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**Economic Development and Local Agency in Pond Inlet:  
A Community in Baffin Region, NWT**

By

Paul E. Blais  
Bachelor of Arts, Wilfrid Laurier University, 1993

THESIS  
Submitted to the Department of Geography  
in partial fulfilment of the requirements  
for the Master of Arts Degree  
Wilfrid Laurier University  
1995

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## **Abstract**

In Canada over the last decade, economic development policy-makers have emphasized the role that localities can play in creating or capitalizing on their own capacities for development. Through an investigation of the situation in Pond Inlet, Northwest Territories, the author defines the role that local agency has played in the economic development process in that community. This investigation, based upon interviews of the role players and a broad literature search, involved an examination of the evolution of the economic development organizational structure over the last decade. More specifically, the author evaluated how the individual roles of the different development institutions and the relationships between them changed over time.

The research results show that local agency has not played a significant part in the economic development process, but several improvements have been made over the last ten years. There has been a devolution of policy-making power to the pan-regional level (mainly the Governments of the Northwest Territories and Nunavut). Business creation and training funding decisions have been devolved to several organizations at the pan-regional and regional levels. Lastly, some very significant improvements in inter-organizational collaboration have been made over the last five years, especially at the regional level.

## **Acknowledgements**

There are many individuals and organizations that have played a very significant role in allowing me to complete this research. Most significant was the leadership of Dr. Bob Sharpe. Thank you for knowing when to suggest and when to let me make my own mistakes, which I learned from greatly. I would also like to thank Dr. Jody Decker who contributed very helpful insight regarding the first draft.

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## **List of Acronyms Used Within the Text**

ACL	Arctic Co-operatives Limited
AEDO	Area Economic Development Officer
ARDA	Agricultural and Rural Development Agreement
BBDC	Baffin Business Development Centre
BDF	Business Development Fund
BRIA	Baffin Region Inuit Association
CAEDS	Canadian Aboriginal Economic Development Strategy
CASE	Counselling Assistance to Small Enterprises
CEDO	Community Economic Development Organization
CFC	Community Futures Canada
CSD	Community Sponsored Development
CTA	Community Transfer Agreement
DED&T	Department of Economic Development and Tourism
DREE	Department of Regional Economic Expansion
DRR	Department of Renewable Resources
EDA	Economic Development Agreement
FBDB	Federal Business Development Bank
GNWT	Government of the Northwest Territories
HSP	Harvesters' Support Program
HTA	Hunters and Trappers' Association
ITC	Inuit Tapirisat of Canada
NCC	Nunavut Chamber of Commerce
NEDP	Native Economic Development Program
NIC	Nunavut Implementation Commission
NITC	Nunavut Implementation Training Committee
NTI	Nunavut Tunngavik Incorporated
NWT	Northwest Territories
NWTCBDF	NWT Cooperative Business Development Fund
SCONE	Special Committee on the Northern Economy
SEI	Sinaaq Enterprises Incorporated

# **Chapter One -- Introduction**

## **1.1 Introduction**

In Canada, reciprocal decision-making between national, pan-regional, regional, and community administrators has become increasingly important over the past twenty years. This has come as the federal government's plans for socio-economic development have changed from regionally- and nationally-focused strategies to placing emphasis on communities to create or capitalize on their own capacities for development. The primary reasons for such change are: (i) increasing fiscal restraint at the national level (Boothroyd 1991); and (ii) the failure of past large-scale regional development projects within such programs as the Department of Regional Economic Expansion (DREE), the Fund for Rural Economic Development, and the Agriculture Rehabilitation and Development Act. The purpose of these programs was to transfer socio-economic well-being from core to peripheral regions.

Because the above programs were either regional or national in scope, they were insensitive to local contingencies. As a result, they failed to respect the needs and capabilities of individual communities. By failing to respect communities' comparative advantages and limitations, many businesses attracted to the supported areas were inappropriate in terms of human, natural, and monetary resources. Consequently, the government had to heavily subsidize these fledgling businesses (Savoie 1986).

Although community initiatives have been increasing in number over the past twenty years, the verdict is, for the most part, still out on the ability of community initiated

development programs to be more effective than regional ventures. However, there have been some encouraging results (see Young and Charland 1992). This fact, coupled with the inability of the Canadian government to provide large-scale funding into the foreseeable future, without capital sharing by communities, means that the emphasis on development planning will continue to be local in scope.

In Aboriginal society over the last thirty years there has been a growing political tide of regional thinking that has spread into cultural and economic thinking. Among the Inuit this is best illustrated by the recent signing of the Nunavut Agreement (Canada 1993) that provides them with a self-ruling territory in the eastern Arctic, which the Canadian government will formally recognize in 1999. In a vein similar to the Canadian programs, much of the planning by Inuit (eg. Nunavut Tunngavik Incorporated (NTI), Baffin Region Inuit Association (BRIA)) and predominantly non-Inuit organizations (e.g. Government of the Northwest Territories (GNWT)), are also emphasizing the role that the individual communities can play to decide their own economic and social well-being.

This transition to community sensitivity has come at the same time that the Canadian government has begun placing a strong emphasis on the assimilation of the Inuit into the formal market economy. They have been successful, in that, the Inuit are now heavily involved in the wage economy. Even the country food sector now has an intricate network of suppliers, wholesalers, and consumers, a system that is much different from the one formerly based upon kinship groupings. Most commercial linkages for Inuit businesses are with suppliers and wholesalers in southern Canada. Furthermore, government linkages between the South and the regional centres of the Canadian Arctic are also quite strong.

### **1.1.1 The Case Study Area**

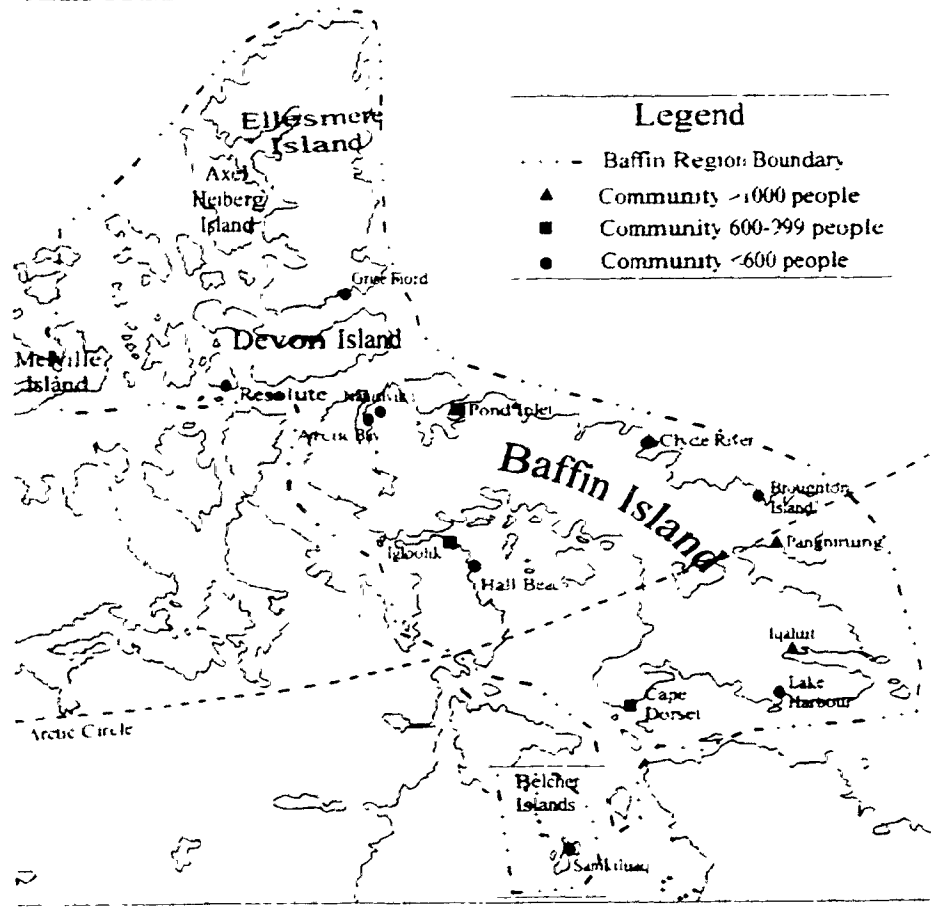
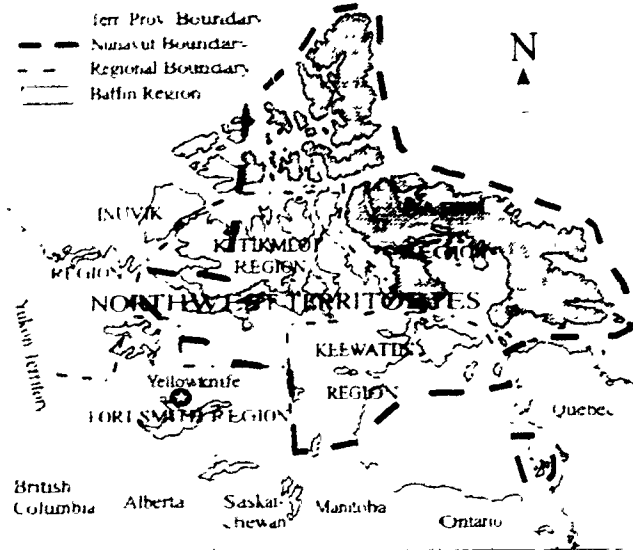
Pond Inlet, which is located on northern Baffin Island, NWT at 72°41' North latitude and 77°58' West longitude is 644 km north of the Arctic Circle (see Figure 1.1). The nearest communities are Arctic Bay and Nanisivik, 250 km to the west, and Clyde River, 400 km to the southeast. Pond Inlet is located in the administrative area of Baffin Region, however, in 1999 the entire area of Baffin, Kitikmeot, and Keewatin Regions of the Northwest will be made into Nunavut.

The population of Pond Inlet in 1991 was 974 (9% of the Baffin Region total) and in 1986 it was 796 (Statistics Canada 1992). That equates into an average annual growth rate of 4.1%. If growth rates remain constant, by 2010 Pond Inlet's population will have more than doubled current levels and be at 2088 people (these growth rates are typical for communities across Baffin Region). Ninety-one percent of the population is of Inuit ethnicity (Statistics Canada 1992). The remaining 9% are mainly transient southern Canadians working in government service positions or managing businesses.

## **1.2 Research Question**

The purpose of this paper is to define the role of community in economic development. Socio-economic problems are very rarely local in nature and this research question addresses the root of current development thought in Canada and, for that matter, most of the industrialized world. That is, can local agency (the ability of actors to garner active power for the causes of their community) contribute to the solution of economic problems? Specifically, an examination of the network of economic development actors

Figure 1.1-- Baffin Region



will determine that either (i) agency within the community has been playing an important role in the economic development process, or (ii) power for creating development programs is in the hands of regional, pan-regional, and or national administrators. In other words, does the economic development planning structure more resemble a hierarchy, with the actors in the upper-level bureaucracies displaying greater decision-making strength and control of the system, or is the economic development structure flat with all organizations on a level plane and collaborating? The most likely situation will not be this "cut and dry" but there should be indications of a movement towards one structure or the other.

Over the last forty years, economic policy in Canada has moved from national participation on development issues to regional and, within the last ten years, community participation. With this paradigm shift in policy, corresponding increases in the level of actual community involvement should be evident. Over the last ten years, economic development initiatives in Baffin Region have been driven by several development programs. The Canadian Aboriginal Economic Development Strategy (CAEDS), Community Futures Canada (CFC), the Canada-Northwest Territories Economic Development Agreement (EDA), and other programs have placed a large emphasis on community-based initiatives. These last ten years have been time for the programs to establish strong community linkages. The question is have they?

### **1.3 Research Objectives**

In order to define and evaluate the role of local agency in economic development within a system that is structured around a regional entity, there are three aspects that will be examined in more detail:

1. the evolution of national, pan-regional, regional, and local organizations that have played a role in the economic development process of Pond Inlet over the last decade;
2. the mandates of these organizations and classify them by type of decision-making power, and
3. the changing roles of these organizations and the significance of the collaborative links between them.

### **1.4 Thesis Overview**

This paper contains five chapters, the first being the introduction. The second chapter is a review of the literature that is pertinent to the major themes discussed throughout the paper. A brief examination of the evolution of Canadian economic development policy will be first. This will be done in order to understand the theoretical constructs from which past policy has been generated, as well as where policy is presently going. The historical context of the economic development of the Arctic is also very important because it has significantly configured the current economic lifestyle of the Inuit. The third section will peruse the research written on the Inuit economy. Finally, the last section will be an examination of the literature on the investigative approach as a research



method. As well, the discussion will include the historical review and informal interviewing as techniques used in the investigative approach

The third chapter will be an overview of the current state of economic development in Baffin Region. This chapter will involve a look at current economic development policy, the present state of the economy and constraints to its development, the implications that a mixed economy has on development processes, and a description of the organizations involved in economic development in the region.

Chapter Four will be a review of research findings and will concentrate on activities in the case study area. Concentration will be upon organizations who are influencing the type of economic development policy being instituted and those that are making business creation and training funding decisions. Furthermore, this will involve an examination of organizational collaboration at the local level and the prospects for the decentralization of upper-level responsibilities to the local level.

The conclusion will include a summary of the findings. Additionally, after examining current fiscal difficulties, recommendations will be made that will ensure the smooth implementation and increased effectiveness of future economic development policy

## **Chapter Two -- Literature Review**

### **2.1 Introduction**

Since the 1950s, all of Canada has been subject to the same changes in policy that have affected the orientation of development programs. However, the process of economic development in Pond Inlet and Baffin Region has been very different than that of any other area in Canada for two reasons. First, because the population of the region is so small and the Inuit have traditionally lived in small groups, the impact of colonization and economic pressures has been intensified. Second, economic development policy has not only been influenced by the pressures of federal economic officials, but also those dealing with the significance and importance of Aboriginal rights.

The latter part of this chapter will examine past research on the Inuit economy and also establish the framework that this research follows. Section 2.4 discusses all of the contemporary research that has been conducted on the Inuit and their economy. For the purpose of this research, these works have been grouped into two different categories: those dealing with the Inuit economy as a whole and those looking at the microeconomy of an Inuit village. This latter focus on locality studies then establishes the context for presentation of the framework for this research.

The evidence collection and data analysis portion of this research is based upon investigative research techniques. The last section of this chapter will look at the advantages and disadvantages to this approach. Methods of overcoming the disadvantages will be shown.

## **2.2 The Evolution of Canadian Economic Development Policy**

Section Thirty-Six, Subsection One of the Canadian *Constitution Act* (Canada 1982)

declares that:

... Parliament and the legislatures, together with the government of Canada and the provincial governments are committed to

- (a) promoting equal opportunities for the well-being of Canadians,
- (b) furthering economic development to reduce disparity in opportunity; and
- (c) providing essential public services of reasonable quality to all Canadians.

Overall, frustration has greeted attempts by upper levels of government to develop impoverished areas in Canada (by increasing the Gross Domestic Product and accessibility to education and health services). The failure of "top down" development policy has not been isolated to one region. Because of this, there has been a strong trend within Canada in the last decade to create more community-initiated development programs.

### **2.2.1 The Move From Regions to Communities**

Since the creation of Canada's first formal regional economic development policy in 1957 (the Tax Abatement Agreement), the federal government has used a wide array of theoretical constructs to create their programs. Before the 1970s, centralization was characteristic of regional policy decision-making in Canada. Programs such as the Agricultural Rehabilitation and Development Act (1961), the Area Development Initiatives Act (1963), and the Fund for Rural Economic Development (1966) were attempts by the federal government to decrease regional disparities with location incentives, infrastructure assistance to urban growth centres, relocation of government offices, and interprovincial equalization payments.

The most serious problem with these early programs was that there was no overall strategy that linked the individual programs coherently together (Broadhead *et al* 1993). By 1969 the federal government had realized this problem and they created the DREE. The DREE's purpose was to subsume all of the programs that existed at the time. Growth Pole Theory (outlined by Perroux in 1950) was the theoretical force behind the DREE. The DREE funnelled funds into twenty-three selected urban areas across Canada (mainly within the Atlantic provinces). The hope was to attract industries that would stimulate local forward and backward linkages. The growth pole strategy quickly lost momentum in Canada because: (a) the approach favoured large urban centres and ignored economically depressed rural regions and (b) it did not produce concrete results (Savoie 1992). Although the program itself only lasted two years, which was not a sufficient amount of time to gather concrete results, there are other reasons why the growth pole concept was not successful in Canada.

First, to transfer Perroux's concept into one that had applicability, policy-makers felt that they had to take Perroux's thesis, which was vague and ambiguous (Higgins 1983), and give it a geographical component -- as Boudeville (1966) had previously outlined in the literature. However, by failing to recognize the flaws in Boudeville's studies, Bradfield (1988) believes that policy-makers in Canada assumed that the spread effects (a term Perroux used to represent positive spinoffs of economic activity) would occur at the location of the growth pole, and thus stimulate growth in its immediate periphery. Perroux made it clear that the space about which he discussed was global in scale and that the spread effects

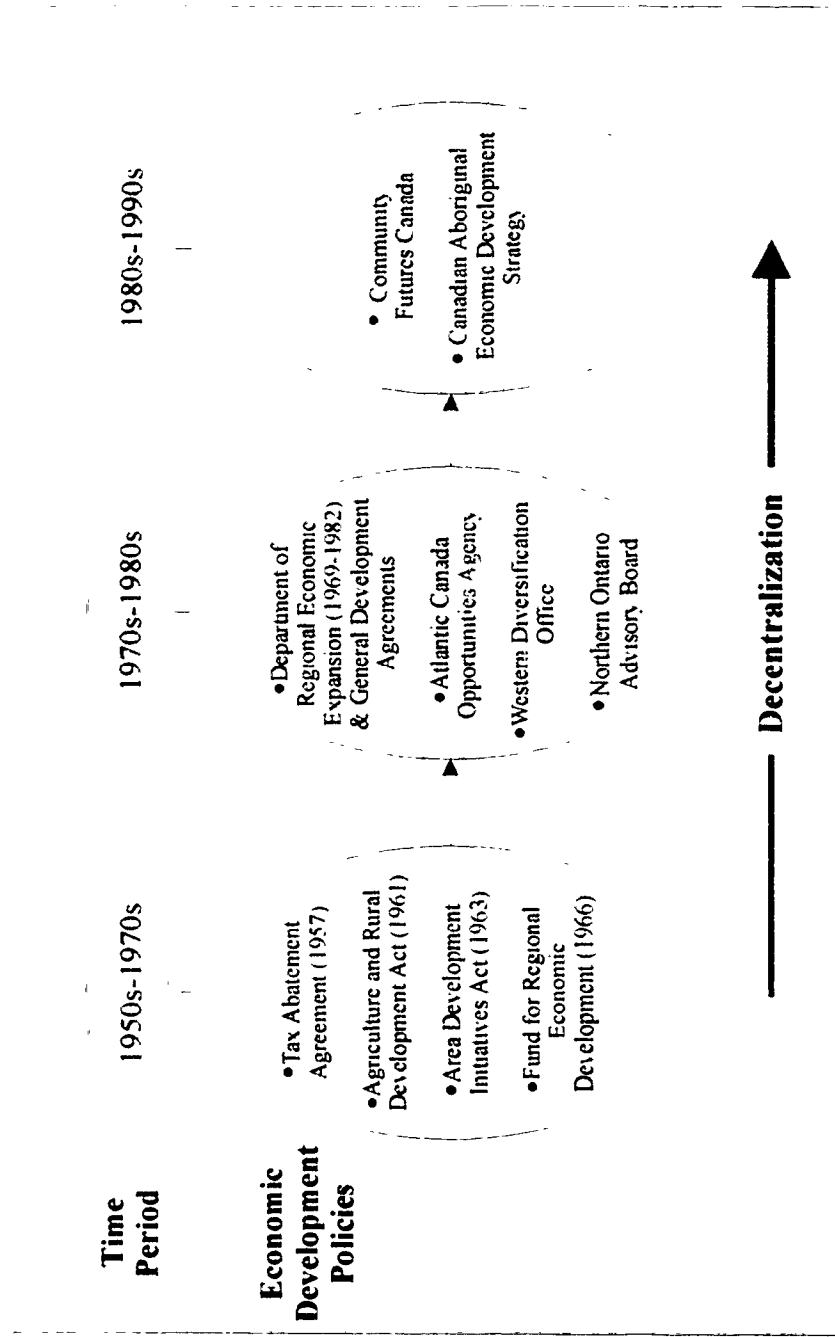
would not necessarily be felt in the urban centre's periphery. They would perhaps be felt in the periphery of another region or the growth pole of a different region (or nation).

Secondly, policy-makers in Canada had difficulty in defining what Perroux meant by the propulsive firms that were the catalysts for growth. As opposed to defining certain industries that may have been propulsive for certain regions, Weaver and Gunton (1986) state that the government gave incentives to almost any manufacturing firm whether it was propulsive or not. This type of unheeded sponsorship created a long line of firms in need of continuous subsidization to maintain their employment levels.

In 1972, the government began to decentralize regional policy decision-making (see Figure 2.1). Authority was given to four regional offices (one in the Atlantic and Western provinces, and one in each of Québec and Ontario) to finance incentive grants up to a certain limit. At the same time, the existing ten provincial offices expanded and received the power to authorize small grants (Broadhead *et al* 1993). With the creation of General Development Agreements, policy-makers would be allowed to make decisions from their provincial offices. However, another problem arose, even though the federal government had achieved the objective of providing the provinces with more participation in development planning. This problem was that the federal focus on less-developed regions had diminished (Broadhead *et al* 1993).

Several years later, after many transformations and readjustments to remedy this problem, the federal government reviewed the DREE and came to the conclusion that: "Regional policies which have been deployed during the last decade have had a measurable effect. Nevertheless, serious problems of regional disparity are expected to continue into

Figure 2.1 -- The Evolution of Canadian Economic Development Policy



the 1980s" (Canada 1980b: 1). The same review also concluded that development strategies had to be regionally sensitive -- that one region may not necessarily share the specific objective of another region, and the initiatives that bear fruit in one region may not be appropriate in another region.

Both Savoie (1992) and Canada (1980b, 1983) point out that the DREE and its subsequent regional development efforts such as the Western Economic Diversification and the Atlantic Canada Opportunities Agency acknowledged Trade Theory (also known as the comparative advantage approach) as a valid economic development idea for Canada in the 1970s and 1980s. The government still favours Trade Theory in the 1990s (Savoie 1992). The concept of comparative advantage (the factor of production or industrial location with which the region or community has a relative advantage over another region) is appealing in today's period of decentralized decision-making and fiscal restraint because of three major convictions. First, it does not represent an ongoing demand on public funds; second, it promotes self-sustaining economic growth; and third, administrators at the microscale are empowered to specialize according to what *they* believe their competitive advantage to be, not what the higher levels of government find to be the easiest policy to replicate in all regions. For instance, Ricardian Trade Theory explicitly states that transfer payments cannot create a comparative advantage in labour; the region must self-identify it and concentrate on its usefulness.

### **2.2.2 Community-Based Economic Development, Trade Theory, and Collaboration**

Today, in Canada, there are many policies that use Trade Theory as their major concept. For example, CFC and CAEDS are both locally-based initiatives begun in the mid-

to late-1980s that place a very large emphasis on the isolation and exploitation of an area's main comparative advantage. The main impetus for exploitation of the community's comparative advantage within these programs is through local entrepreneurship.

In the future, the main source of difficulty with communities relying on Trade Theory for its policy backing is that there may be a tendency to create undiversified economies. Hopefully, if all goes well for the community, it can use its comparative advantage to establish a strong base, and then the gains made can be placed to good use to diversify the economic base of the area -- in essence the Cumulative Causation Model (see Dixon and Thirlwall 1975). If the economic base lacks diversification, Anderson (1988) points to two kinds of shocks that can be disastrous to the local economy: external price shocks and internal resource-supply shocks. Anderson was writing about natural resource dependent regions, however, his argument can be applied to any comparative advantage. For instance, since the 1970s Canada, as a whole, has seen the erosion of its comparative advantage in labour-intensive industries (Canada 1980b). This situation has led to a gradual decline in the economy and has led to attempts by both the private and public sector at establishing a new comparative advantage.

Despite decades of intervention by the federal government, gaps in opportunity have not only persisted, but, in many cases, they have widened (Economic Council of Canada 1990). Along with the disrepute that the policy-makers have fallen into, the decline of the welfare state in Canada has created a situation under which the federal and provincial governments can no longer support economic development policy alone (Boothroyd 1991). Thus, there has been growth in the number of community-based development projects.



According to Bryant and Scarpelli (1989), community development encompasses three key, fundamental dimensions. These dimensions, which Perry (1989) defines as the basis for community economic development, emphasize the mobilization of the underutilized human, monetary, and physical resources that are within the community: (i) local articulation of community goals and objectives; (ii) active participation of the community in the choices and implementation of development strategies; and (iii) utilization of local initiatives and resources in development.

The first two dimensions emphasize the active involvement of the public in the planning decisions of their community economic development program. In their survey of the actors involved in nine successful community development programs in Canada, Young and Charland (1990) found that local participation and strong local leadership are the two most significant elements. Many other authors, including Roberts (1979), argue that community involvement is critical to the process of development. In his examination of development processes in the Arctic, Lockhart (1987) strongly concludes that any policy that leaves decisions significantly in the hands of those who do not have to live with the implications, has not, and will not, lead to increased self-reliance and autonomy. The third dimension attempts to correct a weakness that plagues most rural communities in Canada -- a deficiency of internal monetary circulation (for further discussion on the "hole in the bucket syndrome" see Fairbairn *et al* 1991).

In effect, what all of these authors are calling for is the decentralization of decision-making power to the local level. Swiderski (1989: 710) outlined several advantages to decentralization:

1. it reduces overload and congestion in administrative and communication channels;
2. it is effective in mobilizing support for development policies by making them known at the local level;
3. it increases the ability of central government officials to obtain better data about local conditions, to plan local programs more responsively and to react more quickly to unanticipated problems that inevitably arise during implementation;
4. it gives groups at the local level more opportunity to influence planning and decision-making and thus increase their stake in maintaining political stability;
5. it promotes greater equity in the allocation of government resources for investment by having a wide variety of political, religious, ethnic, and social groups participate in the development decision-making; and
6. it is a more effective way of managing operations and maintenance programs for infrastructure.

Another important aspect to effective economic development is organizational collaboration. Supported by McCormick (1994), Rubin's (1986) model interpreted the role of economic development organizations. He concluded that places with economic need and leaders who accept the legitimacy of close co-operation between public officials and business will have (i) an increase in the number of actions to promote economic development and (ii) the increased likelihood of the formation of an economic development organization.

## **2.3 The Evolution of the Baffin Region Economy**

### **2.3.1 Historical Development of the Arctic**

Before contact with Europeans, the Inuit were nomadic hunters and fishers who preyed upon caribou, seals, fishes, and other wildlife to meet their subsistence needs. Their culture, built around sharing and co-operation helped them to develop a strong kinship network that traditionally has had no institutionalized figures of authority (Nuttall 1992). The arrival of the Europeans initially led to a gradual and subtle assimilation of the Inuit into the market economy. After World War II, the assimilation of both the Inuit economy and social fabric became much more impetuous.

Pretes (1988) and Weissling (1989) compare the process of Arctic development to a colonization similar to the Brazilian Amazon and Zambia, respectively. Consequences of this type of development have had lasting effects on the Inuit's socio-economic conditions and their ability to mobilize their own resources.

### **2.3.2 Early Development**

The justification for the conquest and colonization of the Arctic (and any other undeveloped region of the world) is based on the evolutionary theories of history that maintained societies organized within the framework of the nation-state and industrial capitalism represented the most advanced form of human organization (Gellar 1977 in Weissling 1989). Colonization on economic, political, and cultural fronts was undertaken within the Arctic (Weissling 1989).

The whaling companies of western Europe and the United States were the first major economic force to initiate the Inuit's transformation from a nomadic to a community-based

society. During the mid- and late-1800s, the whalers searched the waters of the eastern Arctic for meat, ivory (narwhal teeth), and oil. The Inuit men acted as guides and hunters and the Inuit women processed the whales and sewed workers' clothes. The whalers paid the Inuit for their work with goods such as flour, tobacco, alcohol, tea, guns, and ammunition. For the first time in their history, the Inuit were receiving imported goods in exchange for work and their nomadic routes began to centre around the whaling camps (Page 1986).

The Inuit's dependence upon imported goods and their transition to a semi-nomadic society was solidified with the arrival of the Hudson's Bay Company (HBC), who were heavily involved in the Arctic fur trade during the early-1900s<sup>1</sup>. By this time, the Inuit could no longer survive effectively without their rations of imported food, guns, ammunition, and tobacco (Weissling 1991). "The important variable to keep in mind is that even if they [the Inuit] continued circulating throughout the region, the purpose of their movement was shifting from purely hunting for food to hunting for food and fur, and to travel for trade at HBC posts" (Weissling 1991: 66).

Along with the Royal Canadian Mounted Police, Anglican and Roman Catholic missionaries were among the first non-Inuit people to construct permanent establishments in the Arctic trading posts (see Harper 1992). In an attempt to convert the inner-most beliefs of the Inuit, the missionaries were relentless in the preaching of their respective religions. The missionaries' activities resulted in significant alterations in the Inuit's spiritual beliefs

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<sup>1</sup> The fur trade had already been operating in the Pond Inlet area before the arrival of the HBC. In 1922, Captain J.T. Munn sold the trading post he had been operating for seven years at Button Point, thirteen kilometres east of Pond Inlet, to the HBC.

(Pretes 1988) The missionaries' influence was not limited to religion. They began to teach the Inuit to read and write the Inuktitut language using a system based on syllabics, which was originally used to represent the sounds of the Cree language.

### **2.3.3 Post World War II Development**

The subtle assimilation of the Inuit into a community-based economy ended after World War II. It was then that the Canadian federal government decided that it could be the most efficient conveyor of development policies to the Arctic (Stabler 1989). The development thought of the post-War era held that the Growth Pole Theory was the practice best suited for creating economic and social development (Boothroyd 1991). Following Perroux's theory, the Canadian government created fully serviced communities in the North and encouraged the Inuit to permanently relocate to the communities. Attracting the Inuit to the communities was not a difficult task because "the seeds [dependence on retail commodities] had already been sown" (Weissling 1991: 68). In 1953, in an attempt to assert Canadian sovereignty upon the region, which was threatened by potential Arctic developments by both the Americans and the Russians (Rees 1988), the federal government forced the relocation of eleven Inuit families from Inukjuak, Québec to a newly established community (Grise Fiord) in the northern Arctic (Purich 1992).

However, Purich (1992) also points out that some Inuit moved voluntarily to the newly established communities for access to health centres and schools. The clustering of the Inuit was necessary for the efficient provision of social and health services. The government built elementary schools in each of the small communities and schools of higher education in the regional centres. This centralization meant that Inuit children from small

communities had to move away from home to achieve a higher level of education. Making further attempts at assimilating the Inuit, teachers were Eurocanadian immigrants who taught curriculums similar to those in the South – including a heavy emphasis upon English and French.

In Pond Inlet the situation was very similar to that in the rest of Baffin Region. A mechanic arrived to run a small power plant to supply the growing community's electrical needs. Also, a Registered Nurse took over the medical services and the federal government opened up a hostel for school-aged children whose parents did not want to come off of the land. The separation of parents and children caused distress and most families moved into the community to live with their children (Ootoowak 1989).

During the decades following the Second World War, the basis of Arctic development were megaprojects involving the non-renewable resource sector. Large-scale mineral and hydrocarbon exploration of the Northwest Territories (NWT) began soon after an oil discovery in the Beaufort Sea, north of Alaska. Large deposits of hydrocarbons were found in the western NWT and all across Baffin Region surveyors made discoveries of large underground mineral reserves. Only large corporations, with the aid of the federal government have had the capital and the human resources necessary to operate successfully in the economic extremes that Baffin Region provides (Whittington 1986). Similar to many large-scale programs in southern Canada during this time, government subsidies and grants have been the driving force behind these projects (Abele and Usher 1988).

Since the whalers and the HBC ended their large scale operations in Baffin Region (about 1903 and the early-1960s, respectively), minerals have been the only exports of great

significance. However, few of the benefits (in terms of profits and jobs) have trickled down to the Inuit themselves (Page 1986). The fish and wildlife sectors have limited export potential because of the low biological reproductivity of Arctic species (Abele and Usher 1988) and there has been the loss of the North American and European markets for animal products (especially furs) (Rees 1988). It was not until the Berger Inquiry into the proposed Mackenzie Valley Oil Pipeline that the fallacies of megaprojects and relocation as panaceas to the problems of northern Canada came to light on a national scale. Addressing those involved in the development of the Arctic, Thomas Berger (1977: 123) wrote:

It is self-deception to believe that large-scale industrial development would end unemployment and underemployment of native people in the North. In the first place, we have always overestimated the extent to which native people are unemployed and underemployed by understating their continued reliance on the land. Secondly, we have never fully recognized that industrial development has, in itself, contributed to social, economic and geographic dislocations among native people.

After obeying the ten-year moratorium on large-scale development that Berger imposed, the rationale behind his conclusions was clear and in the mid-1980s the federal government began to employ development strategies that involved a mixture of economic and social objectives. By the late-1980s, a structure for community-based development was being implemented.

The impacts of this commercial and cultural colonization have resulted in a low sense of self-esteem among the Canadian Inuit (Lee 1992; McMillan 1991; Weissling 1989). The imposition of southern education systems and teachers has left the Inuit feeling "profoundly confused in their sense of identity, . . . ashamed of being Eskimo [sic], and . . . inadequate, and unable to compete" (Hobart 1968:49). Furthermore, McMillan (1991)

concluded that the condition that Hobart witnessed still exists in the 1990s. McMillan (1991: 1) states that the "dominant modes of northern economic and political development ... are shown to have resulted in few lasting benefits for northern communities and to have contributed to a pervasive alienation and sense of powerlessness".

McMillan does provide some reason to believe that the Inuit have a strong mechanism within themselves to resist change; however, there is little doubt that past developments have left the Inuit with a low sense of self-esteem. Low self-esteem can lead to a feeling of low efficacy and thus decreased participation in the economic development process.

## **2.4 Current Research on the Inuit Economy**

An examination of the recent papers on economic development in the Arctic reveals that there are two broadly defined scales at which researchers are working.

1. Approaching the Inuit condition *en masse* and detailing how development is a process of overcoming physical, economic, and political obstacles to create desired forms of change (Huskey and Morehouse 1992). This is often complicated by the different, frequently conflicting, objectives of interests within and outside the region (see Lacasse 1993; Pratis and Chartrand 1990; Pretes 1988; Robinson and Ghostkeeper 1987; Weissling 1989). For example, economic development in the past has focused on non-renewable resource exploitation by southern Canadian governments and enterprises while the Inuit have focused upon renewable resources and a subsistence lifestyle.



2. Using locality studies to either: (i) display how the village microeconomy has been integrated into a larger regional economy (Reeves 1993); or (ii) show the situation in the village microeconomy as evidence of external processes. Quigley and McBride (1987), Smith and Wright (1989), and Myers (1982) use this latter method to draw policy prescriptions for the Arctic region as a whole.

#### **2.4.1 Approached *En Masse***

Research within the first thread of literature is grounded in both the dependency and modernization schools of development thought. The results of the literature discussing the reasons for the Inuit's socio-economic problems are clearly in the dependency paradigm while the more recent literature involving community economic development, which attempts to develop resources (human, physical, monetary) at the local level, leans towards the modernization paradigm.

However, community economic development does not examine the locality without respect for the wider regional and pan-regional context in which it is situated. The current socio-economic problems that the Inuit are facing are due to macroeconomic forces exacerbated by the actions of: (i) commercial enterprises and (ii) federal and territorial government agencies active in the Arctic (see Coates 1985; Lockhart 1985). These forces have altered traditional ways of subsistence and survival by imposing a foreign system based upon capitalism and the efficiency of resource exploitation.

Pretes (1988) compared the Canadian Arctic to the Brazilian North and examined both regions in the context of dependency theory. He concluded by stating: "No single author has yet defined the realities and reasons underlying underdevelopment in the

Canadian North. The topic is both complex and dynamic, making concrete or modular explanations difficult, if not impossible" (Pretes 1988: 115). The need for a theory on northern development had been previously recognized by Orvik (1976). Meanwhile, the absence and continued elusiveness of such a theory has presented an obstacle for meaningful research and analysis (Swiderski 1989).

While realizing the difficulty that Pretes (1988) had outlined, Weissling (1989) attempted to define some explanations underlying the development (and underdevelopment) of the Canadian North. Using a comparative analysis of the Arctic and Zambia, Weissling modelled how a specific consequence of development, namely education, has forced the Inuit into the predicament that they face today. Teaching local residents to participate in a Euro-North American economic system when the northern economy cannot sustain employment for many of the educated people, has contributed to confusion over one's cultural identity and an inability to participate economically in either the modern or the traditional sectors.

The type of colonialism that Pretes (1988) and Weissling (1989) discuss is symptomatic of development programs which are imposed from the top of a hierarchy without perspective from the local situation. The failure of the regional approach in the Arctic first became evident in the work of Berger (1977). From the moment that Berger published his conclusions (see Section 2.3.3, page 21) there has been increasing sensitivity to the Inuit condition. The failure of regional development planning in northern communities by administrators located in Ottawa and Yellowknife, has forced the acceptance of community level decision-makers as those people whom are best able to find

methods for effective economic development. With this change in point-of-view, it has been realized that the human and physical resources which should be used for efficient development are to come from within the communities and not from outside (the modernization school of development thought).

With this change in attitude has come a significant number of research materials from both the public and the private sector discussing the potential for community economic development in the Inuit society. Within the public sector, the governments of both Canada (1989a, 1991) and the NWT (1990a, 1990b) have recently developed programs for Aboriginal people, in general, as well as subprograms designed specifically for Inuit communities (also see Lacasse 1993)

Scholarly literature focusing on the capacity for Inuit communities to create effective economic development programs through a concentration upon local resources has been, in general, very positive. For those researchers who have evaluated specific mechanisms of economic development in the Canadian Arctic, both the co-operative and the local entrepreneurship models have been recommended. However, many authors view the modernization of Inuit society based upon the co-operative system as the model which holds the most potential for creating effective development (Lyall 1993; Stager 1991; Whittington 1986). This is largely due to the fact that the communal system of entrepreneurship has been seen as an evolutionary step from the Inuit's kinship-based society. Robinson and Ghostkeeper (1987) also see familiarity with kinship-based society as a great advantage to the development of the "next economy", which focuses on information and services provision. This is such because, according to Robinson and Ghostkeeper, both the

traditional and next economies are based upon generalist skills, co-operative management, and emphasis on the integration of work with the entrepreneur's cultural and personal values.

Another model (Bherer *et al* 1990) sees Development Corporations, at the local and regional levels, as the appropriate mechanism for bringing economic prosperity to the Arctic. A subprogram within CAEDS is attempting to establish Economic Development Organizations at both the local and regional levels in order to achieve a greater community focus.

#### **2.4.2 Within Locality Studies**

Within the second wave of literature comes the first known attempt at examining the isolated village of the Arctic as part of a regional economy. Reeves (1993) shows that the market for muktuk (the skin of the narwhal -- considered a delicacy among the Inuit) has developed beyond the village of Arctic Bay to the extent that over two-thirds of the 1989-90 catch was sold elsewhere in the NWT. Through his analysis, Reeves also shows that the Inuit community is highly integrated into the market economy (also see Hendrie 1993). This has been previously examined, with results showing integration, in statistical studies by Prattis and Chartrand (1990), Stabler (1989), and Stabler and Howe (1990).

The majority of the remaining literature on the Arctic has utilized locality studies to portray how the isolated village is emblematic of the situation within the northern economy as a whole. Quigley and McBride (1987), Smith and Wright (1989), and Myers (1982) look at individual communities and prescribe policy solutions to problems that revolve around the dualism of the Arctic microeconomy. Quigley and McBride's study concentrated on the impact of low capital availability and a low multiplier effect on the traditional country food

sector of Sanikiluaq, a community in Baffin Region. Their conclusions show that the traditional sector makes up 50% of the cash and non-cash economy of the community and the potential for locally-based growth in the service sector of the Arctic microeconomy is very restricted. Following from their conclusion, the researchers claim that the establishment of further subsidies for the traditional sector, in the form of hunter support programs, holds the potential to provide "very large returns on government investment" (Quigley and McBride 1987: 210).

Smith and Wright (1989) and Myers (1982) also show how the traditional sector is important to the modern village microeconomy in the NWT. Smith and Wright found that full-time hunters produce country food at an average cost of \$1.01/kg and part-time hunters produce at \$5.65/kg. Both of these values are considerably less than the substitution value for store-bought meat (\$10.54/kg). Myers used harvest statistics to show that hunters are providing a significant part of the food for communities in northern Baffin Region. She concluded that decision-makers should be giving greater attention to the role of hunters when evaluating development funding mechanisms.

The recent focus on community studies in the Arctic region in the last decade is consistent with an overall trend in geographical literature since the mid-1970s that focuses on locality studies, the "new regional geography" (Gilbert 1988). According to Gilbert, the new regional geography is different from the old because it is no longer merely a tool for knowing about the world, it is an instrument for action. That is, "[i]t attempts to change society through the enhancement of spatial equity . . . Its significance lies in the social relations over and within it, not in the physical entity" (Gilbert 1988: 222).

In her discussion on the renewed emphasis on locality studies, Massey (1993) states that there are few places which can be satisfactorily understood or explained in isolation from the wider context, both national and international. The "links" (as Massey terms them) between the locality and the outside context offer an opportunity to understand not only how the local is affected by the global, but how the actions of local people at the local level are fully implicated in, and thus have some responsibility for, events in, and conditions of, people in lands which may often seem remote. Massey goes on to say that the links with other places are really relations of interdependence and, moreover, of an interdependence that is rarely equal. Through an analysis of these links it becomes possible to understand the degree to which the locality is involved in shaping the interlocking processes by which it is surrounded.

According to Gilbert (1988), there are two ways to approach locality studies: analysis and synthesis. However, to be effective in understanding the region, the two methods must be integrated. Analysis is the selection and in-depth investigation of the particular aspects of social relations in space. Synthesis then involves using the results of the analysis "to draw out the web of relationships that integrates and binds them [aspects of society] to produce spatial differentiation" (Gilbert 1988: 219). The next section will discuss the components of analysis and synthesis that were operationalized within the following research.

## **2.5 Methodology**

The method of evidence collection in the following research is the investigative approach, which applies two different components: historical review and interviewing. In

this case, historical review involved a search of the literature over the past decade regarding the economy and economic policy of Baffin Region. Reconstructing these developments allowed for the comparison and projection of trends in development and development policy. The document search also permitted the verification of information which was obtained during the interviewing process.

Bordesa and Cameron (1980) use interviews in their investigation of regional development policy in Ontario. Their primary goal was to determine the extent that regional development programs are dependent on the actors involved and to what extent they are a function of factors external to and beyond the control of the actors. The authors utilized the investigative technique because it "appears capable of going beyond the structure of society and revealing the key individuals exercising the levers of power, discovering how and why they behave as they do, and making more understandable the outcome of their behaviours" (Bordesa and Cameron 1980: 164).

Moser and Kalton (1971) separate interviewing into two general types: informal and formal. Unlike formal interviewing, the questions asked, their sequence, and wording are not worked out before an informal interview. Eyles (1986) states that the aims of informal interviewing are to ensure that the questions have the same meanings for all respondents and to engage in "conversation" to set the respondent at ease. However, Eyles (1986) is quick to point out that the researcher does not enter the informal interview without a framework. S/he normally carries a checklist of topics to be covered by all respondents. The researcher must, if need be, encourage talk along certain lines. Such interaction takes the form of a conversation and this allows the researcher "to probe deeply, to uncover new clues, to open

up new dimensions of a problem and to secure vivid, accurate, inclusive accounts from informants based on personal experience" (Burgess 1982: 101).

Newton (1994) claims that there are four additional advantages to conducting informal interviews:

- i) many aspects of a subject can be covered (i.e. the breadth of information gathered is greater);
- ii) the answers often include experiences and attitudes; this helps the interviewer see the informants reality;
- iii) the information is provided within a larger context; and
- iv) because of the flexibility of the interview (and thus the opportunity for the interviewer to adjust to problems in the field), most of the contacts can contribute to the addition of knowledge.

More specifically, Newton (1994) found that there are advantages to conducting informal interviews when the informants are Aboriginal and their native tongue is not English.

- i) Structured interviews may allow for only certain terms to be used by the informant. Informal interviews allow the informant to utilize words with accuracy.
- ii) Aboriginal subjects have a different perception of time (see Goehring and Stager 1991). Informal interviews allow the expression of events and not necessarily concrete dates.

On the advice of many transient southerners in Baffin Region and researchers who have had past experience with Aboriginal groups, including the Inuit, the informal interview



was chosen over the formal interview. Previous interactions have shown that "information conversations" appear to be much less intrusive than structured interviews and are more capable of achieving the amount and quality of information desired.

In qualitative-based data collection and analysis, different methods are applied in different situations to produce different kinds of data. Despite the fact that qualitative methods have received more attention since the 1960s (Glaser and Strauss 1967; Lofland and Lofland 1984), Harris (1994), Emerson (1983), and Bordesa and Cameron (1980) have recognized several potential limitations in field research that utilizes qualitative methods

1. The researcher's sampling may be biased. Field research is labour intensive, which limits the number of in-depth interviews that can be undertaken. As a result, the researcher may observe only those phenomena that support his/her theoretical conclusions. Additionally, the researcher's mannerisms, gender, ethnic background, etc. may evoke a certain set of responses to questions.
2. Qualitative research that relies too heavily on the interpretation of culture through textual analysis may be guilty of the same limitation that is ascribed to positivist approaches. Such "representational" techniques may conceal the "practices, motions and interchanges of everyday life" (Jacobs 1993: 840).
3. Reporting conclusions is difficult because sources may have to be protected. In addition, because of ethical agreements between the informant and the interviewer, all evidence may not be able to be used.

Babbie (1986) defined terms for avoiding the potential for the above limitations to influence research. By utilizing a full complement of sources of information and a wide

range of informants, this research was "triangulated". In other words, information from secondary sources was used to verify qualitative data collected during the interview process and vice versa.

"Intersubjectivity" is a norm of social-scientific research that can be achieved through consultation and review of the method and results of the study. If a number of people agree that a certain statement describes reality then that statement is considered to be an objective observation, meeting the criteria of intersubjectivity. Observations on economic development policies and processes were presented to local, regional, and pan-regional representatives. The feedback from these administrators was an integral part of the evidence collection.

"Introspection" is another necessary process when there is considerable potential that the researcher will influence the results of the study. It is important to periodically ask oneself what has been learned and in what direction the information leads (Harris 1994). The researcher must be careful to record the reasons for making key decisions, for example: unexpected events, conversations with people, or readings which may redirect the inquiry. Alternatively, the researcher may make a personal judgement based on past experience. In any case, it is important in field research to evaluate why key decisions were made so that the method can be judged as valid or invalid and subsequent researchers are aware of the methodological choices that were made (Harris 1994).

### **2.5.1 Data Collection**

The first part of the data gathering, which was done largely before and during the field work component, was an examination of economic development policy literature,

government documents, and media clippings that revealed the past and present socio-economic situation in Baffin Region and Pond Inlet. This initial document search helped establish what development programs had been set up in the recent past, who the economic development organizations were [are], and which administrative bodies (either local, regional, pan-regional, or national) initiated, developed, funded, and implemented the programs and projects.

Field work involved two weeks in each of Iqaluit and Pond Inlet, NWT. Iqaluit (population: 3,500) is the largest community in Baffin Region (total population: 11,000) and acts as a commercial, transportation, and government centre. As a result, Iqaluit was the best place to speak with regional and pan-regional representatives from government and business. In addition, most of the key information on Baffin Region was found in the Iqaluit Centennial Library. This library holds back-issues of the *Nunatsiag News* (the weekly newspaper serving Baffin, Keewatin, and Kitikmeot regions since 1972) and its business supplements. However, this collection was incomplete between 1972 and 1987, inclusive, when the library began a regular subscription. The Centennial Library also carried a select number of consultant's reports on the state of the GNWT and federal and territorial economic policy. The last source of literature on the historical development of the Baffin economy and economic policy were the holdings of the Science Institute of the NWT in Iqaluit.

Pond Inlet itself acts as a subregional centre for two organizations. The Area Economic Development Officer (AEDO) for the GNWT Department of Economic Development and Tourism (DED&T) uses Pond Inlet as a base to service the communities

of Pond Inlet, Grise Fiord, and Resolute. As well, BRIA has its North Baffin Office in Pond Inlet. As much as possible, interviews with individuals in Pond Inlet focused primarily on the situation at the community level of the economic development structure. Also, the public library in Pond Inlet contained a couple of helpful reports on the community.

Interviews were conducted in English with both Inuit and non-Inuit administrators. All Inuit interviewees had lived in the Northwest Territories their entire life. Non-Inuit informants averaged ten years living in Baffin Region; the shortest length of stay for an informant was five years.

Baffin Region was chosen for this analysis because of two main reasons. First, this region is isolated, with respect to the major centres of the Canadian economy; and it is impoverished in terms of economic well-being (with respect to the rest of Canada). As such, Baffin Region has been the target of many economic development programs in the past and there is no indication that this support will be withdrawn in the future, at least as long as current conditions persist. Resulting from this intense pressure to develop, a distinct structure has been created for the implementation of governmental programs. Within this structure, subprograms of CAEDS (Canada 1989a), "Building on Strengths" (GNWT 1990a), CFC, and the joint Canada-NWT EDA have begun to focus on community initiatives which are attempting to provide more decision-making power for actors at the community level. Thus, the second reason for study in Baffin Region is that there is evidence of an active pursuit for community-based development programs in these communities.

Pond Inlet was chosen out of the available communities mainly because research showed that, relative to many other Baffin Region settlements, there were considerable

economic forces currently acting within, and from, Pond Inlet. For example, Pond Inlet has a successful co-operative that has extended its holdings into other Baffin communities (a hotel and souvenir shop in Iqaluit) and there has been a recent attempt to increase local inputs in the construction industry. In addition, the DED&T has set up an office in Pond Inlet to help potential and existing businesses with financing arrangements.

### **2.5.2 Data Analysis**

Transcripts of each interview session were made, which were later analyzed for their content. In order to maintain the anonymity of the informants, each transcript was designated a letter of the alphabet (A through N). Within this paper, the letter is the only reference to the informants. Using the process of intersubjectivity, comments that were made by several informants were extrapolated from the transcripts and used as objective statements within this paper. Information gathered from the historical review was used to support interviews and vice versa. This was particularly helpful when one particular informant's comments were unique.

Several themes were focused upon to decrease the amount of time required for the secondary document search, which was necessary in Iqaluit where library hours were limited and the number of reference documents was large. Information that was deemed to be of the greatest importance were those that made reference to specific governmental economic development programs, government operation in general, economic development organizations, efforts at business creation, self-help efforts, and community-based initiatives. In other words, evidence that supported the importance of (or lack thereof) the structure that has developed in the region and the agency that may (or may not) be in place.

## **2.6 Conclusion**

This chapter has outlined the various issues that are significant within this research. The concepts of agency, structure, locality, and decentralization will have an important role in the remainder of this paper. As defined earlier, agency is the ability of individuals to garner active power for their cause; structure is the organizational framework within which agency attempts to operate; a locality is the place where agency attempts to operate; and decentralization is an attempt by organizations in the upper-echelon of the structure to provide a locality with the power of agency. In actuality, these definitions become a part of a process similar to one designed by Canadian policy-makers over the last decade whereby decentralization is the policy that is put into practice in the locality to stimulate agency within the structure. If the policy operates as anticipated, following from the research that has been completed on community economic development, then the results will be positive economic development for the community.

Decentralization is a critical component of Trade Theory, the focus of Canadian policy-makers, which empowers communities to capitalize on their own comparative advantages. Another aspect that has been recognized in recent literature as an important element for successful economic development initiatives is interorganizational collaboration.

The modernization of the Arctic economy over the last fifty years is another significant issue. The major result is that a structure based upon bureaucratic decision-making (southern Canadian-style and run primarily by non-Inuit) has been put into place. Consequently, in order for the Arctic economy to become a player in the Canadian (and

global) economy there has been emphasis placed on the integration of the Inuit into the structure.

The Inuit are now players in the global economy. For example there have been significant attempts to export northern goods and bring in non-Inuit tourists. In addition, western medicine, classroom education, and modern transportation have all had major impacts on the Inuit lifestyle. However, with all of these outside pressures, the Inuit have managed to preserve important aspects of their culture. The informal economy has survived and is still an important contributor to the northern economy. Traditional activities such as games and music have survived. Perhaps most importantly, Inuktitut is still the major method of communication between the Inuit even though most Inuit born during and after the 1960s have a solid grasp of the English language and very little media is delivered in Inuktitut.

Overwhelmingly, the results of contemporary research in the Arctic oppose previous approaches to modernizing the Inuit economy. These findings, as well as ones that will be presented in the next chapter, have shown that within Inuit communities, the best way to build the economy is to focus on small-scale development that utilizes generalist skills and also allows the promotion of the traditional economy.

Several other models for economic development have been proposed for the Canadian North. These include development corporations and co-operatives. These types of organizations are already in place in Baffin Region and the various role players will be the emphasis for the remainder of this paper. The economic development structure and the organizations within it were the main focus of the research. The two methods of evidence

collecting and analysis, informal interviewing and historical review, were discussed in the latter part of Chapter Two.

Chapter Three will set the groundwork for the analysis in Chapter Four by describing the economy of Baffin Region. As well, Chapter Four will outline the economic structure that has been established.



## **Chapter Three -- Economic Development in Baffin Region**

### **3.1 Introduction**

In 1939, the Supreme Court of Canada ruled that all Eskimos<sup>2</sup> on Canadian soil were Indians under British North America Act Section 91(24) and, therefore, were declared a responsibility of the federal government. Inuit and Indian programs were shifted to the Northern Administration Branch of the Department of Resources and Development in 1950, which argued that "there should be a uniform policy for all Eskimos in regard to education, welfare, and economic problems accompanied by an integrated development of the whole Eskimo group" (Clancy 1987: 192).

During the 1950s, there was growing public awareness of the plight of the Inuit. There were an increasing number of reports concerning starvation among certain Inuit groups (Clancy 1987) and growing awareness of a large tuberculosis outbreak, which, Health and Welfare Canada records indicate, caused the institutionalization of 4,800 Canadian Inuit -- about half of the estimated Inuit population (Swiderski 1989).

The severity of these issues brought the federal government to the realization that some type of economic development policy was required for the Arctic regions. This chapter will focus on the changing economic development policies in Baffin Region during the post-World War II era.

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<sup>2</sup> 'Eskimo' is a term that the European explorers gave to the people who lived in Arctic regions. To the people of the Arctic this term connotes a meaning of 'one who eats raw meat'. The people of the Canadian Arctic prefer to call themselves 'Inuit', which means 'people of the land'.

Preceding this elaboration on policies, the discussion will involve a description of the economic situation that the policies are attempting to ameliorate. There are several impediments to economic development in Baffin Region, including: a difficult market structure, a shortage of skilled labour, a lack of financial services, and a lack of entrepreneurial understanding and spirit. Over the last two decades, the importance of the traditional economy has been emphasized by researchers who have contemplated NWT economic development policy (P.J. Usher Consulting Services 1989; Quigley and McBride 1987). The implications of the mixed economy will also be examined.

Within Baffin Region there are many organizations that have been given the responsibility to ameliorate one or more of the above impediments to development. The mandates, goals, and strategies of these organizations will be briefly discussed in the last section of this chapter.

### **3.2 The Present State of the Baffin Region Economy**

There are many challenges to overcome in order to stimulate economic development in Baffin Region. Most of the communities in the region have similar structural properties and market composition. However, relative to the rest of Canada, these influences are atypical and Southern economic development policies and loan programs have had difficulty improving the unique situation of Baffin Region (Huestis 1991). For ease of discussion, the most serious impediments will be divided into four sections -- market structure, shortage of skilled labour, absence of financial institutions, and a shortage of entrepreneurial understanding and spirit.

### **3.2.1 Market Structure**

The small population size of communities in Baffin Region has had a significant ramification on their ability to stimulate internal development. The GNWT (1990a) estimated that 500 or 600 people is the minimum market size required for the viability of many types of businesses. However, nine of the fourteen communities in Baffin Region (representing over 28% of the total population) have less than 600 people (see Figure 1.1) (Statistics Canada 1992). Only two communities (representing 42.1% of the region's population) are larger than 1,000 people. Add to this the fact that 39.5% of the entire population is under the age of fifteen, and thus are generally dependent upon another person's income, and one quickly realizes that there is not a very large regional market (only about 6,700 people in total) for business to rely upon. It is true that the population of Baffin Region is growing at rates that are equivalent to those seen in countries like Kenya and Zambia. Nevertheless, as was shown in the previous chapter, it will take many years before the dependents (those under 15 and over 65 years of age) become the minority in the population pyramid of Baffin Region.

Another structural impediment to efficient development is that transportation to the communities is extremely expensive. For the most part, communities are only commercially accessible by air or ship; a twenty kilometre road between Arctic Bay and Nanisivik is the only year-round highway in Baffin Region. Because of its lower cost, transport by a ship is preferred to that by an airplane. In most of the communities outside of Iqaluit (including Pond Inlet) a ship brings supplies only once per year. Any missed components, supplies, or inventories must be brought in by an airplane, and the associated cost increases can quickly

eat profits. Normally, inventory decisions must be made no less than three months ahead of the sealift's arrival. This creates annual problems in forecasting, storage, and financing a very large purchase for which returns will not be seen for many months.

### **3.2.2 Shortage of Skilled Labour**

The GNWT (1990a) feels that because of the non-renewable resources sector, the requirements for infrastructure, and operation of the government, job creation is not a difficulty. Therefore, if there was a sufficient supply of skilled labour, unemployment would not be a problem. By using the level of formal education as an indicator of skill level, it becomes apparent that there is a lack of skilled labour in Baffin Region. The Aboriginals category includes Inuit and several Indian groups, however, the Inuit comprise 69% of the Aboriginal group in the NWT (Statistics Canada 1992). As a result, this figure seems representative of the Inuit population. The facts are telling – over 90% of Aboriginals in the NWT do not have a formal schooling certificate of any kind<sup>3</sup> (see Table 3.1).

Attempts are being made to change the educational problem with the establishment of high schools in more communities (Pond Inlet's opened in 1992), an Arctic College campus in Iqaluit, adult education centres in other communities (including Pond Inlet), and the availability of numerous scholarships to Inuit students wishing to pursue higher education in southern Canada.

Added to the difficulty of finding suitable jobs for skilled people is the seasonality of the Arctic climate. Although positions in government administration and non-renewable

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<sup>3</sup> Some of the discrepancy between the Aboriginal and Canadian figures may be due to the youthfulness of the Inuit population.

**Table 3.1 -- Highest Educational Attainment in Canada and the Northwest Territories (of those 15 years and older)**

Educational Attainment	Canada	Northwest Territories	Aboriginals Within NWT
No degree, certificate, or diploma	40.6%	50.6%	>90%
Secondary Certificate	23.3%	13.5%	6%
Trade certificate or diploma or other non-university	22.7%	24.9%	n.a.
University certificate or bachelor's	9.5%	8.0%	<1%
University certificate or diploma above bachelor's	1.2%	1.0%	n.a.
Master's, medical, or doctorate degree	2.7%	2.0%	n.a.

n a = not available

Sources: GNWT (1990a), Statistics Canada (1993)

resource exploitation are not affected, outdoor activities, such as tourism and carving are only possible during the short summer season. Construction is even further limited by the fact that materials can only arrive by ship, which arrives in late summer (August in Pond Inlet). Because of the frigid temperatures and shortened daylight hours that are present as early as October, construction can only occur for a couple of months every year.

### **3.2.3 Absence of Financial Institutions**

Outside of Iqaluit (which has a branch of the Royal Bank of Canada and a branch of the Bank of Montreal is currently under construction), there are no banks, trust companies, or credit unions in Baffin Region. Potential entrepreneurs in some communities have to travel over 1,500 kilometres to present a business plan to a loan officer. This isolation has placed a large obstacle in the path of business people who are trying to become active in an atmosphere where the Royal Bank is already "unwilling to finance commercial mortgages and is a very conservative business investor" (Iqaluit branch manager Louis Courtemanche; cited in Spence 1989a: 1). Other banks may be willing to lend money to Baffin businesses, but entrepreneurs will normally have to go to Yellowknife or a larger southern Canadian centre.

The lack of venture capital has been recognized by most of the economic development organizations in Baffin Region. They are attempting to eradicate the problem through loans and grants. In addition, Arctic Co-operatives Limited (ACL) is trying to establish a network of credit unions in the NWT. These enterprises would work alongside the local co-operatives (Lyll 1993).

### **3.2.4 Lack of Entrepreneurial Understanding and Spirit**

One of the main thrusts behind community economic development is the stimulation of locally-based businesses. In order to be successful, each stage of the entrepreneur's business development -- an implementable idea, sufficient capital, and the ability to make the idea and the capital perform -- must be fulfilled. Each stage requires an understanding of the existing micro- and macro-economic situation, the information and capital resources which are available to the entrepreneur, and potential competition. An entrepreneur may initiate the project with outside financial support, but, if the venture is going to help the entire economy it must eventually become self-sufficient. Ideally, the business will create profits that can be reinvested into the business and/or the community.

Evidence from many of the interviews (C, E, G, H, and K) suggests that there are many business ideas circulating within the communities, but as one respondent said, "most lack forward vision". The lack of desire to push a business idea into the next stage may be a product of a lack of entrepreneurial spirit (requirement for a challenge and a willingness to take risks and live a demanding lifestyle). Motivation may be low because there is little of material consequence to spend money upon (for example, mortgages are not available to residents, all-terrain vehicles and snowmobiles are cheaper and more useful than automobiles) and hoarded cash is the focus of family pressure for sharing (Huestis 1991, Interviews A, C, and E).

### **3.3 The Informal Economy and Its Implications on Development**

The informal traditional economy (food and fuel gathering, tool making, etc.) is no longer the sole means of support for the Inuit; however, it still plays an integral role in their survival (Abele and Usher 1988, Canada 1980a; Cox 1985; Gee 1994; P. J. Usher Consulting Services 1989; Quigley and McBride 1987; Rees 1989; Smith and Wright 1989). Gee (1994) placed the value of hunting, fishing, and trapping in Nunavut at \$62 million annually. Within some Arctic communities, the informal economy contributes over \$10,000 per annum to household income (Abele and Usher 1988) and composes an average of fifty percent or more of the productive economic activity of each household (Canada 1980a). In terms of net benefit, the \$62 million in market value is offset by annual costs of only \$25.1 million (Gee 1994).

Rees (1989) and Quigley and McBride (1987) concluded that the informal economy was critical to the long-term survival of the Inuit community. Rees (1989: 65) noted that the traditional Inuit economy was "a system of economic mutualism characterized by cooperative [sic] production and shared consumption". Such internal redundancy and diversity serves to spread both the risks and the unreliable natural bounty of the northern environment.

Quigley and McBride's (1987) argument in favour of the traditional economy was based on the ability of the informal sector to absorb relatively large amounts of labour at relatively high wage levels. "Moreover, no other sector of the economy appears to hold the potential to expand employment . . . at the rate necessary to provide jobs to the rapidly increasing population" (Quigley and McBride 1987: 209). On the other hand, given the low



reproductivity of Arctic wildlife (Abele and Usher 1988), the unanswered question remains as to whether or not such harvesting is sustainable.

Stabler (1989) noted that over-participation has pushed marginal productivity of the traditional economy to a very low level. Stabler's survey results also show that those who participate in the traditional pursuits are older, hold fewer jobs in the modern sector, and have less formal education. Suluk (1987), an Inuit elder, also writes that because of formal educational requirements, the youngest generation is not participating in the traditional economy as habitually as did their parents and grandparents. It could be argued that the four impediments to formal sector development, which were outlined in Section 3.2, are, for the most part, having a negative affect on the informal sector (see Table 3.2) This is further evidence that the two economies are intricately woven together.

For the most part, the issue of gender is non-existent in the quantification of the informal economy. When the value of the informal economy has been assessed it usually stops at the hunting, fishing, trapping, and carving, which are typically male-dominated activities. However, many informants have responded that roles which are traditionally female, such as making clothes and instruments, stitching, and sewing save families a significant amount of money (Interviews C, E, G, and H). As this goes unnoticed, development practitioners interested in expanding the formal sector through micro-enterprises may be missing a great opportunity to integrate the informal and the formal economies. The types of activities listed above already employ several people and the potential is there to make them formal initiatives.

**Table 3.2 -- The Four Impediments to Economic Development in Baffin Region and Their Affect on the Formal and Informal Sectors**

Impediment	Affect on the Formal Sector	Affect on the Informal Sector
Market Structure	<ul style="list-style-type: none"> <li>* small population size restricts import substitution options</li> <li>* expensive transportation within and outside regional market limits a community's export potential</li> <li>* problems with short-term liquidity during annual inventory purchase</li> </ul>	<ul style="list-style-type: none"> <li>* small population size increases the ability to provide everyone with country food</li> </ul>
Shortage of Skilled Labour	<ul style="list-style-type: none"> <li>* Inuit cannot fill most job vacancies in government or business</li> </ul>	<ul style="list-style-type: none"> <li>* growing inexperience among the younger generation may create future difficulties in harvesting</li> </ul>
Absence of Financial Institutions	<ul style="list-style-type: none"> <li>* lack of venture capital to start a business</li> </ul>	<ul style="list-style-type: none"> <li>* inability to obtain loans to purchase the required capital</li> </ul>
Lack of Entrepreneurial Understanding and Spirit	<ul style="list-style-type: none"> <li>* potential inability to make the business self-sufficient</li> </ul>	<ul style="list-style-type: none"> <li>* disadvantaged in their dealings with businesses who provide capital, repairs, etc.</li> </ul>

Source: Blais (1995)

Participation in the formal economy has increased to the point where there is a significant amount of the Inuit population involved. A sample of formal participation in the northern economy was undertaken for five Inuit communities in Baffin Region using the *NWT Business Directory* (Orion Data and Communications 1990). The results indicate that nearly 28% of the population over fifteen years of age are employed in the modern formal economy (see Table 3.3). The notion of seasonality becomes evident when comparing the last two columns. When the season goes from summer to winter, there is a decrease in participation in the formal sector of 27.9%. Unfortunately, there is no data to examine the impact of seasonality on the informal sector, but it is hypothesized that the change would not be as significant even though the pace of hunting, fishing, trapping, and carving activity slows. Formal sector participation rates in Pond Inlet are above the average at nearly 30%. The above data includes the non-Inuit within the communities, however, they constitute an average of only 7.7% of the total population of each community (Statistics Canada 1992).

Using 1987 T4 summaries from the co-operative, housing association, and Hamlet, Huestis (1991), who was the AEDO in Pond Inlet during the late 1980s and early 1990s, was able to ascribe 96% of the income within Pond Inlet to individuals. Huestis, feeling that Employment Canada's employment figures were inadequate to describe the situation in a mixed economy devised his own framework.<sup>4</sup> Huestis established four levels of employment:

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<sup>4</sup> In Pond Inlet, and most other communities in the Northwest Territories, individuals do not register as looking for work because they know when opportunities are available. When there is a job opening it does not take a long amount of time for most of those interested to find out about it (Interviews D, E, F, G, K, and L).

**Table 3.3 -- Sample of Community Participation in Baffin Region's Formal Economy**

Community	Population Older than 15	Formal Sector Employment			% of Population in the Formal Sector	Winter Participation Rate (%)	
		Full-Time	Part-Time	Seasonal			Total
Arctic Bay	280	35	23	16	74	26.7	20.7
Cape Dorset	555	113	23	34	170	30.6	24.5
Clyde River	325	40	7	12	59	18.2	14.4
Hall Beach	295	37	8	31	76	25.8	22.0
Pangnirtung	685	116	13	73	202	29.5	18.8
Pond Inlet	525	86	17	53	156	29.7	19.6
<b>Total</b>	<b>2665</b>	<b>427</b>	<b>91</b>	<b>219</b>	<b>737</b>	<b>27.7</b>	<b>19.4</b>

Average Sample Community Population: 785

Average Baffin Region Community Population: 796

Sources: Orion Data and Communications (1990), Statistics Canada (1992)

- (i) **Employed** -- A person who earned more than \$10,000 in a year (minimum wage (\$5) multiplied by full-time hours in one year (2,000)).
- (ii) **Under-employed** -- A person who earned \$5,000-\$10,000.
- (iii) **Non-employed** -- A person who earned less than \$5,000.
- (iv) **Supported** -- A person who earned less than \$10,000, but whose wage income for the family unit exceeded the average family wage income for the year (\$17,035). This category covers individuals whose spouses earn enough so that they do not have to become involved in the formal economy.

Huestis' results were as follows:

employed	26%
supported	15%
under-employed	4%
non-employed	54%

Huestis' figures, which show that there is 45% employment in Pond Inlet, are somewhat in line with Indian and Northern Affairs' (Canada 1989b) estimates. That report found that 40% of Inuit were employed in the formal sector in 1986.

With the commodities boom in the NWT during the 1970s and the assumed imminence of major oil and mineral reserves, the demise (or, at least, the increasing irrelevance) of the traditional economy was generally assumed, and apparently little mourned by government and industry (Aird 1989). However, it still appears that both the traditional and modern economies are important to the Inuit. While the traditional economy is in a phase of decreasing participation, the modern economy has seen an increase in participation. Hendrie (1993) argues that the two sectors are compatible. She believes that

capitalism is adapting to the Inuit way of life, not vice versa. Certainly, past approaches to development were not sensitive to traditional values. Whether or not current approaches to economic development have been adapting to the Inuit culture has yet to be proven. In order to be accepted, capitalism may have to adapt. The Inuit, especially the older generations, may hesitate to participate if they think that they are involved in a system that opposes their Aboriginal beliefs (Lockhart 1982, 1985; Bean 1989; McMillan 1991).

### **3.4 Economic Development Policy in Baffin Region**

#### **3.4.1 The Beginnings of a Community-Centred Framework**

In 1967, after the recommendations of the Carrothers report, the Government of Canada announced its new commitment to northern political development. It was agreed that the Commissioner would hold the rank of deputy minister within the NWT and report directly to the Minister of the Department of Indian Affairs and Northern Development. A Territorial Civil Service would be created in the north and administrative functions would be transferred to it from the federal government. This development set the stage for the creation of the Northwest Territories' Legislative Assembly in Yellowknife.

In 1970, Yellowknife assumed responsibility for the eastern Arctic, including Baffin Region. A regional centre was established in Iqaluit and supported by Area Administrators, with advisory councils at the local level. The concept of community councils was based on the belief that they would form the nucleus of future municipal councils (Swiderski 1989). Today, all of the communities in Baffin Region have been incorporated with hamlet or similar status and each has a municipal council.

One of the major recommendations for the design of the GNWT was the creation of a Department of Local Government. Its mandate included the development of politically workable and administratively self-sufficient communities. During the early 1970s, "advances were made in regaining control by [A]boriginal organizations and communities

While only marginal gains were made in absolute terms, organizations and communities began to show signs of contributing to the process of agenda setting, rather than just reacting to them" (Swiderski 1989: 464-465). Although powerlessness continues to be a central issue to the Inuit (Purich 1992; Swiderski 1989), increased awareness of their condition since the early 1970s can be clearly seen through Berger (1977) (cited earlier) and as recently as the signing of the Nunavut Agreement in 1993. Even though emphasis has been placed upon community participation, the most recent economic development initiatives have been designed by the territorial and federal governments

#### **3.4.2 Territorial Initiatives Directed at Baffin Region**

Using the Special Committee on the Northern Economy's (SCONE) Report (1989b) as its pivotal document, the GNWT has developed guidelines for economic development planning (GNWT 1990a). Their program, called *Building on Strengths* has a five year running-time. R.T. & Associates' (1989) consulting report to the SCONE, recognized that the GNWT's previous strategy was working well in the larger communities, but it was not working very well in the smaller, more remote communities. Following up on this finding, the SCONE Committee concluded that there were four reasons why the previous business development strategy had failed in the underdeveloped communities. First, the GNWT assumed that the people had the basic education and skills that were needed to take on the

responsibilities of running a small business. Secondly, the GNWT assumed that the entrepreneurial spirit previously existed in the small communities. Thirdly, the GNWT assumed that there was a large enough population base and adequate access to capital and business support services in the smaller communities. Lastly, the GNWT realized that business development cannot stand alone. In other words, it must be part of a more integrated approach, which combines education, training, social services, and co-operation between the public and private sectors.

Before the SCONE Report, there was a plethora of programs, none of which combined the interests of tourism and economic development. SCONE (1989a) outlined nineteen different ongoing DED&T programs. The largest budgets were for the Business Loans and Guarantee Fund, the Eskimo Loan Fund, and the Financial Assistance to Business Program. Most of the nineteen programs dealt with funding businesses (both small and large) who lacked sources of conventional business funding. These had to be integrated to become manageable.

The approaches were collapsed into a few new programs in order to minimize red-tape for entrepreneurs seeking business loans (Smellie 1990b). Today, contributions are available from the Business Loan Fund and the Business Development Fund (BDF). In addition, the Business Credit Corporation provides debt financing to new or established businesses who are unable to get commercial loans. The BDF helps meet the capital needs of business during all phases of the business life-cycle.

According to the DED&T, previous efforts were sector specific, focusing on arts and crafts, renewable resources, and tourism. However, because the business life-cycle is not



sector specific, the Department now focuses on positioning the business within this model. Now, when a Department representative examines a business in need of help, s/he knows the situation and the problem becomes easier to resolve. However, aid can only come in a small form; DED&T's current program in Baffin Region is \$400,000 over the next thirteen years.

### **3.4.3 Federal Initiatives Directed at Baffin Region**

Established in 1989, the CAEDS is the federal government's latest attempt at increasing long-term business and employment opportunities among Canada's native people (Canada 1989a). The government has committed \$873.7 million towards integrating the Native Economic Development Program (NEDP) and the Special Agricultural and Rural Development Agreement (Special ARDA) (Smellie 1990a). The CAEDS is being implemented through the co-operation of three different departments: Canada Employment and Immigration Commission; Industry, Science, and Technology Canada; and the Department of Indian and Northern Development.

The Kakivak Association (based in Iqaluit) is the Community Economic Development Organization (CEDO) which was established to deliver the CAEDS funding to the Inuit of Baffin Region. The purpose of a CEDO is to act as go-between; to help individuals and companies obtain funding from the government (Rigby 1990). However, the CAEDS places a large emphasis on Aboriginal participation in the design and delivery of programs.

The Auditor General of Canada (1993) concluded that, after being implemented for three years, the CAEDS had not met its objectives in several areas. Problems with the

strategy, which have been voiced by many business and governmental representatives in Baffin Region, include:

- (i) Unequitable distribution of funding -- in 1992, 18% of the CEDOs in Canada received 38% of the \$53 million of available funding (Interviews A, G, and K);
- (ii) Conditions for funding do not consider the applicant's socio-economic situation -- applicants are required to demonstrate the commercial viability of their projects using standard business criteria, such as return on investment, debt-equity ratios, and gross profit (Interviews A, D, and K); and
- (iii) Complicated application forms -- approximately three-quarters of the Aboriginal population have not completed high school (Interviews D, E, G, and K).

The federal government also has the Federal Business Development Bank (FBDB), a Crown corporation that helps business through Counselling Assistance to Small Enterprises (CASE). CASE helps businesses improve their management capability by providing hands-on business counselling and guidance in marketing, production, inventory control, etc. (Anon 1994a). It is significantly geared to larger businesses with strong management and strong growth potential (venture capital provided is generally over \$100,000). FBDB purchases shares in the business and must be able to sell them once it achieves a satisfactory rate of return and the company has received a desirable profit. The nearest FBDB office is in Yellowknife; however, in the past, representatives of the FBDB have made trips to the annual Nunavut Trade Show in Iqaluit.

Thirdly, the Government of Canada, through its CFC program, has established the Baffin Business Development Centre (BBDC). This Centre can provide loans up to \$75,000

to new and expanding businesses in Baffin Region. However, funding capabilities are small (Anon 1991b). Begun in 1991, the BBDC will have to apply for continued assistance after the program concludes in 1996.

#### **3.4.4 Joint Federal/Territorial Initiatives Directed at Baffin Region**

"Federal programs based on national priorities (which are ostensibly founded on new sectoral and occupational realities) are unlikely to benefit the North, since its economic realities are so different . . . thus, a federal presence in the northern economic development programmes is more appropriately achieved through joint federal-territorial initiatives" (Aird 1989: 262). Aird outlined the reality which the federal government faced in the mid-1980s. In 1987, the GNWT and the federal government signed a three year, \$35 million EDA, which split the cost of economic development programs 70%-30%, respectively. The GNWT is responsible for the implementation of the EDA. During its early implementation, the program was highly criticized by businesses and government (Aird 1989, Curwin 1989, Spence 1989b). This was because of the slow turn around time for completed applications, the lack of support for the eastern NWT, and the fact that it did not take into account the realities of doing business in small northern communities (many of the same problems that the CAEDS faced a few years later). Due to these problems, \$15 million of the \$35 million available for funding was not used. However, the EDA Secretariat vowed that these difficulties would be rectified (Spence 1989b) and a five year, \$38.5 million agreement was signed in 1991.

Clearly, this is the largest amount of money available to business-people in Baffin Region. An applicant can apply within any one of six initiatives: Management Training,

Cultural Industries, Community Sponsored Development (CSD), Wildlife Resources, Agriculture, and Fine Arts, Crafts, and Souvenirs. According to DED&T representatives, the CSD initiative takes up most of the Baffin Region's budget. Within CSD are six programs: Business Physical Infrastructure, Business Services, Business Service Centres, Board of Directors Skill Upgrading, Traditional Economy, and Environmental Industries. Some of these are geared to individuals and some are geared to organizations, such as the Hunters and Trappers' Association (HTA). The DED&T stresses that the EDA is the most compliant of all available initiatives and that the programs within it are much more flexible now than in the past.

### **3.5 The Role Players and Their Mandates**

There are ten organizations that play a role in proposing, planning, and delivering programs and policies that affect economic development in Baffin Region. Table 3.4 lists those organizations as well as their mandates or mission statements and their major objectives. The contents of this table are mainly from published material, but they have been augmented with information from interview sessions.

#### **3.5.1 Baffin Business Development Centre**

The BBDC (opened in 1991) is a five year program initiated by the Community Futures program of the Government of Canada. New and expanding businesses can apply to the Centre, whose office is in Iqaluit, for up to \$75,000 in loans. In addition to providing technical assistance to businesses, other areas of funding include joint venture assistance and help for potential entrepreneurs who need time to develop their business ideas.

**Table 3.4 -- Mandates and Objectives of Organizations Involved in the Economic Development Process in Baffin Region**

Organization	Mandate or Mission Statement	Objectives
Baffin Business Development Centre	To promote, finance, and advise small and micro-businesses throughout the Baffin region.	<ul style="list-style-type: none"> <li>* to assist in the establishment, expansion, and stabilization of small businesses through the provision of technical and advisory services</li> <li>* to administer an investment fund to assist in the establishment or expansion of small business by providing loans, equity, and guarantees</li> </ul>
Chambers of Commerce (Iqaluit, Baffin, Nunavut, and NWT)	Each has their own specific mandate, but all four are lobby and business promotion organizations.	<ul style="list-style-type: none"> <li>* promotion of local and northern business to both individual consumers and government</li> <li>* improve and increase the flow of information from business to government and vice versa</li> <li>* participate in proposed policy changes that affect businesses in the NWT</li> </ul>
Department of Economic Development and Tourism, Government of the Northwest Territories	To promote, develop, and establish a healthy, expanding, and diversified economy compatible with northern lifestyles and aspirations while maximizing the use of the human, natural, and cultural resources.	<ul style="list-style-type: none"> <li>* development that is both community- and regionally-based, and reflects community values, but is regionally-directed</li> <li>* development must be sustainable</li> <li>* integrated strategic planning at all levels of the economy</li> <li>* development that reflects an entrepreneurial spirit (especially small business) and uses appropriate technologies</li> <li>* support for renewable resources sector</li> <li>* to better position the economy to take advantage of non-renewable resource development projects</li> </ul>

<p>Development Corporations -- Nunasi (Nunavut Tunngavik Incorporated) and Qikiqtaaluk (Baffin Region Inuit Association)</p>	<p>Each attempts to invest Land Claim money in a manner that will provide the greatest benefit to the Inuit of Baffin Region (Qikiqtaaluk) and Nunavut (Nunasi)</p>	<ul style="list-style-type: none"> <li>* to help establish new markets for Northern goods and services while looking for innovative ways to increase employment opportunities</li> <li>* to help foster more Inuit participation in business</li> </ul>
<p>Local Hunters and Trappers' Associations</p>	<p>To control quotas and bylaws set down by the GNWT Department of Renewable Resources</p>	<ul style="list-style-type: none"> <li>* to process meat and distribute it to the community and potential export markets</li> <li>* to administer the Harvesters' Support Program</li> </ul>
<p>Kakivak Association</p>	<p>To respond to the community economic development needs of Baffin Region Inuit.</p>	<ul style="list-style-type: none"> <li>* to provide knowledge about business training programs and funding programs</li> <li>* to provide assistance in planning and organizational development</li> <li>* to provide expertise on how to present business proposals for assistance</li> </ul>

<p>NWT Co-operatives (Arctic Co-operatives Limited and NWT Cooperative Business Development Fund)</p>	<p><b>ACL:</b> To be the vehicle for service to, and cooperation amongst, the Northwest Territories Co-operatives, hence, providing leadership and expertise to develop and safeguard the ownership and participation of the northern people in the business and commerce of their country, to assure control over their own destiny.</p> <p><b>NWTCBDF:</b> To provide financial services to our member owners so that they may help each other achieve and maintain financial stability, sound business practices and operational growth</p>	<p><b>Arctic Co-operatives Limited:</b></p> <ul style="list-style-type: none"> <li>* to assure the highest long-term return for the arts and crafts of our members and explore appropriate developmental opportunities such as petroleum distribution, construction contracts, and joint ventures</li> <li>* to provide merchandise and support services to members in a most economical and efficient way</li> <li>* to develop and maintain effective communication and liaison with member Co-operatives, government, native organizations, and other Co-operative organizations</li> <li>* to initiate the operation of credit unions throughout the NWT</li> </ul> <p><b>NWT Co-operative Business Development Fund:</b></p> <ul style="list-style-type: none"> <li>* to participate in the education and training of individual members, elected officials, and employees</li> <li>* to develop and maintain effective public relations programs</li> <li>* to generate adequate savings and increase member equity</li> <li>* to provide minimum financing consistent with the members' needs over the shortest period of time, and to leverage other financial institutions and government programs to supply the main portion of the funding</li> </ul>
<p>Nunavut Implementation Training Committee</p>	<p>To develop the Inuit workforce through a training program</p>	<ul style="list-style-type: none"> <li>* to manage the \$13 million training trust</li> <li>* to complete an implementation training study</li> <li>* work with governments on the development of Inuit employment plans under Article 23</li> <li>* establish and maintain support measures for increased Inuit employment in government</li> </ul>

Nunavut Trust	To invest and manage money received from the Government of Canada through the Nunavut Land Claim.	<ul style="list-style-type: none"> <li>* to invest Land Claims money and administer a portion to its three main beneficiaries: Nunavut Tunngavik Incorporated, the elders' pension trust fund, and the Harvesters' Support Program</li> </ul>
Sinaaq Enterprises Incorporated	To pursue business opportunities that will make a positive economic impact on the Inuit of Canada.	<ul style="list-style-type: none"> <li>* assisting and supporting the regional economic development organizations</li> <li>* co-ordinating CEDO planning among the Inuit regions</li> <li>* maintaining an on-going advocacy and negotiating capacity</li> <li>* identifying and securing additional sources of funding to support Inuit economic development</li> </ul>

Sources: Aird (1989); Anon (1991a, 1991c, 1994b, 1994c); Arctic Co-operatives Limited and NWT Cooperative Business Development Fund (1992, 1994); Edgar (1989); Gee (1994); GNWT (1989); Kakivak Association (1994); Kakivak Association, Economic Development and Tourism -- Baffin Region, and Baffin Business Development Centre (?); McLeod (1994); Qikiqtaaluk Corporation (1991); Sinaaq Enterprises Incorporated (1991); SCONE (1989); Spence (1990)



Daily operations are conducted, in both English and Inuktitut, by one manager and an assistant, but funding decisions are made by a committee. The seven committee members represent the interests of business, women, and social services in Baffin Region.

### **3.5.2 Chambers of Commerce (Iqaluit, Baffin, Nunavut, and NWT)**

Business owners within Baffin Region have the choice of four Chambers of Commerce with which to be associated. The Chambers have become involved in the economic development of the region largely by lobbying and advertising on behalf of their members. For instance, they have had a significant impact on GNWT and consumers' buying patterns by pushing the "Buy North" policy (Edgar 1989). In addition, they have assessed the impacts of proposed government policies on business (e.g. Business Incentives Policy, Liquor Act Amendment, Baffin Economic Strategy, recycling programs).

### **3.5.3 Department of Economic Development & Tourism, GNWT**

AEDOs are the DED&T's conveyor of programs at the community level. In Baffin Region, there are nine AEDOs serving the fourteen communities. The role of the AEDO varies from helping entrepreneurs register their business name and business plan, and recommending marketing, training, or expansion programs. AEDOs handle program offerings from the Canada/NWT EDA as well as funding from the GNWT. In December 1993, after the most recent administration change in Yellowknife, the regions have been delegated more authority in making funding decisions. Any decision for funds less than \$75,000 in either of the programs can now be made at the regional level.

### **3.5.4 Development Corporations (Nunasi and Qikiqtaaluk)**

Incorporated in 1976, and formerly known as the Inuit Development Corporation, Nunasi Corporation is now run under the guidance of Nunavut Tunngavik Incorporated (NTI). The original purpose of Nunasi was to create jobs, train Inuit managers and create Inuit businesses to prepare Inuit to manage land claims compensation money when it was received. However, several judgments have recently been made that the mandate of the organization is unclear (Curwin 1988; Gregoire 1994b). Fred Hunt, General Manager of Nunasi states: "We see ourselves as the pan-Arctic or global investor. Because we represent all three regions, we see a broad relationship forming with other regional corporations in the Eastern Arctic" (Smellie 1990c: 19). In 1993, Nunasi paid off a long-standing debt of \$11.9 million and is now free to expand. Hunt attributed the turn around to the strength of Nunasi, NTI, and Nunavut Trust (see Section 3.5.9) all working together (Bell 1993a).

As was stated previously, Qikiqtaaluk Corporation is the economic arm of BRIA. In order to keep staff and overhead costs low, it wants to pursue joint ventures where the other partner provides much of the management expertise -- at least in the short-term (until more Inuit are qualified to manage and develop businesses) (Spence 1989c). Unlike some other development organizations in Baffin Region, Qikiqtaaluk will not support business ventures that are not viable -- even if there may be some social benefits (Spence 1989c). In the past, Qikiqtaaluk has also been criticized for its lack of a clear business strategy (Gregoire 1993; Spence 1989c) as well as its inability to properly represent the Baffin Inuit's economic interests (Bell 1993b).

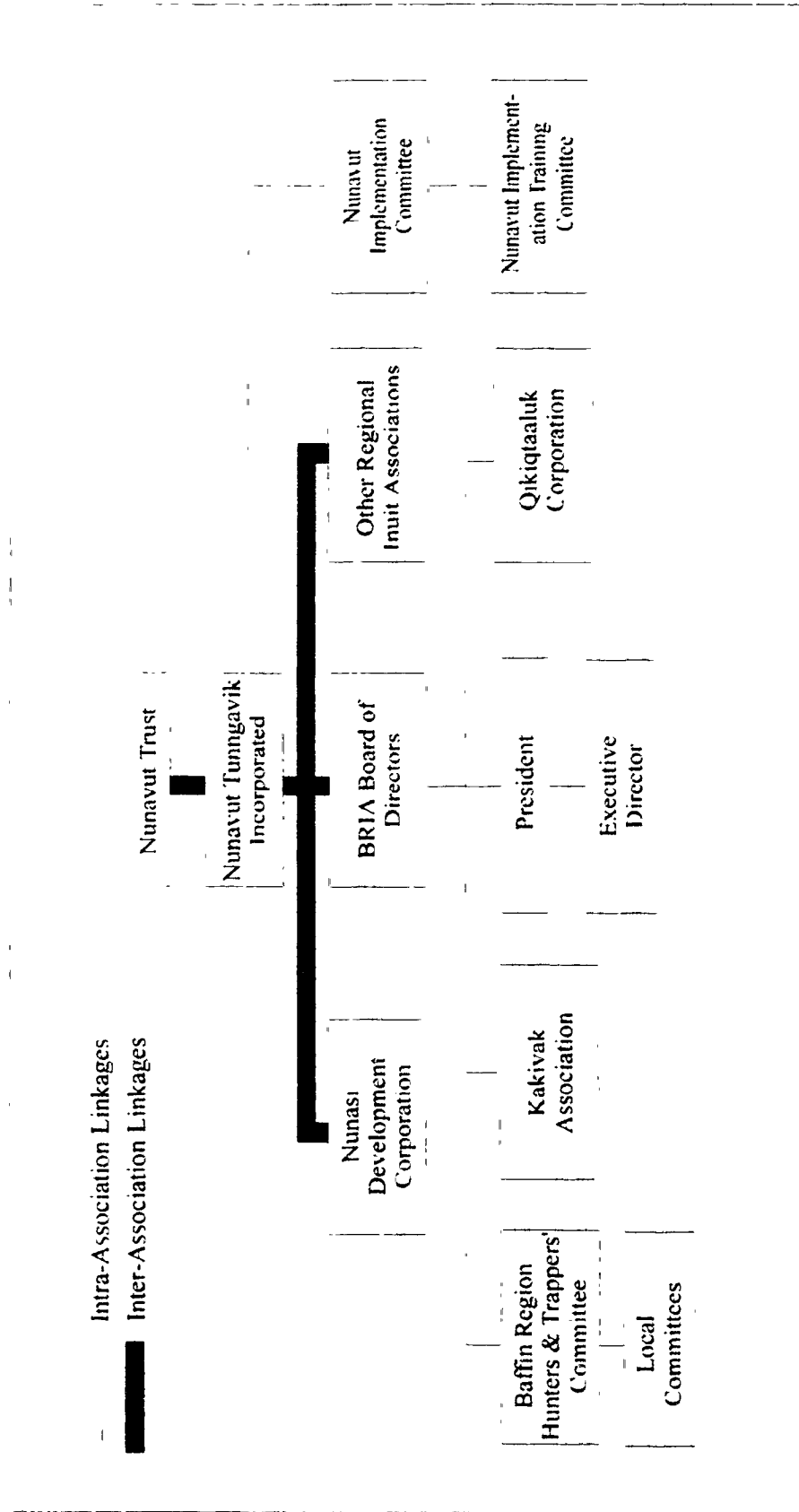
### **3.5.5 Hunters and Trappers' Association**

There is an HTA office in each of the communities in Baffin Region except Nanisivik (because it is strictly a mining centre). Until May of 1994, the HTA was an autonomous organization. However, at that time, the Baffin Region HTA became a BRIA subcommittee. According to the resolution between the two bodies, the previous relationship was "hindering the effective and orderly management of wildlife in the Baffin Region" (Anon 1993: 2). In effect, this arrangement means that all HTA funding will be channelled to BRIA for administration and direction will be provided by BRIA's board of directors. To help conceptualize matters, Figure 3.1 is an organizational chart of BRIA and NTL.

### **3.5.6 Kakivak Association**

Although funded solely by the Indian and Inuit Affairs Program of Indian and Northern Affairs Canada, Kakivak assists Inuit individuals, organizations, and businesses who want to access both federal and territorial government programs. Originally, Kakivak was an arrangement involving the Qikiqtaaluk Corporation, Baffin Regional Council, and ACL. However, as of 1993 Kakivak has been incorporated into BRIA's structure. Recently, Kakivak's CEDOs have been focusing on business training and creating business materials that are written in Inuktitut. Kakivak has four employees: one manager and three officers who serve various communities. One officer serves Iqaluit only and each of the other two officers serve six of the smaller communities.

Figure 3.1 -- Organizational Relationships Within and Between NTI and BRIA



Adapted From: Keyootak (1994)

### **3.5.7 NWT Co-operatives**

The NWT Co-operatives (currently numbering forty-one, including the Toonoonik-Sahoonik Co-operative in Pond Inlet) have affiliated over the years to form two co-operatively owned service organizations: ACL (incorporated in 1981) and the NWT Cooperative [sic] Business Development Fund (NWTCBDF) (incorporated in 1986). The co-operatives are a major economic force in the NWT with over 22% of the population of the co-operative communities a member, as well as 677 employees. In Pond Inlet, 673 of the community's 974 people are members of a co-operative that has 50 employees (ACL and NWTCBDF 1992).

Although the co-operative movement has existed in the NWT since 1960 and in Pond Inlet since 1968, their first attempt at an external community development initiative began in the early-1990s. Because of the lack of financial institutions in communities in the NWT, the member co-operatives are spearheading an attempt at establishing a chain of credit unions, which will be separate entities from the co-operatives. Despite support from several high-profile northern associations such as the Inuit Tapirisat of Canada (ITC), NTI, and the Keewatin and Baffin Region Inuit Associations, the GNWT has, up until now, been unwilling to provide additional support (Lyal 1993).

### **3.5.8 Nunavut Implementation Training Committee (NITC)**

The NITC is a body within NTI's organizational structure. NTI negotiated the Nunavut Land Claim Agreement with the Government of Canada and is responsible for the creation of the Government of Nunavut. For this purpose, NTI established the Nunavut Implementation Commission (NIC) in late-1993. NIC will be working closely with the

GNWT's Special Joint Committee on Division and Division Review Committee (Bell 1994). Since the NIC was implemented, they have established the NITC. NITC's purpose is to develop the Inuit workforce through a training program (Anon 1994d).

### **3.5.9 Nunavut Trust**

Nunavut Trust was established in 1990 by NTI. However, it has been set up as a discrete entity from NTI. As a result, it is free from the pressures of regional politics in its monetary decisions (Phillips 1994b). This money, which comes from the Land Claim Agreement, is dispersed to three beneficiaries. NTI is the main beneficiary; they in turn fund the Regional Inuit Associations and other agents within NTI's organization, including the Nunasi Corporation and the NIC. The other two beneficiaries are the elders' pension trust fund and the Harvesters' Support Program (HSP). This latter program is jointly sponsored by the GNWT.

### **3.5.10 Sinaaq Enterprises Incorporated (SEI)**

Formed in the 1970s, SEI is the wholly-owned development subsidiary of the ITC. Its responsibilities have diversified significantly in recent years. SEI was originally formed to be a co-ordinator of the development corporations owned by the various Regional Inuit Associations and to make appropriate business investments on behalf of the Canadian Inuit. When the CAEDS was instituted in 1989, SEI became the national Inuit Economic Development Organization. This position entails supporting and co-ordinating the activities of the various CEDOs in Inuit-occupied regions. Because of the difficulties in communication between the ITC and the Regional Inuit Associations, there has been talk of the dissolution of Sinaaq as a development corporation.

### **3.6 Conclusion**

From the above descriptions, it becomes apparent that there are many different organizations attempting to ameliorate the four major impediments to economic development (market structure, shortage of skilled labour, absence of financial institutions, and lack of entrepreneurial understanding and spirit) in Baffin Region's formal sector. Even though the focus of development is largely on the formal sector, several organizations have been implementing programs which are aimed at improving the output of the informal economy. Although participation in the informal economy appears to be decreasing, it is still playing a very important role in the Inuit economy.

Thus far, we have seen, from the discussion on several policies and approaches that the development organizations discussed in this chapter have emphasized the Inuit's individual contribution to the destiny of their economy. Associations and relationships between these organizations have been hinted at throughout Chapter Three. Now, with a look at the situation in Pond Inlet, Chapter Four will examine whether this structure, and the interrelationships within it, are following the lead of program and policy rhetoric and are actively permitting local participation in the development process

## **Chapter Four -- Economic Development Structure and Local Agency in Pond Inlet**

### **4.1 Introduction**

There has been significant recognition of the fact that "... public policy and program design cannot be accomplished effectively by centralized planning or even centralized coordination of planning" (Aucoin and Bakvis 1988: viii). However, decentralization should not be viewed as a "general solution to all the problems of underdevelopment, but rather as one of a range of administrative or organizational devices that may improve the efficiency, effectiveness and responsiveness of various levels of government under suitable conditions" (Rondinelli and Nellis 1986: 20). As a result, the challenge for economic development policy-makers is to find a workable balance between centralized and decentralized approaches. The reality of the situation tells us that an optimal mix is not readily established. Experience indicates that this theoretical balance shifts over time and is a function of evolving social, economic, and political dynamics (Swiderski 1989). Effective economic development has the best decisions being made in the most efficient manner. For the community of Pond Inlet, what jurisdictional levels should be making the decisions?

In the previous chapter it was shown that, over the last decade, there have been a multitude of organizations who have played a role in the economic development process in Baffin Region. The initial section of this chapter will clearly show, with the use of three schematic diagrams covering the ten years of 1984 to 1994, inclusive, that there are several ongoing processes at work in Baffin Region. Evident are the following facts: (i) there has



been an increase in the number of economic development organizations; (ii) the greatest absolute increase has come at the pan-regional level with no change at the local level; (iii) most of the economic development policy decisions have always been made at the national and pan-regional levels while the business creation and training funding decisions have, primarily, been made by organizations at the national, pan-regional, and regional levels; and (iv) the density of inter-organizational working linkages has increased dramatically since 1984.

In the second section of Chapter Four, the decision-making power of organizations operating in Baffin Region will be analyzed in terms of policy-making and business development and training funding organizations. In addition, the importance of collaboration, through working relationships, will be discussed. Within this discussion will be an examination of the future prospects and current problems for contemporary Inuit leadership.

Following this, section three will first concentrate on the concept of decentralization and how it can manifest itself in four different ways. Clark's "Power of Government" Scale, developed in 1984, based upon two characteristics, immunity and initiative, will be integrated into the discussion on collective action in Pond Inlet. Because the focus in this section is on government, there will be a look at the reasons for the inability of Pond Inlet Hamlet Council to make any kind of impact on the economic development process in their community.

Building upon the issue of the decentralization of power to the community level and to make this discussion on local governmental power as current as possible, the analysis will

lead to an examination of the GNWT's Community Transfer Agreements (CTAs). CTAs are the GNWT's most recent attempt at decentralizing power to the community level. The possibilities for community-based economic development progressing with this program will be investigated.

## **4.2 Change in Organizational Structure Upon Pond Inlet: 1984-1994**

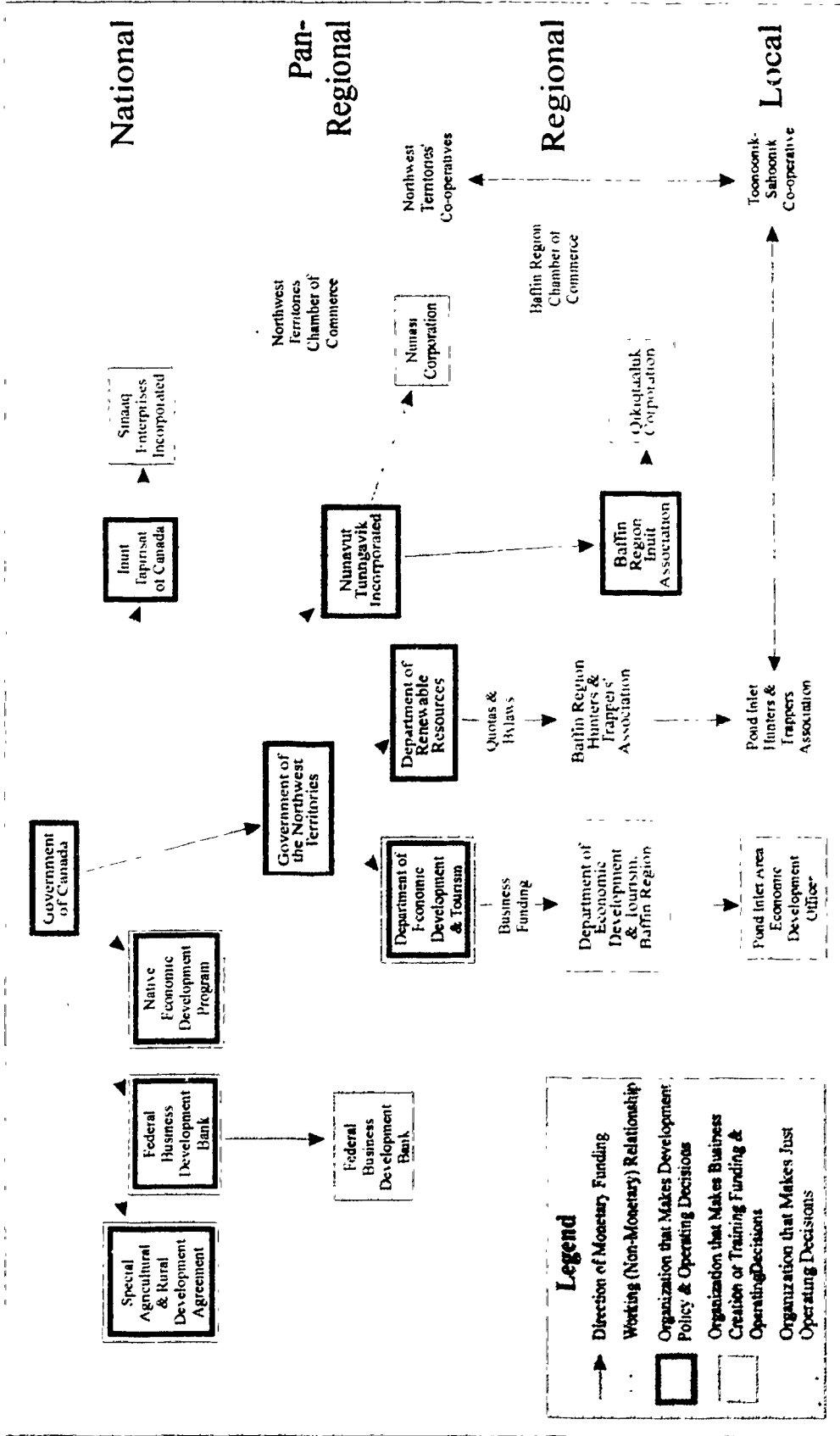
### **4.2.1 Introduction**

The basis of discussion for this section are three schematic figures showing the economic development organizational structure upon the community of Pond Inlet. The figures convey their respective situations as at the thirty-first of December of 1984 (Figure 4.1) and 1989 (Figure 4.2), and the thirty-first of July of 1994 (Figure 4.3). The figures were created primarily using information gathered during interviews and literature from the organizations themselves. However, this material was supplemented with information from *Nunatsiaq News* reports.

There are three main components to each of the figures. The first variable is the jurisdictional level at which the organization operates or the program is run. There are four levels within each of the figures:

1. National -- Canada;
2. Pan-Regional -- NWT or Nunavut;
3. Regional -- Baffin Region; and
4. Local -- Pond Inlet.

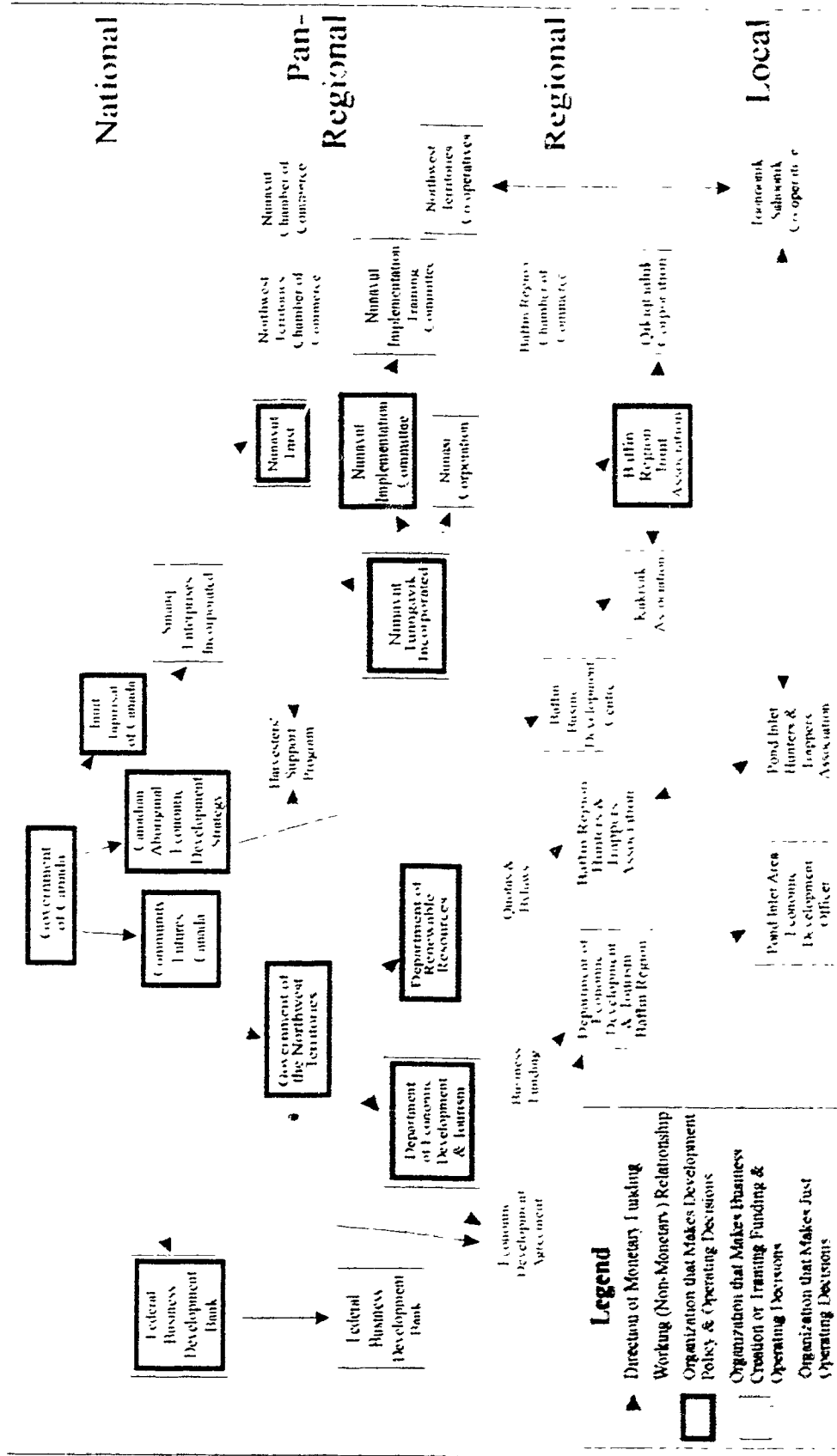
Figure 4.1 -- Economic Development Organizational Structure Upon Pond Inlet: 1984



Source: Blais (1995)



Figure 4.3 -- Economic Development Organizational Structure Upon Pond Inlet: 1994



Source: Blais (1995)

The second variable is the linkage between two organizations. These have been classified as one of two different varieties:

1. Working (Non-Monetary) -- This is a linkage where organizations have an association with one another either through formal written agreements (such as the NWT Co-operatives and Toonoonik-Sahoonik Co-operative) or through unwritten mutual agreements (such as between the GNWT DED&T and Kakivak)
2. Monetary -- This relationship is sometimes an exchange in the course of doing business (e.g., between Pond Inlet HTA and Toonoonik-Sahoonik Co-operative) or it focuses on the dissemination of funds for the operation of the receiving organization (which is normally at a lower jurisdictional level) and/or the provision of funds to make economic development decisions<sup>5</sup>.

The final variable on Figures 4.1, 4.2, and 4.3 is the type of decision-making power that the organization actually has. These decisions have been classified into three different classes:

1. Operating -- Class 1 organizations can make budgetary decisions that impact only their own operation.
2. Business Creation or Training Funding and Operating -- Class 2 organizations have the same powers as those in Class 1, but they also have the opportunity to make

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<sup>5</sup> It should be noted here that where there is a monetary relationship between organizations there is always some sort of a working relationship. However, only those working relationships outside of the normal funding channels have been specially recognized as working relationships in the three figures.

decisions with business creation or training funds provided to them by a Class 3 organization.

3. Development Policy and Operating -- Again, this category of organizations has equivalent decision-making power to those in Class 1, but they also have the ability to establish economic development policy. Economic development policy can range from devising procedures for the dissemination of business creation monies (such as that done by the CAEDS or the GNWT DED&T), to the establishment of quotas and bylaws for Baffin Region harvesters to follow, to the shaping of government mandates and departments (NTI and the GNWT).

Table 4.1 summarizes the change, between 1984 and 1994, in the number of organizations at each of the four levels of operation and the three types of decision-making abilities. It is immediately evident that the most change has occurred at the pan-regional level and the least at the local level.

Unfortunately, because of the unwillingness of several organizations to disclose their financial information, a complete data set on the funds that are available to all of the organizations could not be gathered. Because this intra-organizational characteristic is important to the total discussion, it will be examined where possible

#### **4.2.2 Organizational Changes at the Four Jurisdictional Levels: 1984-1994**

**National** -- Nationally, there has been a net loss of two organizations that are responsible for development funding decisions (NEDP and Special ARDA). However, the number of Class 1 and Class 3 organizations has stayed the same. This is due to the addition of the CAEDS and CFC as policy development organizations in the late-1980s. The NEDP and

Table 4.1 -- Summary of Organizations and Their Decision-Making Power: 1984-1994

Year	National Level	Pan-Regional Level	Regional Level	Local Level
1984	5   4   0	4   3   2	1   2   2	0   1   2
1989	5   2   0	4   3   2	1   2   2	0   1   2
1994	5   2   0	6   7   2	1   4   2	0   1   2
Net Change	0   -2   0	2   4   0	0   2   0	0   0   0



Special ARDA were organizations that could make both funding and policy decisions. The birth of the CAEDS and CFC in the late-1980s foreshadows the founding of the Kakivak Association and the BBDC at the regional level in the early-1990s.

**Pan-Regional** -- At the pan-regional level, the addition of four new organizations (NIC, NITC, Nunavut Trust, and Nunavut Chamber of Commerce (NCC)) and the evolution of the NWT Co-operatives and NTI into development funding organizations means that this level has seen the greatest growth. Interestingly, all of this increase has come between 1989 and 1994.

However, the impact of two of these additions has been limited and the potential changes because of their activities are still not certain. The NCC is only in the formative stages and it is definitely possible that the NCC will merely replace the Baffin Region Chamber of Commerce and its sister chambers in the Kitikmeot and Keewatin regions. The impact of the NWT Co-operatives as a development funding organization is in peril. Its attempt at funding a chain of credit unions to be established in some of the smaller centres has not been accepted by the GNWT even though there has been significant support among both Inuit and non-Inuit groups. It is possible that the NWT Co-operatives' position as a development organization will be short lived.

NTI is responsible for the creation of the government of Nunavut. In response to this demand, NTI established the NIC in late-1993. In June of 1994, the NIC created the NITC to oversee the \$13 million training budget. Since the inception of the NIC, progress has been steady (Phillips 1994a) and the *Report on the Training Needs of the Inuit* has just been released by NITC.

One of the more significant changes has been the evolution of NTI into a development organization. Administered by Nunavut Trust, but drafted by NTI and the GNWT, the HSP was established in 1994. NTI and the GNWT will both contribute \$3 million per year over the next five years to accomplish a number of goals, including: supplementing the price of furs, aiding the purchase of capital equipment, helping the distribution of food to harvesters at outpost camps, creating a Nunavut Economic Development Agreement with the federal government, and establishing a more flexible program delivery in which the community makes decisions on local projects, regions handle regional programs, and NTI handles Nunavut-wide programs (Gee 1994).

**Regional** -- Regionally, the only changes between 1984 and 1994 are the additions of the BBDC and Kakivak Association. The BBDC is a component under CFC and had a funding budget of \$475,000 in 1990 (Anon 1990). However, this small amount of money means they run out of funds for business development quite quickly (Interviews E and H). The Kakivak Association has an even smaller budget than the BBDC and it can only be applied to training initiatives. Therefore, the Kakivak Association acts as a training organization and often as a facilitator between the DED&T and Inuit entrepreneurs. Since January 1994 Kakivak has been working with the First Peoples' Fund to establish a community loan fund. As of February 1995, Kakivak has not made a loan (First Peoples' Fund 1994).

**Local** -- At the local level there have not been any additions or deletions to the number of organizations. In addition, the organizations that have existed have not changed their orientation for funding.

### **4.2.3 Where is the Decision-Making Power?**

**In Terms of Policy Decision-Making** -- From Table 4.1, it is apparent that policy decisions are being made, primarily, at the national and pan-regional levels. However, what is more significant is that there has been some decentralization of policy decision-making power. Since 1984, there has been the loss of two policy-making organizations at the national level and the addition of two at the pan-regional level. The decisions of NTI to establish Nunavut Trust and NIC can be attributed to the signing of the Nunavut Agreement, which has given NTI significantly more monetary clout. NTI's decision-making capacity will continue to strengthen as the Government of Nunavut grows and judgments on government design become reality.

Currently, the policy decision-making power of the GNWT DED&T is very significant. In her look at the GNWT, Aird (1989) determined that the initiative for developing an economic strategy rests with the territorial government, not just because economic planning is a public-sector function, but also because the GNWT is itself the single largest employer and spender in the territorial economy.

Although the federal government is responsible for 70% of the development funds for the Canada-NWT EDA, the DED&T developed the policy structure and, through its AEDOs, has been fully responsible for its implementation. The DED&T has also designed several of their own funding programs (e.g. Business Development Fund, Business Capital Corporation). However, the size of these funds pales in comparison to the EDA (Interviews E, G, and H).

Also smaller than the EDA, but significant because of their pursuit for community-based development, is the nationally-developed funding provided by CFC to the BBDC and the CAEDS to the Kakivak Association. In addition, there are several other smaller policy-makers at the national level, including the FBDB and ITC.

Another GNWT Department that operates at the pan-regional level, but has a much less significant direct economic impact than the DED&T, is the Department of Renewable Resources (DRR). The DRR establishes bylaws and annual quotas that harvesters must abide by.

At the regional level, BRIA sets very few guidelines for its associated organizations to follow (Interviews D, K, and N). Each community in Baffin Region has a representative on BRIA's Board of Directors. They are responsible for communicating to their constituents the decisions and policies that BRIA makes. In this way each community has a fourteenth share of the decision-making vote in regional decisions (thirteen communities and one representative from Baffin Regional Council).

Overall, it should be concluded that much of the direction for economic development policy comes from both the national and the pan-regional levels. Traditionally, most of the impetus has come from the national level. However, with the growing importance of NTI and increased responsibilities upon the GNWT, the pan-regional level is receiving more power to develop their own policies.

Underscoring the decentralization from the national to the pan-regional level above, is a centralization of policy-making power from the regional to the pan-regional level. With the amalgamation of the Baffin, Keewatin, and Kitikmeot regions into one region (Nunavut),

the regional Inuit associations have lost much of their purpose (Interviews A, C, G, and J, NIC 1994). However, in an attempt to remain a significant player in the Baffin Region economy, BRIA has added two organizations to its framework: the Kakivak Association and the Baffin Region HTA. BRIA (1994: A20) states: "We feel that these functions can be efficiently delivered by regional organizations which are already in place. BRIA and the Baffin Region Hunters and Trappers' Committee are examples of regional organizations which could deliver programs and services in economic development, tourism, lands and renewable resources." With the Government of Nunavut attempting to encompass the structures of the three regional Inuit associations, incongruities in the regional bodies will create problems for a smooth transition to a new government.

This sentiment is shared by Paul Quassa, President of NTL. He has said that the decentralized power structure now in place gives the three regions a lot of power, but he expects conflicts: "it's almost like federal-provincial relationships . . . But we are going to have to seriously look at [Nunavut's] structure again. Because we don't want to end up always forever having those regional conflicts, I think we have to try and eliminate that if we are going to successfully implement the final [Nunavut] agreement" (Phillips 1993: 3).

**In Terms of Business Creation and Training Funding Decision-Making** -- There are two trends visible here. First, there has been an overall increase in the number of organizations performing this service and second, there has been a decentralization of power from the national level (two less organizations in 1994 from 1984) to the pan-regional level (an increase of four organizations since 1984) and regional level (two more organizations)

The decision-making once made by the Special ARDA and the NEDP at the national level is now being made by Kakivak Association and the BBDC at the regional level. At the pan-regional level, the NWT Co-operatives have taken the initiative to become a business funding organization and the NITC has taken on the responsibility of designing an Inuit training program. As well, NTI and Nunavut Trust are making decisions to fund business and harvester support initiatives.

At the local level, there has remained only one organization that has had influence on development funding since 1984 -- the Pond Inlet AEDO. This GNWT employee works with Baffin Region DED&T and, in the case of larger proposals, the DED&T office in Yellowknife in deciding the fate of proposed business plans.

#### **4.2.4 Collaboration: Working Relationships in Baffin Region**

Table 4.2 is a summary of the number of working relationships amalgamated from Figures 4.1, 4.2, and 4.3. Because some of the linkages are inter-level and between different classes of organizations, the number identified within the table represents a link initiated from an organization at that level (termed a half-link), not the complete link between two organizations. For example, in 1994 a working relationship was present between ITC, a policy development body at the national level, and the Kakivak Association, a business creation or training funding organization at the regional level. Therefore, this translates into the "1994" row in Table 4.2 as one "point" in the thick solid box at the national level and one "point" in the solid box at the regional level.

There is one very dramatic change and it occurs between 1989 and 1994 -- the increase from two to twelve half-links at the regional level. When Figures 4.2 and 4.3 are

Table 4.2 -- Number of Working Relationships in Baffin Region: 1984-1994

Year	National Level	Pan-Regional Level	Regional Level	Local Level
1984	1   1   0	0   0   0	1   1   0	0   0   0
1989	1   1   0	0   0   0	1   1   0	0   0   0
1994	1   2   0	2   3   0	1   10   1	0   0   0
Net Change	0   1   0	2   3   0	0   9   1	0   0   0

examined closely, it becomes apparent that the new linkages, with the exception of one, are due entirely to the birth of the BBDC and the Kakivak Association. This is an important point because it enters into the economic development equation of Baffin Region another role for the BBDC and Kakivak. These two organizations emphasize that they are bilingual services for the Inuit to utilize and many interviewees claim that the BBDC and Kakivak are the Inuit's first contact with business (Interviews D, E, F, K, and N)<sup>6</sup>. Because of their working relationship with the DED&T, the main economic development policy-maker in the NWT, BBDC and Kakivak can provide additional insight on issues that are important to the Inuit.

The most public initiative between the DED&T, BBDC, and Kakivak was a pamphlet, entitled *Partners in Development*, which outlined the role of all three services and was issued shortly after the birth of the BBDC and Kakivak. However in the last couple of years there has been a noticeable degradation in the working relationship of Kakivak and the DED&T (Interviews D, G, H, and K). The problem appears to be rooted in an unclear division of responsibilities between the two organizations. Kakivak has been analyzing business plans (something the DED&T feels is their responsibility), and Kakivak feels that the DED&T is using them merely as a translating service for communication with unilingual Inuit. Kakivak and the DED&T still work together to deliver training programs to the communities. However, respondents at the community and regional level have recognized

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<sup>6</sup> However, many others (Interviews A, G, H, and L) indicate that because the AEDOs are in nine of the communities permanently, and visit the others occasionally, they are normally the first contact for Inuit who wish to start a business.



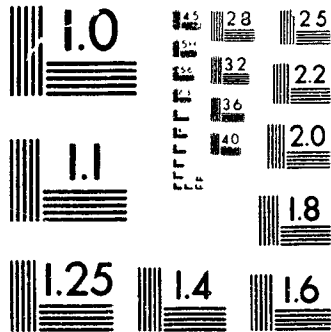
a drop in the frequency of visits by Kakivak to Baffin Region communities over the last year or two (Interviews A, C, F, G, and L)

Representatives of all three organizations state that the BBDC's relationship with both the DED&T and Kakivak is functioning well. Collaboration seems to be especially strong between the BBDC and Kakivak. This is facilitated by their physical proximity; the two organizations are headquartered in the same Iqaluit office building.

The links most recently developed have been between NII and the Baffin Region HTA and between Nunavut Trust and the GNWT. Developed because of the HSP (which was finalized in 1994), these links have important ramifications for future economic development. First, this working linkage is the first that has been developed between two policy-making bodies; all of the other linkages are between organizations making business operating or training funding decisions. Secondly, for NII and Nunavut Trust, who are responsible for the design and finances of the Government of Nunavut, the HSP is the first program that they are implementing as a governing body (although jointly with the GNWT). The GNWT has received a lot of criticism in the last several years for decreasing the amount of funding allocated to a similar capital support program for harvesters (Anon 1994b; Interviews B, C, F, and G). In the eyes of DED&T, the main difficulty behind such a program is that it does not encourage formal (wage-earning) employment; therefore, in most cases, the loans would never be paid back (Anon 1994b). It appears that the creation of Nunavut and the money that is behind it were important in the design of this type of program, which is important to Baffin Region's informal economy.

2 of /de 2

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The NTI has emphasized many times that the Government of Nunavut will be decentralized to a great extent (Bell 1994; Phillips 1993, 1994a). Because of this mandate, support from all jurisdictional levels is essential and it would seem that the best way to gain this respect is to work with the organizations that are important in Nunavut. However, the question remains: is long-term collaboration between different organizations at different levels possible in Nunavut?

The major difficulty is the current lack of Inuit leaders who are capable of working effectively in a framework that is not only based upon structures developed in southern Canada, but is now well-integrated into the Canadian federal system. Because of the high turnover rate of *Qadhuna* (non-Inuit) employees (especially in the smaller, more traditional communities), building a base of strong Inuit leadership is seen as the only possibility to a long-term solution to economic and social problems (Interviews A, B, C, E, F, G, H, J, K, and L).

The present lack of capable Inuit leadership was brought to light by Swiderski (1989). In his survey of over 300 Inuit and non-Inuit in Baffin Region, Swiderski found that significantly more respondents were either "Completely Dissatisfied" or "Dissatisfied" with the overall leadership given by ITC than those who were "Completely Satisfied" or "Satisfied" (45.4% versus 33.4%). The results were much more polarized for Inuit respondents (50.7% versus 34.3%) than they were for non-Inuit respondents (35.3% versus 29.5%). The present state of Inuit leadership will be discussed further in Section 4.3.3.

### **4.3 The Process of Decentralization in Baffin Region**

Inherent in the philosophy of Nunavut is the concept of decentralization. "Our communities are where Nunavut must fit, and to which Nunavut must be directed . . . It is also community opinions to which Nunavut must answer" (Nunavut Constitutional Forum 1985: 9). The term *decentralization* must be examined when addressing the amount of power that a community has within it to make economic development decisions.

#### **4.3.1 The Concept of Decentralization**

Swiderski (1989: 711-713) showed that within the economic development literature there are four basic models of decentralization. They range from simply adjusting workloads to divesting all government responsibility for a certain function.

**Deconcentration** -- This action involves the shifting of administrative authority or responsibility to lower levels within central government ministries and agencies. It allows adjustment of central directives to local conditions, but within the latitude prescribed by the central authority.

**Delegation** -- In this case, transfers of managerial responsibility for specifically defined functions to groups or organizations outside the regular bureaucratic structure occurs. However, "ultimate responsibility remains with the sovereign authority" (Rondinelli and Nellis 1986: 7)

**Devolution** -- Devolution entails the creation or strengthening, financially or legally, of lower level governments, whose activities and mandate are normally outside of the direct control of the central government. The notion of transferring, passing, or devolving upon

a successor or subordinate comprises a key dimension in the redistribution of power and resources.

**Privatization** -- When privatizing, governments attempt to divest themselves of responsibility for functions either by transferring them to voluntary organizations or by allowing them to be performed by the private market.

Rather than examining decentralization initiatives from the *decentralizer's* perspective, Clark's "Power of Government" Scale (1984) provides the opportunity to examine decentralization efforts based on the community's (*decentralizee's*) ability. Clark identified four classifications that characterize the power of local government. His classifications are based on a matrix using two specific powers: initiation and immunity. The power of initiation refers to the actions of local governments in carrying out their rightful duties. The power of immunity is the power of localities to act without intervention by higher levels of authority.

Clark's classifications of the power of local government are as follows:

Type 1: Initiative and Immunity

Type 2: Initiative and No Immunity

Type 3: No Initiative and Immunity

Type 4: No Initiative and No Immunity

**Type 1** -- This locality is completely autonomous. What it decides to regulate and legislate is unrestricted (Swiderski 1989).

**Type 2** -- Termed decentralized liberalism, local governments can set their own agendas, functions, and actions. The absence of immunity means that local actions are monitored and

potentially negated. "Legitimacy resides with the local government; its actions can only be constrained, and in this manner legitimacy flows from the bottom up" (Clark, 1984: 201).

**Type 3** -- With no initiative powers, the locality must respond to centrally defined functions and orders. Local residents cannot mandate specific tasks to be carried out. Once it is given a specific directive it can implement it in any way that is perceived to be consistent with the overall framework. Legitimacy in this model is top down (Swiderski 1989).

**Type 4** -- A locality in this classification has no autonomy. "[I]ts agenda, actions, and responses are set by higher tiers, and its compliance with instructions is continually monitored . . . [I]n these terms, such local governments would be best described as bureaucratic apparatuses" (Clark 1984: 200).

In terms of economic development, Pond Inlet could be described as a Type 3 community, but only in some situations does it have a free reign on implementation. In 1991, Bloor, the current AEDO, did a community survey of economic development attitudes in Pond Inlet. He found that:

[P]eople in general felt that the time was right for the community to take a larger role in economic development and planning. Their logic is based on the idea that only the people of Pond Inlet really know what is best for the community. . . . Up until now the Government (NWT) has displayed a lack of initiative towards dealing with the impending economic crisis, therefore, it is the community's responsibility to do something about it. . . . Control of development, according to many, is not only a responsibility but also a right. (Bloor 1991: 3-5)

The above sentiment has also been recognized in many other communities in the NWT (Kakfwi 1993a). However, Bloor also noted that Pond Inlet Hamlet Council has never had an economic development strategy and community efforts to permanently lower

unemployment rates have been restricted to residents starting new businesses. Since his findings were reported, there has been no initiative to devise an economic development plan

Thus far, it is evident that there has been little initiative to take control of economic development within Pond Inlet. However, there have been gestures by various levels of government to improve the situation at the local level.

The most recent attempt by the GNWT (Department of Municipal and Community Affairs) to provide more power to community governments are with n CTAs. Ideally, this initiative will devolve power to the community governments (GNWT 1991). However, pundits claim that it is driven purely by political pressures and thus results in nothing more than delegation of responsibility (Interviews A, C, G, and L).

#### **4.3.2 What is the Role of the Local Government?**

Noticeably absent from the discussion thus far is the role of the Pond Inlet Hamlet Council in the economic development process. The fact is that besides having a community member who is an economic development representative on Council, the Hamlet as an organization, has shown little initiative in either developing an economic plan or encouraging alternative forms of development outside of the duties of the GNWT AEDO (Interviews A, B, F, G, and L)

As was mentioned in Chapter Three, one of the major recommendations for the design of the GNWT was the creation of a Department of Local Government. Its mandate included the development of politically and administratively self-sufficient communities. The result has been what the GNWT (1991: 14) calls "the most decentralized government in Canada with a well developed regional and area office structure". However, that same

report stated that in the area of management and organization, community governments are under-used in the North and that they need to be given greater scope and authority.

Two earlier studies done by the GNWT (1988a, 1988b) found that the inadequate power of local government in the NWT can be attributed to a single factor. Of the 320 local bodies (including education committees, HTAs, Housing Associations, recreation committees, and social services and health committees) existing within the non-taxed based communities (Pond Inlet is one), 64% are directly accountable to the GNWT rather than to the local governments. In fact, only 38% of these special purpose bodies have a formal consulting relationship with the local government. As a result, local governments have little input on issues affecting their constituents. It was concluded that too many non-essential boards and agencies undermined the emergence of local government, and confused the public. Community governments stated that they could, and should, be addressing many, if not most, of the issues presently handled by special purpose bodies.

This problem is exacerbated by the fact that over 95% of all GNWT funding is through contributions. Contribution funding results in greater accountability to the GNWT, and limited local government control over expenditures within the community.

The GNWT (1991) concluded that because of this relationship between committees and resources there were a number of problems facing local government:

1. there is no overall leadership for tackling major community problems;
2. communities have no ability to move funds from low priority to higher priority concerns;



3. problems are not met head-on because while the problems are linked (e.g. alcohol and spousal assault), the programs and resources are not;
4. resources at the local level are often spread very thinly, and many of the smaller groups do not have strong leadership, administrative, accounting, or management skills; and
5. community-based groups have very little room to modify or reconfigure programs, and the particular needs of the specific community are not recognized in the "cookie-cutter" program designs.

The creation of special purpose committees and boards at the community level in the NWT dates back to the 1960s. The rationale for separating certain issues from local governments is an attempt to keep politics out of the debate (Swiderski 1989). This conclusion and the lack of logic within it is supported by Plunkett (1968: 31) (cited in Swiderski 1989: 919):

The desire to place certain activities and new functions of local government under the jurisdiction of a quasi-independent board or commission often stems from a belief that this must be kept out of politics. However, the term politics in its proper sense means the making of policies and the never ending process of changing or influencing the course of community decisions. The removal of a public service or activity from this process can have serious results to the separate body established to administer that service and it will tend to become a completely independent body, at best subject to only the most indirect and ineffective form of community control.

Perhaps, after examining the relationships between the GNWT and the local organizations, it is understandable why Pond Inlet Hamlet Council has been so slow in becoming involved in economic development decision-making. In order to increase

community input on decisions related to economic development and other services, the GNWT has begun implementing CTAs in select communities.

#### **4.3.3 The GNWT Community Transfer Agreements**

CTAs are multi-year agreements which turn over monetary, human, and capital resources to community governments to enable them to carry out specific program responsibilities. They will be negotiated between the GNWT and interested communities or groups of communities (when smaller communities do not have the administrative capacity to undertake responsibilities on their own).

The GNWT feels that community public administration is required because small Native communities should be run much differently than the large industrial society of southern Canada from which the GNWT adopts most of their programs and program delivery structures (GNWT 1991). They state: "the public service at the community level should not be a miniature version of the public service at the federal or territorial level, nor should it be steered in that direction . . . [it] should reflect the needs of doing business at a much smaller scale of organization, and in a traditional culture" (GNWT 1991: 53). There are several ways in which these communities have a different business and governmental orientation, including: emphasis on generalized multi-purpose jobs, practical and not academic job requirements, combining programs, and simplifying management systems. Local governments must be prepared to experiment with flex-time, part-time, job-sharing, leave for on-the-land purposes, hours of operation, and language of operation (GNWT 1991).

In general, the GNWT feels that the communities of the NWT are ready to proceed with additional responsibilities because: (i) they have assumed responsibility for other

programs and services; (ii) the performance of the previously assumed functions has been effective and stable; and (iii) there has been a demonstrated level of community motivation, self-reliance, and consensus with regard to accepting major new responsibilities (GNWT 1991). Table 4.3 shows the evolution of local government responsibilities in the NWT since 1970. All of the responsibilities delegated during Phase One, with the exception of town planning have been almost entirely operational tasks. However, the tasks slated to be given to the communities through CTAs require much longer term planning and development control. Making decisions on schooling, housing, alcohol and drug treatment, and economic development have greater ramifications on the community than decisions on recreation, fire protection, and garbage collection.

Several communities in the NWT are looking to sign CTAs in the near future. By June 1993 more than half of the communities in the NWT had shown interest in CTAs and workshops were scheduled in at least fifteen communities (Kakfwi 1993b). However, most of the early interest has come from communities in the western NWT (GNWT 1993). To 1995 there has only been one community in Baffin Region to sign a CTA. Cape Dorset, on southern Baffin Island, signed a CTA in early-1994 that will provide their Hamlet Council with control over economic development, social services, housing, and public works programs and services. Council is hoping that more control over services, especially social services and economic development, will make government more accountable and more relevant to local people (Gregoire 1994a).

In 1993, Pond Inlet Hamlet Council hosted a workshop with the GNWT to discuss the initiative. To the Council's dismay, progress on developing the CTA for Pond Inlet has

**Table 4.3 -- The Evolution of Local Government in the NWT**

	Phase 1: 1970-1992	Phase 2: 1992-2000
Programs and Services Turned Over to Local Governments	<ul style="list-style-type: none"> <li>* Water/Sewer</li> <li>* Street Lights</li> <li>* Airports</li> <li>* Fire Protection</li> <li>* Town Planning</li> <li>* Garbage Collection</li> <li>* Street Maintenance</li> <li>* Recreation</li> </ul>	Possibilities: <ul style="list-style-type: none"> <li>* Day Care</li> <li>* Economic Development</li> <li>* Housing</li> <li>* Drug and Alcohol Treatment</li> <li>* Welfare</li> <li>* Adult Education</li> <li>* Schools</li> <li>* Crisis Shelters</li> <li>* Others?</li> </ul>
Driven By . . .	Municipal and Community Affairs	Cabinet and High-level Implementation Group
Local Government Budget	\$80 million	?
Local Government Staff	1,000 employees	?

Source GNWT (1991)

been slowed because of GNWT demands that require the community to complete, without the help of an outside consultant, a proposal. The Hamlet Council wanted to utilize the expertise of a management consultant to help them meet the requirements of the proposal. The requirements include a determination of which administrative model to follow, the powers to be transferred, a suggested approach for the transfer, a workplan, a timetable, a method of evaluation, and a budget. Until it deems itself able to complete a proposal, the Hamlet Council in Pond Inlet, as well as many other local governments in Baffin Region, are keeping a close eye on the ability of Cape Dorset to handle the added responsibilities and observe whether or not the residents are better served locally (Interview J; Gregoire 1994a)

The power that a CTA would provide Pond Inlet Hamlet Council could, in the minds of several informants, be "disastrous" or "a nightmare" to the community as a whole (Interviews A, G, and L). They feel that neither the initiative or the ability to handle such responsibility exists within the community at the moment. There are a few individuals in Pond Inlet that could handle the added responsibility, but not enough to make up an effective team (Interviews A, F, G, and J).

The purpose of the CTA, for communities to adopt new and potentially more effective administrative structures, is very difficult and complex to achieve. This is especially true when the structure that is currently in place is the only one that has ever been used in the NWT. We can draw parallels from the recent experience of the formation of the Government of Nunavut as well as the transfer of power to the Hamlet of Cape Dorset. Granted, both of these are fairly new developments, but Nunavut seems to be building a hierarchical and bureaucratic structure similar to that of southern models of government

(Interviews A, C, E, G, H, K, L, and M) and Cape Dorset has simply taken over the exact same structure that the GNWT controlled without making any changes (Interviews C, E, G, H, and J)

As was mentioned in Section 4.3.1, many interviewees believe that CTAs are nothing more than agreements based on political aspirations. These people say that CTAs do not result in the devolution of significant powers previously held by the GNWT. The actual implication of a CTA is that the structure and the actors remain the same. The sole difference is that the actors are now employees of the communities, not the GNWT.

However, in a positive light, even the strongest pundits of CTAs believe that there will be side benefits for the community administrators because they will be more involved in the budgeting process. As a result, the community will be undertaking tangible tasks and will have to be more accountable when spending funds that are designated to the community. In addition, implementing the agreements and making spending decisions will be a learning experience for young leaders in the communities (Interviews A, C, D, E, G, J, and K).

The implications of the CTA program on Pond Inlet cannot currently be understood. It appears that it will be several years before Pond Inlet takes on the challenge of implementing an agreement. The complexity of the arrangements that CTAs bring to a local government will probably increase the number of years before the Hamlet Council will be capable of implementing its own models of administration. Until then, unless there is a dramatic swing in the power of the Hamlet Council, the local government will be a non-factor in the process of economic development.

## **4.4 Conclusion**

The preceding analysis has identified several factors that have limited the role of community in the economic development process of Baffin Region. Overall, there has been a deconcentration, delegation, and devolution of functions down to the pan-regional and regional levels. With the creation of the Canada-NWT EDA and the Nunavut Agreement, the GNWT and NTI have obtained significantly more policy decision-making strength. At the same time, however, there has been increasing awareness that, in the near future, some policy-making tasks will have to be centralized from BRIA to the Government of Nunavut. To avoid the irrelevance of their organization, BRIA has incorporated Kakivak and Baffin Region HTA into its structure. Although there has been an adjustment in their economic development policies, organizations at the national level has remained a primary policy-maker over the last decade.

Organizations at the pan-regional and regional level now play a much larger role in business creation and training funding than they did in 1984. There has been a clear devolution of decision-making power from the national level in this respect.

Taken together, the changes in policy-making and business creation and training funding decisions, show that progress has been made in devising policies that are more flexible to regional concerns. Visits by representatives of the Kakivak Association and the BBDC and having permanent representatives of BRIA and the GNWT DED&T in Pond Inlet, have led to many attempts at obtaining the views and encouraging the participation of the Pond Inlet population.

However, overshadowing the attempts at local agency by these regional groups is the inability of the Hamlet Council to become a significant player in the economic development process. The main reason for their ineptitude is the large number of local special purpose bodies and agencies who report directly to the GNWT, in effect bypassing the Pond Inlet Hamlet Council when making decisions on community programs.

The GNWT has made an attempt at changing this situation, however, CTAs are too complex for the Pond Inlet Hamlet Council to handle at the moment. This devolution of power is not expected to be available to Pond Inlet within the next several years.

The most effective and significant change in the economic development structure over the last decade is the increase in working relationships between organizations. Most of these links have developed because of the birth of the Kakivak Association and the BBDC. The links between these two organizations and the DED&T have been important for Inuit entrepreneurs at the community level.

Another link that has developed, which is very important to future policy making is the one between NTI and the GNWT. NTI can utilize this link to learn from the GNWT and develop strong governmental policies.



## Chapter Five -- Discussion and Conclusions

### 5.1 Discussion and Recommendations

Before making recommendations that will impact the economic development process in Baffin Region, we must look at the fiscal responsibilities of the Governments of Canada, the NWT, and Nunavut. After examining the complex structure of economic development in Baffin Region (population 11,000) it is not hard to believe that the per capita cost of operating government in this region of the North is far higher than anywhere else in Canada.<sup>7</sup> But, in the minds of both Inuit and non-Inuit alike, there appears to be no turning back in attempting to integrate the Inuit society into the southern-Canadian system. Even though important steps are being made to preserve their unique culture, Inuit leaders are stressing the important roles that classroom education, modern transportation, and western medicine will play in the future development of their society. Therefore, these services will be kept and, to be effective, they must be supported by a strong web of leaders and decision-makers.

Economic development officials in Baffin Region find themselves in a bind when it comes to creating policies and sponsoring economic ventures. On the one hand, some policy is created to fund organizations who encourage profitable ventures and, on the other hand, there are organizations that are funding businesses whose mandate is to create jobs and not necessarily become profitable. Although not economically desirable in the short-term, these job creation initiatives are necessary to encourage Inuit participation in the formal

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<sup>7</sup> Dickerson (1992) noted that the 56,000 residents of the NWT are governed by 1,500 elected politicians, 800 statutory and other GNWT-sponsored bodies, and 9,000 government employees (almost half of the total NWT labour force) who operate 375 programs that are delivered through seventeen departments.

economy and, as a result, improve the skills and education of the workforce. Unfortunately, there is a major difficulty with this approach -- it ignores the informal sector, which has been shown to provide both enormous economic benefits, by decreasing imports, as well as social benefits, by keeping participation rates high. This fact should not be lost in governmental attempts to become more cost-efficient. Because the informal sector does decrease dependence on federal transfer payments it may actually be very cost-effective to encourage the growth of the informal sector to its capacity. Also, by ignoring the informal sector, the issues of gender, seasonality, and Inuit cultural identity are forgotten. This could not only lead to serious social problems, but in an economic sense, policy-makers would be missing a chance to increase economic activity in both the informal and formal sectors.

In essence, while attempting to relieve Baffin Region's dependence on federal transfer payments, administrators must weigh the advantages of establishing new organizations and undertaking economic ventures with their cost. Essentially, there are three ways that the federal government's cost of government in Baffin Region could be decreased: by taxation, by increasing the contribution of the informal sector, and by rationalizing the current economic development structure.

Internally, the most effective way to pay for government services is to levy taxes; however, there are very few people in Baffin Region who make enough money to be regularly taxed. An option for building a tax-base is to develop import substitution businesses, but, this is very difficult because the regional consumer market is extremely small. The DED&T, the Kakivak Association, and the BBDC have all placed a large emphasis on developing micro-enterprises, which only employ one or two people, but meet

local needs and therefore improve the circulation of money within the community. It is the hope that micro-businesses will help reduce dependence on social assistance payments, therefore slightly relieving the burden on the federal government.

Adding further to the tax problem is that researchers are now stressing, more than ever before, the importance of the informal economy, which is generally not taxable. Along these lines, the NTI and GNWT's most recent policy, the HSP, encourages economic activity that will not necessarily be taxed. However, what is a problem for the tax collector is an advantage to participants in the informal economy, which has been shown to decrease reliance on imports as well as decrease the need for cash. Because of the decreased need for cash, federal transfers should go down proportionately.

Externally, the options to increase the tax-base are, in reality, only three-fold: tourism, arts and crafts export, and non-renewable resource exploitation. The push to improve the tourism infrastructure has been significant, but because of high prices and geographical remoteness, only a few businesses (outfitters, bed and breakfasts, etc ) in each community are able to function based on tourism business alone.

As evidenced by trade shows and exhibits in Europe and North America, there is potential for the Inuit arts and crafts sector to grow into a significant industry; but, the potential is unknown, as few recent studies have investigated the opportunities. In addition, the informal economy poses a problem to organizations attempting to develop the formal arts and crafts sector. Many informants (Interviews A, D, E, F, G, and K) stated it is not uncommon for retailers to be bypassed by consumers who deal directly with the artists themselves.

There are many non-renewable resources within Baffin Region. Two lead-zinc mines are currently in operation and there are known sources of off-shore gas and inland mineral deposits. These types of operations could provide significant tax income, which would benefit all of the communities. However, there are a couple of problems with this orientation towards large mining projects. First, they employ very few Inuit. Even in mines with the best track records in the North, less than twenty-five percent of the workforce is Aboriginal (Devine 1994). Second, there is a large emphasis being placed on sustainable development by NTI, so much so that early designs make it appear as though the Nunavut Cabinet will not have a Department of the Environment or a Department of Economic Development, but the two will be combined into a Department of Sustainable Development. Of course, the definition of *sustainable* is not rigid, but one must wonder whether the construction of roads across the tundra to mines and ports for ships, is within those boundaries. Certainly, those whose lifestyle is based upon harvesting in Baffin Region will be against such developments. However, one thing is certain, even with the relative inaccessibility and cost of doing business in the North, the Government of Nunavut will have many offers from mining and drilling operations.

Overall, it seems that the only option to increasing the tax-base in the short-term is through non-renewable resources development -- the very method that has been shunned by recent economic development research and policy. Over the long-term, there is potential in tourism and perhaps in arts and crafts, but building a tax-base on micro-enterprises (the only other feasible option) will take more than one generation. In the future, the possibilities for small import substitution businesses will increase because of the population boom that

is occurring now. But it will be many years until there are fewer dependents than there are wage-earners in Baffin Region.

It is most likely that the Government of Nunavut will have to develop an economic development policy that mixes micro-business approaches and the informal economy with large-scale industrial operations. To ensure that the Inuit receive maximum benefit from these non-renewable resource projects, Nunavut leaders will have two options: (i) to initiate the project on their own; or (ii) to enter into joint ventures with established corporations. Each approach has their merits, which were not analyzed in this paper, but efforts should be made to ensure that as many Inuit as possible obtain jobs (both in the mines and in management) and that the Government of Nunavut obtains taxes and profits from the ventures.

Regardless of what is done to improve the economy of Baffin Region, it appears that the cost of the GNWT, to be viable in the long-run, will have to decrease. The most visible method of decreasing the cost is to rationalize the current structure. There appears to be a lot of organizational players within the economic development structure. The results of this research have pointed to four possible ways of streamlining the system

1. Because of the increased decision-making power at the pan-regional level (because of Nunavut), it appears that BRIA, the voice of the Inuit in Baffin Region, may have lost much of its importance. Since there are three regional Inuit associations in Nunavut, keeping them would cause major difficulties when it comes to policy implementation. Kakivak and the Baffin Region HTA should either become

independent organizations, as they once were, or be brought into the Government of Nunavut's structure.

- 2 GNWT research has shown that devolving decision-making power down to the local governments will both improve the effectiveness of government programs and be less costly than the current system. This program should be implemented in the communities that choose to sign. The GNWT may consider a slower devolution of power to the local level, rather than offering all of their programs to the communities at once. Perhaps it would be a good idea to begin with those tasks that require less long-term planning and slowly involve the Hamlet Councils with more significant tasks. The GNWT stipulation that communities design their own proposals is imperative because it establishes the desire of the community and, partially, its ability to establish long-term plans. Once the Hamlet Councils establish their ability to be strong local decision-makers, they can become the conveyors of economic development programs at the community level.

Although the economic development structure in Baffin Region may appear to be top-heavy, with very few policy-making or business and training funding decisions being made at the local level, there is merit in the structure that has evolved. A main source of complaint (and one of the major reasons for the creation of Nunavut) for the residents of the communities in Baffin Region is the geographic distance between themselves and the decision-makers. Yellowknife is further away than Montréal for some communities so the decentralization of government decisions to the regional level has been a natural, albeit

slow, progression in the NWT. Feelings of isolation from the decision-makers in the NWT are not unique to the people of Baffin Region; Inuit in the Keewatin and Kitikmeot regions have also had these feelings, and that is the major reason why they joined Nunavut. On the other hand, Inuit in the western NWT are not only closer geographically to Yellowknife, but attention to their needs has not been as neglected. This is largely because they have road access to the South and their economy is relatively more important than the Baffin economy because of the presence of petroleum resources.

As it stands now, development policy is made at the national and pan-regional levels. In the case of Baffin Region, this situation appears to be appropriate. This is because the major economic development policies (Canada-NWT EDA, CAEDS, and CFC) have regional and local representation and are flexible enough to allow regional authorities to make appropriate allocations of business creation and training funds in the smaller communities. Furthermore, with the soon-to-be Government of Nunavut having a growing role in creating more significant policies, the Inuit's need for culturally-sensitive programs should be met more effectively. The impact of the establishment of Nunavut can already be seen in the design of the HSP.

The goal of community economic development is to have decision-making based at the local level. However, considering the size of the communities in Baffin Region, it would be irrational to suggest that each of the economic development organizations have a local representative. Policies that are made at a regional or pan-regional level, and have implementation procedures that are flexible to unique circumstances that arise in the

communities, can have an overall effectiveness greater than individual policies for individual communities.

However, community involvement in the economic development process is still critical. With CTAs, it is possible that Hamlet Councils can become effective agents at the local level and gradually increase their roles in the economic development process to include consulting with pan-regional and regional economic development organizations, implementing economic development programs at the local level, and encouraging participation among the community as a whole.

Another effective way for policy-makers and business development and training funding decision-makers to ensure that the best interests of the communities are being considered is to deal with organizations that work with the people at these levels. This means collaboration between organizations at all four levels. Reflective of these thoughts, inter-organizational collaboration has increased in Baffin Region over the last ten years. If collaborative links continue to evolve within Baffin Region, there will be many positive spinoffs. For instance, this growth will: (i) facilitate the transition to a new government; (ii) allow community members to voice their concerns; and (iii) prohibit the implementation of processes that were previously ineffective.

## **5.2 Conclusions**

This investigation has been committed to understanding how both social and economic forces can shape the process of economic development. To comprehend the abilities of a locality to achieve effective agency, these two forces must not be examined as



mutually exclusive factors. The analysis of the economic development structure that has evolved upon Pond Inlet has allowed elaborations on the role of local agency in the economic development of Baffin Region. A decade after community-based economic development became an important concept for policy-makers in Canada, there still appears to be a lack of community involvement in the process in Baffin Region. On the other hand, over the last ten years there has been a devolution of significant powers to pan-regional and regional organizations in this hierarchical structure.

Local input is very important in Baffin Region's economic development process because the major impediments to growth (discussed in Chapter Three) require policies that are geared to renewable resource exploitation and the growth of micro-enterprises. Considering this factor, along with the acceptance that outside investment will rarely be going to the communities, it will be the willingness of residents to risk capital and make personal sacrifices that will determine whether or not dependence upon the government will continue over the long-term. Because of the high cost of conducting business in Baffin Region, it is very conceivable that the only thing that outside investment will be interested in is reaping profits from mineral and gas discoveries. With their emphasis on sustainable development, the Government of Nunavut will have to make some difficult decisions regarding non-renewable resource development.

One variable that has been missing in the economic development process in Baffin Region is local government. Unable to become a significant player in the economy because of a lack of power, Hamlet Councils have had to sit back while representatives from the DED&T, Kakivak, and BBDC try to encourage economic growth within their communities.

CTAs are the most recent attempt by the GNWT to provide the Hamlets with decision-making power, but Pond Inlet does not seem prepared to accept such responsibility. Many other communities in Baffin Region are looking at the possibility of signing a CTA, but most are watching the progress of Cape Dorset leaders before they make this decentralization of power complete.

Overall, this research was successful in determining that local agency has not played a significant role in the economic development process of Baffin Region. However, there have been significant gains made over the last ten years in sensitizing policy and funding decisions to local variables. Gains have not been as significant in terms of empowering economic development organizations at the local level. Pond Inlet's economic problems are not unique to the region and the constraints against growth are similar in many of the communities. Therefore, policy decisions should be made at the pan-regional (Nunavut) level. These policies should be flexible enough so that business creation and training funding organizations at the regional and local levels can make adjustments deemed necessary.

This research has added to the knowledge on economic development in several ways. In the previous literature, decentralization of decision-making power and interorganizational collaboration have been recognized as important components to the community economic development process; this research has introduced an objective method for identifying the patterns of interdependence. More specifically, recommendations were made on the role of the community in the process of economic development in Baffin Region as well as the contributions that the informal and formal economic sectors can make together.

### **5.3 Limitations and Recommendations for Future Research**

There are two items of information that were not available that could potentially have added more insight into this investigation. First, the identification of important linkages and the relative importance of the economic development organizations was still possible, however, the absence of a break-down of monetary funding available to each of the organizations made this identification more cumbersome. Secondly, there was not a complete store of the *Nunatsiag News*, an often cited publication in this paper, between 1984 and 1987, inclusive. If these materials could have been examined for this time period, the information may have brought new issues to light or been supportive of comments made by the informants.

An extension of this research is to do a similar study at a later date. It will be interesting to see the structure that the Government of Nunavut develops and how they follow their mandate of decentralizing responsibilities to the individual communities. Several other questions should be answered over the next five to ten years: how will the role of the individual communities evolve, how will the role of the federal government change, and how will collaborative efforts change.

This research can also be used to further examine the future of the dual economy in Baffin Region. Will policies aimed at increasing the size of the formal economy hinder the maintenance of the informal economy or has the informal economy already reached its maximum capacity.

Lastly, this work can be used as a stepping stone to investigating the opportunities for multi-community collaborative efforts. This is a growing concept in the community

economic development literature and is gaining increased awareness in smaller communities (such as those in Baffin Region) where the resources to implement some economic development programs does not exist.

## Appendix A -- List of Informants

<b>Informant</b>	<b>Position</b>	<b>Organization Represented</b>	<b>Date (1994)</b>	<b>Location</b>
Akumalik, Joanasie	Community Economic Development Officer	Kakivak Association	July 28	Iqaluit
Anaviapik, Jake	Chief Administrative Officer	Hamlet of Pond Inlet	July 26	Pond Inlet
Angnakak, Pat	Manager	Kakivak Association	July 6	Iqaluit
Bloor, Michael	Area Economic Development Officer (Pond Inlet, Grise Fiord, and Resolute)	Department of Economic Development and Tourism, Government of the Northwest Territories	July 20, 22 & 26	Pond Inlet
Henderson, John W.M.	Owner	Eclipse Sound Outfitters	July 22	Pond Inlet
Inootik, Simon	Manager, Processing Plant	Hunters and Trappers' Association	July 14	Pond Inlet
Killiktee, Gishoonie & Mucktar, Joannie (joint interview)	Finance, Administration, and Parks Representative & Recreation and Radio Station Representative (respectively)	Hamlet of Pond Inlet (both)	July 25	Pond Inlet
Krimmerd- juar, Joe	Administrative Officer - North Baffin	Baffin Region Inuit Association	July 20	Pond Inlet
Maily, Claudy	Economic Policy Co- ordinator	Baffin Region Inuit Association	August 17	Iqaluit (by Tele- phone)

McLeod, Brian	Ex-President (term concluded May 1994)	Baffin Region Chamber of Commerce	July 11	Iqaluit
Parker, Katheryne	Special Assistant to Jack Anawak, Member of Parliament for Nunatsiag riding	Government of Canada	July 5	Iqaluit
Picco, Edward W	Manager	Baffin Business Development Centre	July 6 & 27	Iqaluit
Trumper, Katherine	Regional Superintendent	Department of Economic Development and Tourism, Government of the Northwest Territories	July 7	Iqaluit
Umphey, William	Manager	Toonoonik- Sahoonik Co- operative	July 15	Pond Inlet

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