

NEF Annual General Meeting

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A Discussion on Nunavut's Economy

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Impact Economics

Goal of Presentation

- Starting point for the Annual General Meeting
- Ideas on measuring progress

Outline

- Review the Development Framework
- Investigate Nunavut's recent performance
- Consider the current investment strategy

Revisit the Strategy's Framework

Society's Ultimate Goal

- The Nunavut Economic Development Strategy and the Nunavut Economic Outlook describe society's ultimate goal as:

“a high and sustainable quality of life”

High and Sustainable Quality of Life

- defined beyond one's standard of living
- includes intangibles such as
 - quality of the environment in which one lives and works,
 - security and personal safety, and
 - political and economic freedoms.

Reaching Our Goal

- How and where we invest our time, money and effort will impact our progress toward our goal
- And we must take time to measure this progress to determine whether our investment strategy is the right one

Performance Measures are not the End

- We do not strive for high economic growth, sustainable environmental practices or social harmony because of their own virtues
- These are a means to an end

ULTIMATE GOAL

HIGH AND SUSTAINABLE QUALITY OF LIFE

ECONOMIC
PERFORMANCE

ENVIRONMENTAL
PERFORMANCE

SOCIAL
PERFORMANCE

ECONOMIC
CAPITAL

HUMAN
CAPITAL

NATURAL
CAPITAL

ORGANIS-
ATIONAL
CAPITAL

Why Not Economic Growth As Our Goal?

Why Economic Growth

- *“expanding production through greater or more efficient use of capital”*
- Economic growth provides society with resources
- Converted into money, these resources afford us the opportunity to make choices

The Freedom of Choice

- How we choose to spend this money is the most important economic question
- The more resources we have—
the more choices we can make—
and because our demand is unlimited—
more choices should make us happier

A Flaw in the Theory

- This thinking led some to conclude economic growth was society's ultimate goal

"history shows economic growth can occur at the cost of greater inequality, higher unemployment, weakened democracy, loss of cultural identity, or over consumption of resources needed by future generations"

Questions to ask of growth

- Are there policies promoting growth that is
 - sustainable,
 - that increases living standards not just today but for future generations as well,
 - and that leads to a more tolerant, open society?
- Are the benefits of growth shared equitably, and do they create a society with more social justice and solidarity.

Quality of growth is important

- These lessons of history taught us that it is the Quality of economic growth that is important
- Economic growth is necessary, but not for its own sake, but in order to improve quality of life

Balancing Nunavut's Performance

Economic Performance

What are we looking for?

- Growth
- Efficiency
- Stability

Real GDP Growth has Stagnated



Performance not yet matching Potential

GDP at Market Prices, Expenditure Based

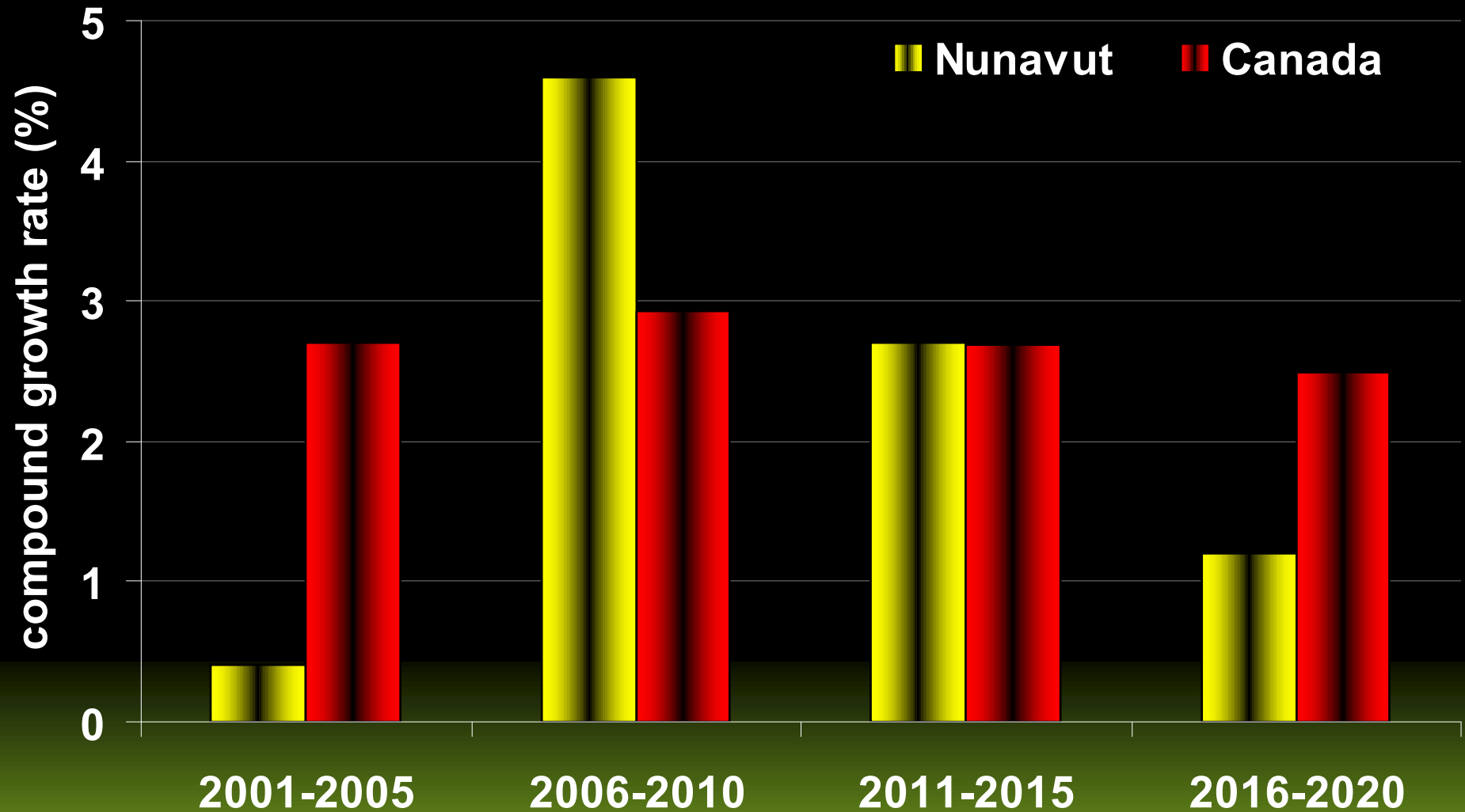
(millions of chained (1997) dollars)

	2003	2004	2005
Personal expenditure on consumer goods and services	410	425	441
Government current expenditure on goods and services	738	754	771
Gross fixed capital formation	351	388	388
Net Exports	-678	-727	-757
Gross Domestic Product	858	862	858
<i>Economic Growth</i>	-7.6%	0.5%	-0.5%

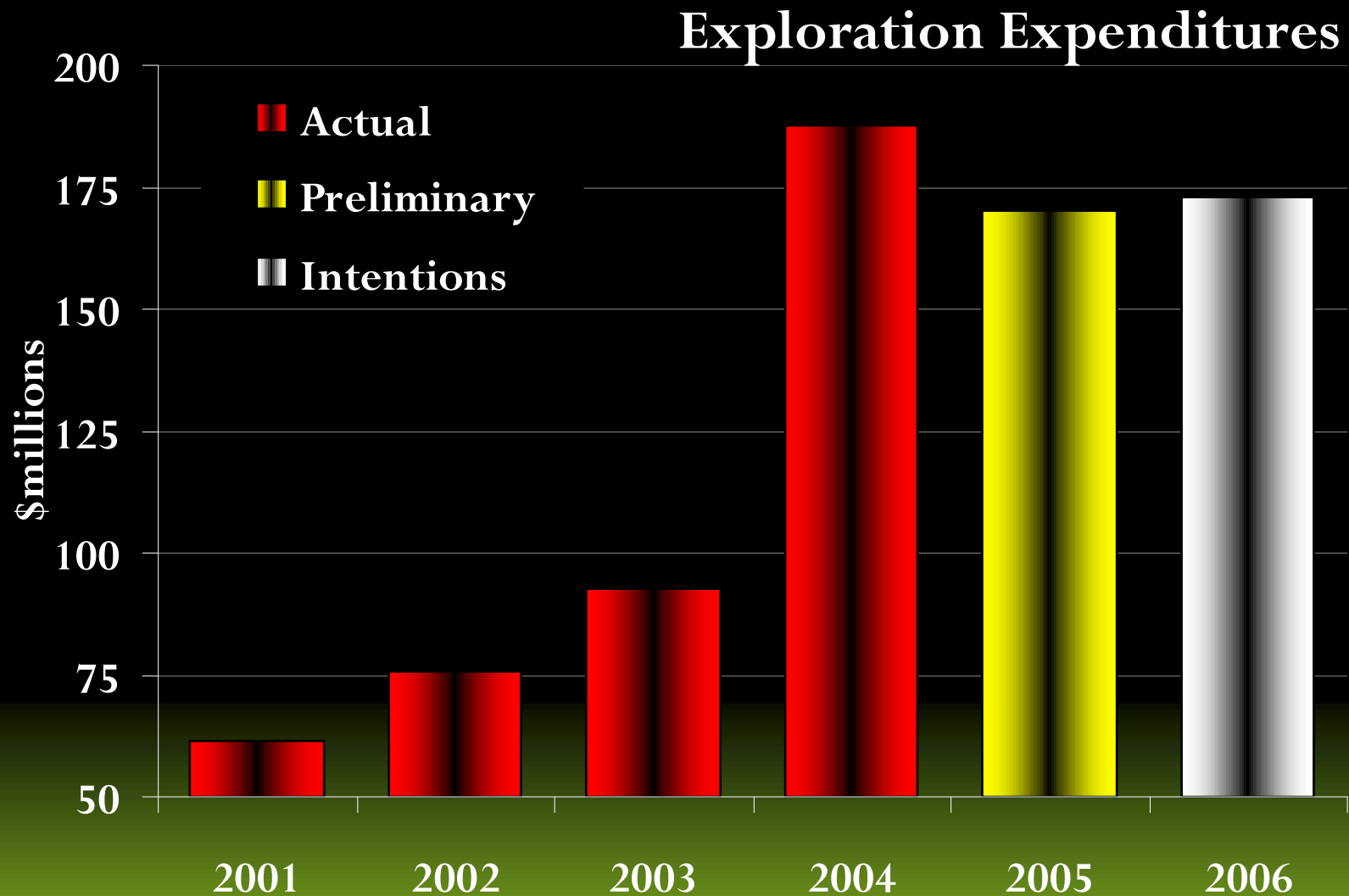
Technical Issue

- Domestic economy versus whole economy
- Consumption+Government+Investment has been growing
- Trade Balance has been falling at a rate greater than the rate of growth in domestic activity

Potential High for Next Five Years



Example of Economic Potential



Nunavut Needs this Economic Growth

- Nunavut must ensure this *potential* becomes *performance*

“An important lesson learned ... is that success breeds success and failure breeds failure. Indeed, nothing breeds unemployment faster than unemployment, and the longer unemployment lasts, the greater the likelihood of future unemployment. Put differently, long-term welfare dependence inhibits a transition to self-reliance and economic self-sufficiency.”

Social Performance

What are we looking for?

- Full employment
- Equity
- Security
- Health and Education
- Participation
- Equality

Social Concerns

- The highest rate of tuberculosis in Canada;
- Among the highest lower respiratory tract infections (LRTI) in the world;
- Among the highest suicide rates in Canada;
- One of highest rates of family violence in Canada; and,
- Among the lowest student test scores in Canada.

Social Data

- A real lack of current data prevents current analysis
- This should be a concern for policy makers

Social Performance (select variables)

	Nunavut	Canada
Percentage of single parent families	26	16
Average family income	\$52,624	\$66,160
Participation rate	68.1	66.9
Unemployment rate (2001-2002)	17.4	7.4
Suicide rate (age-standardized, per 100,000, 3-year ave.)	80.2	11.5
Crimes of violence (per 100,000, 2003)	7,943	963
<i>(per cent increase from 1999)</i>	50%	0.50%
Property crimes (per 100,000 people, 2003)	7,221	4,121
<i>(per cent increase from 1999)</i>	65%	-4%

Source: Statistics Canada, 2001 Census unless otherwise noted

Health Performance (select variables)

	Nunavut	Canada
Public health spending per capita (\$)	7,049	2,535
Life expectancy at birth (males, 2002)	67.2	75.4
Life expectancy at birth (females, 2002)	69.6	81.2
Infant mortality rate (per 1,000 live births, 500 grams or more, 2001)	15.6	4.4
Lung cancer (mortality rate per 100,000 population)	209.5	48.2
Deaths due to heart attacks (rate per 100,000 population)	3.7	52.1
Self-reported health (per cent aged 12 and over reporting excellent or very good health)	51	59.6
Physical activity (per cent aged 12 and over reporting active or moderately active)	31.6	51

Source: Statistics Canada, 2001 Census or unless otherwise noted

Potential Imbalance

- In the past two Outlooks, Nunavut's social performance has been questioned while the economic potential has been praised



Long-term Repercussions

- Social decline can all but eliminate the benefits of economic growth
 - education or health prevent participation
 - greater income disparity and social inequality
 - loss of economic and political freedom
 - population becomes disillusioned
 - economic potential is jeopardised

Outcome is Decline in Quality of Life

Poor Social Performance

Long-term Growth is Jeopardised

Deterioration in Overall Quality of Life



Review of Performance Highlights Two Issues

- social performance requires immediate, long-term, dedicated, and comprehensive investments
- the economic *potential* that we often discuss must be converted into real *performance*

Nunavut's Response

Period of Capital Investment

- Balance is needed
- Investments are necessary in all four forms of wealth-creating capital
- The Strategy called this *Building the Foundation for Our Future*

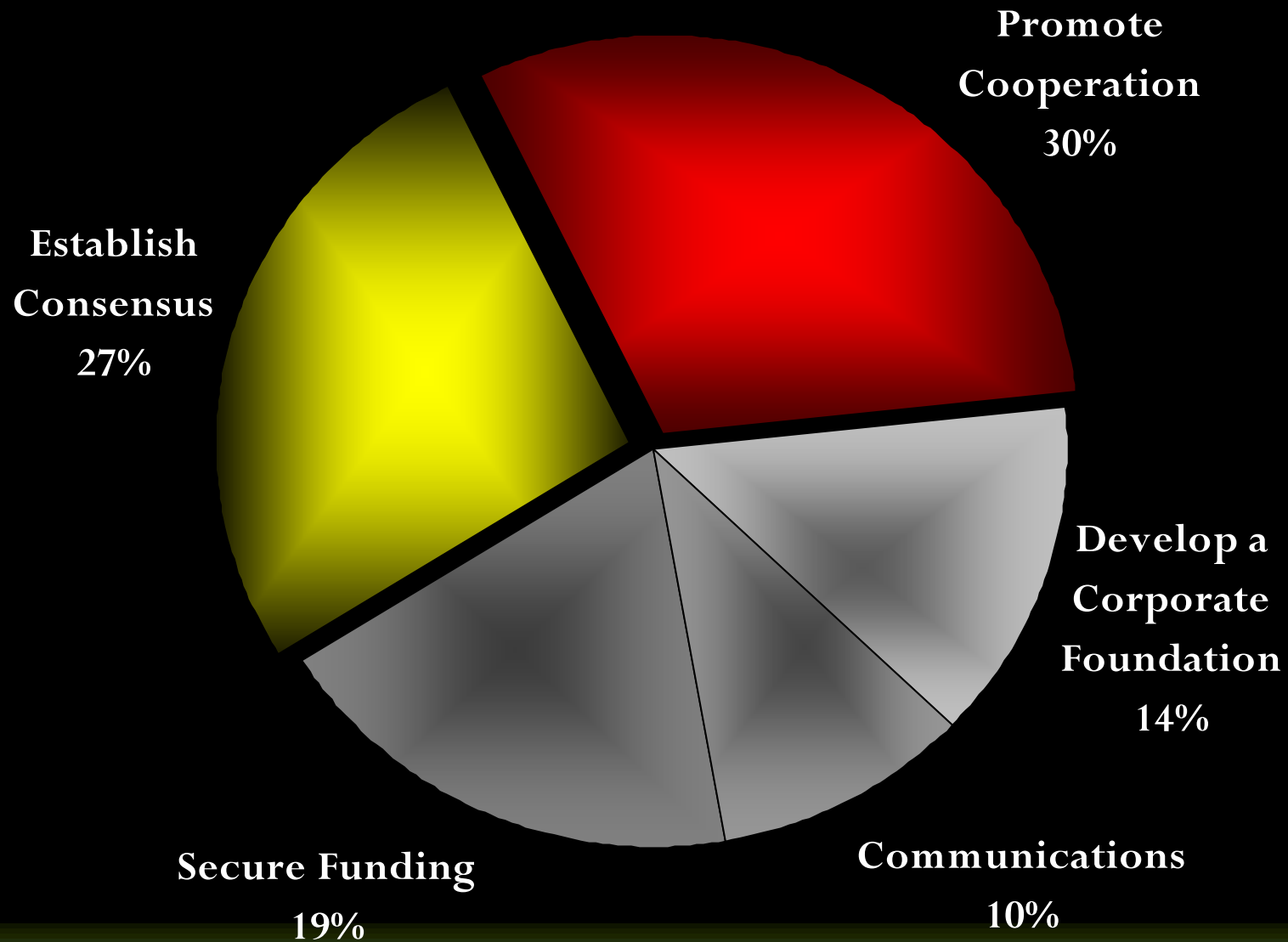
Organisational Capital

- encompasses the environment in which other aspects of an economy including its human and physical capital interact to create wealth
 - regulatory environment
 - safety of the environment
- also includes *social cohesion*, which refers to how well people and their organisations get along

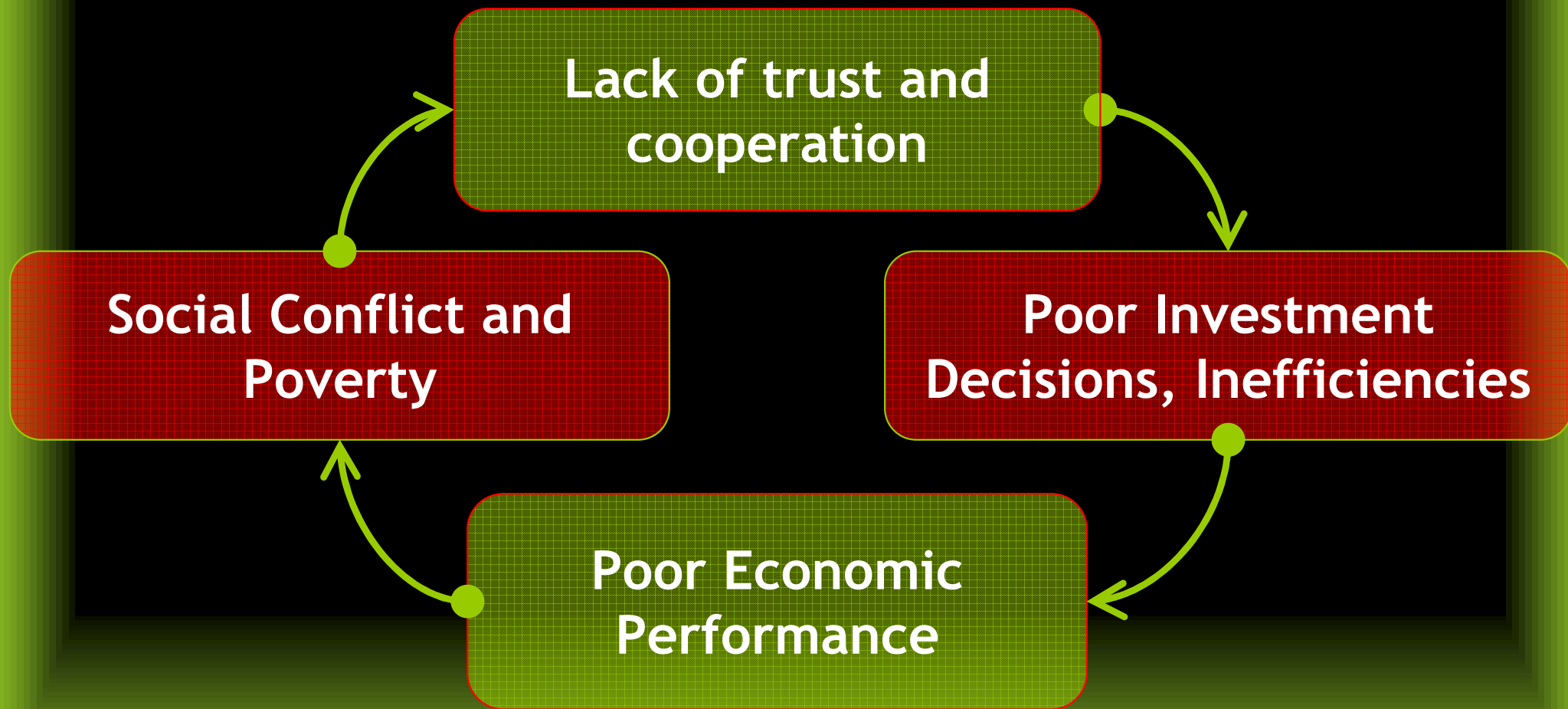
Examples

- NLCA is the most important component of Nunavut's organisational approach
 - Includes directions on environmental regulations, labour requirements, business and land development, community consultations, etc.
- Nunavut Economic Development Strategy and the Forum are investments in this form of capital

NEF Corporate Priorities



Vicious Circle from No Social Cohesion



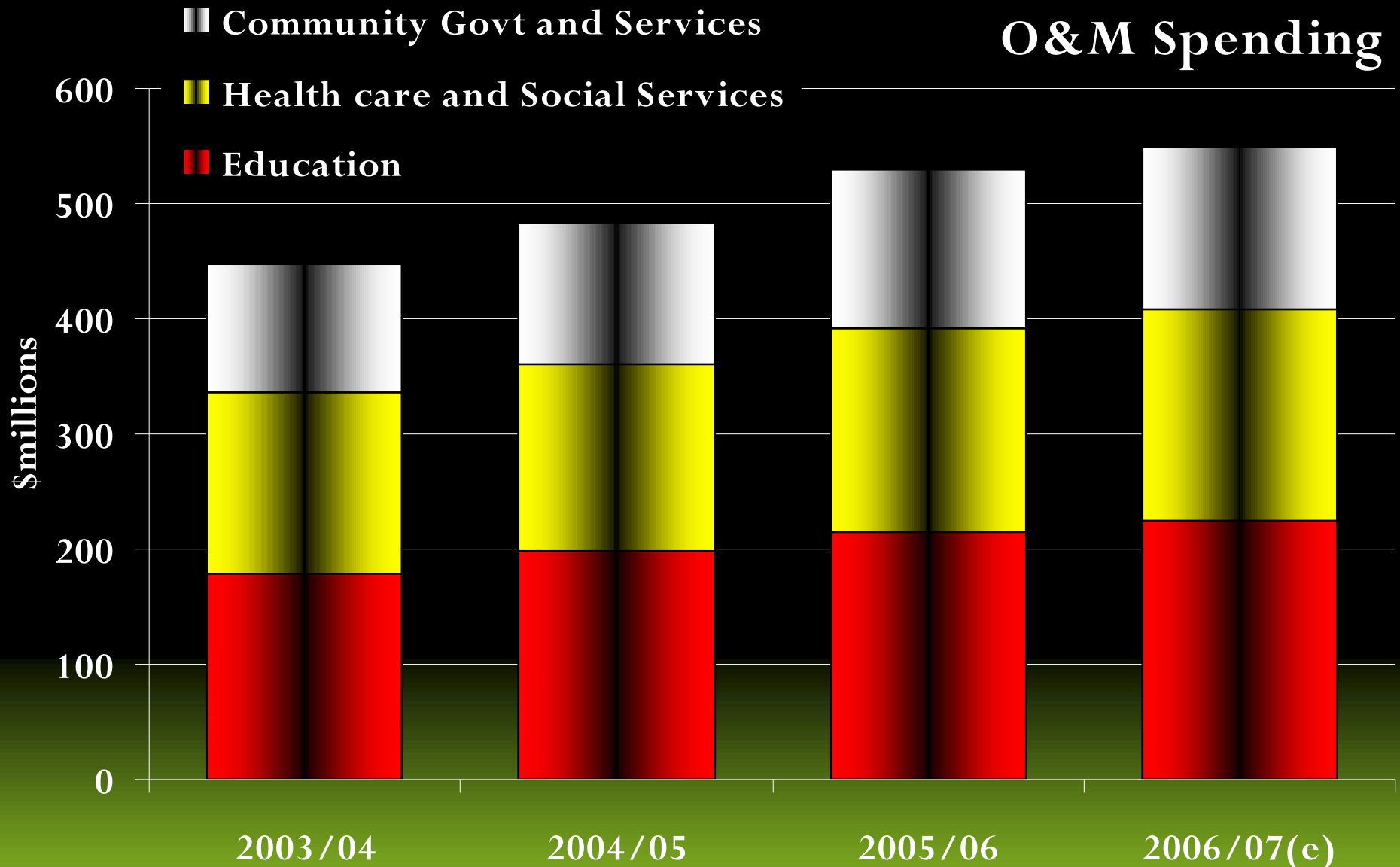
Human Capital

- more than quality of labour force
- the overall capacity of people in terms of health, knowledge, education, and skills needed to be productive

Investments in Human Capital

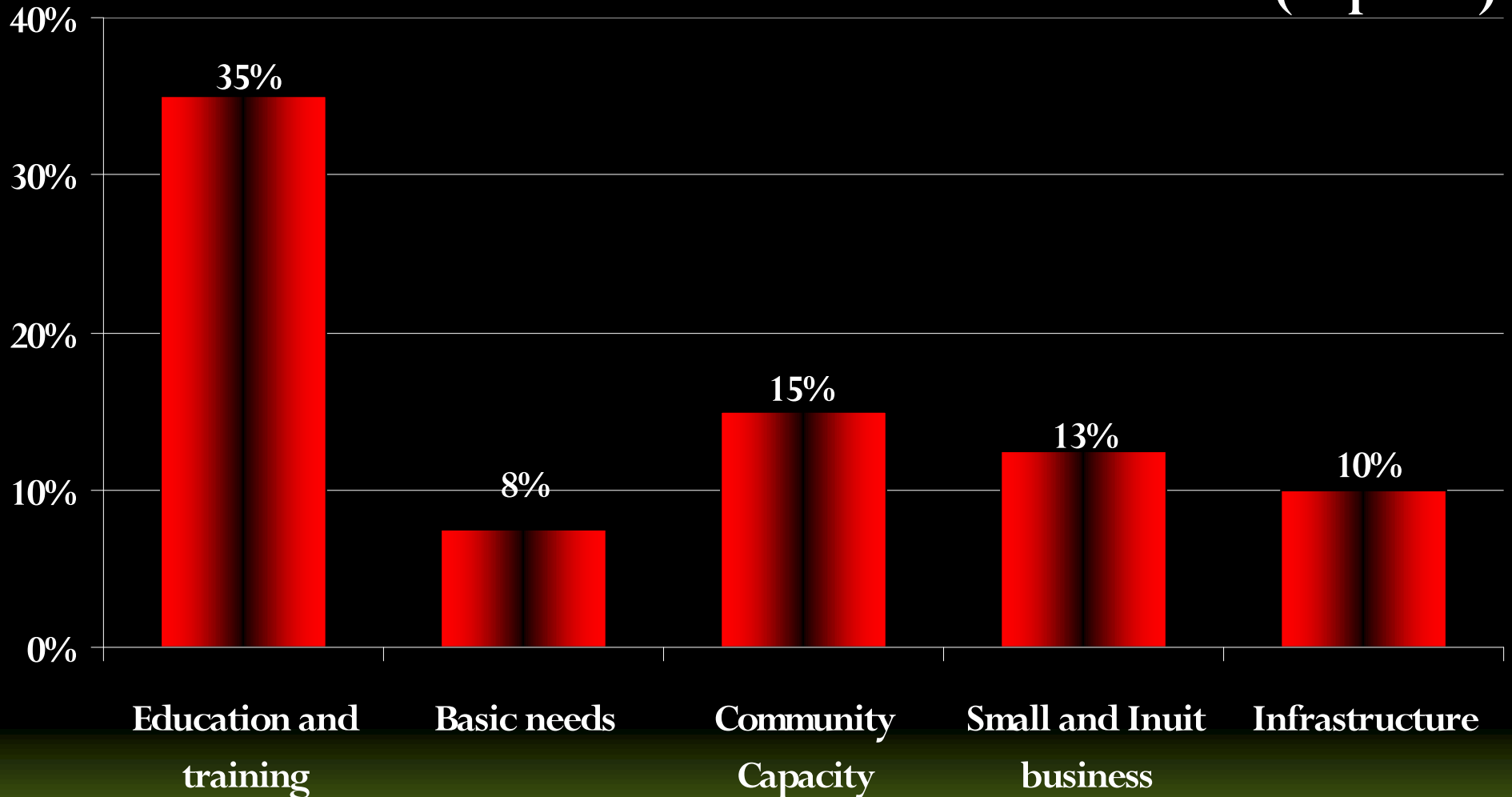
- The GN is investing in Human Capital
- Recent budgets have emphasised spending on schools, hospital, staff, and programming

Investments in Human Capital



NEF Makes Education a Priority

NEF Member Priorities (Top Five)



Human Capital and Economic Performance

- Investing in Human capital *is* an investment in Nunavut's economy
“Investing in human capital, such as education and training, is three times as important to economic growth over the long run than investing in physical capital.”

Contributions from Communities

- Provide a safe environment
- Promote community health and well-being
 - supporting healthy pregnancies and new parents
 - ensure access to nutritious foods
 - establish recreational programming
 - promote spirituality and spiritual healing
 - Celebrate community history and culture
- Create early childhood learning opportunities
- Promote community involvement—trust

Other Capital Investments

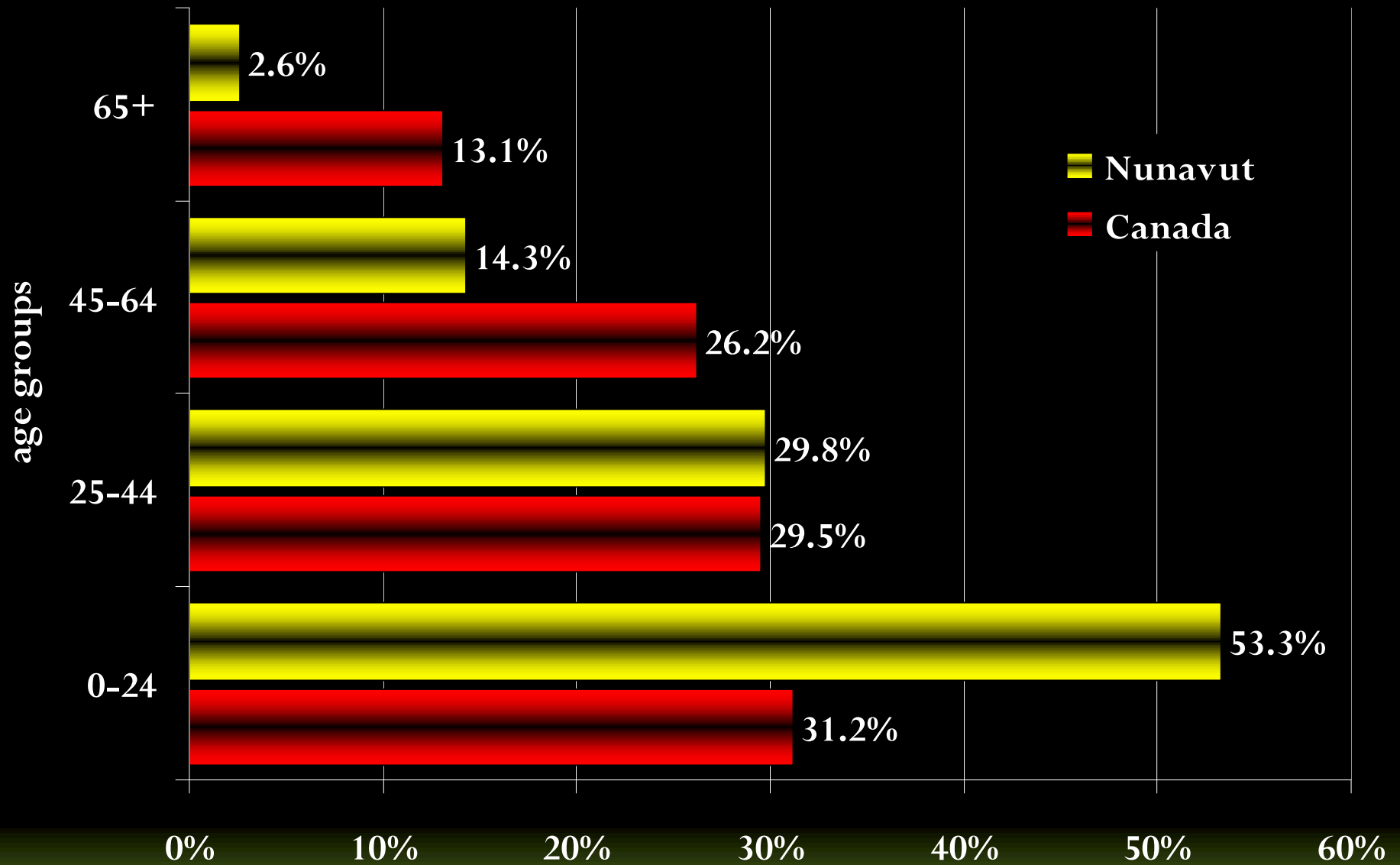
- Physical Capital Investments
 - housing has funding through the most recent federal budget
 - Northern Strategy, SINED, Gas Tax and MRIF
- More Human Capital Investments
 - New curriculum and Adult Learning Strategy being developed
- And many others

Final Remarks

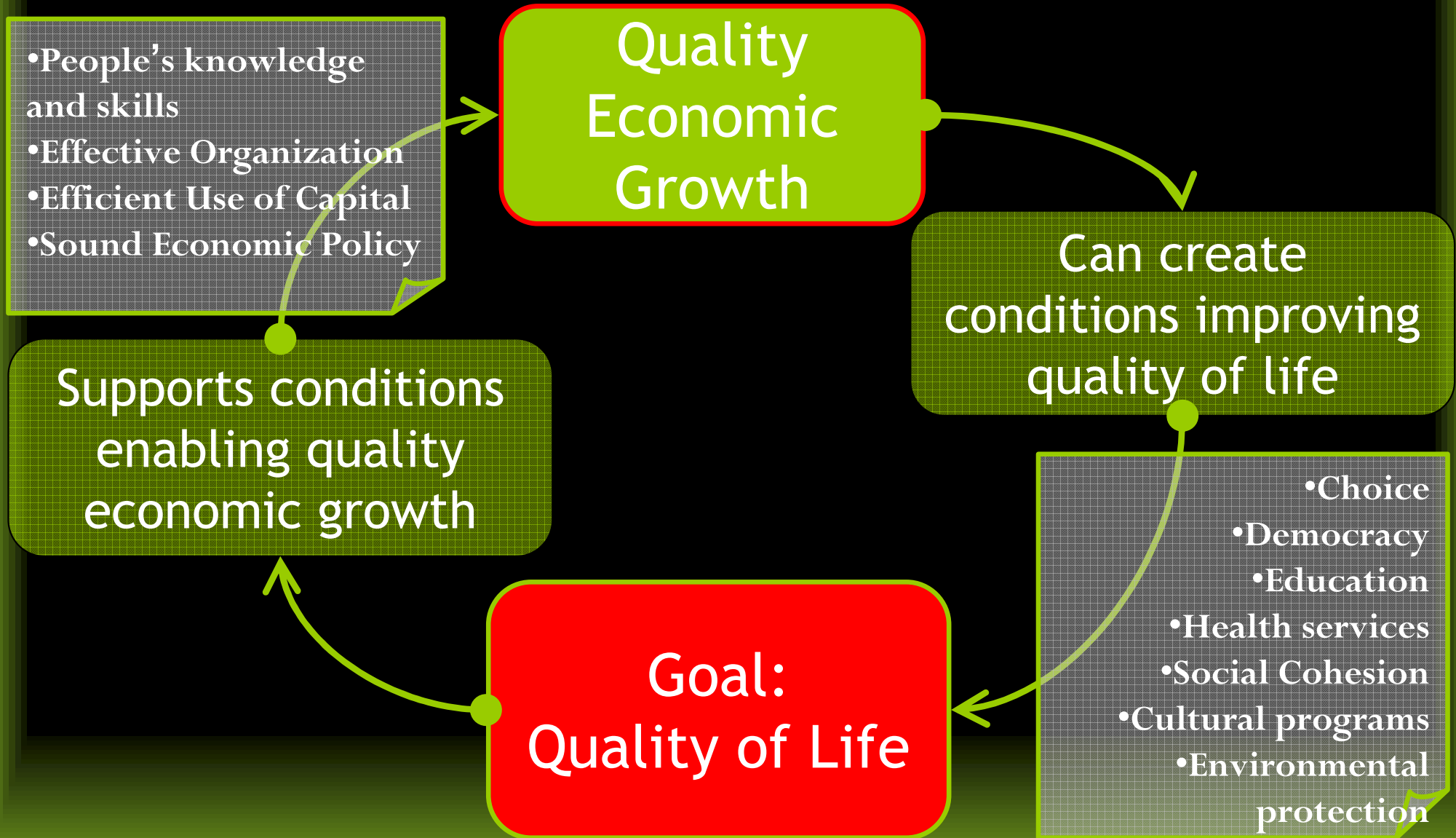
Needs will intensify

- Maintaining quality of life will be made more difficult with the demands of Nunavut's population "boom"

Demographic Profile



Constant Re-investment Required



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