

**SPECIAL AGREEMENT
ESTABLISHING THE TERMS OF APPLICATION
OF THE ABORIGINAL INITIATIVES FUND III IN NUNAVIK**

between

**THE GOUVERNEMENT DU QUÉBEC,
represented by the Minister responsible for Native Affairs,
hereinafter referred to as “Québec”**

and

**THE KATIVIK REGIONAL GOVERNMENT,
duly constituted under section 239 of the *Act respecting northern villages and the
Kativik Regional Government* (CQLR, chapter V-6.1),
represented by its chairperson, Jennifer Munick, and its secretary,
Ina Gordon, hereinafter referred to as the “KRG”**

WHEREAS the Gouvernement du Québec issued Order in Council 428-2012, which approved the creation of the Aboriginal Initiatives Fund II (AIF II), on May 2, 2012;

WHEREAS the Government of Québec issued Order in Council 558-2017 approving the creation of the Aboriginal Initiatives Fund III (AIF III) on June 14, 2017;

WHEREAS the AIF III includes, among other things, a budget that aims to support economic development and community infrastructure projects;

WHEREAS the geographical, economic, social and institutional reality of the Inuit environment is different from that of First Nations;

WHEREAS Québec and the KRG wish to enter into an agreement comprising provisions adapted to the particular characteristics of the Inuit environment in order to permit the carrying out of economic and community development projects;

WHEREAS economic development is a key element for the socioeconomic progress of the Kativik region and the well-being of its population;

WHEREAS section 2.5.6 of the *Partnership Agreement on Economic and Community Development in Nunavik* (Sanarrutik) stipulates that the funding of community and economic projects described in section 2.5.1 of the same agreement shall be without prejudice to the renewal of any funding which includes, but is not limited to, the agreement concerning the management of Pivallutiit by the Secrétariat aux Affaires Autochtones (SAA) Makigiarutiit (SAA) and Isurruutiit by the ministère des Affaires municipales et de l'Occupation du territoire;

WHEREAS the parties want to pool their efforts to foster economic development and support local projects with a mobilizing effect;

WHEREAS the parties want to give priority to partnership between them when required;

WHEREAS Québec wishes to entrust to the KRG, which accepts, the management of economic and community infrastructure projects;

THEREFORE, the parties agree to the following:

PURPOSE OF THE AGREEMENT

1. The purpose of this Agreement is to determine the general commitments of the parties with respect to economic development and community infrastructure projects in order to promote job creation or consolidation for the population of the Kativik region.
2. This Agreement also aims to determine the conditions of program planning, management and consultation for such projects.

3. The preamble and schedules form an integral part of this Agreement.
4. The amounts reserved for the KRG under this Agreement include the residual amounts, if any, of the economic development and community infrastructure budgets that were reserved for the Kativik region under the AIF II. All projects will now be subject to the application of AIF III standards. The special agreement establishing the terms of application of the AIF II is therefore abrogated by this Agreement.
5. The parties recognize the need to cooperate and to coordinate their efforts to achieve the objectives of this Agreement, in their common interest.

APPLICATION FRAMEWORK FOR FUNDING ECONOMIC DEVELOPMENT PROJECTS

6. Under the AIF III, Québec shall make available to the KRG a budget of \$13.45 million over four (4) years to fund economic development projects, according to the needs and priorities expressed by the KRG. All community economic development projects must be submitted by the KRG until March 31, 2022. The objectives to be achieved are as follows:
 - Establish conditions promoting the emergence of economic development (including assistance for the expansion of businesses);
 - Create and/or develop businesses;
 - Create and/or consolidate jobs;
 - Foster entrepreneurship among women and young people.
7. In the matter of economic development, the KRG shall send to the Minister responsible for Native Affairs a list of projects likely to be undertaken during the year and any subsequent revision of said list.
8. The KRG shall make sure that authorized projects are dealt with in accordance with the government policies, statutes, regulations and standards applicable in Québec. In addition, the projects may not have a significant negative impact on Inuit or non-Inuit businesses working in an identical or related activity sector within the limits of free competition.
9. The projects shall be funded on a priority basis by way of the existing programs of the federal government and those of Québec departments and agencies, from their budgetary envelope. The KRG may use the AIF III envelope to fund projects that will require financial assistance over and above what the existing above-mentioned programs can offer or projects that due to their specific circumstances, delays and requirements, may not be funded, on a priority basis or in general, by those existing programs..
10. The KRG is responsible for the management of economic development projects according to the conditions set out in **Schedule 1**. In this capacity, the KRG shall:
 - Analyze the eligibility of the submitted projects;
 - Oversee the verification of and follow-up on projects as well as reporting to the minister responsible for Native Affairs;
 - Pay the financial assistance to the various proponents of economic development projects and make sure that it obtains either financial statements for the funded projects, audited where possible, an attestation from the proponent or a resolution from its board of directors certifying that the assistance granted was used for the purposes of the selected projects and that these projects have been completed and that the proponent will ensure the operations and maintenance of the facility and / or equipment;

- Submit to the Secrétariat aux affaires autochtones, on an annual basis and within six (6) months following the end of each of its fiscal years, a letter from the KRG Director-General regarding the project including a brief activity report, so as to certify that the work planned under the agreement with the KRG either is underway or has been completed and is in compliance, as well as a financial report for each project (audited, if applicable);
- Submit to the Secrétariat aux affaires autochtones a list of the assistance granted within the context of economic development;
- Submit its audited financial statements to the Secrétariat aux affaires autochtones, on an annual basis and within six (6) months following the end of each of its fiscal years;
- Ensure liaison and coordination between the Secrétariat aux affaires autochtones and the project proponents.

For this purpose, management expenses in the amount of \$242,100 for economic development shall be granted to the KRG on an annual basis by the government, representing 7.2 % of the \$13.45 million budget spread out over four (4) years. For the first year of the Agreement, these management expenses shall be paid to the KRG in a single installment on September 24, 2018. For the subsequent years, these management expenses shall be paid in two equal installments, around January 15 and July 15.

The parties agree that the requests for payment arising from the performance of this Agreement may be subject to audit by the Comptroller of Finance who, for this purpose, has all the powers mentioned in sections 9, 10, 11, 12 and 13 of the *Act respecting public inquiry commissions* (CQLR, chapter C-37), including that of reading and examining all registers and documents that they deem necessary for this audit.

11. Within thirty (30) days of receiving a list of projects likely to be undertaken during the year, and for the first year of the Agreement, the government shall pay an initial installment of \$639,500 in the form of an advance. Thereafter, subsequent installments of \$580,000 shall be paid no later than forty (40) days following the tabling by the KRG with the minister responsible for Native Affairs of an attestation that the transfer balance minus the outlays is less than \$150,000 and a report indicating the sums committed and paid out by project, the proponents who are assistance beneficiaries, the contribution of the proponents to the project's costs and the form of financial assistance awarded (investment, loan, loan guarantee or grant).

The KRG's investment policy as well as any modification thereto shall be submitted to the minister responsible for Native Affairs for approval. This policy shall comprise measures fostering entrepreneurship among women and young people, as well as the social economy.

12. On the basis of the submitted projects, the parties agree that all of the authorized projects will be the subject of a funding agreement between the eligible organization and the KRG. This funding agreement shall define the activities of the project, the conditions for the payment of the assistance, and the obligations and commitments of the parties. Moreover, it shall provide for a reporting process and mention that the funds administered by the KRG are provided by Québec under the AIF III.

**APPLICATION FRAMEWORK FOR FUNDING COMMUNITY
INFRASTRUCTURE PROJECTS**

13. Under the AIF III, Québec shall make available to the KRG a maximum budget of \$14 million which must be committed within a period of four (4) years for the development of community infrastructures. All community infrastructures projects must be submitted by the KRG until March 31, 2022.
14. A northern village may not benefit from more than \$1 million in financial assistance from the AIF III budget for community infrastructure projects.

15. The KRG shall ensure that all authorized projects comply with established government policies, statutes, regulations and norms.
16. The KRG is solely responsible for the management of the “community infrastructure” budget according to the conditions set out in **Schedule 2**. In this capacity, the KRG shall:
 - Analyze the eligibility of submitted projects;
 - See to the verification of and follow-up on projects, as well as reporting to the minister responsible for Native Affairs.
 - Submit to the Secrétariat aux affaires autochtones a list of projects chosen within the context of community infrastructures;
 - Recommend the payment of the financial assistance to the various proponents of community infrastructure projects and make sure that it obtains either financial statements for the funded projects, audited where possible, a resolution from the proponent or its board of directors certifying that the assistance granted was used for the purposes of the selected projects and that these projects have been completed and that the proponent will ensure the operations and maintenance of the facility and / or equipment;
 - Can carry out the duties of project manager in the name of a northern village, after receiving a delegation of municipal powers to that effect from that given village;
 - Submit to the Secrétariat aux affaires autochtones, on an annual basis and within six (6) months following the completion of each fiscal year, a letter from the KRG Director-General regarding the project(s) including a brief activity report, so as to certify that the work planned under the agreement with the KRG either is underway or has been completed and is in compliance, as well as a financial report for each project (audited if applicable);
 - Submit its audited financial statements to the Secrétariat aux affaires autochtones, on an annual basis and within six (6) months following the end of each of its fiscal years;
 - Ensure liaison and coordination between the Secrétariat aux affaires autochtones and the project proponents.

For this purpose, management expenses in the amount of \$252,000 for community infrastructure projects shall be granted to the KRG on an annual basis by the government, representing 7.2 % of the \$14 million budget spread out over four (4) years. For the first year of the Agreement, these management expenses shall be paid to the KRG in a single installment on September 24, 2018. For the subsequent years, these management expenses shall be paid in two equal installments, around January 15 and July 15.

The parties agree that the requests for payment arising from the performance of this Agreement may be subject to audit by the Comptroller of Finance who, for this purpose, has all the powers mentioned in sections 9, 10, 11, 12 and 13 of the *Act respecting public inquiry commissions*, including that of reading and examining all registers and documents that they deem necessary for this audit.

17. On the basis of the submitted projects, the parties agree that all of the authorized projects will be the subject of a funding agreement between the eligible organization, or the KRG when it acts as a project manager in the name of a northern village, and the SAA. This funding agreement shall define the activities of the project, the conditions for the payment of the assistance, and the obligations and commitments of the parties. Moreover, it shall provide for a reporting process and mention that the funds administered by the KRG are provided by Québec under the AIF III.

GENERAL PROVISIONS

18. This Agreement shall be without prejudice to the KRG's access to the other components of the AIF III, according to the applicable criteria and standards.
19. This Agreement shall take effect on the date of its signing by the two parties and shall remain in force until the obligations of each party have been fulfilled, subject to the other provisions of this Agreement.
20. The parties may, by common accord expressed in writing, amend this Agreement or enter into complementary agreements through an exchange of letters on the terms of application of this Agreement not provided for herein.
21. Should any provision of this Agreement be declared null or invalid by a competent court, the parties agree to remedy, as soon as possible, this nullity or invalidity so that the objectives sought by the Agreement are achieved.
22. In case of non-compliance with the clauses of this Agreement by either party, this Agreement shall be cancelled upon the expiration of sixty (60) days following the date of transmission, by either party, of a written notice of cancellation, unless the party at fault has remedied the default within sixty (60) days or the parties agree to different provisions prior to said term.
23. Québec designates the secrétaire générale associée aux Affaires autochtones as its official representative for the purposes of this Agreement. The KRG designates its Director General as official representative for the purposes of this Agreement. If it becomes necessary to replace the representative of a party, the party in question shall see to said replacement as soon as possible and shall notify the other party in writing.
24. This Agreement does not constitute a treaty within the meaning of section 35 of the *Constitution Act, 1982*, nor is it to be interpreted in any way as abrogating, derogating, negating or recognizing any Aboriginal, treaty or other right.
25. To be enforceable against the other party, all notices, requests, reports and other communications provided for under this Agreement must be made in writing and sent to that party's address, as set out below, by mail, by registered or certified mail, by fax or by messenger. They shall be deemed received the same day if sent by messenger or fax, or the second working day following their mailing if sent by mail.

For the SAA: Marie-José Thomas
 Secrétaire générale associée
 Secrétariat aux affaires autochtones
 905, avenue Honoré-Mercier, 1^{er} étage
 Québec (Québec) G1R 5M6

For the KRG: Michael Gordon
 Director General
 Kativik Regional Government
 P.O. Box 9
 Kuujjuaq (Québec) J0M 1C0

IN WITNESS WHEREOF, the parties have signed four copies of the Agreement, two in French and two in English, with the French version prevailing.

Signed at _____ on this ____ day of _____ 2018:

**FOR THE
KATIVIK REGIONAL GOVERNMENT**

**FOR THE
GOUVERNEMENT DU QUÉBEC**

Jennifer Munick
Chairperson

Geoffrey Kelley
Minister responsible for Native Affairs

Ina Gordon
Secretary

Schedule 1

CONDITIONS FOR THE IMPLEMENTATION OF ECONOMIC DEVELOPMENT PROJECTS

A. Eligible organizations

- Profit-oriented organizations in which Inuit hold a controlling interest within the meaning of the *James Bay and Northern Quebec Agreement*;
- Non-profit organizations in which Inuit hold a controlling interest within the meaning of the *James Bay and Northern Quebec Agreement* engaging in socioeconomic activities;
- Cooperatives, the majority of whose members are Inuit within the meaning of the *James Bay and Northern Quebec Agreement*.
- Private sector developers in which Inuit hold a controlling interest within the meaning of the *James Bay and Northern Quebec Agreement*

B. Eligible projects

Four (4) types of projects are eligible:

Entrepreneurship

In order to be eligible, a project of this type must have positive effects on the consolidation of existing assets and the economic development of the Inuit nation or community. Moreover, it must have some of the following characteristics:

- Be limited and likely to respond to specific and cyclical situations;
- Be experimental and innovative;
- Have a structuring effect on the nation or community;
- Aim to create or maintain jobs;
- Serve as a driving force;
- Assure the influence of the nation or community;
- Improve the living environment of the nation or community.

Studies

In order to be eligible, this type of project must basically concern a study dealing with a potential project prepared within the context of this agreement. It may involve, among other things:

- The preparation of a business plan;
- The evaluation of the advisability of carrying out a project;
- The evaluation of the technical and financial feasibility of a project;
- The definition and development of a concept;
- The market analysis associated with an investment project;
- Studies dealing with the integrated management of resources and traditional activities.

Labour force training

Projects in this category are mainly meant to develop the Inuit labour force, especially through vocational training. Retraining, and temporary or continuous training that is necessary for starting, expanding or consolidating an entrepreneurial project—or that is related to the economic development of the Inuit community or nation—may be eligible under the economic development component of the AIF III, where the beneficiary of the training is Inuit. Furthermore, local employment centres must be solicited by the proponents as partners, pursuant to their respective responsibilities. The AIF III's general application framework stipulates that the program is a complementary tool.

Social economy

Projects in this category are meant for the initiatives of non-profit organizations in the social economy field.

Social economy companies must:

- Have as their purpose to serve their members or community rather than simply to generate profit and focus on financial performance;
- Be managed in a way that is autonomous from the State;
- Integrate in their statutes and ways of doing things a democratic decision-making process that includes users;
- Defend the primacy of people and jobs over capital in the division of their surpluses and revenue;
- Base their activities on principles of participation, empowerment and individual and collective responsibility.

The social economy sector consists of two types of companies classified as being either cooperative or associative in nature. The cooperative group is composed of cooperatives in accordance with the *Cooperatives Act* or the *Act respecting financial services cooperatives*, as well as mutual insurance companies established in accordance with the *Act respecting insurance*. The associative group includes non-profit organizations (NPOs) created pursuant to division III of the *Companies Act* and whose financial viability mainly depends on independent revenue from production and goods and services. NPOs that are not mainly entrepreneurial in nature, such as community-based agencies, charitable organizations, economic development corporations and municipal bodies, are not social economy companies. Nevertheless, such organizations can still set up social economy projects that respect the above-mentioned criteria to, among others, generate autonomous revenue.

C. Eligible costs

Eligible costs are those related to eligible projects, including those related to market studies.

Costs related to the operating expenses of a business are not eligible; however, financing working capital is eligible for financial assistance through loans and or overdraft protection at a financial institution, except for the funding of surveys by loan or loan guarantee, and the funding of preferred share investments.

D. Conditions that must be respected by the proponent of a project

- Submit a business plan including, among other things, the following information:
 - Justification of its financial needs and the relevance of resorting to this budget to carry out the project;
 - The place where the project will be carried out;
 - A breakdown of the expenses and the funding of the project, including an itemized list of the other anticipated sources of funding;
 - The project's beneficial effects on the nation or community concerned;
 - The steps taken to support the project;
 - A three-year (3-year) operating budget forecast.
- Have a substantial portion of its operations on the territory of the Kativik Region;
- Contribute at least 10% of the project's eligible cost, of which half (5 % of the total eligible cost) must come directly from the proponent and the other half (5%) must come from a source other than a department or agency of the Gouvernement du Québec.

Application framework

This program offers applicants four (4) possibilities for financial assistance. The financial assistance may consist of a direct grant to the beneficiary, the granting of a loan in its favour, a guarantee for a loan that the beneficiary will have contracted in its name with a financial institution and, finally, a preferred share investment.

As for projects concerning the creation of a social economy company by a non-profit organization, operating expenses could be funded for a maximum period of three (3) years.

In order to encourage partnerships between Inuit and non-Inuit businesses, projects submitted by Aboriginal proponents are considered as being 100% eligible for this program if these proponents retain effective control over their business and hold more than 50% of shares in the business. If such is not the case, the amount of the financial assistance granted will correspond to the proportion of shares held by the Inuit proponents.

Schedule 2

CONDITIONS FOR THE IMPLEMENTATION OF COMMUNITY INFRASTRUCTURE PROJECTS

A. Eligible organizations

- Northern villages;
- Inuit non-profit organizations or their equivalent;
- The Kativik Regional Government, as project manager in the name of a northern village, after it has received a delegation of municipal powers to that effect from that given village;
- The Kativik Regional Government, the Nunavik Regional Board of Health and Social Services, the Kativik Ilisarniliriniq (School Board), the Inuulitsivik Health Centre and the Tulattavik Health Centre, provided that all of the needs of community organizations, non-profit organizations and other regional organizations have been met.

B. Eligible projects

All community infrastructure projects must be submitted by the KRG until March 31, 2022. The following eligibility criteria must be met:

- The project must be considered a priority and useful for the well-being of the Inuit population;
- The capacity for the Inuit community or the beneficiary organization to assume the operating and upkeep expenses, if any, must be assured;
- The project must be justified (deterioration, obsolescence, insufficiency of the infrastructure in relation to the current population, works carried out to comply with standards or regulations, the presence or absence of facilities of a similar nature or having the same vocation as the submitted project, etc.);
- The spin-offs for the economy, jobs, territorial development and community revitalization must be taken into consideration.

Eligible and ineligible infrastructures

This budget may not be used to fund major infrastructures and facilities considered to be overly specialized and too costly. Projects concerning the following activity sectors are eligible: social services, recreation, sports, culture, communications, tourism and information technology.

As examples, the following infrastructures and facilities are eligible:

- Daycare centres;
- Recreation and sports facilities;
- Tourist reception, recreation, fitness, community and administrative centres;
- Non-residential developments (for example, landscaping, earthworks, recreation and community parks, playgrounds, trails, beaches and campgrounds);
- Cultural and communication facilities having a community vocation;
- Sites associated with the development of heritage assets;
- Centres for young people;
- Seniors' homes;
- Homes or centers for the elderly or other persons with special needs which require social services or adapted services;
- Libraries.

This budget may not be used to fund projects concerning the following activity sectors: health, education, municipal affairs, housing (except homes or centers for the elderly or other persons with special needs which require social services or adapted services), transportation, public security and justice.

As examples, the following infrastructures are ineligible:

- Drinking water catchment, purification, storage and distribution facilities, including equipment related to fire protection;
- Disposal and inspection facilities for wastewater, including rain water;
- Roads, streets, sidewalks, bridges, overpasses, tunnels, retaining walls and noise walls;
- Schools;
- Hospitals and clinics;
- Airports and wharfs;
- All heavy rolling stock;
- Penitentiaries, police stations, fire stations and jails;
- Facilities related to public security and justice (places where justice is exercised).

Eligible work

- The rehabilitation, repair, reconstruction, expansion and replacement of existing community structures;
- The construction of new infrastructures.

Eligible and ineligible expenses

Eligible expenses include:

- Expenses related to job contracts to carry out eligible works;
- Management expenses;
- Related costs, including professional fees, the cost of surveys, trials or analyses, and temporary financing expenses;
- Expenses related to the purchase of eligible community facilities;
- Expenses related to the acquisition of new information technology, such as computer hardware, software, software packages, updates, upgrades, and the training required for their use.

A project may not include the portion of expenses that is already the subject of financial assistance from another department, government organization or mandatary of the Gouvernement du Québec or the Government of Canada.

The purchase price of lands is not an eligible expense.

C. Conditions imposed on the proponent

The proponent must demonstrate its financial needs and submit to the Aboriginal authorities and the Secrétariat aux affaires autochtones (SAA) a plan of operations including, among other things, the following information:

- Justification of its financial needs and the relevance of resorting to this budget to carry out the project;
- The place where the project will be carried out;
- A breakdown of the expenses and the funding of the project, including an itemized list of the other anticipated sources of funding;
- The project's beneficial effects for the community;
- The steps taken to support the project and proof that the financial assistance requested is necessary to carry out the project;
- A three-year (3-year) operating budget forecast.

D. Determination of financial assistance

The financial assistance granted by the Gouvernement du Québec to a nation, community or organization may not exceed 90% of the total cost of all of the eligible work and purchases approved by the minister responsible for Native Affairs. The complementary 10% of funding must come from a source other than a department of the Gouvernement du Québec.

All capital expenditures related to community infrastructures shall be amortized and financed according to their useful life, in other words according to the same rules that apply to similar facilities funded by the Gouvernement du Québec on non-Aboriginal territories. For community infrastructure projects requiring \$250,000 or less in financial assistance from the program, the Minister could, according to budget availability, fund the projects directly by way of grants.