

# **Indigenous Business Toolkit Project**

## **Economic Development Corporations**

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## Economic Development Corporations

### Summary

EDCs are used extensively by Indigenous communities in Canada as a way of managing their economic activities. There are, in general, three types of activities that can be pursued by EDCs: (1) community services; (2) community benefits; and (3) wealth creation (see Table 1).

Each of these business activities have their advantages and challenges. No single activity is the best – each one involves trade-offs. These trade-offs generally revolve around a desire by community members for immediate services and benefits versus a desire to create long-term wealth by earning and re-investing profits.

Ultimately, the “best” activity is one that meets the goals of the community; hence it is important for a community to determine its vision for an EDC and to ensure that this vision is pursued. Determining a vision is time consuming and requires careful examination of the trade-offs the community members are willing to make between short-term and long-term benefits.

**Table 1. Key Activities of Economic Development Corporations**

<b>Element</b>	<b>Community Services</b>	<b>Community Benefits</b>	<b>Wealth Creation</b>
Customers	Community members	Other businesses	Other businesses
Products or Services	Grocery stores, gas bars, transportation	Products that industry or other businesses need	Products that industry or other businesses need
Examples	Sturgeon Lake First Nation	Pinehouse Business North; Saskatchewan Indian Gaming Authority	Kitsaki Management Limited; Des Nedhe Group
Profitability	Low margins	Higher margins	Higher margins
Results	Provides a community service, creates community employment, and generates small profits	Emphasis on employment and the distribution of profit via donations or direct allocation	Emphasis on retaining capital for growth purposes. EDC is always looking for profitable new investments
Challenges	Constant pressure to keep prices low – Why is this service cheaper elsewhere? Difficult to acquire the capital to sustain and grow the business	Difficult to retain capital for growth. Often rely on debt and government grants for growth and expansion	Balancing the short term demands of the shareholders for employment/distribution with the long-term desire for growth

## Introduction

Economic development corporations (EDCs) are created to promote economic development in a geographic area. EDCs have been used extensively by Indigenous communities in Canada as a way of managing their economic activities. As the Canadian Council for Aboriginal Business indicates:

Aboriginal Economic Development Corporations are the economic and business development arm of a First Nations, Métis or Inuit government, and are a major economic driver for Indigenous communities. These community-owned businesses invest in, own and/or manage subsidiary businesses with the goal of providing financial support to advance community interests. AEDCs play a major role in driving Indigenous economic advancement through business development, employment, and community-based projects.<sup>1</sup>

EDCs provide Indigenous communities with a structure to enter the corporate world in a legally and financially sound manner. This structure also:

- Maximizes the constitutional rights and assets of Indigenous communities;
- Provides a way to separate an Indigenous community's governance structure (e.g., chief and council) and its business interests;
- Compartmentalizes the business interests of an Indigenous community and allows each to be run more or less separately;
- Provides administrative and cost savings;
- Allows for the attraction of talent and the development of business expertise in the community;
- Provides a way to access outside business expertise when it is needed (ICT 2023).

## EDC Vision

An EDC is created by an Indigenous community – thus the vision for an EDC needs to come from the community. The vision should include things such as the community's objectives in setting up an EDC, how the EDC should be managed, the businesses and activities that are “off-limits,” and the number of independent and/or non-Indigenous directors to oversee the EDC.<sup>2</sup>

The vision should also address the types of activities in which the EDC will invest. There are, in general, three types of activities that can be pursued: (1) community services; (2) community benefits; and (3) wealth creation. While there is the potential for overlap, it is useful to consider them separately since each has its own management and governance challenges.

## EDC Activities

Table 1 provides an overview of the three key activities undertaken by EDCs, while Table 2 provides examples of EDCs engaged in these activities. These activities differ in the customer base, profit potential, results, and managing and governing challenges.

**Table 2. EDC Business Activity Examples**

<b>Business</b>	<b>Activity</b>	<b>Products and Services</b>	<b>Other</b>
Sturgeon Lake First Nation	Community Service	Groceries, hardware, automotive, household, confectionary, fast food, furniture wholesaler, post office, propane, cheque cashing	Started in 2001 18 employees Operates 7 days a week
Pinehouse Business North	Community Benefit	Civil earthworks serving uranium mines and Crown corporations	CEO's performance appraisal is based in part on local employment. Distributions are an engine for other community priorities
Saskatchewan Indian Gaming Authority	Community Benefit	Owens and operates seven casinos	Largest Indigenous employer in SK. Distributes 100% of its profits
Kitsaki Management Limited (Lac La Ronge Indian Band)	Wealth Creation	Twelve businesses in seven industries, including uranium mining industry, insurance, IT, and consulting services	Built up a pool of capital for acquisitions and partnerships
Des Nedhe Group (English River First Nation (ERFN))	Wealth Creation	Industrial, retail, properties, professional services, and investments	Board of directors is guided by a Business Charter that clearly defines the relationship with EFRN

Community service businesses such as grocery stores and gas bars provide key services to a community. The provision of these services typically generates low margins because community members are looking for the services to be provided at a low cost; outside competition is also a factor (e.g., Costco in a nearby city). The low margins mean businesses providing these services struggle to raise the capital needed to sustain and further develop the services being provided.

Businesses with a community benefit focus, such as Pinehouse Business North or the Saskatchewan Indian Gaming Authority, are organized to provide employment and income directly to community members. Although these businesses often have higher profit margins than community service businesses, they find it difficult to retain capital for growth and expansion. Thus, they often forego potential opportunities and/or rely more on debt, which makes running the business riskier.

Wealth creation businesses, such as Kitsaki Management Limited and Des Nedhe Group, are structured to earn profits which can be reinvested in existing or new businesses. Wealth creation businesses are always on the lookout for profitable investments. The need for capital

to invest, however, can be difficult to balance against a community's desire for direct economic benefits in the form of employment or the distribution of earnings.

### **Resources**

CCAB. 2023. CCAB Research: Aboriginal Economic Development Corporations. Canadian Council for Aboriginal Business. <https://www.ccab.com/research/publications/aedcs/>

ICT. 2023. Indigenous Economic Development Corporations: The ABCs. Indigenous Corporate Training. <https://www.ictinc.ca/blog/indigenous-economic-development-corporations-the-abcs>

### **Endnotes**

<sup>1</sup> CCAB (2023).

<sup>2</sup> ICT (2023).

## **Indigenous Business Toolkit Project**

The Indigenous Business Toolkit Project is designed to provide Indigenous communities and individuals with the practical tools they and their advisors can use to undertake successful economic development. Indigenous economic development is more successful when everyone – community members, community leaders, consultants, business professionals, employees, and/or potential partners – understands its many aspects.

The Toolkit provides step-by-step instructions on selected aspects of economic development based on the best practices of leaders in the field. The modules in the Toolkit cover everything from the role of economic development in nation building, to the importance of business charters, to the various legal forms that can be used to pursue economic development, to the steps needed to identify and negotiate beneficial partnerships, to the governance challenges that economic development must address.

The modules are available for free and for use by anyone. The full set of Toolkit modules can be found at: <https://www.schoolofpublicpolicy.sk.ca/research-ideas/projects-and-labs/indigenous-leadership-governance-and-development-project.php>.

The Indigenous Business Toolkit Project is part of the larger Indigenous Leadership: Governance and Development project designed to support long-term Indigenous economic development. In addition to the toolkit, the larger project involves capturing the economic development experience of Saskatchewan Indigenous communities through a series of case studies. The case studies, along with a description of the larger project, can be found at the website listed above.

### **Disclaimer**

The information contained in this document is designed to provide an overview of a particular topic and should not replace legal and other expert advice. Groups wishing to use the concepts discussed should receive the appropriate professional advice necessary to ensure their specific goals and circumstances are considered and recognized.

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