Current COVID-19 Support Programs are Inadequate for Atlantic Indigenous Communities and Businesses

By Fred Bergman, Senior Policy Analyst, APEC

Atlantic Indigenous businesses and communities are not immune from the economic dislocation sweeping across the region and nation due to COVID-19. The federal government has announced specific Indigenous funding as part of a broader package of support measures to respond to the economic crisis. However, given the pre-existing vulnerabilities facing Indigenous communities and businesses, the current support may be inadequate.

Indigenous communities and businesses are particularly vulnerable for several reasons, including:

- the limited own-resource revenues of Indigenous governments
- the small size and rural or remote location of many Indigenous communities with limited broadband access
- a high unemployment rate pre-COVID-19\(^1\)
- a large Indigenous youth population when young people are seeing the largest reduction in employment during the current economic crisis\(^2\)
- a large number of self-employed and sole proprietors with many female-run businesses\(^3\)
- existing challenges accessing capital\(^4\)

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\(^2\) Atlantic Canada’s Indigenous population is much younger than the non-Indigenous population with half less than 35 years of age. APEC (2018).

Atlantic youth (age 15-24) were the hardest hit with over the last two months with employment down 30%. One in four (24%) youth are now unemployed. APEC (2020). Atlantic Labour Market Impacts of COVID-19. [https://www.apec-econ.ca/covid/economic/impacts/labourapr/](https://www.apec-econ.ca/covid/economic/impacts/labourapr/)

\(^3\) The 2016 census shows that 39% of Atlantic Indigenous self-employed (including sole proprietors) and 50% of Atlantic Indigenous paid-employees were women, respectively. Bergman, Fred (2019). Highlighting Successful Atlantic Indigenous Businesses. Halifax: APEC. [https://www.apec-econ.ca/research/view?do=load1&publication_id=818&site.page.id=50002](https://www.apec-econ.ca/research/view?do=load1&publication_id=818&site.page.id=50002)

\(^4\) Indigenous businesses have highlighted difficulties obtaining financing and equity and the high cost of borrowing. Approximately 28% of Atlantic Indigenous businesses surveyed by APEC in 2019 were turned down for financing during or since start-up. Bergman (2019).
• a high dependence of the Atlantic Indigenous economy on industries most affected by COVID-19, such as retail, entertainment and recreation, accommodation and food services, tourism, transportation and major projects.\(^5\)

Indigenous communities also face challenges managing COVID-19 health risks because of their limited resources, including limited health care on-reserve, sub-standard housing and overcrowding, and inadequate clean water for drinking and handwashing. There have been no confirmed cases of COVID-19 in Atlantic Indigenous communities to date. However, there were 205 confirmed cases on Indigenous reserves in the rest of Canada as of May 21, 2020.\(^6\)

The federal government has announced over $870 million in targeted Indigenous funding so far as part of Canada’s COVID-19 Economic Response Plan. This includes $307 million for Indigenous businesses,\(^7\) $305 million for Indigenous governments through the Indigenous Community Support Fund,\(^8\) $100 million in Indigenous health funding up to $75 million for Indigenous post-secondary education students, another $75 million for Indigenous peoples living in urban centres and off reserve and $10 million for shelters to protect against Indigenous family violence.

Nunatsiavut, a self-government organization that represents the Inuit in Labrador, will receive approximately $5.4 million from the Indigenous Community Support Fund.\(^9\) This is about 40% of its own-source revenues.\(^10\) It is not yet clear if this will be sufficient as governments across the region are facing substantial fiscal impacts due to lower revenues and higher costs associated with COVID-19.\(^11\)

However, funding for the 35 Atlantic First Nation communities seems insufficient.\(^12\) They will receive a total of $16 million from the Indigenous Community Support Fund, about 5% of the national total. Funding for each community will be allocated according to population, remoteness and community well-being. In many communities, this funding will equate to a small percentage share of their Indigenous government own-source revenues. For example,


\(^{9}\) APEC estimates Nunatsiavut is twice as remote as other Atlantic Indigenous communities. The Index of Remoteness is a continuous measure, ranging from zero to one, where zero corresponds to the minimum value of remoteness and one corresponds to the maximum value of remoteness. Statistics Canada Daily (2020): Index of Remoteness, Version 1.0. April 3, 2020. [https://www150.statcan.gc.ca/r1/daily-quotidien/200403/dq200403d-eng.htm?F=MP=STATSCAN](https://www150.statcan.gc.ca/r1/daily-quotidien/200403/dq200403d-eng.htm?F=MP=STATSCAN)


\(^{12}\) Including Nunatsiavut and Qalipu First Nation.

Millbrook First Nation’s own-source revenues were $40 million in fiscal year 2018/2019.\textsuperscript{13} However, the $0.5 million in COVID-19 emergency funding amounts to 1% of its own-source revenues.\textsuperscript{14} This is inadequate to compensate for a large reduction in own-source revenues.\textsuperscript{15}

APEC estimates there are approximately 850 Atlantic Indigenous businesses.\textsuperscript{15} These businesses generated $1.6 billion in revenue in 2018, employed almost 12,000 people and paid $300 million in wages and salaries. These firms benefit the entire region as 40% of their employees were non-Indigenous persons.

Up to $307 million in federal funding is available to help small and medium-sized Indigenous businesses, which could amount to $25 million or more for Atlantic firms.\textsuperscript{16} This includes short-term, interest-free loans and non-repayable contributions through Aboriginal financial institutions such as the Unnooweg Development Group in Atlantic Canada.\textsuperscript{17} Although this amounts to 1.2% of the $25 billion available through the Canada Emergency Business Account program, Indigenous business may apply through either program.\textsuperscript{18} Both programs provide up to $40,000 in credit, including a non-repayable contribution of up to $10,000.\textsuperscript{19}

This funding for Indigenous firms would amount to a maximum of $34 million in incremental financing, including a grant of $8.5 million, if all Atlantic Indigenous businesses received the full $40,000. However, this is a mere 2% of their annual revenues. It is likely inadequate to meet some of their basic fixed costs. APEC estimates that revenues for all Atlantic business declined by 27% in the first quarter of 2020 relative to the first quarter in the prior year.\textsuperscript{20} Eligibility for funding from the Canada Emergency Business Account program has recently been widened to allow sole proprietors to apply. This is a welcome move. As 39% of Atlantic Indigenous businesses are sole proprietorships, their exclusion from such financing would have been a serious limitation of this program.\textsuperscript{21}

Some provinces have their own COVID-19 lending programs to fill gaps in federal funding. For example, in Nova Scotia a sole proprietor can apply for the Small Business Loan Guarantee


\textsuperscript{15} Bergman (2019).\textsuperscript{16} Assumes 75% of Atlantic Indigenous firms apply for and receive the maximum funding available.

\textsuperscript{17} Indigenous Services Canada (2020). \textit{Relief measures for Indigenous businesses} \url{https://www.ins-cis.gc.ca/eng/1588079295652/1588079352617}


\textsuperscript{21} Bergman (2019).
Program and the COVID-19 Small Business Credit and Support Program. Eligible small businesses can apply for a loan of up to $25,000 through participating provincial credit unions. And Ulnooweg Development Group has implemented measures to help support Aboriginal businesses through loan and payment deferrals, interest relief and a one-time grant for consulting services to help entrepreneurs access and apply for COVID-19 support programs.

Indigenous businesses that have suffered a large reduction in revenues can apply for the 75% Canada Emergency Wage Subsidy. However, as with non-Indigenous businesses, if they are completely shutdown due to COVID-19 they may not be able to afford the remaining 25% to retain their employees. This may be a particular issue for seasonal Indigenous businesses in tourism, accommodation and food services and retail. The Indigenous Tourism Association of Canada set-up the COVID-19 Development Stimulus Fund, which provides Indigenous tourism businesses with grants of up to $25,000 each. Over 600 Indigenous tourism businesses across Canada have applied, requesting $14.4 million in funding.

Atlantic Canadian businesses, including Indigenous firms, not eligible for existing federal emergency programs can apply for support from the $110 million Regional Relief and Recovery Fund. This fund includes $67 million disbursed through the Atlantic Canada Opportunities Agency (ACOA) for small and medium-sized businesses that provide products and services to other businesses and $43 million through the Atlantic Association of Community Business Development Corporations to support community businesses such as restaurants and retailers in small, rural and remote communities across the region. Both organizations have provided funding to Indigenous businesses in the past.

Indigenous sole proprietors that are shutdown due to COVID-19 are eligible for the Canada Emergency Response Benefit. Indigenous persons are also eligible for the $2,000 per month for individuals laid-off, ill or caring for a family member with COVID-19.

APEC is not the only voice advocating for sufficient funding for Indigenous communities and businesses. Besides ensuring that funding is adequate for the needs of Indigenous businesses, programs need to be easy to apply for with funds delivered quickly.

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22 https://novascotia.ca/coronavirus/support/
Federal and provincial governments have taken some important steps to provide funding for Indigenous communities and businesses. They should urgently review their existing Indigenous support programs to ensure they are effective and efficient to close funding gaps. They should also monitor and report on take up of funding by Indigenous firms to ensure support is being accessed. These steps are vital to help protect and sustain Indigenous communities and businesses and strengthen the regional economy.

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