific products and services designed to meet Aboriginal needs.¹¹⁵ Assiniboine Credit Union in Winnipeg has unique programmes designed to reach residents of low income neighbourhoods in the city, many of whom are Aboriginal.¹¹⁶ And Northern Lights Credit Union (NLCU) in northern Ontario recently partnered with the Wasaya Group, a co-op-like organization owned by ten First Nations communities, to establish a branch in Bearskin Lake, a remote community in northern Ontario. The new Anishinabe Shooniyaawakamik (Peoples' Money Place) branch is a three-year pilot project and will provide a full range of financial services to the community's 436 residents.¹¹⁷

Some recent initiatives by Credit Union Central of Saskatchewan (CUCS) and Credit Union Central of Manitoba (CUCM) demonstrate a more organized and co-ordinated attempt to build these relationships. In 2002, CUCS adopted a formal Aboriginal Business Strategy aimed at creating opportunities for credit unions and Aboriginal communities to

work together.¹¹⁸ CUCS offers Aboriginal and Cultural Awareness workshops to educate credit union leaders and employees about Aboriginal history, culture, and communities. It also meets with credit union leaders and assists them in developing strategies to reach out to Aboriginal communities. In November 2007, CUCM partnered with Meyers Norris Penny to host a conference titled *A New Journey: Connecting Aboriginal and Credit Union Communities*, which took place in Winnipeg. The first of its kind, this conference brought together credit union and Aboriginal leaders to discuss potential partnerships among existing credit unions as well as the development of new ones.¹¹⁹

Recent activities in Saskatchewan, Manitoba, and northern Ontario provide some examples of how credit unions and Aboriginal communities can work together to meet the financial and CED needs of Aboriginal people. As the cases of CPK and ANCU demonstrate, some Aboriginal communities have used the credit union model as a means to own a financial institution and to meet the financial needs of their members. An in-depth look at the experiences of CPK and ANCU will shed light on the motivations for establishing an Aboriginal credit union and how a community can benefit as a result.

Caisse Populaire Kahnawake

In the early 1980s, the Mohawk community was in the midst of a political and cultural revival, and the desire for autonomy and more control over local issues was increasing. At the same time, the community was facing some significant challenges in terms of developing its local economy. Many members of the community worked seasonal jobs, and although the community had large influxes of cash, much of this income was spent off the reserve.¹²⁰ In addition, Section 89 of the *Indian Act* made it difficult for individuals, businesses, and the band council to access capital for community projects, business start-ups, and mortgages.¹²¹ The lengthy process of securing ministerial loan guarantees (MLG) and limitations on what types of loans could be secured in this manner frustrated economic development efforts on the reserve.¹²² Some community members were also concerned that borrowers were less inclined to repay a loan guaranteed by an MLG, thereby perpetuating the community's dependency on government assistance.¹²³ Compounding these other issues, the chartered banks in the area were not meeting the financial needs of the community. As noted above, many community members were seasonally employed, and as a result, were unable to meet mainstream lending criteria such as stable, permanent employment to secure a loan.¹²⁴

In response to these challenges, the Mohawk Council of Kahnawake looked to establish a financial institution that could meet the needs of the community while satisfying its desire for control and autonomy.¹²⁵ After examining several models, the Council determined the *caisse populaire* to be the most suitable. It was advantageous for a number of reasons. First, as democratic, community-based, and locally owned organizations, the ideas behind *caisses populaires* fit well with the community's philosophy, spirit, and desire to control its own affairs.¹²⁶ For example, the *caisse* could set lending criteria so that seasonal workers had opportunities to qualify for loans. Second, there were significant tax benefits for establishing a *caisse populaire* that was headquartered on reserve. Under the *Indian Act*, income earned on reserve is tax exempt and, therefore, interest earned on deposits is considered nontaxable income.¹²⁷ The *caisse* could avoid paying taxes by returning any profits made during the year to its members.¹²⁸

The third key reason for choosing the *caisse populaire* model was its ability to address the issue of security.¹²⁹ Band members developed a community-based solution to deal with problems around access to capital by mobilizing their own resources and establishing a trust deed system. The Kahnawake Reserve originally operated under the certificate of possession (CP) system, whereby the minister of Indian Affairs approved the allotment of on-reserve land to an individual. Although the individual had similar rights to off-reserve property owners, the Crown maintained the legal title to the land.¹³⁰ Under the trust deed system, an individual with a CP transfers his or her title to three community trustees as security on a commercial or housing loan. When the loan is paid out, the CP is transferred back to the individual. If the borrower defaults on the loan, the trustees sell the land (and building) to a band member from the Kahnawake community so as not to alienate the reserve land base. The trustees use the funds to repay the loan, after which any extra monies are given to the borrower.

CPK was established in 1987 on the Kahnawake Reserve located twenty kilometres from Montreal. Although CPK membership is based on geographic terms, 95 percent of the Kahnawake community are members of the *caisse*.¹³¹ Directors are at-large representatives chosen from the community, and no directors are elected to represent special interest, such as the band council. Overall, CPK has been successful in meeting the financial and economic development needs of its community. Membership in CPK increased from nine hundred in 1988 to more than seven thousand in 1997.¹³² It has channeled local resources into the community through member deposits, investments, dividend returns, and donations. Its asset base grew

from \$5.2 million in 1988 to more than \$130 million in 2000, while deposits increased from \$3.8 million to \$60 million during the same period.¹³³ Every year, approximately \$1 million is returned to members through cash dividends.¹³⁴ The *caisse* has also supported a number of business start-ups, approving eighty-two business loans worth more than \$3 million between 1987 and 1997.¹³⁵ Finally, CPK donated \$339,000 to local charities and community activities during the period 1987–2000.¹³⁶

In addition to the economic benefits provided by CPK, it has played an important role in building community capacity. As one participant noted:

We have had a big impact on the community. Since we have been putting out financial statements, a lot of the community organizations are putting out financial statements to be transparent too.... We make donations to the community each year now. We have a big donation fund as well for various enterprises and community organizations. People are happy with the *caisse*. It is one of the flagships of the community.¹³⁷

The *caisse* also provides education and training opportunities for its employees and board of directors. Mandie Montour, for instance, had never worked in a financial institution before working at CPK.¹³⁸ Ten years later, she is the general manager at the *caisse*.¹³⁹

The CPK trust deed system continues to operate today, securing both commercial and mortgage loans. In the early 1990s, a borrower defaulted on a loan and CPK was forced to repossess the land.¹⁴⁰ While the individual threatened to take CPK to court, he decided not to proceed and the trust deed system was not challenged in court. This has resulted in some uncertainty about the legality of the system and the model is generally not promoted by the federal government or the *Desjardins* system.¹⁴¹ However, there have been only four occasions where CPK repossessed a borrower's property.¹⁴² Overall, the trust deed system has been successful in achieving home and commercial building ownership on the reserve.

Anishinabek Nation Credit Union

Chief Joseph Hare came up with the idea for a First Nations credit union in northern Ontario in 1979.¹⁴³ As in the case at Kahnawake, the lack of access to capital for members of the Anishinabek Nation was a barrier to community development, and there were few mainstream financial institutions available to First Nations communities in northern Ontario. Chief Hare's community, the M'Chigeeng First Nation, had difficulty borrowing money

from mainstream financial institutions to fund community programmes, projects and services, or to secure bridge financing before receiving funds from the Department of Indian and Northern Affairs.¹⁴⁴ For individuals, it was particularly challenging to secure a mortgage because, in addition to the issue of security, obtaining an MLG also depended on the financial health of the First Nation.¹⁴⁵ MLGs often took months to be approved and were believed to perpetuate the community's dependency on government. There were ACCs and ACFDCs in northern Ontario, but they were unable to meet all the financial needs of the Anishinabek Nation.¹⁴⁶ In the end, Anishinabek Nation members wanted to control the financial resources to meet the development goals of their communities.

After reviewing three models — a bank, a trust company, and a credit union — the community chose the credit union model for two key reasons. First, research indicated that the credit union model was the most affordable as a start-up financial institution, costing less than \$1 million to be incorporated and chartered by the provincial government.¹⁴⁷ Second, the democratic and community-based structure of the model allowed the Anishinabek Nation communities to own and control their own financial resources. The fact that the First Nations could own the credit union meant that the communities could work towards self-reliance and achieve greater independence.¹⁴⁸ The democratic values underlying the credit union model were perceived to be compatible with Anishinabek values and culture.¹⁴⁹

In November 2001, more than twenty years after Chief Hare's original idea, the Anishinabek Nation Credit Union opened its doors. It is a closed-bond credit union that serves community members of forty-three First Nations that are members of the Ontario Union of Indians (OUI), the administrative arm of the Anishinabek Nation. Membership is open to Aboriginal peoples residing within three hundred miles of Garden River, Ontario ("as far as the eagle flies"), or to members from the OUI's forty-three First Nations communities.¹⁵⁰ Currently, the credit union has between fifteen hundred and seventeen hundred active members.¹⁵¹ ANCU is governed by an eight-member board of directors, one person from each of the six founding member communities, one from the OUI, and one at-large representative.

Despite being relatively new, ANCU has made some good progress and has had many successes, with moderate but stable financial growth. It has achieved assets of \$7 million, an increase of more than \$6 million since opening in 2001.¹⁵² There is a strong sense of pride among ANCU members in owning a financial institution, and the fact that its control and management is in the hands of the First Nations community allows the organization to shape financial services and products to the specific needs of ANCU members. ANCU's First

Nations Mortgage Fund, for example, helps individuals secure home mortgages through a less cumbersome process than through mainstream financial institutions. With this model, a First Nations community provides a deposit to ANCU, which is used to guarantee mortgages for its community members.¹⁵³ Each First Nations community customizes the loan criteria to meet its own specific characteristics and situations.¹⁵⁴ Furthermore, the credit union has contributed to leadership and skills development within the community. Kenton Eggleston, ANCU's first general manager, commented that the credit union has made important contributions to building the capacity of member communities and individuals:

[C]ommunity economic and societal development is important. We had women from a couple of communities who were on our board of directors, and by virtue of them getting involved with the credit union and assuming a leadership role, we asked them to go back to the community and represent us to the band, the chief, and the broader community. It ended up increasing their profile and their leadership.... [I]t made for a stronger community.¹⁵⁵

Finally, ANCU recently implemented Internet banking and is running out of storage and office space, both indications of a growing organization. ANCU is optimistic about its future and its potential to meet the emerging needs of its members.¹⁵⁶ It will continue to build awareness and knowledge about the credit union in its member communities and focus on financial growth. Lately, it has observed a more positive response and attitude towards the credit union.¹⁵⁷

The following chapter discusses some considerations for the development of start-up credit unions and identifies potential challenges and opportunities involved in the process.

Chapter Four

THE CREDIT UNION MODEL AS AN ALTERNATIVE INSTITUTIONAL ARRANGEMENT FOR AFIS

THIS CHAPTER EXAMINES the potential evolution of existing AFIs to the credit union model, considering, first, the requirements to develop a new credit union. Given the trend of credit union consolidation, there is little information on the development of new credit unions in Canada. As well, because credit unions are provincially regulated, the process for credit union development varies from province to province. So, in the first section, the aim is to provide a general idea of what would likely be expected from a community wishing to develop a new credit union, what kinds of support it might receive from the credit union sector, and what role government and deposit guarantee corporations would likely play in the development process. The second and third sections identify the potential challenges and opportunities for credit union development. The last section considers some alternative options for Aboriginal communities seeking greater access to financial services while maintaining their existing developmental lending programmes.

REQUIREMENTS AND CONSIDERATIONS FOR START-UP CREDIT UNIONS

This section is divided into two parts. The first considers the role of the community, including individuals and the community at large, while the second considers the role of outside actors, including the credit union system and regulatory bodies.

The Role of Local Communities

Community interest and community support are crucial. Volunteers must be prepared to spend considerable time serving on local organizing and steering

committees. Good business sense and sound planning are essential. Much of this had to come from the community. Successful credit unions develop because local communities want them and are prepared to work hard to get them. They succeed because individual members of those local communities bring their financial business to their credit union.¹⁵⁸

Local control and involvement in the co-operative development process is essential. In *A Report on Aboriginal Co-operatives in Canada*, Hammond Ketilson and MacPherson emphasize the importance of the local community's participation in community or co-operative development processes. Although development processes are becoming increasingly formalized, the authors state that "it is essential that the local people play a central role at every stage and that they do so in their capacity as members of the community, not simply as agents of established institutions."¹⁵⁹ Although government and other outside institutions may facilitate the development process, their involvement should be minimized as much as possible. Excessive outside involvement and influence may introduce inappropriate organizational structures, goals, and understanding of local problems to the development process.¹⁶⁰ Community involvement and control contributes to a sense of ownership over local problems and solutions and is crucial for the success of co-operative development efforts.¹⁶¹

It follows that the principle of community involvement and control is essential to the success of a start-up credit union. First, a considerable commitment is required from a handful of individuals who are willing to invest significant amounts of time and effort in the development process. Organizing and steering committees made up of local volunteers will be needed to carry out a number of functions, including

- learning about credit unions
- organizing a series of studies
- educating and communicating with potential members
- meeting and consulting with the credit union central and regulatory bodies
- developing a business case, a strategic plan, and the credit union's policies and by-laws
- recruiting staff and board members¹⁶²

It must be understood by project leaders and community volunteers that the development process can take a long time — potentially years. It took four years, for example, to establish Caisse Populaire Kahnawake (see Appendix C). A more extreme example is the case of the Anishinabek Nation Credit Union. Even though the idea for a First Nations credit union began in 1979 with Chief Joseph Hare, the institution opened for business in 2001,

more than twenty years later (see Appendix D). In effect, not only must project leaders and community volunteers commit considerable amounts of energy and effort, sometimes they must do so for a long period of time.

Equally important, however, is that the broader community is interested and engaged throughout the development process. So, the second requirement for a start-up credit union is community need, interest, and support. Few people will have prior knowledge about credit unions, so community leaders must educate potential members and develop a sense of credibility for the concept.¹⁶³ Community members must show their support through positive survey responses and high turnout at information sessions or community meetings.¹⁶⁴ While it is essential to generate community support for the credit union concept, it is also important to develop an understanding that a credit union must be viable as a business to succeed.¹⁶⁵ Although the viability of a credit union may depend on factors outside of the community's control, a solid commitment from community members to patronize it is required if the institution is to survive.

Third, as with any new business, the development process for a new credit union requires a great deal of research to determine whether it is viable. Communities may engage the help of individuals and organizations from outside the community to help conduct the necessary research; however, community members must be actively involved throughout the process. Project leaders must determine the level of community interest, conduct feasibility and market-demand studies, develop a marketing plan, and develop a comprehensive five-year business plan.¹⁶⁶ A carefully and well-developed business plan is required to obtain approval from the provincial government, the deposit insurance corporation, and the credit union central. Moreover, First Nations communities would likely have to address in their business plan how they intend to deal with Section 89 of the *Indian Act*. In the cases of CPK and ANCU, for example, the centrals, the provincial governments, and the deposit insurance corporations were particularly concerned with how the credit unions would address the issues of collateral and security in their lending activities. Each credit union came up with a solution for Section 89 that was suitable to their members, protected the viability of the credit union, and satisfied regulating authorities. While the CPK trust deed system works for both commercial and housing loans, the ANCU Mortgage Loan Fund is designated specifically for home mortgages.

The fourth requirement is raising adequate start-up capital. By law, credit unions are required to have a certain minimal amount of equity to begin operations, although this

amount varies by province and according to the goals and business plan of each community. In general, a credit union is less expensive to develop than a chartered bank or trust company.¹⁶⁷ Still, regulators and the credit union system need to ensure that credit unions have strong capital bases. While there is no set amount of equity required for a start-up credit union, information available on credit union sector and government websites indicates that the minimal equity requirement is roughly \$1 million. The British Columbia Financial Institutions Commission, for example, recommends that a credit union should raise at least \$1 million in start-up capital. Alberta Finance, on the other hand, recommends a minimum of \$750,000 for credit unions with no bond of association, but only \$30,000 for credit unions with a bond of association.¹⁶⁸ Credit Union Central of New Brunswick notes that as of January 2004, a credit union in New Brunswick is required to have a minimum equity level of 5 percent of its total assets.¹⁶⁹ This is consistent with ANCU's experience in Ontario. ANCU was required to raise a minimum of 5 percent of projected total assets at the end of five years (as stated in the business plan) in risk start-up capital, which totaled \$375,000.¹⁷⁰ However, Alberta Finance also notes that, "[a]s a general guideline, a credit union needs assets of \$5 million in order to provide chequing accounts to members and \$10 million to provide a full range of financial services to their members."¹⁷¹ Thus, a community that raises only the minimum amount of start-up capital may have to accept fewer services until the credit union grows and is capable of offering a broader range of financial services.

The second point to consider is what role, if any, individual bands will play in raising start-up capital. There are many ways a credit union can organize its share capital structure and raise start-up capital. ANCU, for example, developed two different share offerings: Class A and Class B. Class A shares were designed for individuals and were similar to shares offered by most credit unions. Class B shares, on the other hand, were directed specifically towards the Indian bands and had a "developmental dividend rate" whereby Indian bands received a lower dividend rate for their investment.¹⁷² In contrast, CPK sold individual shares and did not approach the band for any sort of equity contribution.¹⁷³ Clearly, how a community raises start-up capital will vary from place to place and is dependent on several demographic and economic factors. What is important, however, is that members of the community have a meaningful sense of ownership of the credit union and have a vested interest in seeing it succeed.

The last requirement to consider for a start-up credit union deals with the role of Aboriginal governments in the development process. It is important for Aboriginal govern-

ments to play a supportive role and to provide an enabling environment for the credit union to flourish. As discussed above, bands or tribal councils may even be key sources of capital for the credit union. At the same time, it is essential to maintain a clear separation between business and politics. This requires a strong understanding of the roles and responsibilities of political leaders and those of business leaders. Political pressures or considerations must not impact business decisions about the credit union. In order to succeed, credit unions need strong governance structures that uphold the values of openness, transparency, accountability, and democracy.

In brief, the desire for a start-up credit union must originate from within the community, but it is unlikely that a community can go it alone. Both the credit union system and government have a role to play in the development process.

The Role of the Credit Union Sector and Regulatory Bodies

In *A Report on Aboriginal Co-operatives in Canada*, Hammond Ketilson and MacPherson point out that “[a]s the history of co-operatives has shown, every major co-operative movement in Canada today was sponsored originally by some larger social movement and received educational and organizational assistance from established agencies that had staff and resources.”¹⁷⁴ Across Canada, co-operatives were established with assistance from those outside the community such as the clergy, highly organized farmers’ organizations, and governments.¹⁷⁵ Thus, it is important to consider the roles of both the credit union system and regulatory bodies in the development of start-up credit unions.

In the past, established co-operatives have helped new co-operative movements mainly by providing “personal training, public education, government lobbying, and provision of some support services.”¹⁷⁶ This study identifies three major sources within the credit union system that may provide this kind of help. The provincial central is the first major source of outside help and would be the first point of contact between the community and the credit union system. The central would likely inform the community on how to proceed, provide detailed information about the financial, regulatory, organizational, and technical requirements to start a credit union, and serve as the key link among the community, the regulators, and other individuals and organizations in the credit union system. Some centrals may have educational and training programmes designed to help communities, staff, and directors learn about credit unions.¹⁷⁷ They may also assist the community to conduct the required research to develop a solid business case, to secure an operating charter from the

government, and to develop organizational policies, operating manuals, and by-laws.¹⁷⁸ Technical assistance, however, typically is not free. In all likelihood, the community would be required to pay for such services.

Sources of Assistance within the Credit Union System

- provincial centrals
- established credit unions
- credit union experts

Sources of Assistance outside the Credit Union System

- provincial governments
- deposit insurance corporations

The second major source of assistance from within the system is established credit unions, which are well situated to help start-ups by sharing knowledge, training staff, and providing policy advice. For example, CPK and ANCU staff were placed in neighbouring credit unions and caisses

populaires for training before the two institutions opened for business.¹⁷⁹ As well, a neighbouring caisse populaire helped CPK with technical and financial support during the 1990 Oka Crisis.¹⁸⁰

The third major source of help from the system is credit union experts. Kenton Eggleston, a credit union development expert and ANCU's first interim general manager, emphasized the need for Aboriginal people to take the lead in development efforts, but also noted the necessity to recruit knowledgeable individuals and organizations to assist in the process: "Having said that you're not going to succeed until you have First Nations people taking the leadership, you also have to have people who know and understand the broader Canadian credit union system, but not in the lead role."¹⁸¹ In general, provincial centrals no longer employ technical staff who focus specifically on credit union development. In the event that the central is unable to provide the necessary technical services, even for a fee, central staff would likely know where to find individuals or private consulting companies capable of providing the required services. It is important to note, however, that hiring consultants does not replace the close involvement of project leaders and volunteers. Credit union leaders, staff, and volunteers must develop an in-depth understanding of the credit union's rules, processes, and structures by participating in every stage of development.

Provincial governments and deposit insurance corporations also play key roles in the development of credit unions. First, government may provide financial assistance to the community for certain items such as feasibility studies, business plans, or staff salaries. Aboriginal

Business Canada (ABC), for example, provided the funding for ANCU's feasibility study and for staff wages before the credit union opened.¹⁸² Second, the community must work closely with the provincial government to incorporate the business and to secure an operating charter.¹⁸³ To this end, the community must demonstrate that it has conducted a feasibility study, developed a business case, and established a clear understanding of organizational structure and policies about membership, governance, employees, and investment and loan policies.¹⁸⁴ In general, the provincial government must be satisfied that the credit union is based on a sound and feasible business plan, that deposits and investments will be protected without the likelihood of a claim on the deposit insurance fund, and that the start-up will serve in the best interest of the credit union system.¹⁸⁵ The provincial government, in consultation with the deposit insurance corporation and the central, will likely conduct a review of the credit union's application.¹⁸⁶

A credit union can legally sell shares and raise start-up capital after being incorporated.¹⁸⁷ But before it can carry on deposit business, it must receive approval for the commencement of business by the provincial government in consultation with the deposit insurance corporation and the central.¹⁸⁸ At this stage, the review process becomes more substantive, involving a thorough assessment of the credit union's business case and operational and financial start-up requirements. Regulators will likely visit the premises, meet with the credit union's senior officers and board members, and review organizational policies and procedures in great detail.¹⁸⁹ Ultimately, regulators want to assure that the credit union has an adequate capital base to carry out the type and scope of functions it proposes, has a solid governance structure, and has sound business and operational plans.¹⁹⁰ Once the credit union satisfies regulators and receives business authorization, it may open for regular business.

POTENTIAL CHALLENGES FOR THE EVOLUTION OF AFIS TO CREDIT UNIONS

This section addresses the potential challenges for credit union development and the conversion of existing Aboriginal Financial Institutions to credit unions. It is based on discussions with AFI leaders who have considered the credit union model either recently or in the past, as well as personnel from the credit union system, many of whom are familiar with the AFI network. Because there have been few credit union start-ups within the past twenty years, it is difficult to identify all the potential challenges that a community might

face in establishing a new one. Although the discussion here centres on the establishment of new credit unions, it is equally relevant for the conversion of an AFI to a credit union. Regardless of their status as financial institutions, AFIs would have to go through the same processes to develop and incorporate as credit unions.

Focus on Consolidation

The first potential challenge to starting a new credit union is the current focus on consolidation in the sector, particularly by credit union regulators. According to participants who work, or have recently worked in the sector, regulatory authorities — governments and deposit insurance corporations — generally do not encourage the development of new credit unions and may even dissuade a community that wants to start one.¹⁹¹ One reason for this may be that regulators are primarily concerned with developing and maintaining strong credit unions and credit union systems. For some regulators, this means encouraging the establishment of larger credit unions; a new credit union may be perceived as financially weak. In addition, it is easier for authorities to regulate fewer credit unions with similar, large asset bases, as opposed to many credit unions with a wide range of asset bases.¹⁹² Ultimately, the role of the regulators is not necessarily compatible with the missions of individual credit unions.¹⁹³

As well, given the merger trend in the system, provincial centrals generally do not employ technical staff to help in the development of new credit unions. One development expert noted that it may be difficult to find people with the skills and knowledge required to develop a new credit union as many developers have retired.¹⁹⁴ He also said, however, that some private companies and credit union personnel will provide the necessary services for a fee.¹⁹⁵

Provincial Jurisdiction

The second potential challenge to starting a new credit union is related to the fact that credit unions are provincially regulated. Some Aboriginal communities may want or need to partner with communities located in different provinces that have similar cultural, geographic, or economic characteristics. A credit union in Atlantic Canada, for example, may require the participation of First Nations communities in two or more provinces to be feasible and viable. Although current legislation allows credit unions to operate outside their own provincial boundaries, no province allows credit unions from other provinces to operate within

their jurisdiction. This inability to cross provincial boundaries may make the chartered bank or trust company model more attractive for some communities. For instance, the First Nations Bank of Canada envisioned a national financial institution; this was not possible under credit union legislation.¹⁹⁶

Capitalization

The third potential challenge to the development of new credit unions is the costs associated with a start-up. While credit unions are generally considered to be less costly to establish than other financial institutions, a start-up requires a considerable amount of risk capital — potentially millions of dollars. The community must think carefully about how to organize its share capital structure to foster a true sense of ownership among the membership. One participant with more than thirty years experience in the credit union system cautioned that large capital investments from outside sources, such as an AFI or government, may distort the incentive for members to patronize the credit union.¹⁹⁷ A start-up must be widely supported by community members who demonstrate their commitment to the credit union idea by buying equity shares.

Given that a community or coalition of communities has sufficient wealth and support to start a credit union, the next step is to secure financial pledges and commitments. One AFI brought the credit union idea to its membership in 2003 and found that although its members were enthusiastic about the model, few were willing to commit when it came to actually pledging money for the credit union.¹⁹⁸ As a result, the idea of converting the AFI to a credit union died. Moreover, equity shares are not covered under credit union deposit insurance and some communities, particularly those that have established relationships with other financial institutions, may therefore be hesitant to invest large amounts of cash in a start-up credit union. Finally, communities that have an opportunity to partner with an existing financial institution, such as a chartered bank or a credit union, may be less willing to invest large amounts of capital in a new one.

Lack of Awareness and Understanding of the Credit Union Model

There may be a general lack of understanding about credit unions as financial institutions. Other models may be more visible and well known in Aboriginal communities. For example, Peace Hills Trust, a First Nation owned trust company headquartered in Hobbema, Alberta, has eight regional offices operating from coast to coast. And the First Nations Bank

of Canada based in Saskatoon, Saskatchewan, also appears to be a well-known example of an Aboriginal owned financial institution. According to one participant, credit unions are sometimes viewed by Aboriginal people as “small shop” and not big enough to handle the needs of their communities.¹⁹⁹ Another participant noted that while most of the major chartered banks have come into their community and conducted educational workshops and solicited their business, they have not had a similar experience with the credit unions in their region.²⁰⁰ The end result may be that, when looking to create a financial institution, or establish partnerships with existing ones, Aboriginal communities may first look to other, more familiar, models to meet their financial needs.

Commercial Lending Capacity

The ability of a credit union to do commercial lending depends on its level of total assets. In Ontario, for example, a credit union with total assets under \$50 million cannot make commercial loans.²⁰¹ A start-up credit union may not have an adequate asset base to do commercial lending and may not receive a commercial lending license for some time. The ANCU experience illustrates this possibility. Six years after opening, ANCU is still not able to make commercial loans to its member communities because it does not yet have \$50 million in assets.²⁰² So, on its own, a start-up credit union may not be capable of meeting the immediate commercial borrowing needs of Aboriginal entrepreneurs.

High-Risk Lending

This section discusses the possibility for an AFI to provide deposit-taking and developmental lending services within the same financial institution.²⁰³ Some AFIs could not carry on their current activities as developmental lenders if they became deposit-taking institutions. According to participants from two AFIs that looked into the credit union model, as credit unions they would be unable to make the same loans they currently do as AFIs.²⁰⁴ AFIs often lend to entrepreneurs with little or no equity, credit score problems, and/or little management or business experience. AFIs assume all of the financial risk on the loans they make, sometimes take second position on collateral, and often experience loan losses above 10 percent.

In contrast, credit unions typically do not engage in high-risk lending.²⁰⁵ Here the distinction between nontraditional and high risk must be clear. While nontraditional lending is aimed at meeting the needs of individuals and groups that are unable to access financing

from traditional sources, it is not necessarily the same as high-risk lending. Some credit unions have developed an in-depth understanding of niche markets such as nonprofits, co-operatives, or social enterprises, which are currently not served or are under-served by mainstream financial institutions. Credit unions still require a certain amount of equity, a strong business plan, and sufficient business and management experience to make the loan. The lending practices and loan criteria for some AFIs may be similar to some nontraditional loan programmes offered by credit unions; however, it appears that many AFIs make higher-risk loans than credit unions, including those that do nontraditional lending, typically would make.

In the event that the credit union partners with another institution to provide a higher risk loan, the credit union assumes no, or very little, financial risk. Credit unions that do become involved in higher risk lending programmes are secured by a separate loan fund, as with the WD Micro Loan Programme, or loan small amounts (e.g., \$500–\$1,000) to help develop financial skills and credit scores, as with VanCity’s Peer Lending Programme. So, unlike many AFIs, credit unions — large or small — generally do not engage in high-risk lending on their own.

Moreover, system regulators require that credit unions follow certain lending criteria and policies. If an institution is losing money, there is a “red flag system” that will notify regulatory authorities, and in extreme cases, the credit union may have to suspend its activities.²⁰⁶ Credit unions must be prudent with the loans they make to protect their reputations as sound and stable financial institutions. As one participant who manages and administers nontraditional loan programmes stated:

In our business we syndicate loans with other financial institutions or credit unions for mortgage pools. If you write high-risk loans that aren’t performing, nobody’s going to buy them so they’re stuck with your credit union. If you’ve got loans that aren’t performing that nobody wants to buy, they could be stuck there for ten or fifteen years. You have to do all of the hard collection work and it’s costing you money to do that. So the loans you write you either have to have a good safeguard or they have to be good or have very little issue.²⁰⁷

Overall, because AFIs are non-deposit-taking institutions, they are able to serve a market that is unable to access traditional and sometimes nontraditional financing from other financial institutions, including credit unions. A number of factors, however, make it unlikely

that many AFIs, operating as credit unions, could continue to provide high-risk loans without establishing some sort of partnership with a separate organization.²⁰⁸ These include the regulatory requirements credit unions must follow as deposit-taking institutions, the need for a start-up credit union to build and maintain a reputation as a viable financial institution, and the smaller asset bases of start-up credit unions.

Credit Union Development in Canada's North

As discussed in Chapter Three, there are no credit unions in Canada's North. This absence presents some additional challenges to the development of start-ups credit unions in northern communities. First, credit union regulatory and deposit insurance frameworks need to be better developed to establish a credit union system. Current credit union legislation in Nunavut and NWT is outdated and requires revision.²⁰⁹ As well, in order to attract members and deposits, credit unions in Canada require some form of deposit insurance. This could be achieved by establishing a deposit insurance corporation or obtaining a legislative guarantee from the territorial government. However, the creation of a deposit insurance corporation requires considerable amounts of capital, and a legislative guarantee would likely demand a high level of credit union capitalization to minimize the government's financial risk.²¹⁰ There is some potential for an outside credit union to operate in Nunavut or the NWT because existing legislation does not prohibit this activity in these jurisdictions.²¹¹ Nevertheless, there is no precedent for extraterritorial operation of a credit union branch in Canada, and such activities would require regulatory approval.²¹²

Second, feasibility studies suggest that a start-up credit union is not likely to be profitable in the short term and may have difficulties surviving past the start-up phase. These concerns stem from the high cost of doing business in remote and geographically sparse communities. As an example, the establishment of a credit union would likely require the participation of multiple communities. To ensure that each community receives an adequate level of service, the credit union may have to incur significant start-up costs by establishing some sort of infrastructure — a branch or teller — in several communities.²¹³ And additional costs associated with travel to gain support and educate people about credit unions and the transportation of cash significantly increase the cost of doing business. Without outside investments and financial support from governments, it is unlikely that local communities or other organizations such as the Arctic Co-operatives Development Fund can bear the development costs associated with a start-up credit union in the North on their own.

Finally, the regulatory and financial challenges of establishing credit unions in the North are a result, to some extent, of a lack of certainty about the roles and responsibilities of governments, communities, and other organizations in providing financial services to northern communities. One participant who has worked with ACL for more than twenty years stated: “There is a tremendous need for the essential components of saving money, the wise use of credit, and planning for the future right across the Arctic and it’s not there. The big question is, ‘Whose role is it? Whose job is it to develop financial services?’”²¹⁴ In the end, all levels of government, local communities, and other organizations such as ACL or the Nunavut Tunngavik Inc. need to collaborate and build partnerships to establish supportive regulatory frameworks, funding arrangements, and strategies that encourage the development of financial services in Canada’s North.

POTENTIAL OPPORTUNITIES FOR THE EVOLUTION OF AFIS TO CREDIT UNIONS

This section identifies two potential opportunities for the development of new credit unions in Aboriginal communities. First, AFIs may use their existing networks to research the potential of a start-up credit union and to establish support for the credit union concept. Second, the technological advancements of the past fifteen years may present a more cost-effective and efficient way of providing financial services than in previous decades.

Existing Networks and Resources

AFIs may well be able to draw upon their existing networks and resources to examine the feasibility of, and potentially start, a credit union in their communities. First, as Aboriginal owned organizations, AFIs have established working relationships with one, and usually several, Aboriginal or First Nation communities. This may ease the process of assessing the level of interest among member communities and gathering important information. And if local community members, such as an AFI staffer or director, are involved in promoting and establishing credibility for the credit union idea, the community may be more responsive and willing to support the concept.

Second, AFIs could potentially draw upon their existing human and financial resources to establish a credit union. AFIs have staff with financial services experience and knowledge upon which, with additional training and education, they could build a deeper understand-

ing of credit unions. And given that an AFI is able to invest capital (i.e., its capital is not restricted by the terms of a contribution agreement or lent out), it could potentially use its capital to invest in the credit union. In some provinces, for example, credit unions can raise capital by offering preferred or non-voting shares.²¹⁵

Technological Advancements

Technological advancements over the past ten to fifteen years have generated new ways of delivering financial services and products to customers, particularly those in remote communities. First, new technologies have reduced the use of cash for financial transactions. For northern and remote communities, this is an important development as transporting, safeguarding, and insuring cash is expensive. According to one participant who works with remote northern communities, “We would love to be in a cashless society in the North, but we’re not there yet.”²¹⁶ With the use of technological advancements such as Internet banking, direct deposit, and debit cards, eliminating, or significantly reducing, the use of cash is potentially achievable.

Second, technological advancements may reduce the cost of implementing financial services in remote communities. For example, one participant who worked extensively with ACDF’s drive to establish a credit union system noted:

The initial model that we had proposed was local credit unions in as many communities as possible. It was about twenty-five to thirty communities where we felt it was possible. Part of that was the lack of technology.... Communications in the North were not as advanced as they are today. Technology has come miles and miles from what it was fifteen or twenty years ago. The North, for the most part, relies on satellite-based communication, which is very expensive. It’s much better now. There is Internet available and various things. They couldn’t do that then so it had to be separate entities. We now believe that you could do regional or maybe territorial type institutions.²¹⁷

Of course, issues about generating a meaningful sense of local ownership and user-friendly technologies in the North would need to be addressed. Nevertheless, the benefits and possibilities of using technology to improve access to financial services for the North should be considered and explored.

THE DEVELOPMENT OF PARTNERSHIPS AS ALTERNATIVE OPTIONS

As the previous sections have demonstrated, AFIs and credit unions, in general, play different yet complimentary roles. It is worth considering alternative options that allow for the provision of a full range of financial services, alongside the provision of developmental loans. Aboriginal enterprise development and CED hinge upon the development of financial skills, education, and knowledge as well as access to capital. To a large extent, many AFIs already recognize the importance of education and skill development and demonstrate this awareness through the provision of pre- and post-loan care services for their clients. The establishment of a credit union for many communities could help facilitate savings, investments, and the building of equity and credit histories, all of which are likely to contribute to greater success in Aboriginal enterprise development and CED. As one participant stated:

Credit unions don't just do commercial loans. They do housing loans and everything else, which is really the foundation of all economic development. For too many people, economic development means just business loans.... (Economic development) is infrastructure financing, housing, and personal financing. Have people pay off their homes and then they have money to go start a business.²¹⁸

Working together in their separate but complimentary roles, a credit union and an AFI could collaborate to address the diverse financial and capital needs of Aboriginal entrepreneurs and communities.

Existing AFIs that want to provide their communities and clients with a broader range of financial services, but who have little or no access to an existing financial institution, have two broad options. The first is to establish a partnership with an existing financial institution to bring services to the community. The second is to play a lead role in the development of a new financial institution. Although AFIs may also consider partnering with, or creating, a chartered bank or a trust company, this section focuses on the credit union model.

Establish a Partnership with an Existing Credit Union

The first option for AFIs looking to provide a full range of financial services to their communities is to establish a partnership with an existing credit union. This option has the advan-

tage of using existing structures to provide a full range of financial services in a timely and cost-effective way. Another benefit is that by partnering with a credit union and having membership in it, the community would thus share ownership of the institution. As discussed above, there are some instances where credit unions and Aboriginal communities are working together to provide Aboriginal people with access to financial services. The next two sections discuss specific examples.

Affinity Credit Union

In 2007, FirstSask Credit Union — now part of Affinity Credit Union (ACU) — and First Nations communities established a partnership that would help bring better financial services to First Nations people in Saskatchewan.²¹⁹ Affinity Credit Union has eight separate districts, seven of which are geographically based.²²⁰ One is designated as a First Nations District and includes eight First Nations communities from various areas of the province. Because ACU's board of directors is structured along district lines, the First Nations District has special representation on ACU's board. And in some cases, district councils are involved in decisions that impact their local communities. For example, an application for a commercial loan over \$50,000 from a First Nations community is reviewed by the First Nations District Council, after which the council makes a recommendation to the CEO and the board of directors to either approve or not approve the loan.²²¹ This process provides important opportunities for First Nations to participate in and influence decisions affecting their communities and their members.

Northern Lights Credit Union

In 2006, Northern Lights Credit Union (NLCU) and the Wasaya Group Inc., a company owned by ten First Nations in northern Ontario, worked together to develop a three-year pilot project that will result in the establishment of a branch in Bearskin Lake First Nation, a remote community 425 kilometres north of Sioux Lookout accessible only by air and a winter road. To date, this small community of 436 people has had access to few financial services. Band members, for example, must cash their cheques at local stores that charge costly fees.²²² With a \$345,000 grant from the Ontario Trillium Foundation, the Wasaya Group and NLCU can cover the new branch's start-up costs and operating expenses for three-years.²²³ The branch will be open part time and will offer a full range of financial services to members.

One of the major benefits of this partnership will be the reduction in the amount of cash circulating in the community. Members can set up direct deposits with employers and make electronic transactions to pay bills or transfer funds. Not only is this more efficient and less time consuming, it is also more affordable for members. Although the branch will have an ABM where members can withdraw cash, the machine will not accept cash deposits.²²⁴ Members can make cash deposits through the teller, who will exchange the cash for a money order,²²⁵ which will be sent via Canada Post to the branch in Sioux Lookout,²²⁶ thus saving the costs of insuring and transporting cash.

A second major benefit is the development of financial skills and education in the community. The branch will employ two part-time employees, both of whom will be residents of the community and who will receive six weeks of full-time training before starting.²²⁷ Once the branch is open, the employees will go out into the community to educate people about the credit union and its products and services and to recruit members. Importantly, members will be able to learn about and access services in the local language, Oji-Cree.²²⁸ The credit union also plans to develop a special Internet banking page that features the community's language and culture, helping to provide financial knowledge in a locally appropriate way.²²⁹

Although NLCU does not expect much financial return from the new branch, it is grateful that the Wasaya Group approached them with the idea. One interviewee from NLCU explained: "We have a very under-serviced area up there and somehow we have to figure out how to get them banking services. This way, we have an opportunity to be invited in, which is great."²³⁰ Pending the success of the pilot project, the long-term vision is to establish a network of branches in many First Nations communities across northern Ontario.²³¹

Develop a New Credit Union alongside an Existing AFI

The second option for AFIs and their communities is to develop a credit union as a separate entity. With this option, the potential challenges and opportunities of developing a start-up credit union described above would apply. However, some AFIs may want to maintain their role and mandate as developmental lenders as well as address the broader financial needs of their communities by facilitating the development of a separate financial institution. An AFI may take the lead in investigating the need and feasibility of establishing a locally owned financial institution. An example is the Ulnooweg Development Group (UDG) in Atlantic Canada which, with the support of member communities, is examining the feasibility of

developing an Aboriginal financial services institution.²³² As access to land and resources increases within First Nations communities, UDG recognizes that First Nations' needs for accessing capital will rise as well.²³³ Currently, mainstream financial institutions enjoy the profit from UDG members' business and local resources are spent outside the community.²³⁴ In response, UDG is examining the possibility of establishing a financial institution that is owned by its member communities, but distinct from UDG. The overall objective is to create an institution that can meet the needs of First Nations governments and individuals and retain profits earned from the provision of these services.

Chapter Five

CONCLUSION

THE GOAL OF THIS STUDY was to explore the potential for Aboriginal Financial Institutions (AFIs) to evolve from their current developmental role to full-service financial providers, possibly by becoming credit unions. The research examined the factors that motivate AFIs to explore new institutional arrangements and the potential challenges or hurdles they perceive or have faced in pursuing this objective. The study considered whether, as credit unions, existing AFIs could continue to provide developmental loans and thus continue to serve their current client base. Finally, the study identified potential challenges and opportunities for the development of new credit unions in Aboriginal communities and in Canada generally.

FACTORS CONTRIBUTING TO SUCCESSFUL AFIS

The AFI network was established as a response to the challenges faced by Aboriginal entrepreneurs in accessing business financing. Today this network consists of a total of fifty AFIs across Canada, including twenty-five Aboriginal Capital Corporations (ACC), twenty Aboriginal Community Futures Development Corporations (ACFDC), and five AFIs with ACC-ACFDC joint designations. The following factors were identified as contributing to the more successful AFIs:

- sufficient capital in the start-up stages
- diversification of business activities to ensure an ongoing stream of revenue to counterbalance declining interest rates
- an integrated network through which ongoing mentoring and support services can be provided to the loan recipients
- an understanding that in addition to accessing capital, capacity building is also

required. For example, Arctic Co-operatives Ltd. (ACL) annual members' meetings consist of workshops and training sessions for delegates, as well as an opportunity to participate in leadership and decision making for ACL. And All Nations Trust Company shareholder meetings often include workshops and information sessions to ensure open, inclusive, and informed decision-making processes.

- a strong commitment on the part of the loan recipients to the development and success of the loan fund

Unfortunately, many AFIs struggle to cover operating costs and maintain their capital bases. Overall, the financial health of the AFI network is declining steadily and some AFIs have considered alternative institutional arrangements. Their motivations for exploring new models are influenced by local factors and conditions, with two common issues prompting them to consider the creation of a deposit-taking financial institution in their communities: to improve the level of access to a broader range of financial services for Aboriginal individuals and First Nations governments; and to reduce the leakage of resources from their communities.

CHOOSING THE CREDIT UNION MODEL

As demonstrated in Chapter Three, the credit union model is well suited to meet the needs and aspirations of Aboriginal communities. Credit unions have a long history of providing financial services in communities when other mainstream financial institutions have found it unprofitable to do so. As locally owned businesses, they contribute to the growth of their communities by recycling profits, developing infrastructure, and facilitating business development and the creation of social capital.

Those Aboriginal communities that have chosen to establish credit unions have done so because the model — democratic, community-based, and locally owned — fit well with the community's philosophy, spirit, and desire to control its own affairs. They found that a credit union was the most affordable as a start-up financial institution, and in addition, there were significant tax benefits for establishing a *caisse populaire* that was headquartered on reserve. *Caisse Populaire Kahnawake* was able to confront the lack-of-security issue and therefore reduce overall risk by implementing the innovative trust-deed system.

CHALLENGES

Despite the recognized fit of the credit union or *caisse populaire* model, there are a number of challenges associated with the creation of a credit union and limitations to what can be accomplished through the model with regard to high-risk lending. Today's credit unions are operating within a context of rapid consolidation. As a result, there is limited support for starting new credit unions in the system at large. The development of a new credit union is a lengthy and costly process, requiring an AFI to fully engage the wider community in understanding and ownership of the model in order to be successful.

Once the credit union is established, a challenging asset base of \$50 million is necessary in order to start commercial lending, potentially delaying the community's ability to meet some of its initial goals. Further, although credit unions have been instrumental in the introduction of nontraditional lending programmes, they typically do not engage in high-risk lending. And while AFIs may make mainstream and high-risk loans, a credit union needs to establish a solid reputation as a viable and stable financial institution, and must operate within the regulatory parameters set out by the deposit guarantee corporations. Together, these factors make it unlikely that credit unions will engage in high-risk lending activities. By evolving into a credit union, an AFI is likely to lose its ability to make high-risk loans and may not be able to serve a portion of its existing client base.

All of these above factors make starting a new credit union very daunting. It may be more realistic for AFIs to consider partnering with existing credit unions. AFIs can play an instrumental role in facilitating linkages between their member communities and credit unions. At the same time, credit unions need to reach out and show that they are willing to build partnerships and do business with Aboriginal communities. The partnership option offers opportunities to provide financial services to Canada's northern communities. While cross-border restrictions prevent credit unions from operating in adjacent provincial jurisdictions, there is potential for an outside credit union to operate in Nunavut or the NWT because existing legislation does not prohibit the operation of an outside credit union in these jurisdictions. Innovative partnership examples include Affinity Credit Union in Saskatchewan, where new governance structures have served to enhance Indigenous control in a partnership with an existing credit union, and Northern Lights Credit Union in northern

Ontario, where lessons can be learned regarding the power of new technologies to expand geographic reach and lower costs.

Alternatively, if the community's goal is to establish a financial institution owned by its member communities, but distinct from an AFI, then creating a credit union is the best option. An AFI is well placed to take the lead in conducting background research, acquiring financial resources, and developing a new credit union owned and controlled by its member communities, such has been done by the Ulnooweg Development Group in Atlantic Canada.

In summary, this study recommends that AFIs explore the partnership option first, as the least costly option. However, if partnering with an existing credit union does not fit with their goals and community context, then they should look to establish a credit union in parallel to the AFI.

Appendix A

STATEMENT ON THE CO-OPERATIVE IDENTITY*

Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Principles

The co-operative principles are guidelines by which co-operatives put their values into practice.

1st Principle: Voluntary and Open Membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2nd Principle: Democratic Member Control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

* Ian MacPherson, *Co-operative Principles for the 21st Century* (Geneva: International Co-operative Alliance, 1996). Adopted at the 1995 ICA Centennial Congress in Manchester, England.

3rd Principle: Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4th Principle: Autonomy and Independence

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter to agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5th Principle: Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public — particularly young people and opinion leaders — about the nature and benefits of co-operation.

6th Principle: Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7th Principle: Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

Appendix B

CREDIT UNION REGULATORS, LEGISLATION, AND DEPOSIT INSURANCE

	Regulation of Financial Institutions	Legislation	Deposit Insurance Corporation	Credit Union Central (CUC) and other associations	Maximum Deposit Coverage
Canada	Office of the Superintendent of Financial Institutions	<i>Cooperative Credit Associations Act</i>	Canadian Deposit Insurance Corporation (CIDIC)	CUC of Canada	\$100,000
BC	BC Financial Institutions Commission	<i>Credit Union Incorporation Act; Financial Institutions Act; Company Act</i>	Credit Union Deposit Insurance Corporation (CUDIC) of British Columbia	CUC of BC ²³⁵	No limit
AB	Alberta Finance; Superintendent of Financial Institutions	<i>Credit Union Act</i>	Credit Union Deposit Guarantee Corporation (CUDGC)	CUC of Alberta	No limit
SK	Financial Services Commission; Regis- trar of Credit Unions	<i>Credit Union Act</i>	Credit Union Deposit Guarantee Corporation (CUDGC)	CUC of Saskatchewan	No limit
MB	Manitoba Consumer and Corporate Affairs	<i>Credit Unions and Caisses Populaires Act</i>	Credit Union Deposit Guarantee Corporation (CUDGC) of Manitoba	Co-operative and Credit Society of Manitoba Ltd.; Fédérations des caisses populaires du Manitoba	No limit
ON	Financial Services Commission of Ontario (FSCO)	<i>Credit Unions and Caisses Populaires Act; Guidelines for Credit Unions and Caisses Populaires</i>	Deposit Insurance Corporation of Ontario (DICO)	CUC of Ontario; ²³⁶ The Association of Credit Unions of Ontario; La fé- dération des caisses populaires de l'Ontario	\$100,000

	Regulation of Financial Institutions	Legislation	Deposit Insurance Corporation	Credit Union Central (CUC) and other associations	Maximum Deposit Coverage
QB	Autorité des marchés financiers	<i>An Act Respecting Financial Services Cooperatives; An Act Respecting the Mouvement Desjardins</i>	Autorité des marchés financiers (AMF)	La fédération des caisses Desjardins du Québec	\$100,000
NS	Service Nova Scotia and Municipal Relations; Superintendent of Credit Unions	<i>Credit Union Act</i>	Credit Union Deposit Guarantee Corporation (CUDGC)	CUC of Nova Scotia	\$250,000
NB	Department of Justice; Superintendent of Credit Unions	<i>Credit Union Act</i>	Credit Union Stabilization Fund; Credit Union Deposit Insurance Corporation (CUDIC)	CUC of NB; Fédération des Caisses populaires Acadiennes	\$250,000
NFLD	Department of Government Services and Lands	<i>Credit Union Act</i>	Credit Union Deposit Insurance Corporation (CUDIC)	No Central (credit unions may be represented by CUC NS or CUCBC)	\$250,000
PEI	Community Services and Attorney General	<i>Credit Union Act</i>	Credit Union Deposit Insurance Corporation (CUDIC)	CUC of PEI	\$125,000

Appendix C

THE CAISSE POPULAIRE KAHNAWAKE DEVELOPMENT PROCESS*

- Frustration with lack of access to capital for a community-based project on reserve provided impetus to examine possibility of starting a financial institution in 1983
- Developed research plan to assess the possibility of starting a financial institution
- Hired consultants and lawyers to help in research process
- Conducted research to determine market need for financial services, existing forms of financial institutions, legal issues concerning Section 89 of the *Indian Act*, and a set of criteria that was important to the community in choosing among different models of financial institutions
- Chose credit union model in summer of 1986
- Informed Mouvement Desjardins about credit union idea
- Mouvement Desjardins helped CPK to meet regulatory requirements
- Consulted with government and Mouvement Desjardins about trustee agreement
- Recruited trustee members and board members
- Affiliation with Mouvement Desjardins approved in December of 1986
- Held founding meeting in early 1987
- Trained staff in neighbouring caisses populaires for three weeks before opening
- Opened for business in October 1987

Sources: Hammond Ketilson; MR.

* This is a general description the CPK development process; these events are not necessarily provided in chronological order.

Appendix D

ANISHINABEK NATION CREDIT UNION DEVELOPMENT PROCESS*

- Frustration over the lack of access to capital to finance community projects, programmes, and services provided impetus for Chief Joseph Hare of the M'Chigeeng First Nation to consider idea of starting a credit union
- Due to small population size in M'Chigeeng, Chief Joseph Hare invited neighbouring First Nation of Wikwemikong to become involved
- Difficulty obtaining twenty people (ten from each community) to be trained as potential directors stopped the two communities from going any further with credit union idea
- Waubetek Community Futures Corporation created in 1980s, but types and scope of financial services in community remained limited
- Chief Joseph Hare presented idea of the Waubetek Community Futures Corporation to evolve into a credit union, for which he did not receive much support
- Chief Joseph Hare elected Grand Council Chief of the Anishinabek Nation in 1994 and continued to pursue the idea of a credit union
- Grand Council gave mandate to explore options to lead to the financial independence of the Anishinabek Nation in 1994
- Sent call letter to all member First Nations to discuss feasibility of a financial institution; established a steering committee
- Secured funding to hire consultants to conduct feasibility study and to hire legal counsel
- Presented draft of feasibility study to Union of Ontario Indians (administrative arm of Anishinabek Nation) board of directors

* This is a general description the ANCU development process; these events are not necessarily provided in chronological order.

- Secured approval from the Ministry of Finance to commence business plan and reached agreement with Credit Union Central of Ontario to help Anishinabek Nation do a business plan
- Held strategic planning sessions to arrive at vision statement, goals and objectives, products and services, delivery, head office location, and operational goals
- Hired interim general manager in 1999
- Recruited and trained board of directors and staff
- Contacted potential capital investor contributors
- Solidified agreement for a Small Business Loan Fund with FEDNOR
- Obtained operating charter from provincial government in May 2000
- Developed share offer to raise start-up capital and started major drive to raise sufficient deposit and loan capital
- Applied for and received a deadline extension to raise sufficient start-up capital
- Opened for business in November 2001

Sources: Hammond Ketilson; Eggleston.

Appendix E

LIST OF INTERVIEWS

- AM. In-person interview with author. Winnipeg, MB, 8 February 2008.
- AP. In-person interview with author. Winnipeg, MB, 5 February 2008.
- AS, JL. Telephone interview with author. Saskatoon, SK, 30 November 2007.
- BK. In-person interview with author. Edmonton, AB, 17 December 2007.
- CG, TC, TH. Telephone interview with author. Saskatoon, SK, 26 November 2007.
- DR. In-person interview with author. Dryden, ON, 7 February 2008.
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- Eggleston, Kenton. Telephone interview with author. Saskatoon, SK, 27 November 2007.
- GV. In-person interview with author. Edmonton, AB, 23 November 2007.
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- KB. In-person interview with author. Headingley, MB, 4 December 2007.
- MC. In-person interview with author. Saskatoon, SK, 26 November 2007.
- MR. Telephone interview with author. Saskatoon, SK, 29 November 2007.
- RR, RK. In-person interview with author, Winnipeg, MB, 4 December 2007.
- RW. In-person interview with author. Kamloops, BC, 11 December 2007.

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19. Idem., “Improving,” 14.
20. Ibid.
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22. Growth Connections, “Review,” 13.
23. AM.
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29. Ibid.
30. Ibid.
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36. ANTCO, 24–25.
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38. RW.
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73. *Ibid.*
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77. *Ibid.*
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79. *Ibid.*
80. Fairbairn et al., 2.
81. *Ibid.*
82. *Ibid.*, 6.
83. *Ibid.*, 5.
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88. Fairbairn et al., 3.
89. This section, titled "Making the Link between Aboriginal Economic Development and Co-operatives," first appeared in Lou Hammond Ketilson and Ian MacPherson, *A Report on Aboriginal Co-operatives in Canada: Current Situation and Potential for Growth* (Saskatoon: Centre for the Study of Co-operatives, University of Saskatchewan, 2001), pp. 23–28. It is reprinted with permission.

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90. See Appendix A for the Co-operative Identity Page of the International Co-operative Alliance for the generally accepted basis for the discussion that follows. A more complete examination of this background can be found in Ian MacPherson, *Co-operative Principles for the 21st Century* (Geneva: International Co-operative Alliance, 1996).
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93. The authors are indebted to Bachir Belhadji, socio-economic analyst with the Co-operatives Secretariat, Agriculture Canada, for the information upon which this section is largely based.
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129. MR.
130. RCAP, 924–25.
131. Hammond Ketilson and MacPherson, 308.
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133. *Ibid.*
134. MR.
135. Hammond Ketilson and MacPherson, 308.
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137. MR.
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141. MR.
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143. Hammond Ketilson and MacPherson, 324.
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145. *Ibid.*, 325.
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147. Kenton Eggleston, telephone interview with author, Saskatoon, SK, 27 November 2007.
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193. Ibid.
194. Eggleston.
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229. *Ibid.*
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236. See note 235.

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