

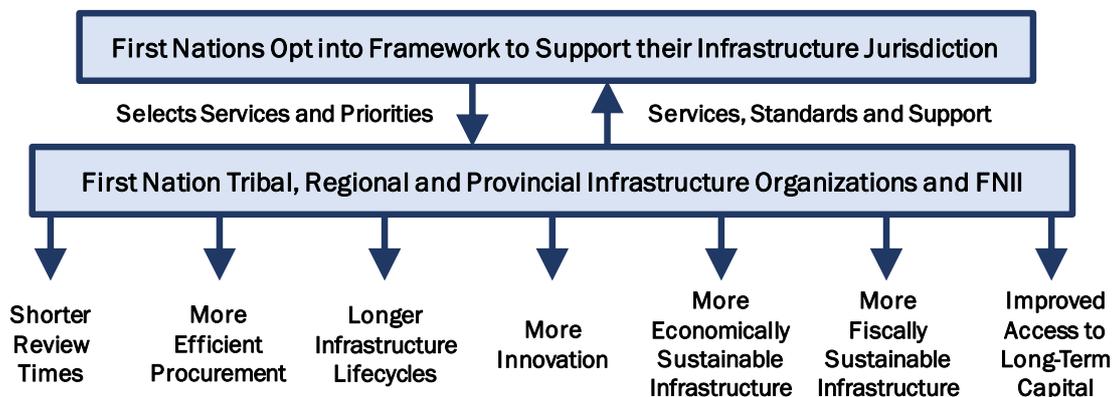
# BACKGROUND PAPER: INNOVATIONS

## *FNII Innovations and Implementation Strategy*

This background paper describes the infrastructure innovations proposed by FNII and the strategy to implement them. It begins with a short description of the improved infrastructure system that FNII will support.

A better First Nation infrastructure system would have more jurisdiction, revenues and capacity at the local level to speed decisions, better manage projects and costs, improve operation and maintenance and generate sufficient revenues to replace infrastructure. A better system would have tribal, regional and provincial First Nation institutions provide necessary professional support for all parts of the infrastructure cycle, to encourage cost efficiencies through aggregations and standards and to ensure community sustainability through integrated planning and better access to revenues and resources. A better system would have a national institution to improve access to infrastructure financing capital, encourage and promote innovations, develop standards, support local and regional capacity development, increase revenues available for all parts of the infrastructure cycle and provide insurance options to manage risks. This better First Nation infrastructure system would reduce time and costs of infrastructure development, increase durability, improve health and social outcomes and support the growth of First Nation economies and revenues to build sustainable communities and nations.

The work towards a better First Nation infrastructure system is well underway. Several First Nations have begun to use long-term financing through the Fiscal Management Act (FMA) to build more sustainable infrastructure. There are several tribal, regional and provincial organizations who have begun to collect information, develop capacity and support aggregation and other infrastructure efficiencies. It is proposed that FNII be established as an optional FMA institutions as part of this better system. As illustrated it would work with First Nation partners to deliver shorter review times, more efficient procurement, longer infrastructure lifecycles, more innovations, economically and fiscally sustainable infrastructure and improved access to capital.



FNII will support at least the following ten improvements in the First Nation infrastructure system:

1. **Longer Term Stable Federal Transfers** – FNII will work with participating First Nations and the FMA institutions to develop a better system of federal contributions to First Nation infrastructure. One preliminary proposal is to separate transfers for O&M from federal contributions to new infrastructure. FNII and the FMA institutions will work with participating First Nations to ensure that new infrastructure transfers can be monetized allowing the funds to be pledged as long-term financing security, for infrastructure.
2. **New Revenues** – FNII will work with participating First Nations and the other FMA institutions to enable new, more stable revenue sources to enhance sustainability. These new revenues could include implementing First Nation resources, carbon, fuel, tobacco and cannabis tax jurisdiction and removing the current caps on the FNGST. They could also include participation in resource projects or other secure revenues.
3. **Improved Access to Capital** – As an FMA institution, FNII will help participating First Nations get access to infrastructure financing at longer terms and lower rates through the FNFA. It is hoped that participating First Nations can combine improved long-term transfers with more revenues to build infrastructure sooner and have the necessary resources to ensure its sustainability. FNII will work with participating First Nations and the FMA institutions to improve the credit rating. As more First Nations participate, risk diversification will further improve credit and lower the cost of capital.
4. **Standards and Capacity** – FNII will support the development of standards and sample laws to support all elements of the infrastructure cycle. FNII will work with participating First Nations to implement these standards efficiently and cost effectively. This will support more effective local, regional and provincial capacity development. It will increase expertise and reduce the complexity, time and cost of all phases of the infrastructure cycle.
5. **More Efficient Review Processes** – The current system often has multiple levels of review for First Nation infrastructure systems that are filled with unnecessary duplication. Other governments only have one review for infrastructure projects and they rely on professional certifications. FNII will help develop the capacity of participating First Nations and tribal and other organizations to implement a shorter, comparable and equally effective review process. This saves time and money for First Nations.
6. **Support Innovation** – FNII will work with participating First Nations to support two innovations. First, more infrastructure decisions and management will occur locally, tribally or regionally. This will provide the opportunity to implement infrastructure innovations appropriate for local circumstances. FNII will also develop a national database of First Nation infrastructure assets, projects and results from participating First Nations. This database will be used to share infrastructure design, support research, better policies and standards and to identify innovations that save time and money and improve sustainability.
7. **Capitalize on Aggregation Opportunities** – Economies of scale can lead to efficiencies and lower costs. FNII will work with participating First Nations to take advantage of the

strength from numbers. This could lead to costs savings related to procurement and professional support. It could lead to participation by the private sector in larger First Nation infrastructure projects. It could lead to building more sustainable economic infrastructure to support resource and other types of projects.

8. **Develop Insurance Options** – There are a series of risks associated with infrastructure related to health, safety and the environment. The costs of calculating these risks for one type of infrastructure or one community and the subsequent insurance premiums can be prohibitive. FNII will work with participating First Nations to develop affordable options for infrastructure insurance.
9. **Incorporate Economic Potential** – Economic growth sustains social programs and improves health and safety. The current infrastructure system focuses on social and health and safety priorities for First Nation infrastructure but does not support economic infrastructure considerations. Social, health and safety are key infrastructure considerations, but without economic growth, First Nation infrastructure is unsustainable which leads to even worse social, health and safety outcomes. FNII will value these community priorities but also economic ones. FNII will work with participating First Nations to break the unsustainable infrastructure cycle by incorporating economic and fiscal potential into the First Nation infrastructure system. This means considering economic potential in the planning stage. It means lifecycle fiscal and financial infrastructure planning. It means supporting more economic infrastructure projects and ensuring First Nations receive more economic and fiscal benefits from resource and other projects in their territories.
10. **Develop a Stapled Financing Option** – FNII could develop an option to act as a stapled financing vehicle. This could provide a mechanism whereby smaller infrastructure projects that don't meet the minimum size requirements to access favourable financing can be combined into a larger vehicle to achieve more favourable financing. Smaller projects can be combined by a commitment to meet standardized terms, defined in a term sheet which is then stapled to the design build contract (or design build operate contract). FNII would establish accepted standards for these projects and enforce compliance. This will also expedite the bidding process, as bidders won't need to spend time seeking financing with a pre-arranged package available. An illustrative example of such an approach can be found here ([link](#)).

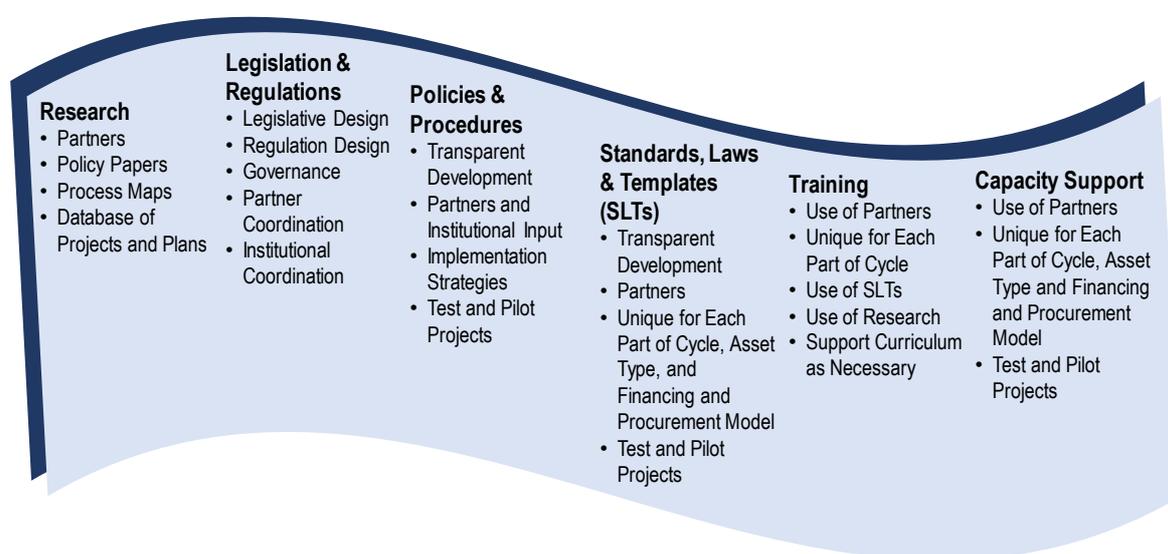
### *Methods to Implement Innovations*

How should FNII implement its proposed innovations?

FNII will build on the successful approach to implement innovations used by the other FMA institutions and provincial infrastructure agencies. The FMA approach to support innovations is based on a continuum that begins with quality research. This research initially supports legislation and regulations which eventually supports sound policies and standards. These form the basis for best practice standards, sample laws and templates. These are tested, implemented and updated as necessary through research and test projects. Standards,

templates and sample laws are the foundation that allows institutions to provide accredited and standardized training to support capacity development and other capacity support tools and services in support of innovations. This approach to implement FNII innovations is also reflected in the FNII logic model.

The six elements to implement innovations are illustrated below. The order in the diagram below reflects the usual path of an innovation from idea to implementation, although there can be examples where this order is not followed. Each element is briefly described and then some examples of the implementation path for some specific FNII innovations are described.



**Research** – Quality research supports every innovation. It supports legislative design, policy, standards, laws and templates and curriculum. FNII research would involve its tribal, provincial and federal partners. It would result in policy and option papers and process maps on how best to implement a strategy. FNII would develop a data base not only of infrastructure assets from participating First Nations but also of infrastructure innovations used by First Nations. This will allow FNII to constantly improve the efficiency and effectiveness of its services to First Nations.

**Legislation and Regulations** – FNII innovations need a legislative and regulatory base to be sustainable. For example, FNII needs its mandate clarified in legislation. It needs the necessary powers to support standards, sample laws, templates and capacity support. It needs an appropriate governance and accountability framework to support possible funding, partnership and institutional coordination options. All these legislative and regulation requirements will be informed by quality research, FMA experience, innovation requirements and FNII partners and proponents.

**Policies and Procedures** – FNII will develop several policies and procedures to support their innovations. These will be developed using a transparent process based on research, input from their regional and FMA institutional partners and broader review of draft policy and procedure

proposals. There will be an implementation plan for each policy and procedure and it will be tested and evaluated through projects and other approaches. Policies and procedures will be modified based on regular evaluations with FNII's regional and institutional partners.

**Standards, Laws and Templates (SLTs)** – Many FNII innovations will be supported by SLTs that improve infrastructure efficiency, effectiveness, sustainability or other objective. These will also be developed in a transparent framework and supported by research, partner input and broader review. FNII will develop appropriate STLs to support innovations and improvements for each part of the infrastructure cycle. SLTs will be used in test projects with FNII's regional partners for evaluation and improvements.

**Training** – Capacity development is critical to transferring infrastructure innovations to participating First Nation communities. Research, policies and SLTs provide the basis for standardized and accredited training for applying innovations to all parts of the infrastructure cycle (planning, design, construction, financing, procurement, operation, maintenance and replacement). FNII will determine the best method to support training and capacity development with its partners. FNII will improve training methods and curriculum based on research, input from partners and evaluation of capacity development success.

**Capacity Support** – FNII will work with its partners to deliver innovations through capacity support methods and tools. These will be tailored for participating First Nation requirements and for each part of the infrastructure cycle. Methods and tools could include leadership support, assessments, qualified professionals, law development support, project management, economic, financial or capital planning advice, operation and maintenance monitoring and support or many other services to improve better First Nation infrastructure systems. As with other parts of the innovation continuum, FNII will evaluate its capacity support services through research and test projects and improve the efficiency and effectiveness of these services.

Here are two examples of the potential application this continuum in support of two FNII innovations for illustrative purposes: (i) the use of professional certifications to reduce infrastructure review times; and (ii) the monetization of long term transfers for infrastructure financing.

*Certified Professionals to Shorten Review Time* – The implementation of this innovation utilizes all elements of the continuum. It would start with research into the best provincial practices in the use of professional certification and liability in infrastructure projects. The legislation and regulations could provide FNII with the power to confirm certified professionals for participating First Nations. FNII could develop policies and procedures associated with the identification or use of certified professionals. There could be templates or standards associated with the efficient and effective use of these professionals. Capacity development training and support would be provided to First Nations to support their use of certified professionals in the review process. FNII could

evaluate the success of this innovation and its various components and make necessary improvements.

*Monetizing Federal Transfers for Long Term Infrastructure Financing* – This innovation would begin with research from federal, provincial and perhaps international examples that have used transfers from one government to support infrastructure financing. The long-term implementation of this innovation may have legislative requirements to ensure stable transfer funding and to provide any necessary certification powers for FMA institutions. Policy and procedures could enable at least qualification requirements, opportunities to combine different revenues and default remedies. SLTs could be used to standardize the process for efficiency and lender certainty. Capacity development and support could be provided to complete qualification processes and to implement local policies to enhance lender security.