

## EXPANDING THE DEBATE

### *Investing Wisely Project Discussion Paper Series*

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## **The Gwaii Trust: A Model for Albertans?**

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Haida Gwaii (once commonly referred to as the Queen Charlotte Islands) off British Columbia's northwest coast has been the ancestral home of the Haida for the past ten thousand years, and more recently has accommodated the needs and desires of about 3,000 non-Haida "outsiders." For most of the past hundred years, Haida Gwaii was home to a thriving commercial fishing and logging industry. Starting in the 1970s, both of these economic sectors began to wind down as wild salmon were over-fished, and old growth forest over-cut.

In the 1980s, the Haida became increasingly angry with the non-sustainable pace of resource extraction and infringement of their aboriginal title, and in 1985 a political standoff took place at Lyell Island as Haida elders blockaded a logging road in a classic act of Canadian civil disobedience. The resulting film footage of octogenarian chinni's and nonnis (grandfathers and grandmothers) being hauled away in RCMP Suburbans caused a national outcry, and worldwide attention was focused on the Haida's land title dispute, and the consequences of clear-cut logging in the west coast rainforest. As a direct result, in 1988 Canada designated the area (the South Moresby archipelago) a National Park Reserve—now known as Gwaii Haanas.

This designation knocked about 500 loggers out of work, and instantaneously provided the residents of Haida Gwaii with a world-class eco and cultural tourism opportunity. To compensate the residents and mollify the loggers, Canada offered to create an Accord and a Community Development Fund. The federal government asked the Council of the Haida Nation and the Residents' Planning Advisory Committee to create a nonprofit society to operate a perpetual trust fund. The Gwaii Trust was formed in September 1994, after six years of difficult work required to overcome legislative hostilities and initial cross-cultural differences between Haida and non-Haida residents. From its inception, the Gwaii Trust was conceived as a locally controlled, interest-generating endowment fund. Its chief goal was the creation of a sustainable "Islands community." The focus on the Islands made it clear that all Islanders were to benefit, and in practice this means both Haida residents and the "outsiders" who came to Haida Gwaii from somewhere else. Today, there are outsiders who are fourth generation residents, but in the Haida cultural and political context they are still very much seen as recent arrivals. Nevertheless, from its start, the Gwaii Trust was conceived for the benefit of all Islanders. This year, the Gwaii Trust celebrates its first ten years of operations providing environmentally sustainable social and economic benefits to Haida Gwaii.

Initially capitalized with a principal of \$38.2 million, the Gwaii Trust today has a market value of \$75 million. From its inception, it has been annually inflation-proofed based on the Consumer Price Index, and the inflation-proofed book value (some \$48 million) can never be touched, allocated, or expended. The average draw on the fund by the Gwaii Trust Board is 5%. Current draws of \$3.5 million (utilizing post-inflation-proofing interest and dividends) pay for about \$500,000 in administrative costs, and the rest, \$3 million, is allocated to fund authorized programs in the Gwaii Trust Business Plan. The Gwaii Trust's investment strategy is based on the premise of only investing in fixed income instruments and equities that provide sufficient security and demonstrate a proven corporate record of socially-responsible investing.



The Gwaii Trust creates a new Business Plan every five years, and does so with the direct input of all seven Island communities, and the hands-on involvement of the Gwaii Trust Society's Board of Directors. The Business Plan clearly lays out funding priorities for the Islands and is driven by the consensual desire to create a sustainable economy, featuring a high quality of life, and stewardship of the common good for all residents of Haida Gwaii. Over the past decade of operations, the Gwaii Trust has allocated \$25 million to these ends.

The allocation process has been driven by a series of strategic five-year Road Maps guided by the following mission statement: *The Gwaii Trust will enhance environmentally sustainable social and economic benefits to Haida Gwaii/Queen Charlotte Islands through the use of the Fund. The Gwaii Trust Society shall operate in a manner consistent with its constitution, and strive to reach the general objectives as developed by the "Island Community."* The Trust's vision statement reads as follows: *The Gwaii Trust will advocate and support an Islands community characterized by respect for cultural diversity, the environment, and a sustainable and increasingly self-sufficient economy.* Both the mission and the vision are in turn underlain by the following values and beliefs:

- Fairness and equity
- Effective communication
- Willingness to change
- Building and demonstrating trust
- An holistic approach to a healthy Islands community
- Consensus decision-making
- A Trust Fund in perpetuity
- Credibility, and
- Collaborative problem solving.

The values and beliefs are in turn guided by a set of principles. The Gwaii Trust society will:

- Follow the constitution and bylaws
- Communicate effectively with Islands communities
- Provide effective guidance to communities on proposal preparation
- Maintain a strong financial management plan that respects the investment policy and is reviewed on a regular basis
- Encourage all Islands participation in the Gwaii Trust and its programs
- Set consistent criteria for each program
- Be guided by principles of fairness and equity

This discussion paper was prepared by Michael Robinson, Gwaii Trust Business Plan Facilitator, and President of the Glenbow Museum.

This paper is part of the Canada West Foundation's **Investing Wisely Project**. The **Investing Wisely Project** explores three key issues: 1) the case for saving a portion of Alberta's non-renewable natural resource revenues for future use; 2) creative and strategic ways of using the earnings on the saved revenues to transform the province in positive ways; and 3) Alberta's non-renewable natural resource revenues in a regional and national context. The project is funded by over 60 foundations, businesses and individuals. The Canada West Foundation expresses its sincere thanks for this generous support. The opinions expressed in this document are those of the author and not necessarily those of the Canada West Foundation's Board of Directors, advisors, or funders. Permission to use or reproduce this document is granted for personal or classroom use without fee and without formal request provided that it is properly cited. Copies may not be made or distributed for profit or commercial advantage. This document is available for free from the CWF website [[www.cwf.ca](http://www.cwf.ca)].

- Emphasize programs that will lead to the vision of an Islands community
- Follow policies and criteria developed by the Board of Directors
- Listen to and consider public input
- Not replace or duplicate existing government programs
- Encourage partnering with existing programs or agencies to maximize benefit to the Islands communities
- Continue to refine the Gwaii Trust's programs and operations, and
- Attempt to maximize the available funding.

The Board of Directors of the Trust has eight volunteer members, who represent all of the participating communities on Haida Gwaii. Allocation of board positions is both strategic and geographic. All Board members are first nominated and then are appointed; two (Graham Island\* Central and Area 'E') are elected. Graham Island North encompasses the non-Haida community of Masset; Graham Island Central includes Port Clements and Tlell; Graham Island South incorporates Queen Charlotte City; and the so-called Area 'E' includes the Sandspit community. The Council of the Haida Nation (CHN) encompasses all of Haida Gwaii, and appoints four members (in practice two members from Ka-Yung/Old Masset and two from Skidegate). The chairperson of the Gwaii Trust, pursuant to the by-laws of the Gwaii Trust Society, is nominated by the Council of the Haida Nation after consultation with the Board of Directors. The chairperson is also the Chief Executive Officer of the Society, and supervises the other officers in the performance of their duties.

Legally, the Gwaii Trust Society is registered as a nonprofit society in British Columbia in order to maximize tax exemptions. The full slate of permitted and mandated activities of the Gwaii Trust is the subject of its constitution and by-laws. The constitution lists the purposes of the Society; the by-laws prescribe how the Trust will function at the operational level.

The current Gwaii Trust Business Plan (2001) sets out seven main program areas for potential funding support. The seven programs are: Major Contributions, New Legacy, Culture as it Relates to Tourism, Healthy Humans, Arts, Christmas Allocation, and Education. From the outset (the first Business Plan was published in 1994) the Trust's programs have been viewed as flexible to allow for refinement of priorities over the years. The funding priorities have shifted to some degree from plan to plan, and the 2006 Business Plan, currently in development, once again reflects contemporary Islands' needs. The 1994 plan focused strongly on Islands' infrastructure, a first priority for all communities. Once water and sewer upgrades, landfill modernization, fire truck and ambulance purchases, tourist campgrounds and trail systems, health centre construction and renovations, and cultural, educational and municipal governance offices were addressed, new needs came to the fore. The 2001 Healthy Humans Program supports spiritual healing projects and pilot projects, and holistic health issues. The Arts Program grants \$50,000 per year to artists in a competitive application process, and a comprehensive suite of Education Programs provide \$329,000 per year to scholarships, bursaries, grants, post-secondary education tours, and special education projects.

All of the above programming relies on stable investment policies, and a strong dose of Board governance oversight. The Trust's Investment Policies and Procedures were developed in consultation with an actuary, and guidelines prescribe investment performance objectives and other criteria to be used by the Board to review and evaluate the performance of the selected investment manager(s). The investment policy is reviewed annually (at least), and may be changed to deal with changing economic conditions.

Key investment objectives include:

- Annual inflation-proofing to prevent erosion in the capital value of the Trust's funds, and
- The generation of income, after inflation-proofing, sufficient to meet all commitments to current programs and all administrative expenses.

\* All geographic areas also include rural and outlying residents.

In order to achieve the above, a target asset mix has been established, with allowable minimum and maximum allocations of assets:

	% of Portfolio		
	Min.	Target	Max.
Interest bearing instruments	45	55	100
Real rate bonds	0	15	20
BC Trustee Act eligible equities	0	30	35

The portfolio can be flexibly altered to take into account market and economic cycle fluctuations.

All other factors being equal, the investment manager(s) are charged with giving favourable consideration to companies that benefit the environment and the local economy. To the extent that such investment opportunities do not adhere to the target asset mix, the Board has the right to invest in such investments subject to the BC Trustee Act. Appropriate benchmarks for judging asset performance are established by the Board with the advice of the investment manager(s). Perhaps most importantly, each year's budget is developed by the Board consistent with the investment policy.

The moral of the Gwaii Trust story is that a nonprofit society board comprised of both elected and appointed local representatives, constrained by the BC Trustee Act, and the Society's constitution, by-laws and investment policies and procedures, can effectively, fairly and efficiently contribute to the common good. The Gwaii Trust combines the best of Haida and non-Haida world views, and simultaneously promotes both cultural and ecological diversity, and the creation of a post-industrial sustainable economy. The Gwaii Trust is unique in that it provides a model for the capture of local community benefits in perpetuity from a one-time investment of government capital. The Board uses one test—merit and need—to evaluate proposals for program allocations. No part of the Society's funds or assets are allowed to inure to the benefit of any private individual, and no part of the Society's activities may involve supporting (via participation or intervention) any candidate for public office. As well, no part of the Society's income may be made available for the personal benefit of any member of the Society, except for performing the duties of a Director, employee, or competitively hired independent contractor.


By way of comparison, the Alberta Heritage Savings Trust Fund was also established with government revenue, and was originally the designated repository of 30% of all annual resource revenues. In 1983, the annual deposit was reduced to 15%. By the late 1980s the Fund was capped, as all resource revenue flowed to general revenues. The original concept of the Fund (as revised from 1976 to 1981) supported reinvestment of income, less amounts spent on Alberta-specific capital projects, the Canada Investment Division (which loaned funds to other provinces), the Alberta Investment Division (which invested in provincial Crown corporations and loans to the private sector), the Commercial and Energy Investment Divisions, the Medical Research Endowment, and the Alberta Heritage Scholarship Fund. In 1985, however, all income from the Heritage Fund was diverted to general revenue on an ongoing basis.

The Gwaii Trust may not redirect income from program allocations and it does not make business investments or loans. In 1993, the Heritage Fund investments were reviewed and written down, resulting in a \$601 million loss. The Gwaii Trust principal in comparison has grown in value in each year of operation. The Trust has never experienced a loss. Today the Heritage Fund represents about \$3,500 for each Albertan; the Gwaii Trust represents about \$11,600 for each resident of Haida Gwaii.

Significantly, control of the Alberta Heritage Fund is vested in the provincial Cabinet, and its principal may be appropriated by the Cabinet. This allows the provincial government considerable leeway in policy decisions. For example, in 1983 the Heritage Fund was used to create interest rate shielding programs for small businesses and homeowners prior to an election. The Gwaii Trust is managed by locally nominated and appointed Directors, except in the case of Graham Island Central and Area E, who must (as non-municipalities) follow the process utilized for election of an Electoral Area Director. All Gwaii Trust Directors serve a term of two years, and they are legally constrained in their duties by the Society's constitution and by-laws. The generation of each new Business Plan is a very public process, and in practice occurs every five years. The contribution programs, which form the guts of the Business Plan, are remarkably responsive

to local needs, and may be amended from time to time by consensus of the Directors. The Directors do not have the authority to direct Trust revenue to any general revenues category of the participating communities.

At its core, the old Alberta Heritage Fund (circa 1976-1985) was a developmental fund rather than a trust. It made investments, including loans to other provinces, debentures to Crown corporations, equity investments in capital development projects and common stocks, and non-financial investments such as irrigation projects, recreational facilities, hospitals, and scholarship trusts.

The Gwaii Trust is just that—a trust, emphasizing protection and enhancement of the principal first. Its program focus, however, is predicated on investment in local capital and intellectual infrastructure. As such the Gwaii Trust is really a hybrid, combining trust and developmental principles with a high degree of financial permanency. The Gwaii Trust, unlike the Alberta Heritage Fund, has demonstrated its independence from party politics, its cross-cultural utility with Haida and non-Haida, its duty of environmental stewardship, and its all Islands community focus. In essence the Gwaii Trust has demonstrated its value as a new renewable resource in a region suffering the loss of wild salmon and old growth forests. It is helping to reduce Haida Gwaii's dependence on welfare and external government grants, and contributing to the economic common good of Haida Gwaii. Albertans may want to take a closer look at this model given that our non-renewable resources will not last forever, and do not simply belong to this generation of Albertans. 

For more information on the Gwaii Trust, visit: [www.gwaiitrust.com](http://www.gwaiitrust.com)

## What is your vision for the future of western Canada?

The Canada West Foundation has launched a western Canadian student essay contest with \$5,000 available in prize money.

**the NEXT**  
Generational Transformations West

Students in the four western Canadian provinces (age 17-30) are invited to share their thoughts on the future of the region.

**How do you see the West changing?**

**What role do you see for yourself in the West of the future?**

**What is YOUR vision for the future of western Canada?**

Young western Canadian residents (age 17-30) attending (or planning to attend) a post-secondary institution in 2006 are eligible to earn prizes by submitting an essay before March 1, 2006.

To learn more, visit the Canada West Foundation's NEXT West Generation website at: [www.cwf.ca/nextwest](http://www.cwf.ca/nextwest).

