

Indian Economic Development Fund

government—or the Trudeau government which espouses a just society—has done for Indian people.

The Indians have made many representations over the last few years for assistance in the area of economic development. I have heard them state many times that they want development that will lead to employment and self-sufficiency.

The hon. member for Lambton-Kent (Mr. Holmes) and the hon. member for Moose Jaw (Mr. Neil) raised the issue here today of the Indian economic development fund administered by the Department of Indian Affairs and Northern Development. This fund, established in 1970 with \$50 million in capital to distribute over five years, was to assist in the economic improvement of Indians. It was to support small, viable businesses to a maximum of \$50,000. Like my colleagues who spoke before me, I share their concern regarding the administration of the Indian Economic Development Fund. I am deeply distressed about the serious deficiencies which appear to exist in this program.

During our standing committee meetings on the main estimates of Indian affairs, testimony from departmental officials and various studies we have reviewed revealed that there is a multitude of problems surrounding the IEDF program. I am concerned that a program designed to improve the economic situation of Indians has done little more than create situations which reflect badly on the Indian communities involved.

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Since the Indian Economic Development Fund was established in 1970 the total investment has been \$145 million. Of this amount, several million is being spent either bailing out or writing off a number of the projects. Though the official mandate of the IEDF was to fund small viable projects, we have learned that approximately \$45 million is being spent on projects with amounts over \$½ million, and another \$24 million on projects involving amounts between \$100,000 and \$500,000. Some \$69 million out of \$145 million is being used for projects that in fact exceed the mandate of the Indian Economic Development Fund.

This in itself is disturbing, when a department responsible for the administration of such an important program administers millions of dollars without a clear policy. I wonder how many Indian people are aware of the collective negative results of this Economic Development Fund, which is ending up with millions of dollars being foolishly squandered.

My concern relates to the number of projects funded by IEDF which are in trouble. Several of these were identified in the Woods, Gordon study on the Indian Economic Development Fund completed in November, 1976. This study prepared for the government explains the difference in terms of success between the small projects as opposed to the larger projects. In dealing with individuals and small enterprises, the fund has had some measure of success. The large complex projects, with few exceptions, are in serious financial and operating difficulties.

At a standing committee meeting on April 26, 1977, Mr. Neil asked how many of the 40 to 50 projects over \$½ million

[Mr. Smith (Churchill).]

were found to be in trouble. The reply was that all 40 projects of over \$½ million were in difficulty to varying degrees. Further to this it was indicated at this meeting that \$50 million would be required to put all the various projects in good standing. This referred to write-offs and additional funding. Surely, this is a sign that financial management and control in this program are grossly inadequate. To the general public having some knowledge of these projects, they will no doubt attribute this trouble to poor Indian management. It is, therefore, necessary to enlighten the public by revealing the inadequacies of the program stemming from departmental deficiencies.

I feel that the Department of Indian Affairs and Northern Development must assume a large part of the responsibility for the deficiencies of the program, for it is the department which is operating the Indian Economic Development Fund without a well defined policy. It is the department which has failed to provide proper administrative advice and controls to the enterprises, and it is the department that has allowed the program to operate in this careless haphazard manner for seven years.

As an example of bureaucratic bungling in the case of the IEDF, let me discuss the multi-million dollar shopping complex which was built on The Pas reserve in Northern Manitoba. The shopping complex, known as The Otineka Mall, is owned and operated by The Pas Indian Band. This is one of the projects funded by the Indian Economic Development Fund which exceeded the \$50,000 mandate by \$8 million. The final cost of the shopping complex was \$8.5 million. This complex is the result of a modest request from The Pas Indian Band to develop a small convenience store to serve The Pas Reserve residents and also highway traffic north of The Pas. This request was initially made to the Manitoba government in a letter from the Indian band dated September, 1970.

Today The Pas Indian band is saddled with a shopping complex which encompasses approximately 193,000 square feet of gross leaseable area and approximately 158,000 square feet of net rentable area on three levels. At present there is a significant area of unoccupied space. The complex is having serious financial problems. The director of economic development for the Department of Indian Affairs has indicated that they are trying to work out the kind of financing the centre can support on a long-term basis. The problems facing the shopping complex are attributed by the assistant deputy minister of Indian affairs to government overbuild.

The chief of the economic development branch of the Department of Indian Affairs and Northern Development explained the problem of overbuild as follows:

The centre was overbuilt—it was built to government specifications through the handling of the construction by the Department of Public Works—and this has been largely responsible for the cost overrun . . . What this really means is that the specifications or the standards of Public Works are very high for public buildings generally, probably higher than you would find in private industry for a similar kind of building, and perhaps arguable too high, or unnecessarily high, for the nature of the building itself.

A second aspect of overbuild is described as being that the size of the shopping centre relative to the market was too large. In other words, it was overbuilt in terms of size.