Socio-economic aspects of corruption in aboriginal communities

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Abstract

Corruption in governance of aboriginal communities in Canada has been reported to be endemic. An analysis of the underlying causes of apparent corruption in aboriginal community governments indicated that economic deprivation is a factor of importance. Low Human Development Index embodying health, education and income, corresponds to high Corruption Perception Index. The socio-economic status of aboriginal communities appeared to be similar to countries with low Human Development Index. At the present funding-limited rate of improvement of Human Development Index in aboriginal communities, it would be at least 2020 before aboriginals would reach the same level of human development as Canadians-at-large in 2010. Substantial increase in funding to aboriginal communities is a practicable starting means to rectify economic deprivation and reduce corruption concomitantly.

Keywords: aboriginals, corruption, economic deprivation, human development, social structure

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Introduction

Official corruption in Canada began with the introduction of the cash economy in the mid-17th century. The structure of the aboriginal society was hence changed irreversibly forever. Prior to this event, properties and trade among the indigenous people were recognized and used under a very different paradigm of communal benefits. Nearly 350 years later, systemic corrupted practices have permeated almost every sector of Canadian public and corporate societies. This is evident in the highly-publicized dossiers of the "Save-Canada sponsorship funding" (Anon., 2006), "Mulroney-Schreiber payment plan" (McArthur, 2007) and "Court strikes down Tory defence on election financing" (Anon., 2011).

In recent decades, First Nations (FN) in Canada have often been accused singularly of considerable corruption in its governance and administration of public funds (Hussain, 2004; Sandberg et al., 2008). To a large extent, the aboriginal people and their leadership are blamed causally (Flanagan, 1998). Pocklington and Pocklington (1994) have however noted that there is little difference in aboriginal and non-aboriginal cultures on issues of personal benefits at the expense of the common good. To date, the routine approach to solve the corruption problem has been strengthening the oversights of financial and public institutions of the aboriginal people. There has been no known analysis of the underlying causes of corruption in FN communities.

This study examines the causes of apparent corruption in FN communities from a socio-economic perspective, for the development of a practicable solution to this problem.

Methodology

Representative social-economic data published by government and quasi-government institutions were examined. First Nations people (syn. aboriginals) were defined in this study as persons registered under the Indian Act of Canada. Métis and Inuits were excluded in the present study. "On-reserve" denotes residency of FN people in land owned by the Government of Canada, and governed by Indian and Northern Affairs Canada (INAC) in accordance with the Indian Act of Canada.

Sandberg et al. (2007) surveyed 1,780 persons among the FN communities in Manitoba and Saskatchewan in a study of aboriginal governance. Because of considerable heterogeneity of community structure, the sampling size of only 0.8% of the total FN population in Canada may be too small to be of any statistical significance for the construction of an "Aboriginal Governance Index" to reflect, among other things, corruption and financial mismanagement in FN communities. Consequently, this index was not used in this study.

The two international social-study indices were used in the present study:

1. Human Development Index (HDI)

This Index was first introduced by the United Nations Development Program (UNDP) in 1990 to measure development by combining indicators of life expectancy, educational attainment and income. The methodology for its calculation has evolved since its inception. It may be noted that HDI does not account for the importance of, among other things, the continuation and preservation of cultural tradition of the people as an important element of human development. It is a representation of average values of a country. UNDP has now introduced an experimental HDI to account for inequality in the basic dimensions of human development within a country (UNDP, 2011). The formula used by UNDP for 2010 HDI calculations is summarized in Appendix 1.

2. Corruption Perception Index (CPI)

CPI is published annually by Transparency International, a non-profit organization, to measure the degree to which corruption, i.e., abuse of entrusted power for private gain, is perceived to exist among public officials and politicians (TI, 2011). The 2010 survey covered 180 countries. CPI is a subjective assessment of public perception as assessed by "experts" drawn from business people and organizations. CPI does not characterize how the public and business officials of "less corrupted" countries are using corrupted means to win contracts and other concessions from those of "corrupted countries". Despite these and other shortcomings, CPI is the best-available convenient measure of relative corruption of government officials and politicians, as well as business people in a particular country.

Analysis

Corruption in the governance of aboriginal communities has two inter-related components during the involuntary transformation from subsistence society to the present highly-monetarized society.

Historical context

Before first contact with European culture, FN communities were largely self-sufficient based on adaptive subsistence on communal properties. The society structure was not monetary in nature. Large-scale destruction of the traditional culture and social order began after the passage of the first Indian Act in 1876. The Act was passed ostensibly to protect the aboriginal people by regulating every facet of their lives. In reality, it became a convenient tool to exterminate the indigenous people and their traditional culture, by the seizure of their land and the abrogation of their human rights. The residential-school strategy is an example of the destruction of the aboriginal social order (Milloy, 1999; Roland et al., 2001). Furthermore, epidemic diseases had decimated nearly 90% of the aboriginal population during the past 100 years. The remaining people were forced to re-settle in miniscule unsustainable reservations. Most of these reserves are largely devoid of resources even for bare subsistence living.

As a result of these culture-destructive acts, FN people living in reserves have become to rely almost entirely on meager grants provided by INAC. In practice to the present day, the aboriginal people are treated like children by INAC as nothing could be implemented inside the reserve without explicit INAC authorization. With limited annual funds delivered by INAC and no independent means to generate revenue within the reserve, the elected chief is under constant pressure to divert financial and other resources to his own family members and friends first (G. Amos, Haisla First Nation, personal communication, 2003). Survival means not losing political power. Once out of power, the chief, his relatives and friends have nothing (O. Mercredi, Misipawistik Cree Nation, personal communication, 2003). The next elected chief will repeat the same practice for personal economic survival. With deficient economic resources to meet everyone's needs, the FN governance system becomes endlessly corrupt with the people (or clans) fighting among themselves viciously for control of the meager funds provided by INAC.

From this historical perspective, it is evident that there is no simple solution to the corruption problem with the present structure of aboriginal communities, without changing the entire Indian Act.

Economic dimension

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Figure 1 shows the correlation between the Corruption Perception Index (CPI) and Human Development Index (HDI). It is evident that the less developed countries with low HDI have low CPI, i.e., the highest degree of perceived corruption. Note the clustering of African countries in the lower range of average HDI and high CPI. This correlation provides a critical insight of the socio-economic situation in FN communities.

Figure 1. Relationship between Human Development Index and Corruption Perception Index. (number of countries in brackets)
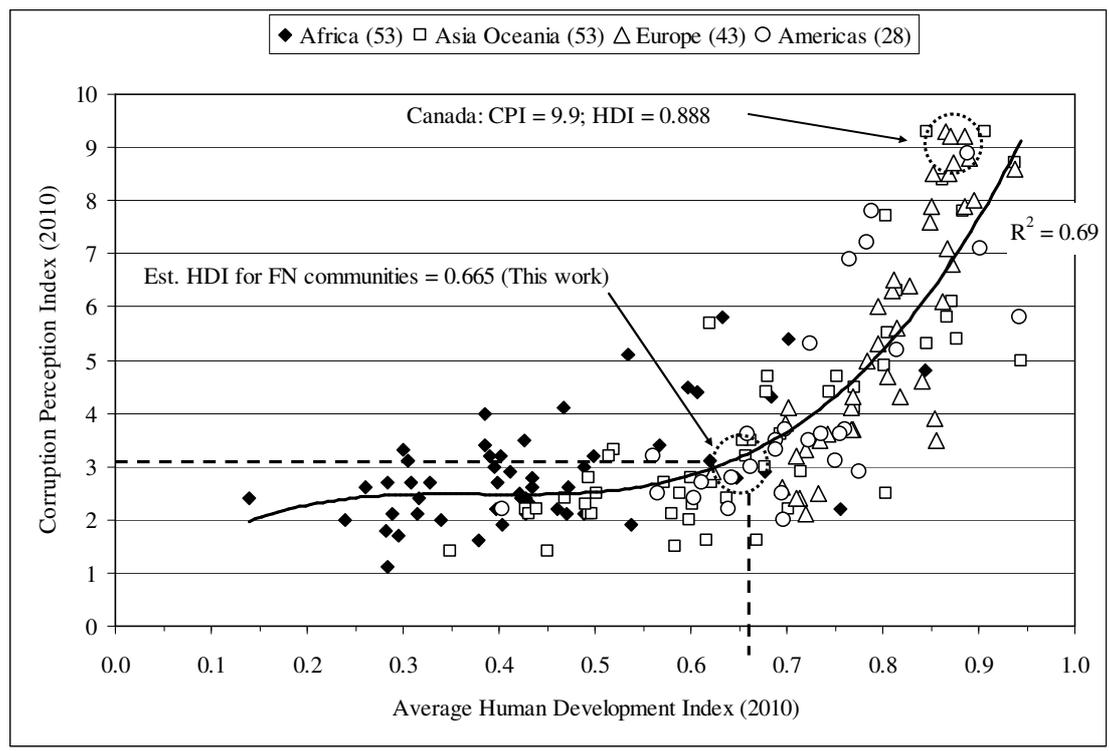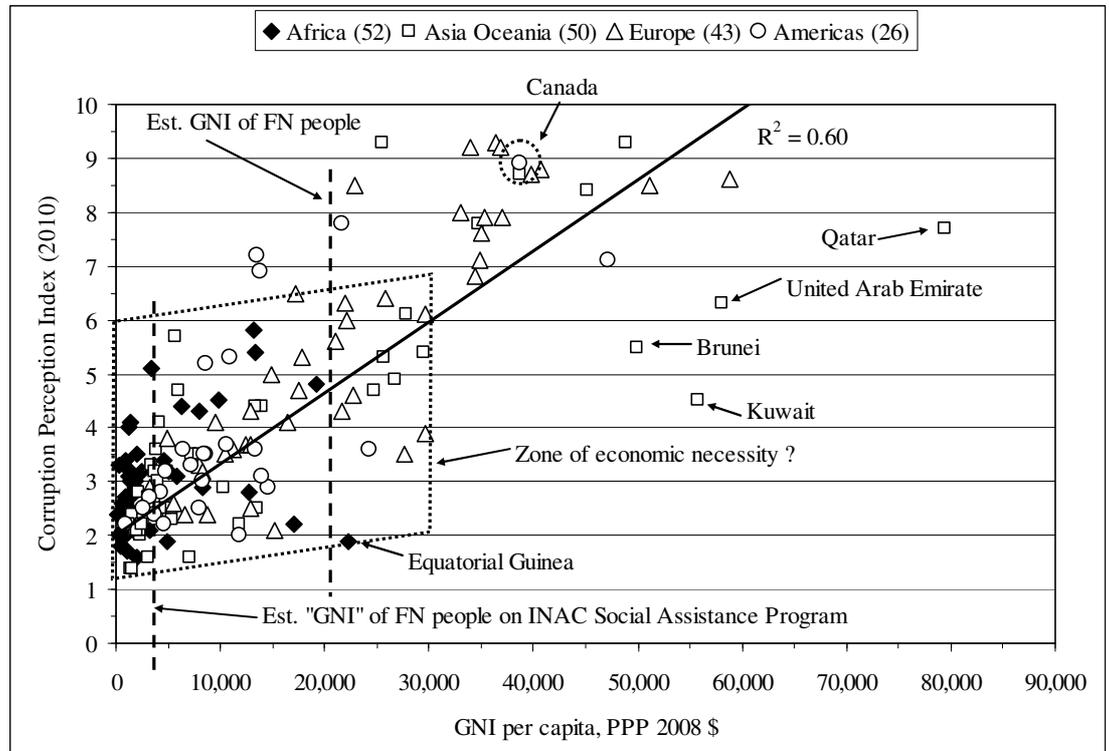

Adapted from TI, 2011; UNDP, 2011.

Using the latest 2010 UNDP methodology, HDI for the FN communities was calculated to be 0.665, on the basis of available data on the health and welfare of FN communities. Cf. the average HDI for Canada is 0.888. The details of the calculation are given in the Appendix 2. At this level of HDI, the corresponding CPI for FN communities would be in the range of 3, a ranking which corresponds to the level of corruption in medium-developed countries such as Dominican Republic (HDI = 0.663; CPI = 3.0) and China (HDI = 0.663; CPI = 3.5).

It is interesting to note that if FN communities in Canada were a single contiguous territory, the FN people would have certainly qualified for generous social and economic development aid from the United Nations and the European Union as well as from wealthy nations such as Canada and Japan. Indeed, the Roseau River Anishinabe First Nation in Manitoba has recently made an application for foreign aid from the Bolivarian Republic of Venezuela (Curry, 2008).

Intuitively, life expectancy and education attainment elements of the HDI would be expected to have little or no impact on corruption. It is however recognized that in a cash-economy society, higher levels of health care (leading to longer life expectancy) and education (resulting in greater educational attainment) could be purchased

readily with higher financial wealth, i.e., larger income. The needs of survival arising from economic hardship in any society based largely on monetarized commerce might thus be the principal driving force behind corruption at every level of society. This hypothesis of corruption driven by economic survival is illustrated by the general correlation between CPI and the per capita gross national income (GNI) in Figure 2. GNI per capita expresses the income accrued to the residents of a country including international flows such as remittances; it is considered to be an accurate measure of a country's economic welfare (UNDP, 2011). Severe distortion in equitable GNI distribution can lower the correlation between GNI and CPI. See, for example, Qatar, Kuwait, United Arab Emirate, Brunei and Equatorial Guinea.

Figure 2. Relationship between Corruption Perception Index and Gross National Income per capita. (number of countries in brackets)


Adapted from TI, 2011; UNDP, 2011.

There is effectively no "GNI" in FN communities because there is generally little or no production of goods and services of any significant commercial value. This dismal economic state manifests into the situation of persistently high unemployment in FN communities and migration from reserves to large urban centres. In many instances, "GNI" would largely be the income delivered by the social assistance (also known as welfare payment) program administered by INAC (2007). Indeed, in the 2005-2006 fiscal year, about 36% of all FN people were on the income assistance program, with an average annual receipt of about C$4,300 (or about 3,600 PPP $) per person (INAC, 2007). From the 2006 census data, the median per capita GNI of FN people was estimated to be 20,998 PPP $ (See Appendix 2). Thus, at such low levels of per capita GNI, a high degree of corruption could be expected from the correlation given in Figure 2.

Remedy

The assessment suggests that reduction of corruption could be achieved largely through a substantial improvement in HDI.

According to the reports of Cooke et al. (2004) and Cooke et al. (2007), the gap in HDI has been narrowing in Canada in the period from 1991 to 2001. Figure 3 shows that at the present trajectory, it would be at least 2020 before the FN people could reach the same HDI as that enjoyed by Canadians at large in 2010. Note that in the absence of certain critical data on educational attainment and per capita GDP, Cooke et al. (2004; 2007) had modified component parameters to estimate the Human Development Index of FN communities. In the application of the pre-2010 HDI computational methodology, the modification replaces a) "educational attainment" with i) proportion of population >15 years old that had attained Grade 9 or better education and ii) proportion of population >19 years old that has attained high-school diploma or better, and b) "per capita GDP at purchasing power parity" with the average income from all sources as reported in the census.

Figure 3. Comparative INAC-Modified Human Development Indices
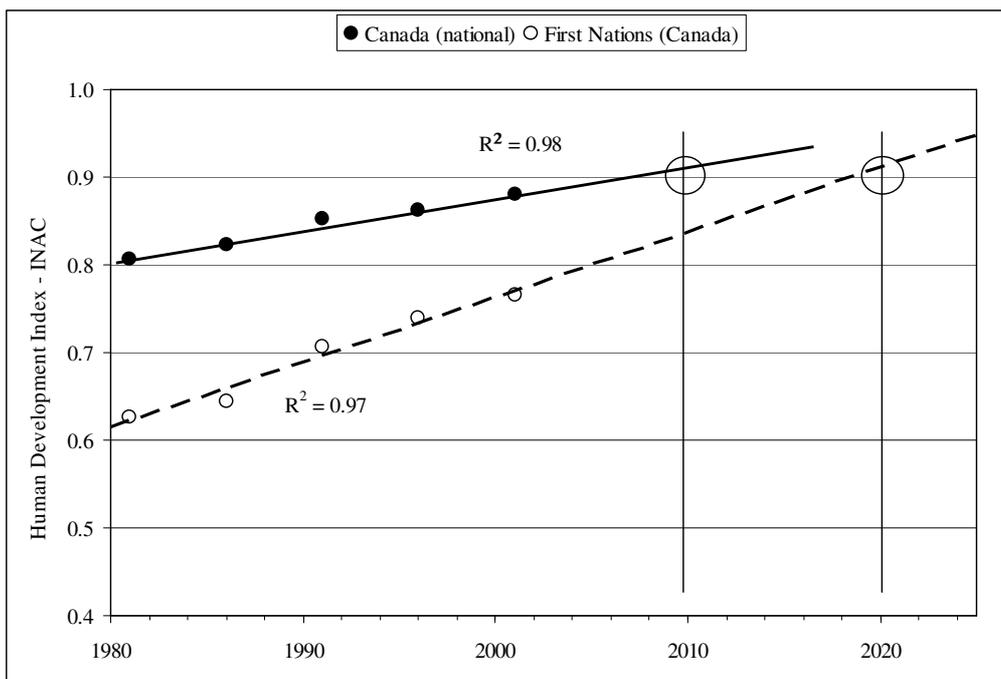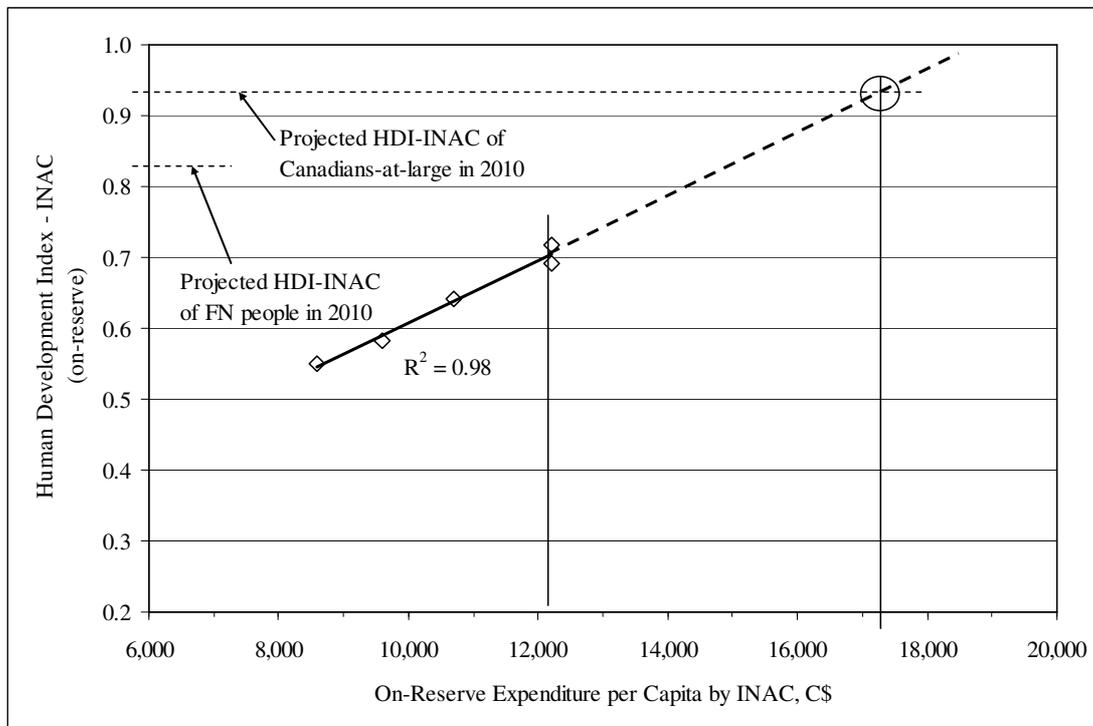

Adapted from Cooke et al., 2007.

If providing cash was the only remedy needed for the FN people to reach the HDI-INAC level of Canadians at large in 2008 with concomitant "instant" elimination of the corruption problem, then the on-reserve per capita expenditure by the INAC should be increased to about C$17,000, i.e., 40% over the 2001 level of ~C$12,000. See Figure 4. Based on the estimate of about 350,000 persons (≈ 50% of 698,000 aboriginals; excluding Métis and Inuits) living on reserves, the calculated total spending required would be about C$6 billion annually. This sum would be equivalent to paying a land rental of C$0.75 per km^2 per year to the aboriginal people from which about 8 million km^2 of land were expropriated without consent and recourse during the past 400 years. The incremental cost would be about C$1.75 billion. From a national budget perspective, the incremental cost would represent less than 1% of the forecasted national

expenditure (C$280 billion) for 2010-2011. From an another view point, this incremental funding for FN communities would be about 10% of the 2010-2011 national budget to be allocated for the operation of the military force including expeditionary wars (Anon., 2010).

However, it should be cautioned that the simple delivery of more money to the aboriginal communities would not necessarily solve the recalcitrant problem of economic deprivation. Visionary leadership and practical strategies which engage community members would be required for success. The creation of a separate and parallel aboriginal social-economic reality on the ground would be a critical element. The present overbearing Indian Act of Canada would need to be repealed to provide the FN people with all the means and tools to achieve a substantially higher level of HDI.

Figure 4. Narrowing the gap in INAC-modified Human Development Index

Adapted from Cooke et al., 2007.

Concluding Remarks

Corruption is not inherently endemic in any particular society. Corruption is largely a manifestation of greed and lust for power, as well as economic desperation. Continuing economic deprivation appears to be the principal factor causing apparent corruption within the FN communities.

The economic deprivation is a result of centuries of federal government policies which had included the arbitrary seizure of land and abrogation of human rights. The social order and economic structure of aboriginal communities had essentially been destroyed to leave the people with no independent means of sustenance. This situation has manifested into a present-day low Human Development Index for aboriginal

communities. Low Human Development Index is correlated to high degree of corruption. Substantial increase in development funding for FN communities by the Federal government could be a practicable real-time means to improve the Human Development Index and thereby alleviating corruption concomitantly. No amount of training and education in anti-corruption governance could fundamentally alleviate the prevalence of corruption in FN or any other communities, without remedying the underlying problem of economic derivation.

Acknowledgement

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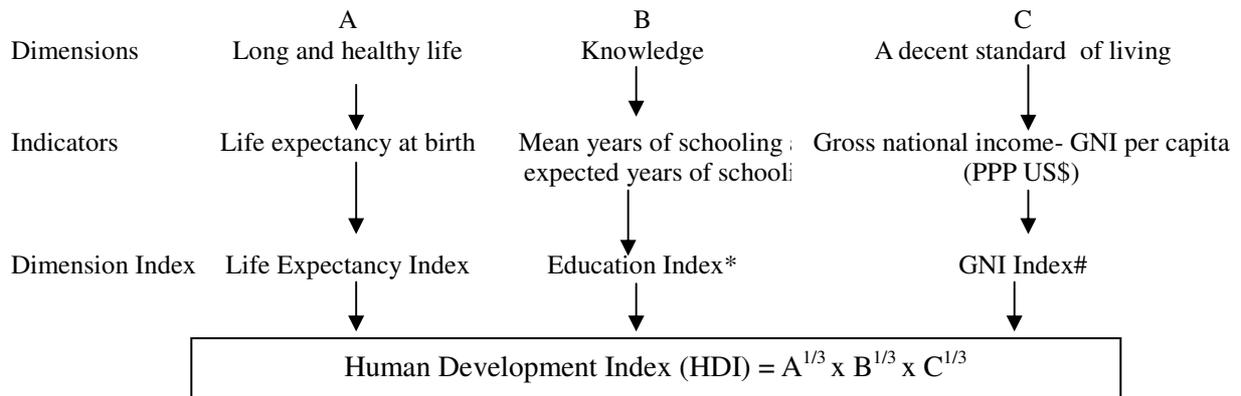Transparency International (TI). 2011. *Corruption Perception Index.* Berlin, Germany. Available online from http://www.transparency.org/ (Accessed 1 August 2011).

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Appendix 1 – Human Development Index

The Human Development Index concept was first introduced by the UNDP in 1990 (UNDP, 2011). It was intended to compare the relative status of social and economic development of various national states. The computational model is based on the premise that societal well-being is measured by life span, educational attainment and per capital income. This approach is immediately problematic as not all societies have the same political system for wealth distribution and maldistribution. It is instructive to note that education attainment does not imply any quality of education or education in one's language and culture. In essence, this development goal was set to emulate the material wealth of present-day western European and North American societies.

	A	B	C
Dimensions	Long and healthy life	Knowledge	A decent standard of living
↓	↓	↓	↓
Indicators	Life expectancy at birth	Mean years of schooling expected years of schooli	Gross national income- GNI per capita (PPP US$)
↓	↓	↓	↓
Dimension Index	Life Expectancy Index	Education Index*	GNI Index#

$$\text{Human Development Index (HDI)} = A^{1/3} \times B^{1/3} \times C^{1/3}$$

Notes:

Dimension index = (actual value – minimum value) ÷ (maximum value – minimum value) in which maximum and minimum values used are based on actual observations

* Education dimension index

$= [((B1 \times B2)1/2) - \text{minimum value}] ÷ (\text{maximum value} - \text{minimum value})$

where

B1 = Mean years of schooling index

= (actual value – minimum value) ÷ (maximum value – minimum value)

B2 = Expected years of schooling index

= (actual value – minimum value) ÷ (maximum value – minimum value)

\# C = GNI index

$= [\ln(\text{actual value}) - \ln(\text{minimum value})] ÷ [\ln(\text{maximum value}) - \ln(\text{minimum value})]$

The current UNDP classification is as follows: HDI>0.9 = very high HDI; 0.9<HDI>0.7 = high HDI; 0.7<HDI>0.5 = medium HDI; HDI<0.5 low HDI.

Appendix 2 - Calculation of HDI for FN communities

Basis: HDI goalposts cited in the HDI 2010 report (UNDP, 2011)

Dimension	Observed maximum	Observed minimum
Life expectancy (1)	83.2	20.0
Mean years of schooling (2)	13.2	0
Expected years of schooling (3)	20.6	0
Combined education index	0.951	0
Per capita income , PPP $ (4)	108,211	163

Dimension index (I) = $\dfrac{\text{actual value} - \text{minimum value}}{\text{maximum value} - \text{minimum value}}$

HDI = $(I_{Life})^{1/3} \times (I_{Education})^{1/3} \times (I_{Income})^{1/3}$ .....geometric mean of the 3 dimension indices

Notes:

1.   The life expectancy of Canadian Inuits has been reported to be about 10 years lower than that of average Canadians at large (Wilkins et al., 2008). FN population was assumed to be similarly 10 years lower, i.e., at 71.0 years.

2.   Education attainment of FN population up to high school level was 62.5% of Canadian population at large. The attainment of post-secondary education of FN population was 50.8% of Canadian at large (Statcan, 2006). These percentages were applied to "mean years of schooling" and "expected years of schooling" respectively. It is interesting to note that the educational attainment of FN people is very different from that of Canadians at large.
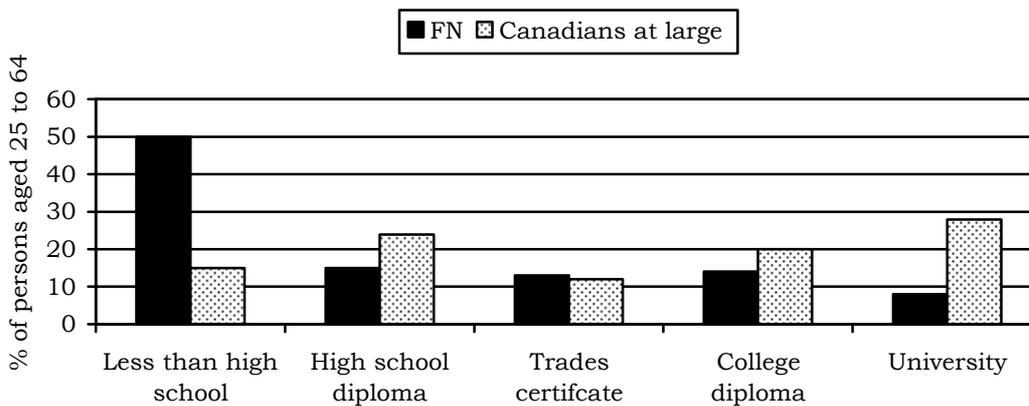
Source: Statcan, 2006.

3.   The median income of FN population (living on- and off-reserve) has been estimated to be about 57.2% of that of average Canadians at large (Statcan, 2006). The discount factor applied in the present calculation was 0.572.

Life Expectancy Index

Canadians at large = 81.0 years; 10 years less for FN people

Life Expectancy Index (I_{Life}) = (71.0 – 20) ÷ (83.2 – 20) = 0.807

Education Index

	Canada	FN, as % of Canada
Mean years of schooling, years	11.5	62.5
Expected years of schooling, years	16.0	50.8

Mean years of schooling index = (7.2 – 0) ÷ (13.2 – 0) = 0.545

Expected years of schooling index = (8.1 – 0) ÷ (20.6 – 0) = 0.395

Education Index ($I_{Education}$) = [((0.545 x 0.393)$^{0.5}$) – 0] ÷ (0.951 – 0) = 0.487

Income Index

FN income at 57.2% of that of Canadians at large at 36,668 PPP $ = 20,988 PPP $

Income Index (I_{Income}) = [(ln 20,988) – (ln 163)] ÷ [(ln 108,211 – ln 1630] = 0.748

Human Development Index for FN communities

HDI-FN = (I_{Life})$^{1/3}$ x ($I_{Education}$)$^{1/3}$ x (I_{Income})$^{1/3}$ = 0.665 (Cf. Canada = 0.888)