

**AGREEMENT**

**CONCERNING**

**BLOCK FUNDING FOR THE**

**NORTHERN VILLAGES**

**OF THE KATIVIK REGION**

**AGREEMENT  
CONCERNING  
BLOCK FUNDING  
FOR THE NORTHERN VILLAGES  
OF THE KATIVIK REGION**

**BETWEEN**

**THE NORTHERN VILLAGES** of AKULIVIK, AUPALUK, INUKJUAK, IVUJIVIK, KANGIQSUALUJJUAQ, KANGIQSUJUAQ, KANGIRSUK, KUUJJUAQ, KUUJJUARAPIK, PUVIRNITUQ, QUAQTAQ, SALLUIT, TASIUJJAQ and UMIUJJAQ, duly constituted under Title I of the *Act respecting Northern villages and the Kativik Regional Government* (R.S.Q., c. V-6.1), represented by their respective mayors and secretary-treasurers, and hereinafter referred to as NVs.

**AND**

**THE KATIVIK REGIONAL GOVERNMENT**, duly constituted under Section 239 of the *Act respecting Northern villages and the Kativik Regional Government*, headquartered at Kuujjuaq, represented herein by the Chairman of the Executive Committee, Mr. Johnny N. Adams, and its Secretary, Ms. Ina Gordon, who are duly authorized by resolution to sign this Agreement, and hereinafter referred to as KRG,

**AND**

**THE GOUVERNEMENT DU QUÉBEC**, represented by Mr. Geoffrey Kelley, ministre délégué aux Affaires autochtones and by Ms. Nathalie Normandeau, ministre des Affaires municipales et des Régions, and hereinafter referred to as "Québec".

WHEREAS Section 3 of the "*Partnership Agreement on community and economic development in Nunavik*", hereinafter the "Sanarrutik Agreement", signed between KRG, Makivik Corporation and Québec on April 9<sup>th</sup>, 2002 and amended in 2003 and 2004 refers to the implementation of a Block Funding for the Northern Villages (NVs), upon request;

WHEREAS within the context of the this Agreement, hereinafter the "Agreement", the NVs have expressed the wish to implement the Block Funding in adopting resolutions to that effect, such resolutions being sent to the government of Québec on October 25<sup>th</sup>, 2004;

WHEREAS the Parties agree that the Block Funding aims to put in place a stable long-term funding to help the NVs providing municipal services;

WHEREAS the NVs and Québec wish to establish the principles, criteria and standards for implementing the provisions of Section 3 of the Sanarrutik Agreement regarding Block Funding for the NVs;

WHEREAS the NVs possess, by virtue of Title I of the *Act respecting Northern Villages and the Kativik Regional Government*, hereinafter the "Kativik Act", all the powers required to perform the duties and obligations stipulated in this Agreement;

WHEREAS, by virtue of Appendix B, Part II, B.11 of the *Agreement concerning the Block Funding for the Kativik Regional Government* signed on March 31<sup>st</sup>, 2004 between the Government of Québec and KRG, KRG has a mandate to assist the NVs in the implementation of this Agreement;

WHEREAS KRG will act accordingly to facilitate the communications and exchange of information between the Parties.

**Therefore, the Parties agree to the following:**

### **SECTION 1: OBJECTIVES OF THIS AGREEMENT**

The purpose of this is to:

- Put in place a stable and foreseeable long-term funding to help the NVs in the planning and provision of municipal services;
- Maintain the autonomy of the NVs in the establishment of their priorities, the fulfillment of their obligations described in this Agreement and the allocation of funds according to their priorities;
- Allow the NVs to use any financial leeway gained through the indexation provided within the implementation of this Block Funding for the improvement of the financing of the municipal services offered in the local communities;
- Develop or maintain an efficient accountability, based on the respect of laws and standards in force;
- Establish the terms and conditions applicable to the Block Funding for the NVs.

### **SECTION 2: TERRITORY**

This Agreement applies to the territories of the NVs as described in their respective letter patents issued in virtue of Section 14 of the Kativik Act.

For the purpose of implementing Section 5 of this Agreement, the Kativik Region is the territory described in Paragraph 2 v) of the Kativik Act.

### **SECTION 3: OBLIGATIONS OF THE NVs**

The NVs undertake to use the funding provided by Québec pursuant to Section 5 to maintain or improve the general quality and level of the services that they provide to their population.

The NVs must use the funding provided by Québec, pursuant to Section 5, exclusively for municipal activities as defined in the Kativik Act or in any other pertaining laws.

The NVs must comply with the Kativik Act as regards to the preparation of budgets and financial statements and the sending of these documents to the ministre des Affaires municipales et des Régions hereinafter referred to as the "Minister".

The NVs must send to the Minister, by November 1<sup>st</sup> at the latest, the water consumption records for a twelve-month period ending on the preceding September 30<sup>th</sup>.

#### **SECTION 4: OBLIGATIONS OF KRG**

By virtue of the Appendix B, Part II, B.11 of this *Agreement concerning the Block Funding for the Kativik Regional Government*, KRG will assist the NVs in the implementation of this Agreement.

To facilitate the communications and exchange of information between the Parties, KRG will be a member of the Joint Coordinating Committee created under Section 14.

#### **SECTION 5: OBLIGATIONS OF QUÉBEC**

Québec, subject to the approval of the required annual appropriations by the Assemblée nationale and based on the respect of the obligations and undertakings of the NVs described in Section 3, undertakes to pay an amount which is determined on the basis of the amount of eight million four hundred eighty seven thousand and four hundred sixty one dollars (\$8,487,461) committed to the NVs financial assistance program for 2004-2005. This amount is the basis for the calculation of the subsidy that initially makes up the Block Funding of the NVs as indicated in Appendix A.

On January 1<sup>st</sup>, 2005, the amount indicated in the first paragraph shall be adjusted according to the formula described in Appendix D of the *Agreement concerning the Block Funding for the Kativik Regional Government* and in Appendix B of this Agreement.

On April 1<sup>st</sup> 2005, Québec undertakes to add to this amount an additional sum of seven hundred thousand dollars (\$700,000). This additional amount shall be distributed among the NVs as indicated in Appendix A.

Considering that the indexation factor deriving from the application of the formula described in Appendix B of this Agreement has been established at 1.0383 for 2005, the total amount to be distributed to the NVs during the NVs 2005 fiscal year is 9 512 531 \$.

On the other hand, for the year 2005, the following transitory measures will apply in order to take into account the overlapping of two modes of financing of the NVs:

- The amount of 1 697 492 \$ of February 2005 foreseen in the December 9<sup>th</sup>, 2004 letter from the Deputy-minister of MAMSL to the NVs, is considered as the payment of January 2005 into the context of this Agreement;
- Consequently, the payments of May 2005, August 2005 and November 2005 will be of 2 605 013\$ each, so that the amount to be paid in 2005 totals 9 512 531\$.

In consideration of this Agreement, the modalities fixed in the December 9<sup>th</sup> 2004 letter from the Deputy-minister of the MAMSL to the NVs concerning the financial assistance provided to the NVs for 2005 will no longer apply on the day of the coming into force of this Agreement.

On January 1<sup>st</sup>, 2006, and for the duration of this Agreement, the amount of 9 512 531 \$ shall be adjusted annually, according to the formula described in Appendix D of the *Agreement concerning the Block Funding for the Kativik Regional Government* and in Appendix B of this Agreement.

The amounts scheduled annually will be paid to each NV in four installments to be made in January, May, August and November of each year. For the last year of this Agreement, the last installment will be made in November 2027. Continuity in paying the subsidy is conditional to the fulfillment, by the NVs, of the obligations mentioned in this Agreement.

Québec's financial year, which extends from April 1<sup>st</sup> to March 31<sup>st</sup>, is the reference year for the payment of the amounts to be paid and the financial year of the NVs, which extends from January 1<sup>st</sup> to December 31<sup>st</sup>, is the reference year for the financial reports and budget to be produced by the NVs.

## **SECTION 6: MODIFICATIONS OF THE ENVELOPE AFTER THE DATE OF SIGNATURE OF THIS AGREEMENT**

Section 3 will be reviewed for the first time in 2008, in order to make the adjustments deemed necessary by the NVs and Québec. Afterwards, such a review will be conducted every five years until the end of this Agreement. This review will concern the relevance of maintaining or modifying the obligations described in Section 3, while taking into consideration the orientations of the government. Consequently, the amount indicated in Section 5 will be modified to reflect the changes made to the obligations described in Section 3.

If during the term of this Agreement, Québec amends a law or a regulation, introduces a measure or a program that has an effect on the obligations described in Section 3 or wishes to transfer to the NVs the management of an existing program or measure, and if the NVs accept the responsibility for delivering this measure or program according to the terms and conditions of this Agreement, Section 3 and the funding of the NVs shall be amended during the current financial year of the NVs or, at the latest, during the following financial year of the NVs if such modifications occur after September 30<sup>th</sup>. Any modification to the Block Funding of the NVs is conditional to the approval of the necessary appropriations by the Assemblée nationale du Québec.

If, during the term of this Agreement, Québec amends a law or a regulation and/or modifies or abolishes a program or a measure that affects the obligations described in Section 3 and the effect of which is to reduce the amount indicated in Section 5 and the NVs are responsible for the implementation of such a law, regulation, measure or program according to Section 3, the latter and the funding of the NVs may be amended to reflect these modifications. Any reduction will apply to the following financial year of the NVs and will be calculated according to the lowest of the following amounts:

- The average real amount allocated by the NVs for the rendering of the services referred to during the last three years;
- The initial amount provided for the implementation of the obligations described in Section 3 on the date of the signature of this Agreement, adjusted with the indexing factor described in Appendix B.

## **SECTION 7: MODALITIES APPLICABLE TO THE USE OF BLOCK FUNDING**

The following administrative principles apply to the Block Funding of the NVs:

- A. The NVs may use the Block Funding, including any surplus, for a purpose that they may determine, provided that these amounts are used to fulfill the obligations described in Section 3.
- B. The NVs are entirely responsible for making good any deficit within the obligations of Section 3.
- C. The NVs may create monetary reserves for the following purposes:
  1. Acquisition, renovation and replacement of buildings;
  2. Acquisition and replacement of vehicles;
  3. Acquisition and replacement of computer equipment and office supplies;
  4. Litigation or legal proceedings;
  5. Projects prioritized or identified in the budget which are not realized and which are postponed to a subsequent year.

These monetary reserves must respect the following conditions:

- Creation of monetary reserves must be adopted by a resolution by the Councils of the NVs;
- This resolution must indicate the purpose for which the reserve is created, its amount, the length of time of its existence (in the case of a reserve with a specific length of time) and the appropriating of any surplus;

- The total of reserved amounts must correspond to and not exceed the requirements indicated in items 1 to 5 mentioned above;
  - The way the amounts are deposited and invested must be specified in the resolution and their withdrawal must be done only in accordance with the purposes for which the reserves are created.
- D. The rights and obligations found in this Agreement may not be given away in whole or in part, upon penalty of being nullified, sold or otherwise re-assigned without the written consent of Québec. Unless otherwise specified in Section 3, the NVs may, however, use subcontracting services for carrying on its' mandates and obligations, but remains responsible for the rights and obligations contained in this Agreement.

## **SECTION 8: EXPENSES RELATED TO EXCEPTIONAL CIRCUMSTANCES**

The funding mentioned in Section 5 is for the purpose of helping the NVs to fund their normal operations expenditures. The funding mentioned in Section 5 does not provide for any expenditure related to exceptional circumstances which are not reasonably foreseeable at the time this Agreement is entered into and which have a significant impact on the NVs capacity to meet its or their obligations in the context of this Agreement. Should such an exceptional circumstance occur, a specific envelope could be negotiated between the Parties.

## **SECTION 9: INSURANCE AND LIABILITY**

### **A. Liability**

Québec will assume no responsibility regarding any material damages suffered by the NVs, its' employees, agents, representatives or subcontractors except in the case of gross neglect associated with the action of a representative of Québec.

The NVs undertake to take up the defense of Québec against any claims and lawsuits initiated against the latter during the performance of this Agreement.

The liability arising from obligations or undertakings made by the NVs under this Agreement is incumbent upon the NVs only.

### **B. Insurance**

The NVs shall contract and hold for the term of this Agreement damage insurance and civil liability insurance, for any claim, bodily injury, death or material damage that may occur within the realization of the obligations described in Section 3, of at least one million dollars (\$1,000,000), for which Québec and the NVs could be held liable. However, it is the NVs responsibility to determine the appropriate amount of insurance coverage that they need over and above the minimal amount of one million dollars (\$1,000,000), and to acquire such insurance coverage.

If, during the course of this Agreement, a NV was to be mandated by Quebec, by virtue of Section 6, to deliver on its behalf a program or to administer a measure, the present provisions related to insurance and liability would be revised by the parties to reflect this situation.

## **SECTION 10: APPLICATION**

As of the date of its signature, the provisions of this Agreement shall replace the conditions fixed by the MAMSL for the funding provided to the NVs during the 2004-2005 financial year of Québec, as mentioned in Section 5. However, the NVs must respect their obligations concerning the accountability as regards to the amounts paid by Québec until the signing of this Agreement.

## **SECTION 11: AMENDMENTS**

The Parties may mutually agree to amend this Agreement and its' appendices. Any amendment shall, however, be in writing and be signed by the duly authorized representatives of all Parties. Any amendments concerning Section 3 must have had the agreement of the concerned departments or agencies.

## **SECTION 12: REPRESENTATIVES**

Québec designates the secrétaire-général associé of the Secrétariat aux affaires autochtones as the official representative of Québec for the purposes of the implementation of this Agreement. The NVs designate their respective secretary-treasurers as their official representatives for the purpose of this Agreement. KRG designates its Director general as its official representative for the purpose of this Agreement. If it becomes necessary to replace the representative of a Party, the Party in question shall appoint a replacement as quickly as possible and shall notify the other Parties of the replacement in writing.

## **SECTION 13: DISPUTE RESOLUTION MECHANISM**

The Parties will endeavor to avoid recourse to the judicial system for the purposes of the interpretation and implementation of this Agreement. For the purpose of implementing this Agreement, the Parties agree to use the dispute resolution mechanism defined in Appendix C to ensure that recourse to courts or other forums only occurs as a last resort.

## **SECTION 14: IMPLEMENTATION OF THIS AGREEMENT**

Upon the signing of this Agreement, Québec and the NVs agree to create a Joint Coordinating Committee composed of four (4) representatives from Québec, three (3) representatives from the NVs and one (1) representative from KRG. The representatives from the NVs are appointed by the KRG Council upon consultation with the Association of Secretary-treasurers of Nunavik. The Parties may revise the number of representatives of this committee.

The mandate of the committee will be:

- To ensure an harmonious implementation of an efficient follow-up of this Agreement;
- To find mutually acceptable solutions to disputes arising out of the interpretation or implementation of this Agreement;
- To provide advice to the representatives mentioned in Section 12 when disagreements arise or amendments are requested;
- To review yearly the estimates proposed under Section 4 of Appendix B ;
- To receive and take cognizance of the preoccupations of the representatives of the departments and agencies that could be involved in this Agreement.

The committee shall meet once every six months or more frequently, if needed. Moreover, it shall report annually to the representatives, mentioned in Section 12, on the respect of the obligations of the Parties and, when needed, on the disputes between the Parties concerning the interpretation and the implementation of this Agreement.

Committee meetings shall be held in the Kativik Region.

The Parties shall assume their own expenses to participate in the meetings of the committee.

## **SECTION 15: REVISION OF THE DISTRIBUTION AMONG THE NVs OF THE SUBSIDY INDICATED IN APPENDIX A**

The Parties agree that, from time to time, the distribution of the subsidy indicated in Appendix A among the NVs may be revised.

The Joint Coordinating Committee created under Section 14 shall revise the mode of distribution which determines the proportion of the subsidy to be distributed to each NV. The committee shall recommend by September 30<sup>th</sup>, 2005, a new distribution plan to the Minister for approval. The Minister may bring any modification deemed necessary to the new plan of distribution and shall approve the plan thirty (30) days upon its reception. If the committee fails to recommend a new plan by September 30<sup>th</sup>, 2005, the Minister may either maintain the obligation to present a new plan, with a new deadline to execute that obligation, or decide to maintain the existing distribution plan or to implement a new one.

The new plan of distribution shall come into effect on April 1<sup>st</sup>, 2006 and shall become part of this Agreement as a new appendix.

## **SECTION 16: DURATION OF THIS AGREEMENT**

This Agreement shall come into effect on the date of its signature, and shall remain in force until December 31<sup>st</sup>, 2027.

## **SECTION 17: RENEWAL**

The Parties must begin the negotiation of a new agreement seeking to replace the current one beginning on January 1<sup>st</sup>, 2024 and must make all reasonable efforts to reach a new agreement no later than December 31<sup>st</sup>, 2027.

## **SECTION 18: APPENDICES**

Appendices A, B, and C are an integral part of this Agreement.

## **SECTION 19: ACCESS TO REGULAR PROGRAMS**

Québec will maintain NVs access to regular programs, subject to the usual application criteria of these programs and to the approval of the Conseil du trésor, as well as the voting by the Assemblée nationale of the annual appropriations required.

## **SECTION 20: INTERPRETATION**

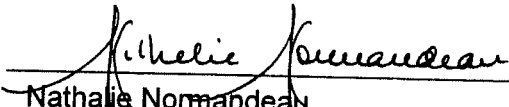
This Agreement is not a treaty and is not an agreement referred to in Sections 25 and 35 of the *Constitution Act, 1982*.

IN WITNESS WHEREOF, the Parties have signed sixteen copies of this Agreement, in French and English, the French text having precedence, on June 27<sup>th</sup>, 2005:

For Québec



Geoffrey Kelley  
Ministre délégué aux Affaires autochtones



Nathalie Normandeau  
Ministre des Affaires municipales et des Régions

For the Northern Village of Akulivik



Eli Aullaluk  
Mayor

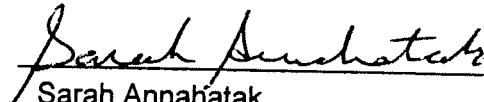


Lydia Nappatuk  
Secretary-treasurer

For the Northern Village of Aupaluk



Johnny Akpahatak  
Mayor



Sarah Annahatak  
Secretary-treasurer

For the Northern Village of Inukjuak

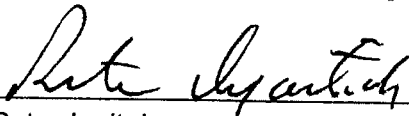


Andy Moorehouse  
Mayor



~~Caroline Naktialuk~~ ANNIE NALUKTUK  
Secretary-treasurer (ASSISTANT)

For the Northern Village of Ivujivik



Peter Iyaituk  
Mayor



Siasi Audlaluk  
Secretary-treasurer

For the Northern Village of Kangiqsualujuaq

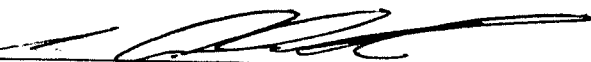


~~Elijah Imbeault~~ Willie EMUDLUK  
Mayor (ACTING)

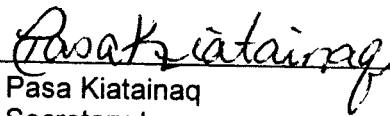


Tommy Annanack  
Secretary-treasurer

For the Northern Village of Kangiqsujaq

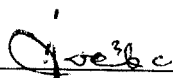


Charlie Alaku  
Mayor



Pasa Kiatainaq  
Secretary-treasurer

For the Northern Village of Kangirsuk

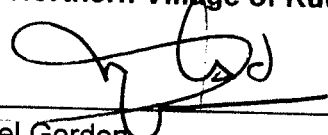


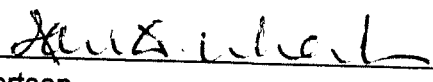
Jusipi Annahatak  
Mayor



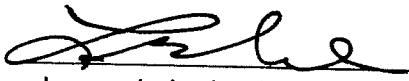
Alec Kudluk  
Secretary-treasurer

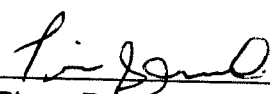
**For the Northern Village of Kuujuaq**

  
\_\_\_\_\_  
Michael Gordon  
Mayor

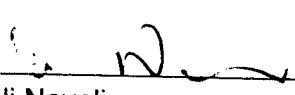
  
\_\_\_\_\_  
Ian Robertson  
Secretary-treasurer


**For the Northern Village of Kuujuarapik**

  
\_\_\_\_\_  
Lucassie Inukpuk  
Maire

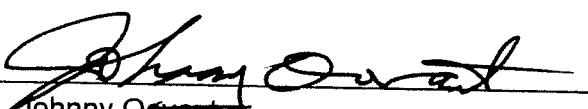
  
\_\_\_\_\_  
Pierre Roussel  
Secrétaire-trésorier


**For the Northern Village of Puvirnituk**

  
\_\_\_\_\_  
Ali Novalinga  
Maire


  
\_\_\_\_\_  
Sarah Beaulne  
Secrétaire-trésorière

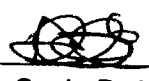
**For the Northern Village of Quaqaq**

  
\_\_\_\_\_  
Johnny Oovaut sr.  
Maire

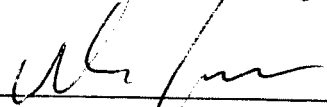
  
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Sammy Tukkiapik  
Secrétaire-trésorier

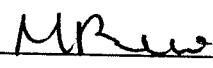
**For the Northern Village of Salluit**

  
\_\_\_\_\_  
Michael Cameron  
Maire

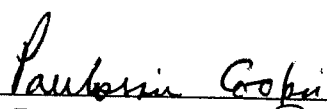
  
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~~Susie P. Alaku~~ INULUK PAPIGATUK  
Secrétaire-trésorière (ASSISTANT)


**For the Northern Village of Tasiujaq**

  
\_\_\_\_\_  
Willie Cairn sr.  
Maire

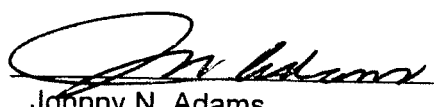
  
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Mary Berthe  
Secrétaire-trésorière

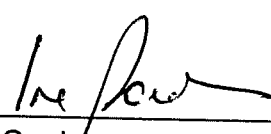
**For the Northern Village of Umiujaq**

  
\_\_\_\_\_  
~~Robbie Tookalook~~ PAULUSSIE COOKIE  
Maire (ACTING)

  
\_\_\_\_\_  
Sam Nuktie  
Secrétaire-trésorier

**For KRG**

  
\_\_\_\_\_  
Johnny N. Adams  
Président

  
\_\_\_\_\_  
Ina Gordon  
Secrétaire

**APPENDIX A**

**SUBSIDY INITIALLY MAKING UP THE  
BLOCK FUNDING OF THE NVs  
FOR 2004-2005  
AND AMOUNTS  
TO BE ADDED TO THE INITIAL SUBSIDY  
ON APRIL 1<sup>ST</sup>, 2005**

Appendix A

1. SUBSIDY INITIALLY MAKING UP THE BLOCK FUNDING OF THE NVs FOR 2004-2005

AMOUNTS  
(\$)

□ Ministère des Affaires municipales et des Régions

- Total subsidy for the current operation of the services provided by the NVs:

Akulivik: 602,581

Aupaluk: 579,303

Inukjuak: 497,698

Ivujivik: 634,803

Kangiqsualujuag: 625,583

Kangiqsujuag: 743,430

Kangirsuk: 621,828

Kuujuuag: 221,110

Kuujuuarapik: 869,863

Puvirnitug: 625,514

Quaqtaq: 646,589

Salluit: 673,602

Tasiujaq: 693,063

Umiujaq: 452,494

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TOTAL: 8,487,461

Appendix A

2. AMOUNTS TO BE ADDED TO THE SUBSIDY OF  
8 487 461 \$ ON APRIL 1<sup>ST</sup>, 2005 BY THE MINISTÈRE  
DES AFFAIRES MUNICIPALES ET DES RÉGIONS

AMOUNTS  
(\$)

Akulivik: 49,698

Aupaluk: 47,778

Inukjuak: 41,047

Ivujivik: 52,355

Kangiqsualujuag: 51,595

Kangiqsujuag: 61,314

Kangirsuk: 51,285

Kuujuag: 18,236

Kuujuarapik: 71,742

Puvirnitug: 51,589

Quaqtaq: 53,327

Salluit: 55,555

Tasiujaq: 57,160

Umiujaq: 37,319

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TOTAL: 700,000

**APPENDIX B**  
**INDEXING FORMULA**

Appendix B  
Indexing formula

1. 1<sup>st</sup> YEAR OF APPLICATION OF THE ANNUAL ADJUSTMENT OF THE BLOCK FUNDING OF THE NVs

1.1 Indexing formula

As of January 1<sup>st</sup>, 2005, the Block Funding of the NVs stipulated in Section 5 of this Agreement for the 2004-2005 financial year of Québec will be adjusted by applying the following formula:

$$\begin{aligned} & 1 \\ & + \\ & \left[ \frac{MPN1999 - 2003 - MPN1998 - 2002}{MPN1998 - 2002} \right] \\ & + \\ & \left[ \frac{(PEQc2004 - 2005 \div PQc July 2004) - (PEQc2003 - 2004 \div PQc July 2003)}{PEQc2003 - 2004 \div PQc July 2003} \right] \end{aligned}$$

Where:

- **MPN 1998 - 2002** means: the mean population of the Kativik Region from 1998 to 2002 inclusively;
- **MPN 1999 - 2003** means: the mean population of the Kativik Region from 1999 to 2003 inclusively;
- **PEQc 2003 - 2004** means: the program expenditures of the Québec government for the 2003-2004 financial year;
- **PEQc 2004 - 2005** means: the program expenditures of the Québec government for the 2004-2005 financial year;
- **PQc July 2003** means: the population of Québec as of July 1<sup>st</sup>, 2003;
- **PQc July 2004** means: the population of Québec as of July 1<sup>st</sup>, 2004.

*Program expenditures of the Québec government:* represent the total operation expenditures of all ministries of the Québec government, except the consolidated organizations and the debt service.

The result of the application of this indexing formula is the indexing factor.

## Appendix B Indexing formula

### 1.2 Data sources used

The data sources used will be the following:

#### 1.2.1 For the population data of the Kativik Region and Québec

- Institut de la statistique du Québec (ISQ) (estimate of the population of the Kativik Region per village based on the latest census, corrected by net undercount); data available on the web site of the ISQ;
- Statistics Canada (population of Québec as of July 1<sup>st</sup>); data available on the web site of Statistics Canada (table 051-0001).

#### 1.2.2 For the program expenditures of Québec

Ministère des Finances (document available at the time of the tabling of the Budget Speech) : Budget Plan: Section 2, program expenditures presented in the table entitled "GOVERNMENT OF QUÉBEC BUDGET EXPENDITURES (in \$ million)".

## 2. **SUBSEQUENT YEARS OF APPLICATION OF THE ANNUAL ADJUSTMENT OF THE BLOCK FUNDING BUDGET OF THE NVs**

Beginning on January 1<sup>st</sup>, 2006 and until the end of this Agreement, the formula applied for the adjustment of January 1<sup>st</sup>, 2005 will continue to be used, by modifying the reference years for the calculation of the adjustment factor of each year.

The sources used will be the same as those used for the January 1<sup>st</sup>, 2005 adjustment.

## 3. **ESTIMATE OF THE ADJUSTED AMOUNT**

No later than December 15<sup>th</sup> of each year, Québec will make an estimate of the adjusted amount for the following year based on the most recent data available concerning:

- The population of the Kativik Region;
- The population of Québec;
- The program expenditures of the government of Québec.

No later than December 15<sup>th</sup> of each year except for the first year of application of the annual adjustment, Québec shall send the result of this estimate to the NVs representative and to the members of the Joint Coordinating Committee mentioned in Section 14 of this Agreement. For the first year of application of the annual adjustment, this estimate shall be based on the amount of funding mentioned in Section 5 of this Agreement increased by the indexing factor indicated by Québec to KRG within the implementation of Appendix D of the *Agreement concerning the Block Funding of the Kativik Regional Government*.

## **Appendix B**

### **Indexing formula**

This estimate may also be the subject of discussions between the Parties during the three weeks following the receipt by the NVs of the estimate made by Québec.

The data dealing with the population of Québec and of the Kativik Region as well as those dealing with the program expenditures of the government of Québec used for the estimate of the adjusted amount will have to be comparable from one year to the next. This will ensure that a change of a methodological, accounting or other nature in the accounting of these data does not create a break, when data are compared from one year to the next and for these reasons, does not influence the adjusted amounts.

#### **4. REVISION OF THE ESTIMATES OF THE ADJUSTED AMOUNTS PAID**

No later than December 15<sup>th</sup> of each year, Québec will revise its' estimates of the adjusted amounts paid for, at most, the previous five financial years from that year, based on the most recent data available pertaining to:

- The population in the Kativik Region;
- The population of Québec;
- The program expenditures of the government of Québec.

No later than December 15<sup>th</sup> of each year, Québec will have to send the result of this revision to the NVs representative.

This revision may also be the subject of discussions between the Parties during the three weeks following the receipt by the NVs of the revision(s) made by Québec.

In the case where the replacement of the estimated data by the most recent data were to lead to a readjustment of the indexing factor for one or more financial years in particular and, in so doing, were to result in the revision of the annual payment payable for this or these financial years, the payment of the financial year that follows the year of the revision will be adjusted by an equivalent amount to fully reflect the retroactive payment or the retroactive withholding required for each of the financial years in question.

This retroactive payment or this retroactive withholding will extend over the four installments of the months of January, May, August and November of the financial year that follows the year of the revision.

The annual payment for a given financial year will be final and will be subject to no further revisions after five years.

The data dealing with the population of Québec and of the Kativik Region as well as those dealing with the program expenditures of the government of Québec, used for the revisions of the adjusted amount, will have to be comparable from one year to the next. This will ensure that a change of a methodological, accounting or other nature in the accounting of these data does not create a break, when data are compared from one year to the next and for these reasons, does not influence the adjusted amount.

#### **5. SETTLEMENT OF DISPUTES REGARDING THE AMOUNTS PAID**

In the event that Québec and the NVs do not agree on the final determination of the annual payment of Québec for a given financial year, this dispute may be submitted to the dispute settlement mechanism stipulated in Appendix C of this Agreement.

**APPENDIX C**  
**DISPUTE RESOLUTION MECHANISM**

**Appendix C**  
**Dispute resolution mechanism**

**1. INTRODUCTION**

The Parties will endeavor to avoid recourse to the judicial system for the purposes of the interpretation and implementation of this Agreement. 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.

**2. 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 this Agreement and which is formally raised by any of the Parties for these purposes.

**3. PARTIES TO THE DISPUTE**

The only Parties authorized to bring disputes for resolution under the present dispute resolution mechanism are the following Parties namely: the NVs, KRG and Québec.

**4. PROCEDURE TO BE FOLLOWED WITH RESPECT TO RESOLUTION OF DISPUTES**

The Parties will endeavor 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, within 30 days, the dispute shall be referred for resolution to the Joint Coordinating Committee established pursuant to the provisions of Section 14 of this Agreement.

Failing resolution by the Joint Coordinating Committee within 30 days, 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 within 30 days, and failing agreement, by a Judge of the Superior Court of Québec, 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 the 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 issue a report or make recommendations within 60 days after his appointment;

**Appendix C**  
**Dispute resolution mechanism**

- f) Any party may request that the mediator terminate the mediation process before the end of the 60 days 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*. In that case, the mediator shall render a decision within three months after being granted the powers, authority and jurisdiction of an arbitrator.

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 the NVs.