

**PARTNERSHIP AGREEMENT
ON ECONOMIC AND COMMUNITY DEVELOPMENT
IN NUNAVIK**

Between the **Makivik Corporation**, a corporation duly incorporated under Section 2 of the *Act respecting the Makivik Corporation* (R.S.Q., Chapter S-18.1), represented by its President, Mr. Pita Aatami

hereinafter referred to as “Makivik”

And the **Kativik Regional Government**, constituted under Section 239 of the *Act respecting Northern Villages and the Kativik Regional Government* (R.S.Q., Chapter V-6.1), represented by its Chairman, Mr. Johnny N. Adams

hereinafter referred to as “KRG”

And Le Gouvernement du Québec, represented by the premier ministre, Mr. Bernard Landry and the ministre d’État à la population, aux Régions et aux Affaires autochtones, Mr. Rémy Trudel

hereinafter referred to as “Québec”

PREAMBLE

Whereas the parties, in the spirit of the recognition of the Inuit nation by the National Assembly of Québec in 1985, enter hereby into a nation-to-nation Agreement which strengthens the political, economic and social relations between Québec and the Nunavik Inuit, and which is characterized by cooperation, partnership and mutual respect;

Whereas Makivik, KRG and Québec consider the economic and community development in Nunavik as a priority;

Whereas there is a strong potential of human and economic resources in Nunavik ;

Whereas the parties express a strong will to develop these resources and to promote economic development, job creation and economic spin-offs for Nunavik Inuit and the population of Québec in general;

Whereas Makivik, KRG and Québec wish to enter into a long term partnership agreement in order to put forward a common vision of the economic and community development of Nunavik;

Whereas this Agreement remains noticeably based on the respective commitments of the parties under the James Bay and Northern Quebec Agreement (JBNQA);

Therefore Makivik, KRG and Québec agree as follows:

1. PURPOSE OF THE PARTNERSHIP AGREEMENT

The purpose of this Agreement is to establish a new nation-to-nation relationship and to put forward a common vision of the economic and community development of Nunavik. Under this Agreement, Makivik, KRG and Québec, agree:

- to accelerate the development of the hydroelectric, mining and tourism potential of Nunavik;
- to share the benefits of the economic development of Nunavik;
- to favor economic spin-offs for Nunavik Inuit;
- to favor a greater autonomy for Makivik and KRG and more responsibilities on the economic and community development of Nunavik Inuit;
- to enhance public services and infrastructures in Nunavik.

2. ECONOMIC DEVELOPMENT OF NUNAVIK

2.1 Nunavik electric transmission line study

Québec has agreed to fund a Nunavik electric transmission line study at a cost of \$3 million. The main objective of this study is to examine the technical and economic feasibility of building a transmission line making it possible to supply electricity to the 14 villages of Nunavik as well as the Raglan Mining Corporation in operation since 1999. This project would also make possible to install a fiber optic telecommunications network linking Nunavik Inuit villages to Hydro-Québec's provincial network.

If the Nunavik electric transmission line project were to be carried out, it would make possible:

- to meet regional electric consumption needs at a better price;
- to promote exploration and mine production activities by reducing substantially energy costs;
- to improve communication between the communities themselves and the rest of Québec;
- to improve the use of new technologies such as telemedicine;
- to contribute to the development of the hydroelectric potential of Nunavik.

The transmission electric line project could be tied in with hydroelectric generating station projects which would make it possible to meet regional consumption needs and send the surplus on Hydro-Québec's network.

2.2 Hydroelectric development

2.2.1 Based on preliminary evaluations, the hydroelectric potential north of the 55th parallel could vary from 6 300 and 7 200 MW. The tidal power potential of Ungava Bay is also important. However, no exhaustive study exists to precisely confirm the economic, technical and environmental feasibility associated with the exploitation of this hydroelectric potential.

Within this context, Québec undertakes to evaluate the hydroelectric potential north of the 55th parallel. In order to do so:

- technical, economic and environmental pre-feasibility studies will be conducted;
- in addition, the power transmission line study will evaluate the opportunity of building small hydroelectric generating stations in Nunavik to serve the communities.

2.2.2 Makivik undertakes to support the development of the hydroelectric potential of Nunavik and agree to work with Québec in order to accelerate the development of the hydroelectric potential in Nunavik, notably the areas already identified in Schedule A.

- Within the next four (4) years and at the cost of Québec, Québec and Makivik will work together to evaluate potential hydroelectric projects.
- There will be full and timely disclosure by Québec to Makivik and the concerned Nunavik Inuit communities with respect to all proposed new hydroelectric projects.
- Makivik and the Nunavik Inuit communities that may be affected will be involved and consulted in the technical description of potential projects in order to reduce environmental and social impacts on the communities.
- As contemplated in Schedule 1 under section 23 of the James Bay and Northern Québec Agreement (JBNQA), hydroelectric development projects will be subject to the applicable environmental and social protection regimes.
- The parties will endeavour to harmonize insofar as possible the assessment processes applicable to hydroelectric development projects in order to avoid duplication.
- The parties will also work together to ensure efficient and proper evaluations of the hydroelectric development projects.
- Hydro-Québec will assume the costs of all remedial works and all monitoring required under government authorizations for each hydroelectric project that will be carried out, if any.

2.2.3 For each hydroelectric project carried out in Nunavik (hereinafter referred to as the "Hydroelectric Project"):

- Québec undertakes to pay to Makivik 1,25 % of the value of the annual production of megawatts produced by the Hydroelectric Project.
- The value of megawatts produced will be based on the average annual sale price of electricity by Hydro-Québec in Canada and the United States.
- With respect to Hydroelectric Projects carried out in Nunavik, Québec will also encourage and facilitate the signing of agreements between Makivik and hydroelectric development project promoters concerning remedial measures and monitoring, employment and contracts.

2.2.4 Pursuant to section 2.2.3 Makivik undertakes to use these benefits for economic and community development.

- Benefits to be paid pursuant to the foregoing, shall be paid to Makivik or such other one or more Nunavik Inuit entity designated by Makivik which, in consultation with the Landholding Corporation of the community(ies) affected by the Project or Projects, will decide upon an appropriate use and distribution thereof.
- Moreover, the parties acknowledge that the said benefits or parts thereof may be more effectively used through the use of foundations or trusts, the beneficiaries of which shall be Nunavik Inuit, Nunavik Inuit entities, enterprises wholly-owned by Nunavik Inuit or Nunavik Inuit entities, or combinations thereof; and to such end, the parties hereby acknowledge that Makivik may establish or cause to be established such Québec resident trust entities by a trust deed as trusts to receive payment of the benefits.
- Makivik shall submit to Québec on an annual basis, in the six (6) months following the close of each financial year, an annual report and audited financial statements, describing its activities and the use of the annual payment from Québec.
- If this report and these audited financial statements are not submitted by Makivik within this time frame, Québec may submit the matter to the dispute resolution mechanism set out in this Agreement and, failing resolution through this means, may seek a court order allowing it to suspend subsequent payments pending the submission of said annual report and audited financial statements. The suspended payments will however be re-instituted retroactively, without interest, as soon as these report and audited financial statements have been submitted by Makivik.

2.2.5 Notwithstanding section 6, the undertakings referred to in subsections 2.2.3 and 2.2.4 above shall continue for each Hydroelectric Project for twenty-five (25) years from the date each such Hydroelectric Project commences to produce electricity.

2.3 Mining development

The geological context of the territory of Nunavik is conducive to the presence of minerals and there are intensive exploration activities to that effect.

If any mining projects were to take place, Québec undertakes to encourage and facilitate the signing of agreements between Makivik and the mining companies concerning remedial measures and monitoring, financial arrangements, employment and contracts.

As contemplated in Schedule 1 of Section 23 of the JBNQA, mining development on the Nunavik territory will be subject to the applicable environmental and social protection regimes.

2.4 Development of the tourism industry

Nunavik has an under-exploited tourism potential.

2.4.1 Development of parks

To support the development of this potential, Québec foresees the creation of provincial parks in Nunavik. In order to do so, Québec will provide to KRG an amount of \$8 million over 5 years to carry out studies for the development of the following provincial parks: Monts-Torngat-et-de-la-Rivière-Koroc, Lac-Guillaume-Delisle, Lac-à-l'Eau-Claire. KRG will also complete the preliminary collection of data for the Mont Puvirnituk and Cap Wolstenholme parks.

The modalities for the development of parks in Nunavik will be determined in an agreement between the Société de la Faune et des Parcs du Québec (FAPAQ) and KRG.

2.4.2 Creation of the Pingualuit Park

Québec undertakes to create the Pingualuit Park. An amount of \$3,9 million will be provided to KRG over a five-year period to cover the following operation costs: remuneration of employees, operation and maintenance for buildings, vehicles, trails and other park facilities and administration expenses. Québec will also allow an amount of \$5,7 million to KRG to cover the capital expenses over the next five years.

In return, Makivik and Québec shall enter into an appropriate complementary agreement to the JBNQA, and KRG and Makivik shall enter into an appropriate park management agreement with Québec, the whole in connection with Pingualuit Park.

2.5 Funding for community and economic development projects

2.5.1 Québec will pay to Makivik and KRG jointly or, subject to agreement of the parties, to Makivik and KRG separately, the following amounts totalling:

- \$7 million in the first year of the Agreement;
- \$8 million in the second year of the Agreement;
- \$15 million in the third year and each subsequent year of the Agreement.

The first annual payment shall be made within sixty (60) days of the date of execution of this Agreement and thereafter the annual amounts shall be paid in four (4) equal installments approximately three months apart.

2.5.2 Funding in section 2.5.1 would be a flexible tool designed to respond to the specific needs of the population of Nunavik in financing community and economic projects, in priority those arising from the implementation of the JBNQA, and in providing local communities with greater opportunities for economic and community development. Makivik and KRG shall establish the priorities in this regard.

2.5.3 Makivik and KRG will be responsible for setting up a completion timetable and expenditure forecast for projects, for the period covered by this Agreement and inform Québec of the results of these forecast and timetable.

2.5.4 Beginning in the year following payment by Québec of the first \$15 million payment pursuant to section 2.5.1 above, the financial assistance provided for in section 2.5.1 shall be indexed according to the Consumer Price Index (CPI) of Québec and also, gradually over a five-year period, to the growth of the population in Nunavik.

2.5.5 The actual growth of population in Nunavik used for the indexation will be based on Statistics Canada's Census. However, an estimation on the annual growth of the population will be done by the Institut de la Statistique du Québec (ISQ) in order to determine the indexation applicable in the context of this Agreement.

Whenever new data is made available by Statistics Canada, a revision mechanism will be applied to the above indexation formula in order to correct the difference between the actual growth and the ISQ's estimated growth of the population in Nunavik.

2.5.6 The funding in section 2.5.1 shall be without prejudice to and in addition to Québec operation and capital funding for Nunavik and shall be without prejudice to the renewal of any such funding, which includes, but is not limited to, inter alia, Pivallutiit (SAA), Makigiarutiit (SAA) and Isurruutiit (MAMM).

2.5.7 Québec will maintain for the Nunavik Inuit as well as for Makivik and KRG access to regular programs, subject to the usual application criteria of these programs.

2.5.8 Subject to the fulfillment by Québec of its undertakings under section 2.5.1 of this Agreement, Makivik hereby gives Québec a full and complete discharge, for the duration of this Agreement, with regard to the following provisions in the JBNQA:

- sections 29.0.33 to 29.0.39 inclusive;
- sections 29.0.28 to 29.0.30 inclusive;
- the costs associated with implementing any arrangement contained in any complementary agreement related to Chapter 3 of the JBNQA.

3. BLOCK FUNDING OF KRG AND THE NORTHERN VILLAGES

3.1 Québec undertakes to simplify and make more efficient the public funds paid to KRG and, upon request, to Northern Villages (NVs) and to provide these organizations with a greater autonomy in the establishment of their intervention priorities and the carrying out of their respective mandates. To that effect, subsidies to KRG and the NVs from various Québec departments and agencies will be consolidated in a single envelope (Block Funding) for each of the NVs and for KRG. Any economies of scale achieved through the implementation of this Block Funding could be used to improve the funding of the services offered in the local communities.

3.2 The Block Funding of KRG and NVs shall be based on the following guidelines:

3.2.1 The single envelopes (hereinafter referred to as Block Funding) of transfers will be under the responsibility of one organization within Québec for KRG and one organization for the NVs.

Discussions will be held between Québec and KRG to identify which programs will be amalgamated within the Block Funding and concerning the general conditions and objectives related to this Block Funding before reaching a final agreement on Block Funding.

All amounts paid pursuant to Block Funding under this section shall be indexed according to the growth of the population in Nunavik and the evolution of Québec's per capita program expenditures in Québec.

The indexation revision mechanism applicable under section 2.5.5 for the growth of population will also apply to the funding for KRG and the NVs.

3.2.2 KRG and the NVs will have the power to determine the allocation of their own single envelope according to their priorities. However, this allocation will have to respect the existing roles and responsibilities of KRG and the NVs as well as the general level of services provided to the population and the communities.

3.2.3 KRG and the NVs will report to the organizations responsible for the single envelopes for Québec in tabling annually:

- a budget and a detailed financial report for all their activities;
- a report detailing the operations conducted and the general objectives and results attained as compared to those foreseen by Québec at the beginning of each year.

3.2.4 The consolidation of the funding provided to KRG and the NVs into single envelopes shall be implemented no later than January 1st, 2004.

4. COMMUNITY AND ECONOMIC DEVELOPMENT PRIORITY PROJECTS

4.1 Paving of local roads

Some ten kilometers of the Nunavik road network is paved. Because of the northern climate, municipal gravel roads and airport access roads are in poor condition. They generate high vehicles maintenance costs for the municipalities and vehicles must be replaced on a more frequent basis than elsewhere in Quebec. In the absence of aqueducts and sewage underground piping systems, the improvement of the roads network is important for Northern villages as they have no other alternative but to deliver water and collect sewage by tanker trucks all year round.

To improve road conditions in Nunavik Inuit villages, Québec undertakes to finance and to give its technical support to pave 90 kilometers of local roads (including access roads leading to airports) for a maximum amount of \$35,5 million excluding the interest costs (temporary and long term costs), broker fees and refinancing fees, under modalities to be specified. The work will begin in the summer of 2002 and will extend over a 7 year period based on a schedule to be validated by the technical committee to be formed, which committee will include representatives from Québec and KRG.

The financing of this project will take the form of a debt service according to conditions and planning of an amortization schedule to be defined in an agreement between the Ministère des Transports du Québec (MTQ) and KRG.

4.2 Marine infrastructures

Northern villages are not linked by road and are isolated of the rest of Québec. The only mean of transporting heavy materials to Nunavik is by sea. The use of waterways is therefore a fundamental factor for promoting the economic development of Nunavik. However most Nunavik Inuit villages do not have the necessary marine infrastructures to ensure safe access to the sea.

The cost of the implementation of the marine infrastructures is estimated to \$88 million (including phases I and II). Quebec will participate up to 50 % of this amount of \$88 million (including amounts already paid by Québec). The work will extend over a period of 7 to 10 years from the execution of this Agreement.

A technical committee will be formed to define the characteristics of phase II and the coordination between phase I and II.

The financing of this project will be specified in an agreement between the MTQ and KRG.

Québec will also fund the daily maintenance costs, including major reparations, subject to federal contribution, under conditions to be agreed upon between Canada and the parties.

4.3 Improvement of police services

Several police stations in Nunavik are in a very poor state of repair. The construction of new police stations is urgent to ensure Nunavik Inuit police officers adequate workplaces. Moreover, the number of police officers in Nunavik needs to be increased in order to better serve the vast territory of Nunavik and its rapidly growing population.

To that effect, for 2002, Québec agrees to disburse an additional amount of \$ 1,5 million representing 48 % of the total cost to improve police services in Nunavik and initiate the construction of police stations.

As of April 1st, 2003, at the renewal of the Police tripartite agreement between Canada, Québec and KRG, Québec agrees to fund its share (48 %) of the total cost of 54 police officers at a unit cost of \$148 800 and construction of police stations. Such amount will be indexed annually for subsequent years subject to the participation of the Federal government.

The modalities of the above financial arrangements will be confirmed in an agreement between the Ministère de la Sécurité publique du Québec (MSP) and KRG.

The parties agree to continue negotiations with the Federal government regarding its funding of its share of the cost of police services.

4.4 Correctional services

Regarding correctional services, Québec favours the implementation of smaller establishments located, whenever possible, in various regions, thereby promoting the gradual reintegration of offenders. Nunavik Inuit offenders are held in custody in southern Québec far away from their communities where they have limited contacts with their environment.

To remedy this situation, Québec undertakes to build and make operational by no later than December, 31st 2005 a forty (40) places detention facility in Nunavik in the general spirit of the “Report of the joint working group on sentence management in Nunavik” dated January 2002 and fund the operation costs.

In return, Makivik will provide to Québec a full and complete discharge, for the duration of this Agreement, of section 20.0.25, of the JBNQA concerning detention facilities.

Furthermore, Québec undertakes to build and make operational, by no later than April 1st 2004, a ten (10) places community residential center (half-way house) in Nunavik and fund the operation costs.

4.5 Wildlife management and enforcement

Currently, wildlife protection in all of Nunavik is provided by a team of three seasonal officers of the FAPAQ. These resources need to be increased considering the size of the territory and the natural environments that favour the practice of hunting and fishing activities.

To improve wildlife management and enforcement, commencing upon execution of the present Agreement with the objective to be fully implemented no later than April 1st, 2004, Québec will hire and train six (6) additional Wildlife Conservation Officers for Nunavik, and provide to KRG \$0,6 million annually to hire wildlife protection assistants which will be trained by FAPAQ. Such KRG funding shall be integrated under the KRG Block Funding as provided under section 3.

In return, and to there continuing to be no land access through roads or rail lines to the territory nor influx of an inordinate size of non-beneficiary workforce personnel to the territory, Makivik will provide to Québec a full and complete discharge, for the duration of this Agreement, of section 24.10 in the JBNQA. In the event that said land access is effected or influx occurs, the parties agree to revisit section 4.5 of this Agreement including the present release with a view of discussing the possible needs to take into account said developments.

4.6 Public tenders

Contracting for goods, services and construction is an important market for small and medium-sized businesses. These contracts represent an opportunity to stimulate economic development and job creation in Nunavik Inuit communities.

In order to increase the number of Nunavik Inuit businesses bidding and winning public contracts, and subject to the provisions of the *Agreement on Internal Trade* or any similar agreement, Québec undertakes to evaluate the possibility of modifying the law in order to allow KRG, the Kativik School Board, the Katutjinik Regional Development Council and the Nunavik Regional Board of Health and Social Services to set up a process for awarding contracts for goods and services that gives priority to the businesses of Nunavik Inuit.

5. IMPLEMENTATION OF THE PARTNERSHIP AGREEMENT

5.1 Québec, Makivik and KRG agree to create a joint coordinating committee composed of four (4) representatives from Québec, two (2) from Makivik and two (2) from KRG. The number of representatives of this committee may be revised by the parties. The mandate of the committee will be:

- to ensure the harmonious implementation and efficient follow-up of this Agreement and to resolve other questions pertaining to the implementation of the JBNQA;

- to find mutually acceptable solutions to disputes arising out of the interpretation or implementation of this Agreement or of the JBNQA.

5.2 Generally, the parties will endeavor to avoid recourse to the judicial system for the purposes of the interpretation and implementation of this Agreement as well as the implementation of the JBNQA. For the purpose of implementing section 5.1 of this Agreement, the parties agree to put in place a dispute resolution mechanism defined in Schedule B to ensure that recourse to courts or other forums only occurs as a last resort.

6. DURATION OF AGREEMENT

The duration of this Agreement shall be twenty-five (25) years commencing on the date contemplated by sub-section 7.4.

7. GENERAL PROVISIONS

7.1 The provisions of the JBNQA and of the existing agreements and existing financial arrangements will continue to apply in the absence of indications to the contrary in this Agreement. In particular, and without limiting the generality of the foregoing, any government funding contemplated in the present Agreement does not apply, nor is intended to apply to regular health and social services, education and environmental regimes for Nunavik.

7.2 The Preamble to this document form an integral part of this Agreement.

7.3 This Agreement constitutes a final agreement subject to ratification thereof, no later than May 10th, 2002, by Makivik and KRG by resolutions of their respective board and council after consultation.

7.4 The provisions of this Agreement shall take effect the day after such resolutions have been received by the Prime Minister's Office in Quebec City.

7.5 If by May 15th, 2002, such resolutions have not been received this Agreement shall be considered null and void.

7.6 This Agreement may be amended from time to time with the consent of Québec, Makivik and KRG.

7.7 This Agreement does not constitute an agreement or treaty within the meaning of section 35 of the Constitution Act of 1982.

7.8 In this Agreement, the term "Nunavik Inuit" means those persons enrolled, or entitled to be enrolled, as an Inuit beneficiary in accordance with the *Act respecting Cree, Inuit and Naskapi native persons* (R.S.Q., Chapter A- 33.1)

7.9 The payments foreseen in subsections 2.2.3 and 2.5.1 shall not be subject to any form of taxation, charge, levy or deduction by Québec.

8. INTERPRETATION

There shall be an Inuttitut, a French and an English version of this Agreement. The French and English versions shall be the authoritative versions.

IN WITNESS WHEREOF, THE PARTIES HAVE SIGNED IN TASIUJAQ ON
THIS 9TH DAY OF APRIL 2002

**POUR LE GOUVERNEMENT DU
QUÉBEC:**

Bernard Landry
Premier ministre

For Makivik Corporation:

Pita Aatami
President

AND

For Kativik Regional Government:

Rémy Trudel
Ministre d'État à la population, aux
Régions et aux Affaires autochtones

Johnny N. Adams
Chairman

SCHEDULE A

AREAS OF HYDROELECTRIC POTENTIAL IN NUNAVIK

High power potentials

The following rivers:

- Nastapoka
- Whale
- George
- Aux Mèlèzes
- Caniapiscau
- Leaf

Low power potentials

The following rivers:

- Kovik
- Decoumte
- Buet

SCHEDULE B

SETTLEMENT OF DISPUTES

INTRODUCTION

Generally, the parties will endeavour to avoid recourse to the judicial system for the purposes of the interpretation and implementation of this Agreement as well as of the James Bay and Northern Québec Agreement (JBNQA). To this end, the parties agree to put in place a dispute resolution mechanism to ensure that recourse to courts or other forums only occurs as a last resort.

DEFINITION

For the purposes of this dispute resolution mechanism, a dispute is defined as any controversy, claim or disagreement arising out of the interpretation or implementation of the JBNQA or this Agreement and which is formally raised by any of the parties for these purposes.

PARTIES TO THE DISPUTE

The only parties authorized to bring disputes for resolution under the present dispute resolution mechanism are the following parties namely, Makivik, KRG and le Gouvernement du Québec.

PROCEDURE TO BE FOLLOWED WITH RESPECT TO RESOLUTION OF DISPUTES

The parties will endeavour in good faith to settle the dispute through cooperation and consultation in order to arrive at a mutually satisfactory solution.

Failing resolution by the parties themselves, the dispute shall be referred for resolution to the Joint Coordinating Committee established pursuant to the provisions of section 5 of this Agreement.

Failing resolution by the Joint Coordinating Committee, the dispute shall be referred to an independent and impartial third party for mediation as hereinafter set out:

- a) the mediator shall be chosen jointly by the parties, and failing agreement, by a Judge of the Superior Court, upon application to the court;
- b) the parties shall each submit to the mediator their views on the issue in dispute;
- c) the parties undertake, that as a condition of the mediation process, to renounce to any prescription acquired and to agree that prescription (if applicable) of any right, claim or matter which is the subject of the dispute shall be interrupted and shall, if necessary, be specifically renounced from time to time until the mediator declares the mediation process to be at an end;

- d) the mediation process and all proceedings in connection therewith shall be and will remain confidential;
- e) the mediator shall not issue a Report or make any recommendations unless authorized to do so by all the parties;
- f) any party may request that the mediator terminate the mediation process when there are reasonable and probable grounds to believe that, despite the best efforts of the parties acting in good faith, no settlement is likely to be reached in the dispute through mediation.

At any time during the course of the mediation process, the parties may agree to grant to the mediator the powers, authority and jurisdiction of an arbitrator, including those of an amiable compositeur, the whole within the meaning, and as set out in the *Civil Code of Québec* and the *Code of Civil Procedure of Québec*.

Each party will assume its expenses related to the mediation. 50 % of the expenses and fees of the mediator will be supported by Québec, and 50 % by Makivik and KRG.