

# **Impact Investing in the Indigenous Context: A Scan of the Canadian Marketplace**

March 2018

**LEAD RESEARCHERS**

Chelsea Longaphy, Purpose Capital

Lars Boggild, Purpose Capital

**CONTRIBUTORS**

Alex Kjorven, Purpose Capital

Bruno Lam, SauderS3i

Dr. James Tansey, SauderS3i

**ACKNOWLEDGEMENTS**

**Thank you to our subject matter experts and reviewers.**

We would like to thank all the contributors to this research that generously gave of their time to be interviewed and provide input. In addition, we would like to thank the original authors of the State of the Nation report, whose work lays out the framework and approach this research has taken.

**We would also like to thank past SauderS3i researchers for their contributions: Maria Pous, Oliver Scholfield, and Varun Srivatsan.**

**ABOUT PURPOSE CAPITAL**

Purpose Capital works with asset owners and asset managers to build strategies that align their investments with their social and environmental impact objectives. Purpose Capital informs investors and advisors on the key opportunities and issues related to these types of investments, advises them on the design and implementation of impact investment strategies, and offers approaches to measure and report on social value creation. Purpose Capital is regularly engaged in the development of research and knowledge products, and provides in-depth, expert analysis to its clients on the key trends, issues and opportunities in impact investing.

**ABOUT THE UBC SAUDER CENTRE FOR SOCIAL INNOVATION & IMPACT INVESTING (SAUDERS3i)**

The UBC Sauder Centre for Social Innovation & Impact Investing (SauderS3i) is focused on leveraging business tools to advance social innovation and sustainability, through research, incubation, and application. SauderS3i works closely with impact investors to advance the market in Western Canada, by providing high quality research, advisory work on capital allocation strategies, and building a pipeline of innovative social ventures.

*Funded in part by the Government of Canada. The opinions and interpretations in this publication are those of the author and do not necessarily reflect those of the Government of Canada.*

# TABLE OF CONTENTS

<b>1.0</b>	<b>INTRODUCTION</b>	<b>4</b>
1.1	<i>OBJECTIVES OF THE REPORT</i>	4
1.2	<i>CONTEXT</i>	6
1.2.1	History of Impact Investing in Canada	6
<b>2.0</b>	<b>SUPPLY-SIDE MARKET</b>	<b>8</b>
2.1	<i>PRIVATE INVESTORS</i>	9
2.1.1	Aboriginal Financial Institutions	9
2.2	<i>CANADIAN FINANCIAL INSTITUTIONS</i>	11
2.2.1	Credit Unions	11
2.2.2	Chartered Banks	12
2.3	<i>FOUNDATIONS</i>	15
2.4	<i>HIGH NET WORTH INDIVIDUALS</i>	16
2.5	<i>PENSION FUNDS</i>	18
2.6	<i>GOVERNMENT</i>	19
2.7	<i>OTHER RELATED SUPPLY-SIDE ACTORS</i>	24
<b>3.0</b>	<b>FINANCIAL PRODUCTS</b>	<b>25</b>
3.1	<i>CURRENT INDIGENOUS SPECIFIC IMPACT INVESTING PRODUCTS</i>	26
3.2	<i>FUTURE TRENDS</i>	27
<b>4.0</b>	<b>CONNECTING THE MARKET: INTERMEDIARIES AND ENABLERS</b>	<b>29</b>
4.1	<i>THE MARKETPLACE FOR INTERMEDIARIES</i>	29
4.2	<i>MARKET ENABLERS</i>	30
4.3	<i>DEMAND-SIDE INTERMEDIARIES</i>	31
4.4	<i>FINANCIAL INTERMEDIARIES</i>	32
4.5	<i>SUPPLY-SIDE INTERMEDIARIES</i>	33
4.5.1	Indigenous Trusts	34
<b>5.0</b>	<b>DEMAND FOR CAPITAL</b>	<b>36</b>
5.1	<i>AGRICULTURE AND FISHERIES</i>	37
5.2	<i>ENERGY</i>	39
5.3	<i>HOUSING</i>	41
5.4	<i>NATURAL RESOURCES</i>	43
<b>6.0</b>	<b>SUMMARY</b>	<b>45</b>
6.1	<i>INSIGHTS</i>	45
6.1.1	Supply-Side	45
6.1.2	Intermediaries	46
6.1.3	Demand-Side	46
6.2	<i>RECOMMENDATIONS</i>	47
6.2.1	Supply-Side Organizations	47
6.2.2	Intermediaries	48
6.2.3	Demand-Side Organizations	49
6.3	<i>CONCLUSION</i>	51
<b>7.0</b>	<b>APPENDICES</b>	<b>52</b>
	<i>APPENDIX A: GLOSSARY</i>	52
	<i>APPENDIX B: SOCIAL FINANCE AND IMPACT INVESTING DEFINED</i>	53
	<i>APPENDIX C: ABORIGINAL FINANCIAL INSTITUTIONS</i>	54
	<i>APPENDIX D: DEMAND FOR CAPITAL – OTHER SECTORS</i>	56
	<i>APPENDIX E: TYPES OF CAPITAL BY SECTOR</i>	62

## LIST OF FIGURES

Figure 1: Policy Framework .....	19
Figure 2: Market-Enabling Intermediaries.....	30
Figure 3: Demand-Side Intermediaries.....	31
Figure 4: Financial Intermediary Functions.....	32
Figure 5: Supply-Side Intermediaries.....	33
Figure 6: Average asset mix for 10 First Nations trusts.....	34
Figure 7: Impact Investment Interest and Activity by Sector .....	36

## LIST OF TABLES

Table 1: Timeline of Indigenous impact investing in Canada. ....	8
Table 2: Supply-side market estimate.....	8
Table 3: Federal government spending on Indigenous communities, 2016-2017 .....	21
Table 4: Impact Investing Asset Classes.....	25
Table 5: Key Barriers Facing the Supply and Demand Sides of the Indigenous Impact Investing Marketplace .....	29

# 1.0 INTRODUCTION

Indigenous issues remain at the forefront of Canadian policy, with many communities still lacking the necessary infrastructure and services related to water, education, economic development, and health. While these issues have traditionally been targeted by government, non-profits and charities, we believe that private investors can play a role as well. This report seeks to answer a crucial question that has been under-examined in the Canadian impact investment market: What is being done by impact investors, and how can the sector contribute to the betterment of Indigenous communities in Canada?

Working with Purpose Capital, we produced this report to inform and advise Canadian impact investors looking to engage with Indigenous communities. We were able to highlight areas that merit more attention from the Canadian impact investment sector – including the need for more sources of patient capital to catalyze investment, educating private investors on the complexities of the issues, and training Indigenous trusts’ financial managers in values integration into their decisions.

We hope that the reader, like us, will derive from the report the finding that investors of all shapes and sizes can play a role. As with any wicked problem, there will not be a “one-size-fits-all” solution – rather, it will require experimentation and risk-taking from pioneering investors to pave the way for meaningful progress. In the final section of this report, we provide concrete recommendations for many different players in impact investing, including policymakers, entrepreneurs, private and public investors alike.

At SauderS3i, we have a strong history in First Nations economic development. The communities we have worked with possess an abundance of knowledge through their cultural heritage and traditions. Since 2007, SauderS3i has worked in partnership with Indigenous communities to explore pathways to develop thriving economies while preserving values and culture. Coupled with our expertise in impact investing, we sought to understand the market for Indigenous impact investments, and the existing gaps that impact investors can fill. Moving forward, we will take the findings from this report to advise the network of investors, policymakers, and entrepreneurs we work with. With all the progress being made in Canada’s social finance sector, we believe it is imperative we consider how impact investing can contribute to creating meaningful progress in Canadian Indigenous issues.

## 1.1 OBJECTIVES OF THE REPORT

This report responds to a need to better understand the nature of impact investing activity in Canada as it applies to Indigenous communities, how this market is evolving and maturing towards this specific population, and the areas where it may grow or need support. While the Canadian impact investing market is growing, the appetite for Indigenous impact investing is relatively unexplored. As such, this analysis of the state of Indigenous impact investing in Canada provides decision-makers and investors with important information to identify, assess and benchmark this ecosystem and its constituent parts.

This report has several related objectives:

- To describe Indigenous impact investing and how it is developing across the country
- To assess current impact investing activity across sectors, asset classes and capital needs within Indigenous enterprise and communities
- To share examples of investments that integrate financial returns and social or environmental impact impacts for Indigenous communities
- To identify trends, issues and challenges across relevant market segments
- To prioritize recommendations to allow Indigenous impact investing to fulfill its potential.

## Approach

Our research approach for this report consisted of a market scan of impact investing in the Indigenous context. We used a broad range of secondary, publicly available resources to conduct our analysis. This included research and financial reports from industry associations, private sector corporations, non-profits and foundations, specialist market actors and provincial and federal governments. This was complemented with related data collected from Statistics Canada and third-party surveys. Given the nature of our approach and our dependence on publicly-available data, we do not believe that we have captured the entire market. However, we do believe that the examples, sectors and actors that we highlight in the report give readers a strong sense of prevailing trends and areas of opportunity.

We do not suggest that the trends and examples in this report are entirely representative of the broader activity across the impact investing ecosystem. Rather, they have been intentionally chosen to highlight specific issues, trends or opportunities relevant to the Canadian Indigenous context.

## Research Challenges and Limitations

In undertaking this report there were several constraints around the nature of the data available. First, and most challenging to overcome, is the lack of data on impact investing transactions by sector, asset classes and type of capital. Within the subset of Indigenous impact investing, this is even more challenging. For example, most impact investments are direct investments for which we are not able to access individual transaction data from investors or funds. This prevented granular analysis of capital sources and flows, and expected and realized returns. In addition, secondary data sources are fragmented and not always comparable. This makes estimating the value of impact investment activities with precision challenging.

## Indigenous and Indigenous Peoples

Throughout this report, we use the terms “Indigenous” and “Indigenous Peoples”. We use these terms to refer to First Nation, Métis, and Inuit peoples collectively. Other terms often used are First Nations, and Aboriginal peoples. We recognize the significant cultural and economic diversity of these many nations and peoples. Treating this population in Canada as a homogenous group for research can be misleading as it glosses over the very significant differences that exist between those nations that are more urban and rural, and between the significant differences in the social and economic wellbeing of communities across Canada. Wherever possible we seek to communicate and appreciate these nuances as it relates to the research topic of impact investing in Indigenous communities.

## Organization of this Report

We intentionally structured this study in a similar format to the “*State of the Nation on Impact Investing in Canada*” report produced by Purpose Capital and MaRS Centre for Impact Investing in 2014. As with the original *State of the Nation* report, summary profiles are provided to highlight specific examples and activities.

Overall, the report is organized to evaluate supply side activity, financial products and intermediaries, and demand-side activity. It is broken down into the following sections:

- **Section 1** provides a brief **overview of the relevant context** in which social finance and impact investment opportunities are taking place, including a list of key milestones in support of Indigenous social finance.
- **Section 2** reviews the **supply of capital**, including financial institutions, individuals, foundations, pension funds, government, and investment funds that invest for both social and financial returns.
- **Section 3** maps available **financial products** across Canada for both institutional and retail investors.

- **Section 4** scans **intermediaries** that link the supply and demand sides through market-enabling, demand-side, supply-side, and market-building functions.
- **Section 5** reviews the **demand for capital** by sector, including an overview of key trends and opportunities in high interest sectors.
- **Section 6** provides **reflections and recommendations** arising from this review of current activity to help realize the potential of impact investing in Canada.
- **Appendix A** provides readers with a glossary of common terminology and language used in this report.
- **Appendix B** provides detailed definitions of the social finance and impact investing spectrum.
- **Appendix C** provides the entire list of 58 Aboriginal Financial Institutions in Canada.
- **Appendix D** highlights further target sectors where Indigenous impact investing may grow in the future.
- **Appendix E** provides an analysis of the nature of the capital issued in various sectors.

## 1.2 CONTEXT

### 1.2.1 HISTORY OF IMPACT INVESTING IN CANADA

While impact investing is a relatively new term, the practice of intentionally investing for financial returns and positive social and environmental impact in Indigenous communities is not new. This activity has been grounded in local trends and needs, and occasionally driven by visible crisis.

Examples of Canadian social investment in Indigenous communities reach back to the mid-twentieth century to more recent community economic development initiatives supported by various levels of government, such as Aboriginal Finance Institutions. While many of these initiatives have involved public sector contributions, more recently, examples of privately funded social impact investments in Indigenous communities have been taking place. These developments create the opportunity for more economic development to occur in a framework aligned with Indigenous values of collective responsibility and environmental stewardship. Within the context of impact investing, there may be greater opportunities to apply Indigenous perspectives to business that value long-term value creation and social equity.

Below are some of the milestones that have marked the growth of Indigenous impact investing.<sup>1</sup>

---

<sup>1</sup> This timeline provides a snapshot of key events and is not intended to be representative of all events in the history of Indigenous impact investing in Canada.

**Table 1: Timeline of Indigenous impact investing in Canada**

STAGE	YEAR	EVENT
Credit Unions	1901	North America's first credit union, Caisse populaire de Lévis, is founded.
	1946	Vancouver City Savings (Vancity) Credit Union is founded
	1978	The Manitoba Metis Federation helped its members open the Metis Credit Union, the first Indigenous credit union.
Chartered Banks	1999	RBC becomes the first bank to provide an On-Reserve Housing Loan Program.
Social Economy	1986	Development of Aboriginal Financial Institutions
	2007	Fiducie du Chantier de l'Économie sociale is created in Québec
Community Economic Development	1987	Government of Canada creates Community Futures Program
Impact Investing	2009	CAPE Fund L.P. closes as a Canadian impact investment fund with a dedicated focus on Indigenous entrepreneurs and companies
	2010	Canadian Task Force on Social Finance recommendations issued
	2014	First Nation Finance Authority issues first Indigenous Government debenture.
	2017	Huron-Wendat, Innu of Mashteuiatsh and Essipit First Nations buy historic equity stakes in Riviere-du-Moulin wind farm.
Enabling Legislation	1966	INAC authority to provide on-reserve housing guarantees to lenders
	2006	The First Nations Fiscal Management Act establishes the First Nations Financial Management Board and First Nations Finance Authority
	2009	Federal Framework for Aboriginal Economic Development supports Developmental Lending Assistance
	2016	Landmark \$8.4B allocated to Indigenous issue in Budget 2016
	2017	Steering Committee put together to create Social Innovation and Social Finance Strategy for Canada



## 2.0 SUPPLY-SIDE MARKET

To orient readers to the Indigenous impact investment market, we began by using the data and categorization of the Responsible Investment Association to look at the entire impact investing landscape. From here, we estimate a 'minimum universe' of Indigenous Impact Investment. Because the data is insufficient to provide an accurate estimate of the full market size, the minimum universe is used instead as a measure of the minimum amount of activity in the space and can be traced to industry data. Every reasonable effort has been made to avoid double counting specific activity. Please note that all dollar amounts are listed as Canadian dollars, unless otherwise specified.

**Table 2: Supply-side market estimate**

SEGMENT TYPE		ESTIMATED TOTAL VALUE OF IMPACT ASSETS UNDER MANAGEMENT (2015) <sup>2</sup>	ESTIMATED MINIMUM UNIVERSE OF IMPACT ASSETS DIRECTED TOWARDS INDIGENOUS COMMUNITIES (2017)
High Net Worth Individuals		\$99,727,100	Data Not Available
Foundations		\$1,193,384,000	Data Not Available
Community Finance Organizations	Aboriginal Financial Institutions	\$318,633,390	318,633,390
	Community Loan Funds	\$31,680,000	\$0
	Community Futures/CBDCs	\$301,329,843	In AFIs above
Financial Institutions	Credit Unions	\$3,486,300,000	\$84,459,000*
	Chartered Banks	\$24,000,000	\$84,870,000* <sup>3</sup>
Pension Funds + Solidarity Finance		\$2,205,190,000	\$15,431,500*
Impact Investment Funds/Managers		\$2,317,160,368	\$58,000,000*
Development Finance		\$24,200,000	Data Not Available
Non-profits		\$148,214,800	Data Not Available
Cooperatives		\$257,212,575	Data Not Available
Other		\$32,000,000	Data Not Available
Government		\$73,196,954	\$661,450,000*
<b>Total</b>		<b>\$10,512,229,030</b>	<b>\$1,208,669,500</b>

\*These numbers are compiled from a database of individual Indigenous impact investment transactions created by Purpose Capital & SauderS3i research.

<sup>2</sup> Responsible Investment Association (2015). 2015 Canadian Responsible Investment Trends Report. [https://riacanada.ca/wp-content/uploads/2015/01/RI\\_Trends\\_Report2015\\_EN.pdf](https://riacanada.ca/wp-content/uploads/2015/01/RI_Trends_Report2015_EN.pdf)

<sup>3</sup> Excludes traditional on-reserve housing loans and loan activity of the First Nations Bank of Canada and other FIs for which there is no clear impact intention, with their inclusion this segment would be at \$1.3 billion.

In this section, we review the key actors<sup>4</sup> involved in supplying capital for impact investing in the Indigenous context, and describe the nature of their engagement as well as opportunities and challenges. Despite the growth in impact investing in Canada, Indigenous communities and businesses have stated that access to capital remains a significant impediment. Of those Indigenous-owned businesses that expect to grow, 36% considered access to equity capital as the biggest obstacle, followed by access to financing at 34%.<sup>5</sup> The actors are grouped as private investors, public investors and related entities.

## 2.1 PRIVATE INVESTORS

### 2.1.1 ABORIGINAL FINANCIAL INSTITUTIONS

Community finance organizations take a variety of forms, and are usually created explicitly to address local issues through the provision of capital to underserved organizations, populations or regions. In the Canadian Indigenous context, Aboriginal Finance Institutions (AFIs) are mandated to provide access to capital where traditional financial institutions have failed to do so.

Established in 1986, AFIs are owned by the communities in which they operate and are governed by Indigenous boards.<sup>6</sup> While AFI literature doesn't generally use the term 'impact investment, AFIs are conscious of the impact they are able to create through their investments. Many Indigenous communities are underserved by the traditional banking system due to their remoteness, small capital needs, lack of credit history and/or a non-standard regulatory environment.

#### Current Activity

Canada's 58 AFIs, which include Aboriginal Community Futures Development Corporations, support the development of the Indigenous small business community. AFIs provide a variety of financial services, including business loans, pre- and post-loan support, financial consulting services, youth business programs and training services. Since their inception, AFIs have provided more than \$2.1B in financing to Indigenous small business through more than 38,000 loans in all sectors of the Canadian economy. In 2015, AFIs provided 1,434 loans, valued at \$115M. AFI assets currently exceed \$546M. In 2015, AFIs generated \$300M in primary economic impact, leveraged \$90M, supported 3,895 new jobs and maintained on an ongoing basis 13,000 full-time equivalent jobs.<sup>7</sup> Please refer to APPENDIX C: ABORIGINAL FINANCIAL INSTITUTIONS for a full list of the AFIs.

#### Challenges and Opportunities

Despite this strong potential, many AFIs face a challenge, having disbursed their entire asset base, and must now develop partnerships to access new capital.<sup>8</sup> In 2013, 27% of AFIs did not have 6 months of loan demand in liquid cash.<sup>9</sup> In 2015, NACCA enlisted Deloitte to begin exploring ways to attract private loan capital to AFIs.<sup>10</sup> For example, the Saskatchewan Indian Equity Fund has partnered with TD Bank Group, and Quebec's Société de Crédit Commercial Autochtone has partnered with a First Nations pension fund, the Corporation de Développement Économique Montagnaise and the Fonds de Solidarité du Québec. This challenge also represents an opportunity. AFIs serve a very specific clientele, who they know well and because of these strong relationships, there is a role for AFIs as intermediaries for other impact investors.

<sup>4</sup> The actors on the supply side include both asset owners and asset managers. In some cases, it is very clear where each segment fits; however, in others, it is less so—for example, financial institutions may be categorized as asset owners if they invest their own capital, and asset managers when they manage capital from their clients. Due to limitations around data availability and privacy/transparency, it has been difficult to distinguish these roles for certain segments.

<sup>5</sup> "Promise and Prosperity: Aboriginal Business Survey" (Canadian Council for Aboriginal Business, 2016).

<sup>6</sup> "A Portrait of Aboriginal Financial Institutions: Fiscal 2015" (National Aboriginal Capital Corporations Association, 2016).

<sup>7</sup> Ibid.

<sup>8</sup> Collin, D. Personal interview. State of the Nation (2014).

<sup>9</sup> "A Portrait of Aboriginal Financial Institutions: Fiscal 2013" (National Aboriginal Capital Corporations Association, 2014).

<sup>10</sup> "A Portrait of Aboriginal Financial Institutions: Fiscal 2015" (National Aboriginal Capital Corporations Association, 2016).

Aboriginal Financial Institutions	
Challenges	Opportunities
<ul style="list-style-type: none"> <li>With most of the asset base disbursed, AFIs are looking for new capital sources</li> </ul>	<ul style="list-style-type: none"> <li>AFIs' strong expertise and deep relationships with communities positions them as a valuable partner for other impact investors</li> </ul>

**Profile: [Indian Business Corporation](#)**

The Indian Business Corporation (IBC), an AFI established in 1987, is a developmental lender serving Indigenous communities in Alberta. IBC understands how its work in developmental lending is a high-impact investment opportunity. Working with Impakt, they have looked to measure how the developmental lending they provide has benefited their client communities. At the same time, they find themselves constrained by the funds they have available to lend, often having to wait until previous loans mature to fund further loans. However, because IBC operates in a larger region, operations are more profitable, with income from loans nearly 3.5 times greater than the average for the AFI network.<sup>11</sup> IBC financing is largely reflective of the business opportunities in Alberta, with 1/3 of financing provided in the oil & gas industry, 1/3 in ranching & farming and 1/3 spread across other sectors. IBC has also created specific targeted lending vehicles including a historic partnership between Siksika Nation, the Government of Alberta and IBC that provides \$2.7M in small-business loans to Siksika Nation.<sup>12</sup> In 2017, IBC created a \$5M Loan Fund for Indigenous women entrepreneurs.<sup>13</sup>

**Profile: [Ulnooweg Development Group Inc.](#)**

Ulnooweg is an AFI that serves the Indigenous communities of Atlantic Canada. Through various multilateral initiatives such as the Atlantic Policy Congress, the Indigenous communities of this region have effectively collaborated in the creation of Ulnooweg as a shared AFI to meet their collective needs. Ulnooweg has been a long-time advocate of framing their work as a form of impact investing and has been actively exploring how private capital could be leveraged to further investments in Indigenous communities. In addition to providing business loans, Ulnooweg offers the full range of business services and operates a sister charity called the Ulnooweg Financial Education Centre. Ulnooweg also offers specialised programs including the Aboriginal Business Development Program which provides non-repayable financial support for business plan development, marketing initiatives and business support for individual entrepreneurs and community-owned businesses. Due to the importance of fisheries in the Atlantic provinces, Ulnooweg also has a Fisheries Business Development Team that was established under the Atlantic Integrated Commercial Fisheries Initiative – see Section 5.1 for more details.

**Profile: [Tribal Wi-Chi-Way-Win Capital Corporation \(TWCC\)](#)**

Tribal Wi-Chi-Way-Win Capital Corporation is based in Manitoba, founded in 1993 to provide financial support to Aboriginal entrepreneurs. TWCC is considered one of the largest and most successful Aboriginal Financial Institutions, with close to 200 employees. Similar to most AFIs, their lending program has provided over 800 loans to Manitoban small businesses, generating over 2,300 jobs. TWCC, however, employs a diversification strategy to ensure steady growth across multiple business sectors. Two examples of their diversification investments are Aski Capital and TIPI Insurance Partners. Aski Capital, a wholly owned subsidiary of TWCC, provides a patient, non-predatory alternative to payday loans. By becoming a partner to Aski's Employer Benefit Lending (EBL) program, employees without financial stability are able to obtain short-term loans, and pay back loans at below-market interest rates through payroll deductions. TWCC is also a limited partner in TIPI Insurance Partners, owning 25% in equity. TIPI offers pension plan and insurance products designed for First Nations organizations, focused on increasing the collective purchasing power. TWCC also maintains the TWCC Contact Centre and is the aboriginal partner required

<sup>11</sup> "Social Finance: Unlocking the Potential of Developmental Lending" (Indian Business Corporation, 2014), <http://impaktcorp.com/wp-content/uploads/2015/10/IBC-Unlocking-the-Potential-of-Developmental-Lending.pdf>.

<sup>12</sup> <http://www.indianbc.ca/reports/whatibcknows.pdf>

<sup>13</sup> <http://www.cbc.ca/news/indigenous/indigenous-women-entrepreneur-business-ibc-1.4170906>

under Public Sector Accounting Board's for the Canada Student Loan Program (CSLP) contract. TWCC is an example of a successful AFI that has created meaningful economic development and a large volume of jobs for Indigenous communities.

## 2.2 CANADIAN FINANCIAL INSTITUTIONS

Currently, Canadian financial institutions – Credit Unions and Chartered Banks – hold the greatest opportunity for significant and recurring capital flows into Indigenous communities.

### 2.2.1 CREDIT UNIONS

#### Current Activity

Credit unions have been natural leaders in social finance because of their cooperative values and membership structure. Credit unions differ significantly in their commitment to social impact; however, principles of social responsibility, financial inclusion and community commitment are increasingly reflected in their missions, strategies and product offerings. The Responsible Investment Association (RIA) estimates that credit unions manage \$3.4B in impact investing assets.<sup>14</sup> This number is based on internal definitions of impact assets however, and may not match more broadly accepted definitions. From this, we identify a minimum universe of \$84.5M of identifiable impact lending and investing towards Indigenous communities in 2014.

#### Profile: [Affinity Credit Union](#)

Affinity Credit Union is an example of a progressive credit union which is considering Indigenous communities in its accessibility, governance, and lending activity. In 2009, Affinity opened an on-reserve branch in Cowesses First Nation, which was a first in Saskatchewan. Affinity goes further than many in explicitly creating a mechanism for Indigenous representation on its board with an election system, which includes a First Nations district that can elect a member to their board. Extending to its lending operations, the credit union has developed a Loan Application Committee to address on-reserve lending. Using a score card on community governance, financial stability, and administrative stability as the basis for lending, the Loan Application Committee provides a clear and transparent review of the application.<sup>15</sup> Feedback is provided, even in instances where applications are rejected. The Committee is made up of a senior manager, two members of Affinity's First Nations District, and an elder.

#### Challenges and Opportunities

Credit Unions have identified new lending opportunities in the Indigenous context, driven in part by the growth in land claim settlements and new cash resources. In 2012, TD Economics estimated that these potential settlements could result in \$9-\$13B dollars of new resources to Indigenous communities.<sup>16</sup> Settlement funds are typically managed by a financial institution in a trust structure. The role of First Nations trusts and/or endowments as a potential source of impact investment capital is discussed in detail in Section 4.5.

Many credit unions have made efforts to close the geographic and cultural distance that has limited previous relationships with Indigenous peoples. In 2017, of the 17 lending partners in the First Nations Market Housing Fund, 13 were credit unions, and two of the remaining four were First Nations specific

<sup>14</sup> Responsible Investment Association (2016). 2016 Canadian Impact Investment Trends Report. <https://riacanada.ca/wp-content/uploads/2016/10/Canadian-Impact-Investment-Trends-Report-FINAL-1.pdf>. Note that this figure drastically increased compared to the previous year, mainly due to a change in how Vancity Credit Union's assets were classified.

<sup>15</sup> Credit Union Central of Canada. "Deepening Relationships: Credit Union and Aboriginal Peoples Case Studies. January 2012.

<sup>16</sup> Derek Burleton and Sonya Gulati, "Debunking Myths Surrounding Canada's Aboriginal Population" (Toronto, Ontario: TD Economics, June 18, 2012).

lenders, namely Peace Hill Trust, and the First Nations Bank of Canada.<sup>17</sup> Vancity, the largest credit union in Canada, has actively partnered with AFIs through the Loan-Loss Reserve program, allowing lower interest rates for the credit union and higher rates to the AFI for the capital they jointly provide in recognition of the developmental services AFIs provide<sup>18</sup>.

In addition, the 2011 Dubé Supreme Court of Canada decision granted tax-exemptions to financial institutions on income earned from operating on-reserves. Credit unions are well positioned to make use of this change, given their relative proximity to more rural and First Nations communities. Effectively, leading credit unions, given their community orientation and values-driven approach to banking, have more often exhibited the patience to build the necessary relationships and trust to engage with Indigenous communities, both through existing federal programs, and through innovative, self-initiated partnerships.

Credit Unions	
Challenges	Opportunities
<ul style="list-style-type: none"> <li>Historical gap (cultural and geographical) between credit institutions and First Nations communities</li> </ul>	<ul style="list-style-type: none"> <li>Growing policy and financial support to narrow gap between credit institution and First Nations communities</li> </ul>

**Profile: [Assiniboine Credit Union](#)**

Assiniboine Credit Union, working predominately in Winnipeg, is another example of a credit union that has engaged with local urban Indigenous populations through multiple facets of its operations. With a focus on the North End of Winnipeg, where Indigenous Peoples account for upwards of 30% of the population, they have established a Community Financial Service Centre, which acts as an alternative to fringe banking (e.g. pay day loans and cheque cashing). Seven of the 19 community referral organizations are specifically Indigenous-serving. Within their lending, the credit union has partnered in the Tipi Mitawa Home Ownership Program, which is a pilot of the Manitoba Real Estate Association and the Assembly of Manitoba Chiefs.

## 2.2.2 CHARTERED BANKS

### Current Activity

Chartered banks have increasingly provided banking services to Indigenous people and organizations across the country. All of Canada's 'Big Five' national chartered banks have dedicated Aboriginal or Indigenous Banking divisions and distinct products or funds that support Indigenous borrowers, businesses or infrastructure projects. Occasionally, these segregated initiatives are developed or administered in collaboration with third parties or community-based organizations.

Increasingly, many of the 'Big Five' Canadian banks have been intentionally targeting Indigenous communities as an area for growing business, with Bank of Montreal (BMO), Royal Bank of Canada (RBC), and TD-Canada Trust (TD) making highly visible efforts. For example, TD has been explicit in directing TD Economics with a research focus on Indigenous issues such as literacy, education, and employment.

Three of the Big Five banks recognize between \$1.8-\$2.4B in Indigenous banking activity, extrapolating to the Big Five would translate into approximately \$10B in Indigenous banking activity. Much of this comes in the form of managing Aboriginal Trusts, such as TD Aboriginal Trust's \$1.8B in assets under administration, and from mainstream banking activity, including commercial and small business banking. Outside of these activities, Big Five Indigenous banking appears to be largely confined to On-Reserve

<sup>17</sup> First Nations Market Housing Fund – Participating Lenders. Accessed Oct 23, 2017 [http://www.fnmhf.ca/english/participating\\_1/index.html](http://www.fnmhf.ca/english/participating_1/index.html)

<sup>18</sup> Kathryn Martin, "Deepening Relationships: Programs to Overcome Challenges for Aboriginal Peoples and the Credit Union System" (Credit Union Central of Canada, July 2011).

Housing Loan Programs. These programs provide mortgage-like debt financing for on-reserve housing. At least three of the Big Five provide these programs, with activity ranging from \$130M-\$225M per bank per year.

Outside On-Reserve Housing Loan Programs, it is extremely difficult to determine the type and sector of capital deployed to Indigenous initiatives as internal accounting mechanisms of banks do not currently track this information automatically. There are, however, numerous examples of Indigenous financing of specific sectors or projects that fit the lens of impact investing, including renewable energy projects and financing community/cultural centres.

**Profile: First Nations Bank of Canada**

First Nations Bank of Canada (FNBC) was founded in 1996 as a subsidiary of TD Bank. Its equity was gradually acquired and in 2009 FNBC became majority (85%) Indigenous owned. In 2012 FNBC became a fully independent financial institution. Today, FNBC is a full-service financial institution serving Indigenous Peoples in Canada, with a targeted mission to promote the development of the Indigenous economy.<sup>19</sup> As of 2016 the FNBC had total assets of almost \$410 million dollars. While FNBC serves and is controlled by Indigenous communities, the degree to which its investment products allow members to direct capital towards Indigenous communities, as opposed to creating access to traditional financial markets, is uncertain. Nonetheless, in 2016, FNBC, which is a participating lender in the First Nations Housing Market Fund, provided \$86 million in mortgages, as well as \$204 million in business loans. However, there may be similar challenges to those faced by other banks in accessing a pipeline of loan opportunities, as nearly one quarter of assets, \$100 million, were held as either cash (\$60 million) or term deposits (\$40 million).<sup>20</sup> There may be a strong opportunity to source deal flow through AFIs, who have access opportunities but do not enough capital to finance them. (For more about AFIs, see Section 2.1.1)

**Profile: TD and Renewable Energy – A Commercial Lending Opportunity with Huge Potential**

Renewable energy development is a prime opportunity for Indigenous impact investing. In 2013, TD bank was approached to help finance the McLean's Mountain Wind Farm in Northern Ontario, a project jointly owned by Mnidoo Mnising Power, a company formed by the United Chief's and Councils of Mnidoo Mnising First Nations, and Northland Power Inc. TD provided a \$20.1M term loan for the development of this 2,000-hectare, 24-turbine, wind farm with generating capacity of 60MW that will be provided to the Ontario power grid. The project became operational in 2014 and has a 20-year Purchase Power Agreement (PPA) with the Ontario Power Authority (OPA). This project blends TD's expertise and experience in financing clean energy projects as well as their experience and relationships with Indigenous banking.<sup>21</sup> (See also Section 5.2 on Indigenous energy investments).

**Challenges and Opportunities**

There has been significant growth in Chartered Bank lending activity towards Indigenous communities, and growing opportunities in sectors such as renewable energy. However, this lending activity is Indigenous focused and not intentionally focused on impact sectors. This growing activity is at least partly motivated by the expectation of ongoing land claim settlements. It is not clear how much of this recirculates directly into First Nations economic development. Most lending activity has been directly between lenders and band governments, ostensibly providing public benefit and community economic development. This economic development, however, is not always explicitly referenced in publicly facing reports.

Indigenous banking at the Big Five banks does not appear to have explicit policies around the intended impacts of lending to Indigenous communities. There are, however, often tacit impact goals as specialist underwriters in Indigenous banking divisions recognize the potential impact created through their lending

<sup>19</sup> First Nations Bank of Canada Accessed at: <https://www.fnbc.ca/AboutUs/WhoWeAre/FNBCataGlance/>

<sup>20</sup> First Nations Bank of Canada, "Financial Statements," October 31, 2016.

<sup>21</sup> TD and Aboriginal Communities in Canada 2013 Report

and regularly go further to make a deal come together. As a result, in categorizing the activity of this supply-side actor, we have had to use our judgment as to areas where social or environmental impact was explicit in lending decisions or sector reporting. Going forward, working with financial institutions to introduce more common metrics for impact of lending within Indigenous communities may be an opportunity to surface and formalize existing, more ad hoc practices.

Of note is Section 89 of the Indian Act. It puts limitations on financial institutions ability to lay claim on real property on on-reserve lands. These limitations have pushed financial institutions to develop their own mechanisms to mitigate their investment risk. As mentioned above, the On-Reserve Housing Loan Programs have been gaining traction, with most banks participating directly through their Indigenous Banking division or through collaborative initiatives such as the First Nations Market Housing Fund. However, as of 2017 only two of the major Canadian banks, BMO and CIBC, are participating lenders in this specific program. (See also Section 5.3 for more on housing investments)

Chartered Banks	
Challenges	Opportunities
<ul style="list-style-type: none"> <li>No explicit mandate or policy surrounding investing in Indigenous communities, leading to lack of common metrics for measuring impact of lending activity</li> </ul>	<ul style="list-style-type: none"> <li>Specific sectors like renewable energy represent growth opportunities that encapsulate both financial and environmental impact.</li> </ul>

#### Profile: Royal Bank of Canada – Early Adopters in On-Reserve Housing Loans

RBC was the first to introduce the On-Reserve Housing Loan Program in 1999, which allows band councils to guarantee housing loans. By 2015, RBC had distributed \$132M through this program which is currently serving 75 First Nations communities.<sup>22</sup> Although the program is offered across Canada, there is a greater level of activity in Ontario and British Columbia.<sup>23</sup> As of 2015, RBC had never called upon any of the guarantees. When clients experienced challenges in making payments, RBC worked with clients to help them keep their homes.<sup>24</sup>

#### Profile: Bank of Montreal – Leader in Indigenous Banking Practices

BMO has been a leading bank in the development of an Indigenous banking practices. BMO was the first bank awarded Gold Level for Progressive Aboriginal Relations by the Canadian Council for Aboriginal Business, and has the most number of on-reserve branches of the Big Five Canadian banks.<sup>25</sup> In an example of a mainstream financial institution supporting development through concessionary lending, BMO has partnered with Stó:lō Community Futures in providing a \$200,000 below prime loan. This loan will allow the Community Futures Corporation to provide early start-up loans up to a maximum of \$10,000 to its community members in support of economic development and entrepreneurship.<sup>26</sup>

<sup>22</sup> 2015 RBC Aboriginal Partnership Report.

<sup>23</sup> Proceedings of the Standing Senate Committee on Aboriginal Peoples (Issue 11 - Evidence - February 4, 2015) Parliament of Canada. Retrieved from <http://www.parl.gc.ca/content/sen/committee/412/APPA/11EV-51889-E.HTM>

<sup>24</sup> Ibid.

<sup>25</sup> BMO Financial Group, "Environmental, Social, and Governance Report and Public Accountability Statement," 2014, [http://www.bmo.com/corporate-governance/files/en/final\\_ESG\\_2015.pdf](http://www.bmo.com/corporate-governance/files/en/final_ESG_2015.pdf).

<sup>26</sup> Bindu Dhaliwal, Social Finance in the Indigenous Context; BMO Financial Group, "Environmental, Social, and Governance Report and Public Accountability Statement."

## 2.3 FOUNDATIONS

### Current Activity

Canadian foundations have been a leading force in impact investing in Canada, jumping from \$287M in impact assets under management in 2013 to \$1.19B in 2016.<sup>27</sup> According to the Responsible Investment Association (RIA), they make up 13% of all impact investments in Canada.<sup>28</sup> In 2010, the Canadian Taskforce on Social Finance recommended that foundations invest 10% of their endowments in impact investments by 2020. As of 2015, Canadian foundations held \$71B in assets under management, potentially unlocking \$7.1B for impact assets.<sup>29</sup> While this recommendation won't be met across the board, two of Canada's largest foundations, Fondation Lucie et Andre Chagnon and the J.W. McConnell Family Foundation, have committed 5% and 10%, respectively, unlocking \$125M alone.<sup>30</sup> Other leading foundations such as the Inspirit Foundation and Laidlaw Foundation are aiming at up to 100% impact investments in their portfolio.<sup>31</sup> There is unfortunately little data on how much of the \$1.19B in foundation impact investments is directed towards Indigenous impact investing, though specific examples can be found, as highlighted below.

### Challenges and Opportunities

It can be expected that impact investments in Indigenous communities will increase as foundations continue to advance their impact investing mandates. Many foundations that engage in impact investing in Canada choose to align some of or all their impact investments with their granting focus, which suggests impact investing could be a natural fit for those that already have Indigenous peoples and communities as a granting focus.

Many foundations lack internal staffing expertise related to impact investing and rely on a Board Investment Committee to manage foundation endowment assets. Board Investment Committees often outsource this work to external asset managers, few of whom are knowledgeable about impact investing, let alone Indigenous impact investing.

While there is no formal analysis of the type of impact investments made by foundations, qualitative and cursory analysis shows that many foundations are making their equity impact investments through impact investment funds, although the CAPE fund is the only one that is Indigenous-specific. Foundations also make significant fixed income impact investments; these tend to be more flexible in structure and size, and include everything from revolving loan funds to real estate-backed community bonds, to custom direct loan agreements. Debt investments are a potentially large opportunity for Indigenous impact investments, given the established need for debt financing for housing and small business loans.<sup>32</sup>

It is also important to note that foundation granting to Indigenous communities is already much lower than other groups and causes in Canada. Many foundations have strict and very specific processes for obtaining and using granting funds that may cause tension or barriers with some Indigenous communities.<sup>33</sup> At the same time, Indigenous communities are not necessarily aware of the specific processes for engaging with foundations. There are also perceived barriers on both sides, such as foundation restrictions around

<sup>27</sup> RIA 2016 Impact Investment report

<sup>28</sup> Ibid.

<sup>29</sup> <http://pfc.ca/canadian-foundation-facts/>

<sup>30</sup> Purpose Capital (2017). Impact Investing Guidebook for Foundations. <http://impactinvesting.ca/foundations2/wp-content/uploads/2017/10/Impact-Investing-Guidebook-Foundations-v16-Linked.pdf>

<sup>31</sup> Ibid.

<sup>32</sup> The National Aboriginal Economic Development Board (2017). Recommendations Report on Improving Access to Capital for Indigenous Peoples in Canada. <http://www.naedb-cndea.com/en/recommendations-report-on-improving-access-to-capital-for-indigenous-peoples-in-canada/>

<sup>33</sup> The Circle on Philanthropy (2011). Aboriginal Philanthropy in Canada: A Foundation for Understanding. <http://www.philanthropyandaboriginalpeoples.ca/wp-content/uploads/AboriginalPhilanthropyInCanada.pdf>



granting to non-charitable entities.<sup>34</sup> This general lack of engagement between foundations and Indigenous communities on the granting side represents an obvious barrier to engaging with Indigenous communities on the impact investing side.

Foundations	
Challenges	Opportunities
<ul style="list-style-type: none"> <li>Lack of internal staffing expertise to manage foundation endowment assets</li> <li>External asset managers lack incentive to promote impact investing</li> <li>Perceived barriers surrounding granting to non-charitable entities</li> </ul>	<ul style="list-style-type: none"> <li>Growing interest in impact investing amongst foundations</li> <li>Existing history of making debt investments within foundations</li> </ul>

### Profile: The J.W. McConnell Family Foundation

The J.W. McConnell Foundation, one of Canada's largest foundations by asset base, is an active impact investor that has built its impact strategy over the last five years. McConnell publishes both its impact investments and target areas for impact investing and lists 'Indigenous' as a target area. In 2015, McConnell provided a \$350,000 loan to Aboriginal Savings Corporation of Canada (ABSCAN). In an excellent example of the potential benefits of aligning granting and investments focuses, McConnell also provided a grant to cover some of the operating costs of ABSCAN's Housing Fund pilot.<sup>35</sup> McConnell describes this type of comprehensive investing and granting as 'solutions finance'.<sup>36</sup> (See Section 3.1 for further details on ABSCAN's Housing Fund)

## 2.4 HIGH NET WORTH INDIVIDUALS

### Current Activity

Canada is home to many high net worth individuals (HNWIs), defined as individuals with more than \$1M USD of investable assets. As of 2016, Canada ranks eighth in the world with just over 357,000 HNWIs, a number that grew by over 11% from 2015. In 2016, wealth among these individuals hit a new all-time record of \$1.1 trillion dollars.<sup>37</sup> While impact investments exist across multiple asset classes, approximately 9% of HNWI investments are in alternative investments, representing at least \$99B of assets in Canada.<sup>38</sup> It is noteworthy, however, that global and Canadian alternative investments have dipped significantly after four years of increasing or holding steady.<sup>39</sup>

These trends are not reflected in the engagement of HNWIs in impact investing or philanthropy, and even less so within investing in Indigenous communities as a subset of opportunities. Given the private nature of most direct investments by HNWIs, investment data for this segment is not available for any comprehensive comparison.

While impact investing has not yet received a similar level of traction in Canada as in the US, there are several HNWIs who have been pioneers in the market. These individuals often provide high-risk capital to early- or growth-stage social businesses, particularly in areas where they have a personal attachment or sectorial expertise. This has been particularly challenging in the case of Indigenous communities, with which many HNWIs have very limited exposure or experience. While there are some visible and noteworthy

<sup>34</sup> Ibid.

<sup>35</sup> J. W. McConnell Foundation. <https://mcconnellfoundation.ca/impact-investing/>

<sup>36</sup> J. W. McConnell Foundation. <https://mcconnellfoundation.ca/introducing-solutions-finance-a-new-vision-for-our-work/>

<sup>37</sup> Capgemini (2017). World Wealth Report 2017. <https://www.worldwealthreport.com/>

<sup>38</sup> Ibid. Alternative investments include private equity, venture capital, commodities, hedge funds.

<sup>39</sup> Ibid.

exceptions, such as the leadership of former Prime Minister Paul Martin in establishing the CAPE fund, many HNWI's have limited knowledge of the issues or opportunities for investment in Indigenous communities. In addition to direct investments, HNWI's have also established family foundations that have invested in Canadian impact funds as a vehicle to explore impact investing. These structured channels have so far been more promising at effectively deploying impact capital in Indigenous communities.

### Challenges and Opportunities

Key challenges for HNWI's seeking to invest in Indigenous communities include a lack of awareness of impact investment products and significant uncertainty in engaging with Indigenous communities. Further, given the enormous variety of living standards and existing economic activity in Indigenous communities, the opportunity for highly structured products that can be applied across many communities is limited. The governance, decision-making, and financial picture of each community creates complexity that raises the "soft" costs of bringing a new project forward. Previous efforts to develop impact investing funds have been undermined by the inability to develop a sufficient pipeline of common investment opportunities for a specific fund product.<sup>40</sup> For HNWI's, this will likely require a comfort with more open-ended funds (i.e. those that have a defined target, but a flexible mandate to deploy capital).

There is also a challenge around whether individual participation in Indigenous communities is appropriate. Many potential stakeholders feel that there has been a failure in primary public responsibilities due to visible crises in areas such as water and housing. This reinforces the belief that making a meaningful difference is beyond an individual's capacity and more systemic change is required first.<sup>41</sup>

Most HNWI's engagement with Indigenous issues has been under the umbrella of charitable donations. Historically, these communities were not clearly identified as qualified donation recipients, limiting the volume of organized philanthropy. Thus, if even individual philanthropy towards these communities is considered a relatively recent trend, impact investing is even more nascent. Intermediaries such as community foundations and Tides Canada have begun to address these challenges through donor education and engagement, including creating impact-focused, donor-advised funds that present an alternative to traditional giving vehicles. However, without these trusted relationship brokers that create bridges to Indigenous communities' needs, opportunities for more direct engagement from HNWI's remain unlikely.

High Net Worth Individuals	
Challenges	Opportunities
<ul style="list-style-type: none"> <li>• Lack of awareness in impact investing and uncertainty in engaging with Indigenous communities</li> <li>• High level of complexity leads to increased "soft" costs of initiating projects</li> <li>• Perception challenge in role of individual participation (versus government intervention) in these issues</li> </ul>	<ul style="list-style-type: none"> <li>• Growing trend of impact investing amongst HNWI's</li> <li>• Developed structures like donor-advised funds represent strong opportunity for Indigenous impact investing</li> </ul>

<sup>40</sup> New Market Funds Society, "Eight Tracks: Impact Investing in Canadian Communities," May 2014, <http://newmarketfunds.ca/pdf/Eight-Tracks.pdf>.

<sup>41</sup> Sean Holt (2016). Social Finance in the Indigenous Context, March 14, 2016; Tim Brodhead, Social Finance in the Indigenous Context, March 9, 2016; Laurie Sterritt, Social Finance in the Indigenous Context, March 16, 2016.

## 2.5 PENSION FUNDS

### Current Activity

Pension funds, similar to many other large financial institutions, do not separately identify or classify investments that have impact on Indigenous communities, just as they do not separately label impact investments as an asset class.

Many of Canada's largest pension funds invest heavily in areas that are likely to intersect with First Nations communities. These include considerable domestic investments in agriculture, renewable energy and infrastructure. Direct investments into exclusively Indigenous focused funds or enterprises are unlikely within these portfolios given their small size in comparison to the scale of pension fund investments. There are, however, opportunities to provide financing to large scale projects where Indigenous communities are acquiring a relatively large stake.

Pension funds also hold significant investments in long term fixed income products. The recent First Nations Finance Authority debenture issuances, which are effectively First Nations government bonds, provide an excellent opportunity to buy a standardized, low-risk product that would complement current pension fund investments in Canadian federal, provincial and municipal bonds. The FNFA cites provincial pension funds as current participants in the offerings. (See Section 3.1 for more details)

### Opportunities & Challenges

In Quebec, development and financing of the social economy is much more deliberate, and several workers' funds exist with specific mandates to support social and environmentally responsible investments. In 2016, the Quebec "solidarity finance" sector, made up of institutions that invest exclusively in cooperatives, non-profit organizations, and associations controlled \$1.19 billion dollars of assets and made over \$810M in investments. "Development capital" funds control an additional \$13.2 billion.<sup>42</sup> While these funds have often been labour-sponsored and are more likely to separately and intentionally manage investments into Indigenous initiatives, in 2016 these institutions only held assets of \$8M and made investments of \$6M into First Nations, each representing less than 1% of total assets and investments.<sup>43</sup> Investissement Premieres Nations Quebec (First Nations Venture Capital of Quebec), who made the full \$6M investment in Quebec, only consider 50% of that to be impact investments. However, the impact mandate of most of these funds is towards economic development and their beneficiaries are likely to be within the province.

Pension Funds	
Challenges	Opportunities
<ul style="list-style-type: none"> <li>Like chartered banks, there is no explicit mandate or policy surrounding Indigenous involvement, leading to lack of common metrics to measure impact</li> <li>Deal size of direct investments opportunities into Indigenous-related products are too small</li> </ul>	<ul style="list-style-type: none"> <li>Small but growing base of Indigenous-focused products</li> <li>Already existing base of investments into Indigenous communities (e.g. Quebec's solidarity finance sector)</li> </ul>

### Profile: [Fondaction](#)

In 1996, the Confédération des Syndicat Nationaux (Confederation of National Trade Unions) established Fondaction, a labour-sponsored retirement fund focused on investing in various components of the social economy in Quebec. Fondaction currently holds \$1.7B in assets, which support over 1,200 SME's through

<sup>42</sup> Portrait 2016 de la finance responsable. Octobre 2017 (Institut de recherche en économie contemporaine)

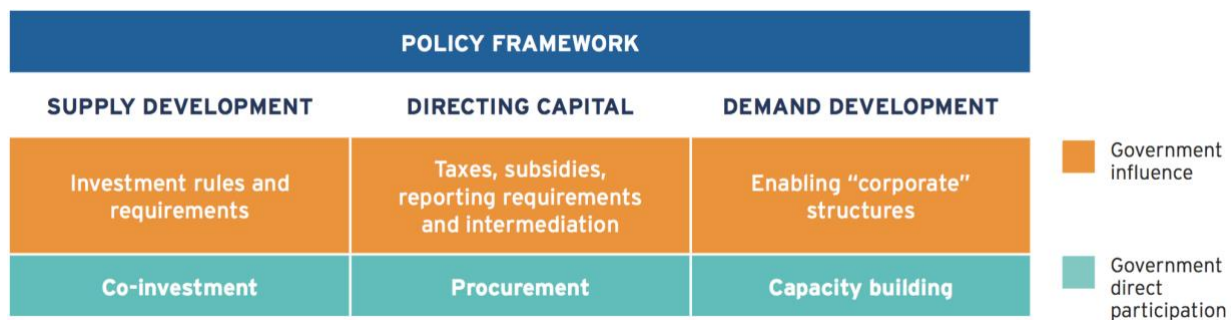
<sup>43</sup> ??

direct investments and investment funds.<sup>44</sup> Throughout its history, Fondation has made smaller scale investments into projects with direct impact on Indigenous communities, including a \$500,000 equity partnership in 2000 for the establishment of the Waskahegen Fund dedicated to supporting enterprises that provided employment opportunities for Indigenous Peoples living off-reserve.<sup>45</sup> By 2004, a further \$197,500 had also been advanced to the fund<sup>46</sup>. In 2016, Fondation made a \$12.45M loan to help the Huron-Wandat Nation acquire a 5% stake in the \$900M Riviere-du-Moulin Wind Farm.<sup>47</sup>

**Profile: [The Native Benefits Plan, RBA Financial Group](#)**

The RBA Financial Group is a First Nations organization that administers the Native Benefits Plan, which is offered to First Nations employers interested in providing this savings opportunity to its employees. As of December 31, 2016, the NBP had 5,229 members with total asset value of \$ 652M, making it one of the most significant First Nations defined benefits pension plans in Canada.<sup>48</sup> In March 2011, the Native Benefits Plan made a \$2M investment and became an LP (limited partner) of Investissement Premières Nations du Québec's (First Nations Venture Capital of Quebec (FNVQ)) fund. In addition to NBP's contribution, the federal government also invested \$334,000 on the Plan's behalf, for a total investment initially valued at \$2,334,000, representing 29.17% of outstanding units in the partnership.<sup>49</sup> (For more on FNVQ see Section 3.1) Outside of this investment, the Native benefits plan typically uses traditional investment managers, while listing the PRI Association as their portfolio manager for responsible investing.<sup>50</sup>

## 2.6 GOVERNMENT



**Figure 1: Policy Framework<sup>51</sup>**

### Current Activity

The Government of Canada as well as various provincial and territorial governments have become more interested and engaged with social innovation, social finance and social enterprises, which they view as new and potentially very effective ways of tackling a broad range of social issues. At this stage though, the amount of capital allocated to true investment, opposed to grants, contributions and transfers is still negligible. The Government of Canada first mentioned an interest in social finance in Budget 2011 and announced a call for "Concepts for Social Finance" in 2012. In 2013, two social finance pilots – pay-for-performance/social impact bonds – were announced, focused primarily around crime prevention.<sup>52</sup> In 2017,

<sup>44</sup> Fondation (2017). <http://www.fondaction.com/english.php>

<sup>45</sup> Fondation Annual Report 2000

<sup>46</sup> Fondation Annual Report 2004

<sup>47</sup> Le Soleil. (2016). La Nation huronne-wendat investit dans un parc eolien. <https://www.lesoleil.com/affaires/la-nation-huronne-wendat-investit-dans-un-parc-eolien-1f1471c6c8103c88963630113afbaabd>

<sup>48</sup> RBA Financial Group Annual Report 2016

<sup>49</sup> RBA Financial Group Annual Report 2011

<sup>50</sup> RBA Financial Group Annual Report 2016

<sup>51</sup> Impact Investing Policy Collaborative, "Impact Investing: A Framework for Policy Design and Analysis," 2011, [http://globalpolicy.iipcollaborative.org/wp-content/uploads/sites/5/2014/10/Impact\\_Investing\\_Policy\\_Full\\_Report\\_1.pdf](http://globalpolicy.iipcollaborative.org/wp-content/uploads/sites/5/2014/10/Impact_Investing_Policy_Full_Report_1.pdf).

<sup>52</sup> Prime Minister of Canada. (2016). Minister of Families, Children and Social Development Mandate Letter. <https://lop.parl.ca/Content/LOP/ResearchPublications/2015-140-e.html?cat=government#ftn1>

Steering Committee members were selected and tasked with developing a Social Innovation and Social Finance Strategy for Canada by June 2018. At this stage, the Government's involvement in social finance has been exploratory and focused on recommendations related to non-indigenous policies. Leading recommendations include amending regulations to incorporate social finance, building capacity in pay-for-performance and catalyzing private sector capital into social finance.<sup>53</sup> The Federal Government remains committed to a formal and parallel process for engaging Indigenous leadership in the design of an Indigenous social finance strategy.

At the provincial level, provinces such as BC and Ontario already have social innovation strategies or action plans, while some provinces have enabling legislation, such as Nova Scotia's long-standing community economic development investment fund (CEDIF), which provides tax incentives for investing in Nova Scotian social businesses and allows the investments to be held in RRSPs.<sup>54</sup>

In 2016, the Federal Budget committed a landmark \$8.4B, followed by \$3.4B in 2017 to Indigenous communities to help address critical needs in on-reserve infrastructure, housing, and healthcare, among other areas.<sup>55</sup> <sup>56</sup> Our analysis in Table 3 shows an excess of \$10.0B in federal government spending in Indigenous communities. The key areas of spending are: infrastructure, economic development, education and Reconciliation initiatives. The vast majority of this is not in the form of investment capital; it is dominated by grants and contributions.

---

<sup>53</sup> *ibid*

<sup>54</sup> Local Investing: The Nova Scotia CEDIF Program. <http://cedif.ca>

<sup>55</sup> Budget 2016 Highlights – Indigenous and Northern Investments. (2016). <https://www.aadnc-aandc.gc.ca/eng/1458682313288/1458682419457>

<sup>56</sup> Budget 2017 Highlights – Indigenous and Northern Investments. (2016). <https://www.aadnc-aandc.gc.ca/eng/1490379083439/1490379208921>

**Table 3: Federal government spending on Indigenous communities, 2016 & 2017<sup>57</sup>**

Item	2016		2017	
	Total commitment	Annualized	Total commitment	Annualized
Education	<b>\$2.6B over five years</b> (education and school infrastructure)	<b>\$520M</b>		
Infrastructure	<b>\$4.5B over five years</b> (housing, schools, water and waste water treatment, community)	<b>\$900M</b>	<b>\$4B over 10 years</b> (social & green investments)	<b>\$420M</b>
			<b>\$225M over 11 years</b> (housing)	
Economic Development	<b>\$25M over five years</b> (Métis economic development)	<b>\$5M</b>	<b>\$865.5M over three-five years</b> (renewable energy; fisheries; tourism; skills training, scholarships)	<b>\$294M</b>
Safety and well-being	<b>\$634.8M over five years</b> (First Nations children on reserve)	<b>\$127M</b>		
Mental wellness programs	<b>\$69M over three years</b>	<b>\$23M</b>	<b>\$828.2M over five years</b>	<b>\$165.6M</b>
Pan-Canadian Framework on Clean Growth and Climate Change	n/a	n/a	<b>\$128.2M over five years</b> (adaptation program; collaboration initiatives)	<b>\$2.5M</b>
Food and health	<b>\$64.5M over five years</b>	<b>\$12.9M</b>	n/a	n/a
Reconciliation initiatives			<b>\$394.5M over three-five years</b> (Truth and Reconciliation Commission of Canada)	<b>\$90.1M</b>
			<b>\$125.7M over two-five years</b> (advancing reconciliation)	<b>\$48.9M</b>
Inquiry into Missing and Murdered Indigenous Women and Girls	<b>\$40M</b>	<b>\$40M</b>	n/a	n/a
Aboriginal Courtwork Program	<b>\$20M over five years</b>	<b>\$4M</b>	n/a	n/a
<b>TOTAL</b>	<b>\$7.95 billion</b> (excludes miscellaneous items not listed)	<b>\$1.63 billion per year</b>	<b>\$6.57 billion</b> (includes proposed investments, but not yet confirmed)	<b>\$1.05 billion per year</b>

<sup>57</sup> Budget 2017 Highlights – Indigenous and Northern Investments. Accessed December 13, 2017. <https://www.aadnc-aandc.gc.ca/eng/1490379083439/1490379208921>

Much of federal government's spending has been through Indigenous and Northern Affairs, which was split into Indigenous-Crown Relations and Indigenous Services in late 2017. The new split would likely place funding related to impact investing in the Indigenous Services portfolio, whereas Indigenous-Crown Relations will focus on Indigenous rights, title and jurisdiction issues. While the Federal Government does not use the term impact investing, it currently supports Indigenous impact investing initiatives through Crown corporations such as the Business Development Bank of Canada's (BDC) Indigenous Entrepreneur Loan Program or Canadian Mortgage and Housing Corporation's (CMHC) On-Reserve Non-Profit Housing program. It also runs joint programs in collaboration with local institutions, such as the regional fisheries initiatives. (See Section 5.1)

While Indigenous peoples fall under the jurisdiction of the Federal government, many provinces have Indigenous ministries and/or have programs specifically targeted towards Indigenous economic development. In Ontario, the provincial government's Feed-in-Tariff (FIT) program for renewable energy development gives extra 'priority points' to developments hosted on Indigenous land with Indigenous community support.<sup>58</sup>

### Challenges and Opportunities

Given the early stage of Government involvement in social finance and impact investing, there are significant opportunities to shape the Federal Government's Social Innovation and Social Finance strategy to ensure that Indigenous communities are strong beneficiaries. The Government's landmark budgets for Indigenous peoples as well as the recent restructuring of the Indigenous Affairs ministry provide an opportunity to put these issues top of mind.

However, the existing issues with injecting private capital into the Indigenous economy persist in the impact investing space. To break down some of these barriers the government can play a supporting role by facilitating or incentivizing capital. This could come in the form of government loan guarantees, first-loss reserves or by providing funding or joint funding to private and non-profit sector initiatives. Research by S3i found that in the clean energy sector, government-led funding leveraged an additional \$2.48-\$4.55 of investment from other sources for every \$1 of public funding in a project.<sup>59</sup> The greatest area of opportunity likely lies in Government co-investment or partnership investments with private or non-profit actors who already have on-the-ground expertise with their local Indigenous communities. Localized programs are especially important given the extreme diversity of the more than 600 bands across the country.

Government	
Challenges	Opportunities
<ul style="list-style-type: none"> <li>Barriers exist for injecting private capital into Indigenous economy</li> <li>Specific communities require different solutions – localized programs needed for more than 600 bands across Canada</li> </ul>	<ul style="list-style-type: none"> <li>Increased interest in social finance from federal government</li> <li>Role for government to leverage private investment by co-investing, providing loan-loss reserves and partnership investments</li> </ul>

### Profile: [CMHC On-Reserve Non-Profit Housing](#)

Canadian Mortgage and Housing Corporation, a Crown Corporation, works with private lenders to help Indigenous communities built non-profit on reserve rental housing. Private lenders, such as RBC, provide the loan financing, while CMHC insures the loan and INAC guarantees them. Under this program CMHC can also provide direct loans for up to 100% of the capital costs as well as subsidies. Programs such as

<sup>58</sup> Feed-In Tariff Program. Accessed November 24, 2017. <http://www.energy.gov.on.ca/en/renewable-energy-development-in-ontario-a-guide-for-municipalities/4-feed-in-tariff-program/>

<sup>59</sup> Based on an analysis of the 528 projects supported by BC's ICE fund, Alberta's ERA fund, and the federal SDTC fund.

this help facilitate private capital into Indigenous communities, while providing private lenders with the necessary security.<sup>60</sup>

**Profile: [The Energy Partnership Program](#)**

The Energy Partnerships Program (EPP) is a consolidation of four programs, including the Aboriginal Renewable Energy Fund and the Aboriginal Transmission Fund, operated by the Independent Energy System Operator (IESO) in Ontario. The EPP program is designed to allow communities and co-operatives to develop shared energy resources by accessing the Ontario Feed-in-Tariff program. The program has a partnership stream that contributes up to \$50,000 in funding for Indigenous communities to pay for the costs of feasibility and contracting (often called “pre-development” costs) when entering into a partnership with a renewable energy developer that is applying under the FIT program. By providing a contribution towards the very early stages of project development, the EPP program provides much needed access to capital for communities that otherwise would not be able to proceed with substantial investment projects, including impact investing organizations such as SolarShare. The EPP program is an example of how the government can facilitate demand development and direct capital through capacity building.

**Profile: [Pathways to Technology BC](#)**

The BC provincial government has supported an initiative called Pathways to Technology to bring high-speed internet to all 203 First Nations in BC. It is managed by All Nations Trust Company (an Aboriginal Financial Institution) and has partnered with companies like TELUS and BC Hydro, along with many First Nations communities, to advance digital access in rural areas. Corporate involvement has mainly been focused on providing technical expertise and financial contributions. For example, the Province of BC, TELUS, BC Hydro, and All Nations Trust Company has invested \$12 million as grants to “enable Internet services providers to offer upgraded high-speed Internet access while connecting many homes, schools, health-care facilities and businesses for the first time.”<sup>61</sup> In 2016, the Government of Canada announced an additional \$2.2 million commitment to Pathways to Technology projects. This example exhibits how public finance can be used to spur support from non-government entities.

**Profile: [First Nations Clean Energy Business Fund \(FNCEBN\)](#)**

FNCEBN promotes Indigenous participation in clean energy development projects in British Columbia. The Government offers feasibility grants and equity funds. Both are non-repayable. The program addresses two funding gaps that Indigenous communities may experience. The first is feasibility funding, which is provided up to \$50,000 per project. The second is equity financing. When securing debt financing for a project, the maximum provided is typically 70-75% of the cost. Many groups do not have the cash to fund the remaining 25-30%. Equity financing of up to \$500,000 is provided through FNCEBN. From mid 2011 to early 2017 the fund has provided \$8.7M in funding.

**Profile: [Business Development Bank of Canada’s Indigenous Entrepreneur Loan](#)**

The Business Development Bank of Canada, a federal Crown Corporation, has committed \$289M to Indigenous banking services, which includes 9 account managers dedicated exclusively to Indigenous entrepreneurs, who have helped 500+ Indigenous clients as of March 2017.<sup>62</sup> Indigenous Entrepreneur Loans are available for up to \$250,000 of existing businesses and \$150,000 for start-ups. Capital requirements of greater than \$250,000 are available through other BDC lending channels. BDC also provides advisory services in financial management, sales and marketing, and strategic planning.<sup>63</sup>

<sup>60</sup> Non-Profit Housing Program. Accessed November 25, 2017. <https://www.cmhc-schl.gc.ca/en/first-nation/financial-assistance/non-profit/housing-program.cfm>

<sup>61</sup> Pathways to Technology. Accessed November 20, 2017. <http://www.pathwaystotechnology.ca/news/high-speed-internet-arrives-for-first-nations-on-vancouver-island-s-west-coast>

<sup>62</sup> Indigenous Banking at BDC. Accessed November 15, 2017. [https://www.bdc.ca/en/i\\_am/aboriginal\\_entrepreneur/pages/default.aspx](https://www.bdc.ca/en/i_am/aboriginal_entrepreneur/pages/default.aspx)

<sup>63</sup> Ibid.



**Profile: [Communities Economic Development Fund \(CEDF\)](#)**

CEDF is a Manitoba Crown Corporation established in 1973 and administered by the Communities Economic Development Fund Act (1971). It encourages economic development in Northern Manitoba, the commercial fishing industry and Aboriginal entrepreneurship. In addition to development financing, CEDF increasingly provides technical assistance to SMEs. Since 1973, CEDF has administered \$214M in development loans, ranging from \$10,000 microloans to \$2M in capital assets financing, as well as providing loan guarantees.<sup>64</sup>

**Profile: [Ontario Financing Authority's Loan Guarantee Program](#)**

In 2009, Ontario's provincial government established a \$250 million loan guarantee program to support renewable energy projects led by Indigenous communities or employ First Nation and Métis staff. The guarantee is applicable to a loan made by a financial institution to an Aboriginal corporation. It will cover up to 75% of the Aboriginal corporation's equity stake in the project. By 2012, applications representing \$250 million and 600 megawatts of clean energy to power 45,000 homes and create 2,800 new jobs were received. As a result of its success, the 2014 Ontario Budget increased the program size to \$650 million.

## 2.7 OTHER RELATED SUPPLY-SIDE ACTORS

### Economic Development Corporations

The economic development corporations (EDCs) of Indigenous communities also play an important role in both owning and operating collective enterprises, as well as providing seed capital for new ventures to be created. In 2011, the last national survey of EDCs, the Canadian Council for Aboriginal Business estimated that there are 260 active Indigenous economic development corporations in Canada.<sup>65</sup> Many EDCs have been established through the proceeds of land claim settlements or through the reinvestment of revenues from other businesses. While EDCs, as holding companies for active businesses, are often on the demand-side of capital markets, seeking more resources to invest in their growth, successful EDCs may also be able to seed and self-finance new development opportunities. EDCs such as CREECO, the Manitoba Tribal Councils Investment Group, and the Inuvialuit Development Corporation have had more visible business successes that have allowed them to expand into related sectors. As noted previously, EDCs identify access to capital as a major constraint, and Section 4.5.1, which focuses on capital demand, highlights those sectors in which there is a greater potential for Impact Investors to fulfill this need.

<sup>64</sup> CEDF (2015). <http://www.cedf.mb.ca/wp-content/uploads/2015/03/CEDF-ANNUAL-REPORT-2016-1.pdf>

<sup>65</sup> Community and Commerce (2011). A Survey of Aboriginal Economic Development Corporations. <https://www.ccab.com/wp-content/uploads/2016/10/Community-and-Commerce-Final-Report.pdf>

## 3.0 FINANCIAL PRODUCTS

Our preliminary review of financial products with an Indigenous impact focus revealed a very limited supply.<sup>66</sup> In this section we summarize current products supporting Indigenous social and environmental opportunities and elaborate on further trends. For reference purposes, we also describe the range of relevant asset classes typically available to impact investors in Canada below.

**Table 4: Impact Investing Asset Classes**

ASSET CLASS	DESCRIPTION	INDIGENOUS – SPECIFIC PRODUCT
<b>Cash and Cash Equivalents</b>	Cash and cash-equivalent products are highly liquid products with a short- to medium-term horizon and fixed low interest rates.	N/A
<b>Term Deposits</b>	Deposits held at a financial institution for a fixed term ranging anywhere from a month to a few years with limited withdrawal (e.g., GICs).	Aboriginal Savings Corporation of Canada
<b>Private Debt</b>	Provide private, retail, and institutional impact investors with low risk, low-return investment opportunities, typically ranging from 1-7 years. While there are active impact investing products, no private debt products supporting Indigenous community impact were identified.	N/A
<b>Public Debt</b>	Financial products, issued by either private or public (municipal, provincial or federal level) entities, are exchange-traded fixed-income securities. These financial instruments are freely tradable on a public exchange or over the counter, with few, if any, restrictions.	First Nations Finance Authority Bond
<b>Private Equity</b>	Within Canada, private-equity products are offered as private equity funds or fund of funds to institutional and private investors. There are few private equity products available to investors in Canada. Typically, they involve longer holder periods of 7-14 years and explicitly target higher risk and return opportunities.	Capital for Aboriginal Prosperity and Entrepreneurship (CAPE)
<b>Public Equity</b>	Public equity products are defined as exchange-traded products. The only available public equity products within the social investment landscape in Canada are Socially Responsible Investment (SRI) mutual funds. There are currently 143 SRI mutual funds that are available to investors, through financial institutions, asset management firms and credit unions <sup>67</sup> .	N/A
<b>Venture Capital</b>	Provide accredited and institutional investors with opportunities to invest in early-stage companies that integrate social or environmental objectives. Venture capital specifically looks to invest in high-growth businesses, which are developing new business models.	Native Venture Capital of Quebec

<sup>66</sup> Purpose Capital (2016). "Indigenous Social Finance Product Scan."

<sup>67</sup> Responsible Investment Association (2015). Responsible Investment Funds in Canada. <https://riacanada.ca/wp-content/uploads/2016/02/2015-Q4-RI-Funds-Spreadsheet.pdf>.

### 3.1 CURRENT INDIGENOUS SPECIFIC IMPACT INVESTING PRODUCTS

As with the rest of the impact investing market in Canada, the number of products for Indigenous-focused impact investing is quite low. There is only a single product example in many asset classes. Within some asset classes only specific sectors, such as housing, are meaningfully represented. Other sectors, such as energy, have had products emerge, but these are most often closed funds, many of which have since been fully retired.

Appendix E provides a summary of impact investment examples organized by type, sector and types of funding received, and where applicable, types of funding deployed. The examples below are of financial products available in Canada that specifically support Indigenous community impact:

#### **Aboriginal Savings Corporation of Canada (ABSCAN)**

**Product: Term Deposit; Sector Focus: Housing**

ABSCAN is an Indigenous-managed non-profit corporation located in Wendake, Quebec. It was established to support Indigenous members, organizations and councils in Quebec by providing loans for housing and home renovations, Indigenous-owned business loans and community loans. ABSCAN's savings bonds are available exclusively to Indigenous peoples and are tax-free savings for those who qualify under the Indian Act.<sup>68</sup> ABSCAN initially raised \$2M through a First Nation private savings bonds, which was successfully deployed into a portfolio of housing-related investments and over seven years had no loss and no arrears. ABSCAN has begun replicating this model with the J.W. McConnell Foundation and has proposed a revolving housing fund with partial federal guarantees. This federal support will decline over a six-year timeframe and is specifically designed to catalyze the participation of more senior institutional investors to enable ABSCAN to grow this portfolio to \$105M.<sup>69</sup>

#### **First Nations Finance Authority Debenture**

**Product: Debenture; Sector Focus: On-Reserve Infrastructure**

The First Nations Finance Authority (FNFA) provides investment options for regional Indigenous governments and access to long-term loans at more cost-effective lending rates, similar to financing mechanisms available to municipal, provincial and federal governments. The authority is governed by Indigenous communities that join as borrowing members, of which 63 have been established to date. In 2014, the FNFA issued its inaugural product; the \$90-million, 10-year debenture was fully subscribed at a 3.5% annual interest rate, only 1.21% above the comparable yield for 10-year Government of Canada bonds.<sup>70</sup> As of 2017, FNFA has issued three debentures, totalling \$251M which have been syndicated by all six chartered banks.<sup>71</sup> The product is available through public markets and is mostly held by Canadian and US institutions. As former BC Regional Chief Jody Wilson-Raybould said, "For investors, FNFA bonds also provide a new and exciting ethical investment option. My vision is that most Canadians will one day have FNFA bonds in their portfolios as they do municipal, provincial or federal bonds."<sup>72</sup>

<sup>68</sup> Aboriginals Savings Corporation of Canada. <http://www.lasedac.ca/savings.html>

<sup>69</sup> MaRS Centre for Impact Investing (2014). Towards a Canadian Aboriginal Impact Investment Strategy.

<sup>70</sup> First Nations Finance Authority (2015). Annual Report 2014-2015.

<sup>71</sup> First Nations Finance Authority (2017). Annual Report 2016-2017.

<sup>72</sup> Jeff Sanford (2014). First Nations Finance Authority Floats Inaugural Bond Issue. *Wealth Professional Canada*. <https://www.wealthprofessional.ca/news/first-nations-finance-authority-floats-inaugural-bond-issue-178799.aspx>

### **Capital for Aboriginal Prosperity and Entrepreneurship Fund**

**Product: Private Equity; Sector Focus: Various**

The Capital for Aboriginal Prosperity and Entrepreneurship Fund (CAPE) is a \$50-million private-sector fund that provided institutional and private investors the opportunity to receive a market-rate return on a five- to seven-year term. CAPE, which currently has one fund, was capitalized by over 21 of Canada's leading companies such as Canadian Steamship Lines, Barrick Gold, GoldCorp, SNC Lavalin, the investment divisions of many of the large Canadian chartered banks, as well as individuals and US Foundations such as the Skoll Foundation and the Johnston Scholarship Foundation. The fund focuses on mid-market opportunities with a strong degree of Indigenous involvement and connection to Indigenous communities throughout Canada. The fund currently has seven portfolio companies that are active in sectors ranging from sustainable agriculture to ethical manufacturing.

### **First Nations Venture Capital of Quebec**

**Product: Venture Capital; Sector Focus: Various Early Stage Start-ups**

First Nations Venture Capital of Quebec (FNCQ) was established in 2001 as a limited partnership to develop the first Indigenous venture capital corporation in Canada. The fund was initially capitalized by the Native Benefits Plan (NBP), the Native Commercial Credit Corporation (also known as the SOCCA), the Corporation de Développement Économique Montagnaise (CDEM), the Fonds de Solidarité FTQ (FTQ) and the Desjardins Group (Desjardins) with \$6 million directed towards the social and economic development of members of Indigenous communities in Quebec. In 2010, the FNCQ completed its second phase of capitalization, increasing its position to \$8 million.<sup>73</sup> This additional capitalization is intended to allow the FNCQ to pursue its investment activities going forward. This fund, however, is small for the Canadian Venture Capital industry, where the median fund closing in 2015 was \$71M.<sup>74</sup>

### **Raven Capital Partners and Raven Foundation**

**Product: Venture Capital, Outcomes Buying Contracts, Capacity Building**

Established in 2017, Raven Capital Partners is an Indigenous financial intermediary with offices in Ottawa and Vancouver. Raven is active in three inter-related work streams:

1. Venture Capital: The Raven Indigenous Impact Fund is a \$5M pilot venture capital fund that will provide equity and equity-like financing to Indigenous enterprises across Canada. The Fund will reach its Initial Closing in Q2.2018.
2. Outcomes Buying Contracts: Raven Capital Partners is in active discussion with federal and provincial levels of government to structure outcomes based contracts (such as social impact bonds) to address systemic challenges in areas such as clean energy/potable water, child welfare, health, and employment training.
3. Capacity Building: The Raven Indigenous Impact Foundation is a registered Canadian charity involved in research and capacity building for Indigenous enterprise.

## **3.2 FUTURE TRENDS**

While the depth of the impact investment product marketplace for Indigenous communities is shallow, there are reasons to believe that the volume of Indigenous-themed products available within Canada will grow in the coming years. Examples such as the ABSCAN fund show the demand and the ability to replicate at

<sup>73</sup> FNCVQ, "Establishment," accessed March 29, 2016, <http://www.ipng.ca/en/partenaire.html>.

<sup>74</sup> Canadian Venture Capital and Private Equity Association (2016). 2015 Canadian Venture Capital Market Overview <http://www.cvca.ca/wp-content/uploads/2016/03/CVCA-Venture-Capital-2015-Report.pdf>.

scale. The First Nations Financial Management Act and accompanying First Nations Financial Management Board have seen the FNFA debentures grow in both scale and the number of participating nations. Equally, this same Act creates standards that make underwriting activity more straightforward. As Indigenous communities look for values-aligned lenders, the possibility of more client-facing products built around these opportunities grows.

It is important to remember that the impact investment sector is still a small niche within traditional financial markets. As a result, existing products do not always align cleanly with mainstream definitions of asset classes. It is expected, however, that as the Canadian social finance marketplace evolves and through the Government of Canada's commitment to innovation as well as addressing the longstanding social, environmental and economic challenges faced by Canadian Indigenous Peoples, we will see more financial products in support of Indigenous-specific opportunities become available soon.

## 4.0 CONNECTING THE MARKET: INTERMEDIARIES AND ENABLERS

Intermediaries facilitate the movement of capital between the supply and demand sides of a market. They do so by:

- Building the capacity of the demand side of the market to attract and utilize capital and reach their intended social, environmental, and financial returns;
- Matching capital from the supply side of the market to investment-ready ventures;
- Brokering between the supply and demand sides of the market to enable the efficient flow of capital through product development and transaction development<sup>75</sup>; and,
- Enabling the market through research, advocacy, and education.

Intermediaries play a critical role in managing risk and reducing transaction costs. Intermediaries for Indigenous impact investing have additional considerations around effective integration with incumbent institutions and the state of development of the Indigenous market. Due to the nascent stage of the social finance marketplace in Canada, particularly in the Indigenous context, the level of activity these institutions can support and generate has been limited.

### 4.1 THE MARKETPLACE FOR INTERMEDIARIES

Table 5 below lists key barriers to Indigenous social finance. These barriers result in higher transaction costs and greater uncertainty in terms of long-term participation, thus limiting capital flows. For the market to mature, interventions at multiple levels are expected to be necessary. This should centre around a continuum of both developmental and commercial actors.

**Table 5: Key Barriers Facing the Supply and Demand Sides of the Indigenous Impact Investing Marketplace**

SUPPLY-SIDE BARRIERS	DEMAND-SIDE BARRIERS
<ul style="list-style-type: none"> <li>• Access to investment opportunities: As the market is highly fragmented and most opportunities exist within specific sectors, investors may not have access to investment ready opportunities.</li> <li>• Information and understanding: There is often a wide-gulf of cultural understanding between Indigenous and non-Indigenous partners. Decision-making is often seen as opaque and/or self-governance structures are not understood.</li> <li>• Mismatch between investor type and opportunities: Customized or direct investments</li> </ul>	<ul style="list-style-type: none"> <li>• Trust: The level of trust in partnering with non-Indigenous stakeholders is often very low and creates significant barriers as a “human factor”.</li> <li>• Scale: The relatively small size and remoteness of many Indigenous communities makes the ultimate market potential of many enterprises limited and reduces the potential for outside investment.</li> <li>• Capability: Many Indigenous entrepreneurs may not have the financial and managerial expertise necessary to support external</li> </ul>

<sup>75</sup> When referring to “transactions” we specifically mean the placement of capital with an organization for an intended activity. This includes all investment types and structures (e.g. debt, equity, warrants, etc.)

<p>work well for some investors, such as foundations, but not for retail investors, leaving them out of the market.</p> <ul style="list-style-type: none"> <li>• Legal structures and regulations: Legal structures limit certain investments and access to conventional collateral therefore it is necessary to find alternative vehicles for investment.</li> <li>• Resource perception: Investors may not see these communities as needing additional resources relative to current support programs or believe that the Federal Government is responsible for supports.</li> <li>• Costs: Smaller scale and one-time direct investments add to relatively high admin and management costs.</li> </ul>	<p>investment. Many Indigenous entrepreneurs may not have the collateral, credit scores or other requirements of conventional financing.</p> <ul style="list-style-type: none"> <li>• Governance: In cases of collective investment opportunities, uncertainty in band and nation level politics and the independence of project governance create very significant uncertainty for outside investors.</li> </ul>
---	---

## 4.2 MARKET ENABLERS

Market enablers are organizations that work to increase the knowledge and capacity of actors, both Indigenous and non-Indigenous, with the aim of growing the Indigenous impact investing marketplace. These enablers promote marketplace growth, advocacy, support culture shifts, talent-building, and convening. Figure 2 below highlights the range of market-enabling functions and relevant examples for the Indigenous market.







MARKET-ENABLING FUNCTIONS					
Research & Market Data	Market Creation & Development	Supporting Culture Shifts	Talent-building	Convening	Measurement & Evaluation
Generating market data to help demand side and supply side actors to make informed investment decisions	Awareness raising, education and infrastructure creation	Helping supply and demand side actors to speak the same language and understand new approaches to financial and social issues	Supporting the development of new sector talent, building knowledge and expertise for the sector	Bringing together key stakeholders to share learning, facilitate connections and promote collaboration	Helping supply- and demand-side actors to undertake measurement of the social impact of a venture or an investment
					

Figure 2: Market-Enabling Intermediaries



**Profile: [Open Impact](#)**

Open Impact is a joint project of Purpose Capital and Rotman’s Lee-Chin Institute at the University of Toronto. It provides a comprehensive database of impact investment opportunities across Canada, and, to provide a broader market scope, includes both current and closed investment opportunities. Inventory can be sorted by asset class, eligibility and desired social or environmental impact. Social and Environment impact is categorized using IRIS 4.0 objectives and, unfortunately, does not directly include Indigenous communities. In addition to the inventory, Open Impact includes a comprehensive Resources section, comprising of research reports, case studies industry associations for a wide range of actors.

### 4.3 DEMAND-SIDE INTERMEDIARIES

The organizational capacity of Indigenous communities must develop in order to attract capital from financial intermediaries and direct investors, and many Indigenous enterprises will require capacity building and advisory services provided by demand-side intermediaries. Figure 3 below highlights demand side functions and relevant examples for the Indigenous market.

Many existing developmental resources are explicitly offered on a non-profit basis, meaning the financial costs required to access early-stage intermediary services is not the greatest barrier to raising capital for Indigenous businesses. Instead, the accessibility of non-financial services such as business counselling and community economic development planning support is a significant challenge given the remoteness and the small size of many communities. More opportunities, which often move beyond the financing services available from AFIs, are beginning to be met by specialty service providers that make these opportunities investment-ready. These deals are typically collective-enterprises or new infrastructure developments, which require significant loan values and are most accessible to bands that have a revenue source outside the federal government, to service debt. For example, bands that collect their own property tax are better positioned to use these recurring revenues to finance needed infrastructure investments.

DEMAND-SIDE FUNCTIONS		FINANCIAL INTERMEDIARY FUNCTIONS	SUPPLY-SIDE FUNCTIONS	
Development & Investment Readiness	Financial Intermediation & Product Structuring	Capital Matching	Pool & Mobilize Capital	Investor Education
Working with social ventures to develop internal capacity and prepare for investment	Designing, developing, structuring and monitoring financial products	Introducing supply side to demand side actors and coordinating the placement of capital	Coordinating co-investment from multiple investors to reduce risk and transaction costs	Educating investors and their advisors about the range of investment opportunities
				

**Figure 3: Demand-Side Intermediaries**







**Profile: EDIP Sovereign Wealth Solutions**

EDIP Sovereign Wealth Solutions is a new platform for Canadian advisors to work with Indigenous communities in developing sovereign wealth strategies. Supported by a core leadership team that includes Pitblado Law, Fogler Rubinoff, and Indigenous Financial Solutions, the EDIP platform creates a structure that better allows advisory firms to work in teams on delivering solutions for Indigenous communities.<sup>76</sup> Incubated by multiple service providers and advisory firms, EDIP has come about through a recognition that the systemic range of challenges that individual communities face requires more depth and breadth than any one firm has under its own roof. By creating an integrated platform with a shared back office, the EDIP platform is looking to create more “full-service” expertise to maximize the value of Indigenous economic development opportunities, all with the stated goal of maximizing Indigenous communities own source revenues and supporting their financial independence.

## 4.4 FINANCIAL INTERMEDIARIES

Financial intermediaries play the critical role of placing capital into social ventures and Indigenous businesses and often raise capital themselves. Credit unions are especially active in this space. While online platforms specific to Impact Investment have become increasingly active in recent years, the emergence of Indigenous-specific platforms has yet to occur.

Figure 4 below highlights the financial intermediary functions and some representative examples for the Indigenous market.

DEMAND-SIDE FUNCTIONS		FINANCIAL INTERMEDIARY FUNCTIONS	SUPPLY-SIDE FUNCTIONS	
Development & Investment Readiness	Financial Intermediation & Product Structuring	Capital Matching	Pool & Mobilize Capital	Investor Education
Working with social ventures to develop internal capacity and prepare for investment	Designing, developing, structuring and monitoring financial products	Introducing supply side to demand side actors and coordinating the placement of capital	Coordinating co-investment from multiple investors to reduce risk and transaction costs	Educating investors and their advisors about the range of investment opportunities
				

**Figure 4: Financial Intermediary Functions**

**Profile: Social Venture Connexion (SVX)**

SVX is an online impact investing platform available to both accredited and non-accredited retail investors that was relaunched in late 2017. The SVX is registered as an Exempt Market Dealer, meaning that all potential impact investment issuance must go through a due diligence/vetting process.<sup>77</sup> When investments

<sup>76</sup> <http://edip.co/the-edip-platform/>

<sup>77</sup> SVX. How it Works. Accessed November 27, 2017. <https://www.svx.ca/>






are approved, they are listed on the exchange. Depending on the investment type and registration, either all investors or accredited investors only will be able to make investments online. There is currently one Indigenous-related investment opportunity: First Nations Bank of Canada, a majority Aboriginal-owned bank operating in under-served communities. As the platform and its user-base grows, this could become a significant opportunity for Indigenous entrepreneurs to attract capital from a previous untapped capital supplier.

**Profile: Community Forward Fund**

The Community Forward Fund (CFF) is one example of an intermediary and market enabler that we include to highlight how many non-Indigenous focused intermediaries will also touch on Indigenous communities the field of impact investing grows. CFF is a financial intermediary, that raises capital from predominately foundation investors and invests it into non-profits and charities. Recently, CFF provided a bridge loan to Nishnawbe Homes Inc., a provider of affordable housing to under-housed Indigenous people in the Greater Toronto and Brampton area. Nishnawbe currently operates 200 dwelling units in Toronto and built a 16-unit apartment building in Oshawa, Ontario<sup>78</sup> in 2015. CFF's loan helped address costs for building and project permits and is a good example of how more generalist intermediaries may be well suited to serve Indigenous-focused enterprises when they are either geographically accessible or operating in a well understood sector.

## 4.5 SUPPLY-SIDE INTERMEDIARIES

Supply-side intermediaries provide advice to investors to enable the efficient placement of capital. Currently, mainstream private sector intermediaries (i.e. non-AFIs) are disproportionately focused on supply-side functions, partly due to the disproportionate resources of the supply side to pay for intermediary services as well as a defined market need. Figure 5 below highlights supply side functions and relevant examples for the Indigenous market.

DEMAND-SIDE FUNCTIONS		FINANCIAL INTERMEDIARY FUNCTIONS	SUPPLY-SIDE FUNCTIONS	
Development & Investment Readiness	Financial Intermediation & Product Structuring	Capital Matching	Pool & Mobilize Capital	Investor Education
Working with social ventures to develop internal capacity and prepare for investment	Designing, developing, structuring and monitoring financial products	Introducing supply side to demand side actors and coordinating the placement of capital	Coordinating co-investment from multiple investors to reduce risk and transaction costs	Educating investors and their advisors about the range of investment opportunities
				

**Figure 5: Supply-Side Intermediaries**

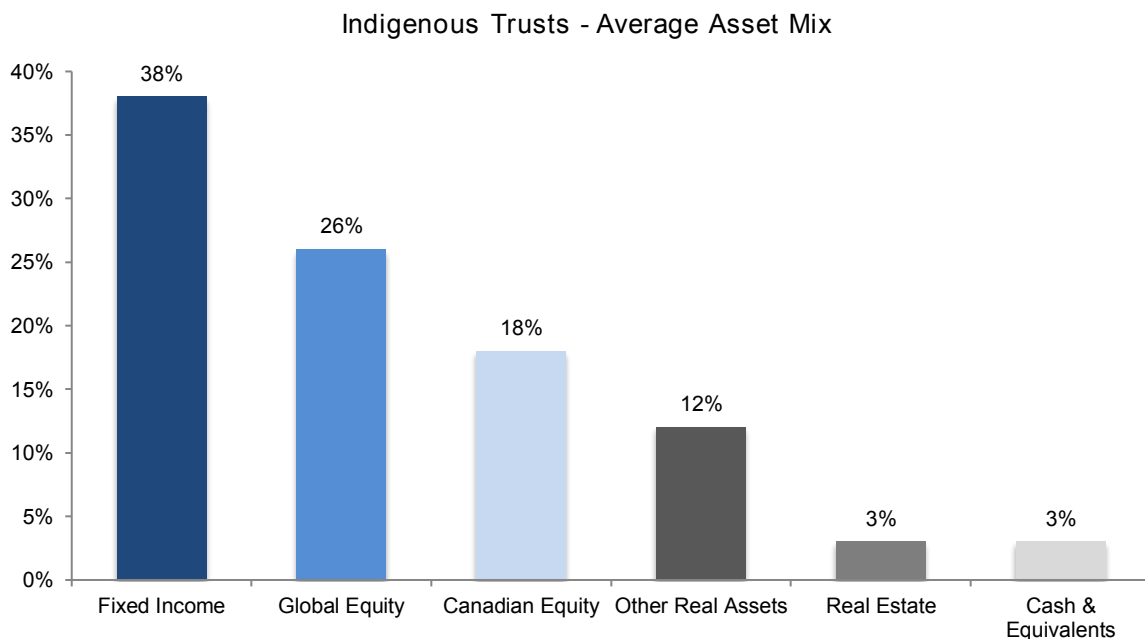
<sup>78</sup> Community Forward Fund, "Four Feathers Housing Cooperative," accessed March 31, 2016, <http://www.communityforwardfund.ca/case-studies/four-feathers-housing-cooperative/>

## 4.5.1 INDIGENOUS TRUSTS

One of the largest sectors handling Indigenous assets for the benefit of Indigenous communities is the trust management sector. These assets, most often derived from land claim settlements or community benefits agreements, are held in a trust structure and managed by a designated trustee. Trustees are bound by a fiduciary duty to invest trust assets in a prudent and financially-sustainable manner. Indigenous trust assets are very significant and estimated in 2009 as yielding up to \$13B of new assets for Indigenous communities, whether and how these assets are being deployed for Indigenous economic development is difficult to discern.<sup>79</sup>

Indigenous Trusts, for the most part, are managed in a similar way to foundations and faith-based endowments, who invest their principal capital in traditional market investments. Indigenous trusts are typically designed as perpetual endowments. Investment income (interest, dividends and capital gains) are then applied towards their grant-making activity. They seek a minimum of capital preservation and are often managed to maximize financial returns. The proceeds of these investments are then used for various community benefits, such as constructing community facilities. In Canada, most Indigenous trust funds prioritize stability and low volatility, focusing on long-term growth. The primary objective is to maintain the capital base while providing strong growth and income flows to current and future generations. Figure 6 shows the average asset mix, calculated from ten Canadian Indigenous trusts.

Through the growing community of impact investment, an increasing number of these organizations are going beyond this traditional model and are actively aligning their endowment capital investments – not just the grants – with their mission and values.



**Figure 6: Average asset mix for 10 Indigenous trusts<sup>80</sup>**

<sup>79</sup> Derek Burleton and Sonya Gulati (2012). Debunking Myths Surrounding Canada's Aboriginal Population. <https://indigenousworks.ca/sites/ahrc/files/attachments/TD%20Report-Debunking%20Myths%20Surrounding%20Canada%27s%20Aboriginal%20Population.pdf>

<sup>80</sup> SauderS3i (2017). Capital Allocation Decisions. UBC Sauder Centre for Social Innovation & Impact Investing.

Not many Indigenous trusts implement responsible investing principles (such as ESG integration, negative or positive screens) in their endowment investment strategies. As with foundations, Indigenous trusts are often managed by external investment managers at mainstream financial institutions that have not yet fully adopted responsible investments as a strategy. Given the financial managers' fiduciary duty to the trust, there is a concern at the investment level about the risk-adjusted returns of RI portfolios, as well as a lack of RI products available for investment.

Additionally, in the organizational structure of Indigenous Trusts, the grant-making and endowment investment teams are often not integrated. While the grant-making committees are mandated to ensure their capital allocation decisions are strongly aligned with the trust's values and vision, the investment committees typically do not have the same mandate. We suggest that greater interaction between the two committees could help Indigenous trusts integrate their values into investment decisions.

Outside of the Indigenous trust governance personnel, there is likely strong interest in responsible and impact investing among Indigenous community members, who are the trusts' beneficiaries. While not Indigenous community members are highly engaged with many aspects of their community governance, there could be increased efforts to involve the members to provide input to their trust's endowment investment strategy. Recent developments confirm this hypothesis that community members care deeply about what investments they are making. In 2017, Indigenous Climate Action – a climate justice organization led by Indigenous leaders – rejected a \$150,000 award once they received disclosure of the grantor's investments in fossil fuel companies.<sup>81</sup> This story exemplifies that importance of aligning investments with values.

Like other values-driven organizations, there is likely a much greater opportunity to have trust capital directed towards Indigenous economic development and impact investing while attaining an appropriate financial return, especially in the case of infrastructure or other real asset-based collective resources. This could also provide an opportunity for mutual or reciprocal impact investment strategies, where Indigenous communities that are asset rich could directly finance the development of other Indigenous communities.

As new trusts are formed and existing trusts governance structures continue to evolve, there may be opportunities for dialogue around how these resources could be deployed with greater impact. Given the very small proportion of mainstream public and private equity markets that touch Indigenous communities, it is worth considering how few of these assets are actively circulating in Indigenous communities and what can be done to rebalance these types of investments.

#### **Profile: [New Relationship Trust](#)**

The New Relationship Trust (NRT) is relatively unique in that it was created multilaterally between the Province of BC and the province's Indigenous communities, and therefore consulted widely in developing its mandate. NRT partnered with All Nations Trust Company, Nuu-chah-nulth Economic Development Corporation, and five other Aboriginal Capital Corporations to provide equity matching for Indigenous entrepreneurs.<sup>82</sup> The program offers dollar-for-dollar matching for the applicant's contribution to their project, to a maximum of \$5,000. Over 11 years, NRT has issued \$3.6M in entrepreneur equity matching.

Overall, the NRT's expenditures suggest their focus areas are in providing support to governance and capacity building for community organizations, as well as educational support for youth. In the past 11 years, they have invested \$18.3M and \$15.6M respectively. On the other hand, economic development funding (entrepreneur equity matching, business awards) amount to \$5.1M, less than 10% of the total

<sup>81</sup> Common Dreams (2017). Indigenous Climate Action Rejects \$150,000 Award from Aviva Canada Due to Moral Conflict with Aviva Investments. <https://www.commondreams.org/newswire/2017/12/06/indigenous-climate-action-rejects-150000-award-aviva-canada-due-moral-conflict>

<sup>82</sup> See "New Relationship Trust – History" <http://www.newrelationshiptrust.ca/about/history>

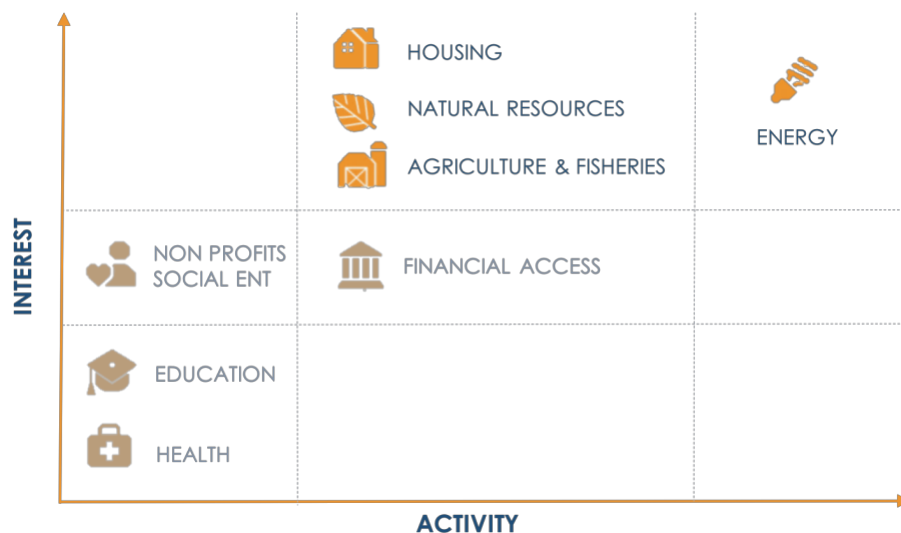
expenditures.<sup>83</sup> Beyond financing Indigenous projects, NRT has a mission to preserve and grow the trust capital. In 2016-2017, their investment portfolio value increased by 12%, with \$99.6 million in total assets. Investment decisions are managed by external financial managers, and NRT’s annual reports do not mention integration of responsible investment principles, with the majority of their capital invested in traditional equity and bond funds.<sup>84</sup>

## 5.0 DEMAND FOR CAPITAL

In this section, we identify sectors where there is higher demand or more potential for impact investments. For each sector, we showcase current trends and market opportunities, and provide specific examples, highlighting the sub-sector and type of capital. Figure 7 below provides a summary of sector areas reviewed and an assessment of current interest and activity levels.

These examples represent only a small proportion of the existing opportunities. Other sectors, specifically financial services, education, health, and non-profits and social enterprise, in which there are lower levels of interest and activity, have been reviewed in Appendix D.

Overall, the examples provide evidence that Indigenous investment opportunities mirror what international development impact investors call “frontier capital”<sup>85</sup>. This term refers to the broad range of investment mechanisms designed for projects featuring proven business models to unproven models that are riskier and asset heavy. For example, existing project financing structures could be replicated for revenue-generating renewable energy projects, while more patient capital tools like loan-loss reserves may be required for Indigenous housing projects situated in remote areas. Different types of capital are required for different sectors in Indigenous impact investing. In APPENDIX D: DEMAND FOR CAPITAL – OTHER SECTORS, we break down the mechanisms used by various sectors.



**Figure 7: Impact Investment Interest and Activity by Sector**

<sup>83</sup> New Relationship Trust 2016-2017 Annual Report. [http://www.newrelationshiptrust.ca/wp-content/uploads/2017/07/NRT\\_AnnualReport\\_2016-17\\_WEB.pdf](http://www.newrelationshiptrust.ca/wp-content/uploads/2017/07/NRT_AnnualReport_2016-17_WEB.pdf)

<sup>84</sup> New Relationship Trust 2016-2017 Annual Report. [http://www.newrelationshiptrust.ca/wp-content/uploads/2017/07/NRT\\_AnnualReport\\_2016-17\\_WEB.pdf](http://www.newrelationshiptrust.ca/wp-content/uploads/2017/07/NRT_AnnualReport_2016-17_WEB.pdf)

<sup>85</sup> Matt Bannick, Paul Goldman, Michael Kubzansky (2015). Frontier Capital. [https://www.omidyar.com/sites/default/files/file\\_archive/insights/Frontier%20Capital%20Report%202015/ON\\_Frontier\\_Capital\\_Report\\_complete\\_FINAL\\_single\\_pp\\_100515.pdf](https://www.omidyar.com/sites/default/files/file_archive/insights/Frontier%20Capital%20Report%202015/ON_Frontier_Capital_Report_complete_FINAL_single_pp_100515.pdf)

## 5.1 AGRICULTURE AND FISHERIES



The fisheries industry in Canada represents a large and growing area of opportunity for Indigenous fisheries. From 2009 to 2016, the landed catch value of fish and seafood increased from \$2.7B to \$4.2B.<sup>86</sup> Much of this increase is due to a recovery in market prices that has been fueled by new markets in East Asia. Indigenous fisheries represent \$260M in annual revenues and employ more than 5,000 people in Canada.<sup>87</sup> Three key initiatives on the Atlantic coast, the Pacific coast and the Northern coast shape the landscape. They have been put in place, in collaboration with the Department of Fisheries and Oceans and local Nations, to maximize Indigenous fishing quotas.

As more consumers seek healthier and more sustainable food alternatives, an increasingly visible and lucrative market has emerged. For Indigenous communities, this creates a strong opportunity to utilize their land assets for economic benefit while building a sustainable food system. For impact investors, this creates an opportunity to place their capital in ventures that are working to improve environmental outcomes, either through the direct production of agricultural goods or through supportive technologies to reduce environmental impact.

### Defining the Sector

Sustainable agriculture and fisheries encompasses Indigenous owned or managed ventures that are using agricultural processes and technologies with the intention of creating environmental benefits. Specifically, sustainable agriculture and fisheries address issues such as the degradation of soil, water, land and animal ecosystems through standard agricultural practices. Further down the value chain, sustainable food manufacturers and retailers who sell local, organic products also fall within the sector.

### Market Opportunity

There is a significant market opportunity for more sustainable food products domestically and abroad. For example, in 2012, the latest year for which there is published data, the Canadian organic market was estimated at \$3.7 billion annually, which was a three-fold increase from 2006.<sup>88</sup> Showing continued demand, 2015 was the first year that organic producers in Canada passed 2009's pre-recession all-time peak.<sup>89</sup> Furthermore, given growing constraints on managed fisheries in Canada coupled with growing international demand, the saleable value of seafood has quickly grown. Given substantial food insecurity within many Indigenous communities and the cultural significance of foodstuffs such as salmon to some coastal nations, there are strong opportunities to create viable enterprises which link the histories of communities to their economic future.

### Key Trends

Impact investment within the Indigenous agriculture and fisheries sector has come from both public and private institutions. Institutions such as the Atlantic Policy Congress in the Maritimes and First Nations Fisheries Council in British Columbia serve as key developmental resources for the creation of new enterprises. Concurrently, more investment funds specializing in sustainable food systems have appeared.

<sup>86</sup> Fisheries and Oceans, Canadian International Merchandise Trade Database. [http://www.dfo-mpo.gc.ca/stats/FastFacts\\_16-eng.pdf](http://www.dfo-mpo.gc.ca/stats/FastFacts_16-eng.pdf)

<sup>87</sup> National Indigenous Fisheries Institute. (2017). Access to Capital: Discussion Paper. [http://indigenousfisheries.ca/en/wp-content/uploads/2017/10/Institute\\_Access-to-Capital-1.pdf](http://indigenousfisheries.ca/en/wp-content/uploads/2017/10/Institute_Access-to-Capital-1.pdf)

<sup>88</sup> Canadian Organic Trade Association, "Learn About Organic in Canada | OTA," accessed March 24, 2016, <https://www.ota.com/canada-ota/learn-about-organic-canada>.

<sup>89</sup> Organic Trade Association (2017). Organic Agriculture in Canada: By the Numbers. [https://www.ota.com/sites/default/files/Org\\_Ag\\_Canada\\_overview\\_17.03.03-FINAL.pdf](https://www.ota.com/sites/default/files/Org_Ag_Canada_overview_17.03.03-FINAL.pdf)

For example, private equity impact funds, such as Investeco's Sustainable Food Fund and the Renewal Funds, have placed equity investments in organic- and health-branded retailers and producers.

The capital-intensive nature of new agriculture and fishery projects are suitable opportunities for involvement from traditional financial institutions. For example, Vancity has made patient capital loans into Kuterra LP, a new salmon aquaculture system developed by 'Namgis First Nation, with initial philanthropic support from Tides Canada and the Save Our Salmon Conservation Foundation. Kuterra implemented a new model of land-based recirculating aquaculture in order to eliminate risk to marine environments and now distributes to all Safeway grocery stores in BC and Alberta.<sup>90</sup> It serves as a useful example of how philanthropic support can catalyze new sustainable businesses.

**Profile: [Atlantic Integrated Commercial Fisheries Initiative](#)**

**Type of Impact Capital:** Pooled fund. Capital asset debt financing

The Atlantic Integrated Commercial Fisheries Initiative (AICFI), operating since 2007, provides advisory services and financial support for the 32 participating Mi'kmaq and Maliseet First Nations in Eastern Quebec and the Maritimes. It is funded by INAC and the Department of Fisheries and Oceans. The purpose of the initiative is to facilitate and grow Indigenous participation in viable, communal commercial fishing operations and encourage co-management.<sup>91</sup> Operating in partnership with AFI Ulnooweg Development Group, AICFI was initially conceived as a five-year program in response to the Marshall Decision of 1999 and was made permanent in the 2017 Federal Budget. Ulnooweg provides capital asset financing for new and existing fisheries businesses. The program has been successful in reducing the amount of underutilized quota for Indigenous communities and has helped grow the value of their landed catch from \$4.4 million in 1999 to \$110 million in annual gross revenue in 2017 while creating 1,675 jobs.<sup>92</sup> By creating new investment-ready businesses in an active market, the AICFI has enabled Ulnooweg to successfully deploy its capital towards Indigenous development, while creating more viable businesses that would be of interest to food-focused impact investors.<sup>93</sup>

**Profile: [T'sou-ke First Nations and Pacific Coast Wasabi](#)**

**Type of Impact Capital:** Loan

T'Sou-ke First Nation has developed a comprehensive community planning process that involves their whole community, including children, and is based on 100 year planning. The community identified four priorities through this process; which included energy security, food security, cultural renaissance, and economic self-sufficiency. To advance these goals T'Sou-ke has invested in rooftop solar across the community (becoming the first First Nation "Solar Community"), and has also built three Wasabi greenhouses with \$175,000 in financial support from the Nuu-chah-nulth Economic Development Corporation. These greenhouses are part of a franchise agreement with Pacific Coast Wasabi as one of six operations in British Columbia, Washington, and Oregon. Through this partnership, the community can sell its crop into herbal dietary supplement and biomedical markets, in addition to sushi restaurants.<sup>94</sup> T'Sou-

<sup>90</sup> Vancity, "Kuterra's Land-Raised Salmon Can Save the Seas -," accessed March 25, 2016,

<https://www.vancity.com/AboutVancity/InvestingInCommunities/StoriesOfImpact/Aboriginal/Kuterra/>

<sup>91</sup> Fisheries and Oceans Canada, Government of Canada. <http://www.dfo-mpo.gc.ca/sds-sdd/sea-ees/aicfi-ipcia-eng.htm>

<sup>92</sup> National Indigenous Fisheries Institute. (2017) Atlantic Integrated Commercial Fisheries Initiative: Discussion Paper.

<http://indigenousfisheries.ca/en/wp-content/uploads/2017/10/Indigenous-Program-Review-Atlantic-Integrated-Commercial-Fisheries-Initiative-Discussion-Paper.pdf>

<sup>93</sup> Fisheries and Oceans Canada Government of Canada (2010). Evaluation of the Atlantic Integrated Commercial Fisheries Initiative (AICFI) <http://www.dfo-mpo.gc.ca/ae-ve/evaluations/10-11/6b118-eng.htm>; Jacquelyn Thayer Scott (2011) An Atlantic Fishing Tale 1999-2011. (MacDonald-Laurier Institute, February 2012), <http://www.macdonaldlaurier.ca/files/pdf/An-Atlantic-Fishing-Tale-February-2012.pdf>; Todd Hoskin, Social Finance in the Indigenous context, March 1, 2016.

<sup>94</sup> "T'Souke Going Green," accessed March 19, 2016, <http://www.tsoukenation.com/index.php/services/resources/greenhouse-project/t-souke-going-green>.

ke's willingness to engage with an outside partner to introduce a replicable business model and access new markets is a strong example of how social ventures can be built from within Indigenous communities.

## 5.2 ENERGY



The renewable energy sector is accelerating quickly, driven by global concern and domestic targets for climate-friendly energy production and the high federal government priority given to clean energy. Energy conservation and energy efficiency remain important supporting priorities. Impact investment opportunities exist across the value chain, notably small-scale projects in the hydro, biomass and energy conservation segments.

### Defining the Sector

Canada is currently a world leader in the production and use of renewable energy, where renewable energy sources provide 18.9%<sup>95</sup> of Canada's total energy supply and 66% of all electricity.<sup>96</sup> There is growing investment in renewable energy projects, large and small scale, and increasing participation from public and private institutions and collaborations across various stakeholder groups. In 2015, Canada spent just over \$10B in renewable energy investments, compared to \$5.8B in 2013, though this is a small drop from 2014's peak.<sup>97</sup>

### Market Opportunity

There are two major areas of opportunity where Indigenous communities participate in clean energy projects:

1. They participate in smaller-scale community-owned projects that often power their own communities.
2. They also participate in large scale commercial projects that feed into provincial and territorial energy grids. While these projects don't provide power to communities, the community generates revenue from their ownership stake in the project.

The introduction of Feed-in-Tariff (FIT) programs in various provinces across Canada has accelerated the rise of community-owned power projects. In addition to FIT contracts being openly favorable to Indigenous projects (i.e. awarding additional "points" for proposals in this category), community-owned clean energy projects represent a model that has been especially attractive to Indigenous communities. These arrangements offer strong alignment to the social and cultural values of many communities while providing long-term economic stability and independence.

Currently, there are approximately 175 Indigenous and northern off-grid communities across Canada, that rely almost entirely on diesel generators as their primary source of power.<sup>98</sup> This contributes to substantial greenhouse gas emissions as well as other environmental hazards related to transportation and energy

<sup>95</sup> Natural Resources Canada. *About Renewable Energy*. Retrieved from: <http://www.nrcan.gc.ca/energy/renewable-electricity/7295>

<sup>96</sup> The Star (2017). Two-third of Canada's electricity now comes from renewable energy. <https://www.thestar.com/news/canada/2017/05/02/two-thirds-of-canadas-electricity-now-comes-from-renewable-energy.html>

<sup>97</sup> Justine Hunter (2016). Clean-energy spending falls in Canada as Ottawa pledges green push. <https://beta.theglobeandmail.com/report-on-business/industry-news/energy-and-resources/clean-energy-spending-falls-in-canada-as-ottawa-pledges-green-push/article30482254/?ref=http://www.theglobeandmail.com&>

<sup>98</sup> Indigenous and Northern Affairs Canada (Last modified: 2012-5-01) *Off Grid-Communities*. <https://www.aadnc-aandc.gc.ca/eng/1314295992771/1314296121126-comm>



use. As a result, the unique economics of clean energy projects combined with the characteristics of off-grid energy needs on reserves, makes investment into community energy projects a fast-growing market for those seeking both substantial financial as well as environmental returns. Lumos Energy, a clean energy advisor for First Nations, Inuit and Metis communities, has identified at least 1,200 of these projects across Canada.<sup>99</sup>

On a larger scale, Lumos Energy has identified 152 medium-large clean energy projects with Indigenous participation, representing 19,516 MW of generation potential, with medium-large defined as a minimum of 1MW of energy generation. Most projects are collaborations between private sector players and Indigenous communities, with average Indigenous ownership in projects at 25%. While solar energy is an emerging and growing sector, most of the projects consist of large scale hydroelectric (63%) and wind farms (24%).<sup>100</sup>

### Key Trends

Impact investing in renewable energy projects has been one of the fastest growing sectors for impact investors to engage, second only to financial services and microfinance.<sup>101</sup> As a result, funding for renewable energy and the development of new technologies is coming from increasingly diverse sources that reflect the popularity in community social finance (i.e. crowd-funding, community bonds etc.) as well as growing participation from mainstream financial institutions in large scale projects. This has led to the growth in unique ownership models involving private sector actors and Indigenous communities that may not be seen in other areas.

#### Profile: [Six Nations of the Grand River](#)

**Type of Impact Capital:** Loan to acquire equity stake

The Six Nations of the Grand River, Canada's most populated First Nation, is part of a historic agreement with Samsung and Pattern Energy that gives them a 10% equity stake in the 150MW Grand River Renewable Wind project. In this transaction, RBC provided debt financing of \$10M to help Six Nations secure their equity interest, an investment that paved the way for future renewable energy deals that includes the 100MW Grand Renewable Solar project<sup>102</sup> and a 500MW (2307 solar panels) installation at the Oneida Business Park.<sup>103</sup> As a result, impact investors and funds can be seen playing an increasing role in supporting Indigenous communities in acquiring ownership into renewable energy projects.

#### Profile: [First Nations Regeneration Fund](#)

**Type of Impact Capital:** Loan to acquire equity stake; advisory services

The First Nations Regeneration Fund lends capital to First Nations that want to acquire ownership in renewable energy projects in British Columbia. They offer flexible financing rates and technical assistance to support First Nations in their negotiations with independent power producers. The First Nations repay their loan to the Regeneration Fund through royalties and dividends earned on the power project, which later become discretionary income for the First Nation once the loan is paid off. Developed as a partnership between the [Tale'awtxw Aboriginal Capital Corporation](#) (TACC) and [Tribal Resources Investment Corporation](#) (TRICORP), initially managed by Ecotrust Canada Capital, a wholly owned subsidiary corporation of [Ecotrust Canada](#).

<sup>99</sup> Lumos Energy Advisors. Powering Reconciliation: A Survey of Indigenous Participation in Canada's Growing Clean Energy Economy. October 2017. <http://indigenouscleanenergy.com/wp-content/uploads/2017/10/Powering-Reconciliation-A-Survey-of-Indigenous-Participation-in-Canadas-Growing-Clean-Energy-Economy.pdf>

<sup>100</sup> Ibid.

<sup>101</sup> GIIN, JP Morgan (2016). Annual Impact Investor Survey. [https://theqiin.org/assets/2016%20GIIN%20Annual%20Impact%20Investor%20Survey\\_Web.pdf](https://theqiin.org/assets/2016%20GIIN%20Annual%20Impact%20Investor%20Survey_Web.pdf)

<sup>102</sup> RBC (2015). 2015 RBC Aboriginal Partnerships Report

<sup>103</sup> Six Nations of the Grand River Development Corporation. <http://sndevcorp.ca/nation-enterprise/>

The First Nation Regeneration Fund supported projects that minimized environmental impacts and maximized socio-economic benefits to local First Nations. Projects included Atlin Xeitl Hydro, owned and operated by the Taku River Tlingit First Nation, Kwoiek Hydro with the Kanaka Bar Indian Band, and Sakwi Creek Power with the Sts'ailes.

**Profile: [20/20 Catalysts Program](#)**

**Type of Impact Capital:** NA – advisory services

The 20/20 Catalysts program is a unique mentorship program premised on enabling Indigenous communities across Canada to partner in and take ownership of renewable energy projects. Highlighting over 80 Indigenous clean energy projects across Canada, the program seeks to leverage existing experience to build the relationships and knowledge transfer for more projects to launch. Designed as a partnership between Lumos Energy Advisors, a clean energy advisory firm headed by Chris Henderson, and the Indigenous Human Resources Council, the program recruits 20 Indigenous participants per year. These “Catalysts” are intended to be a central community resource for advancing clean energy project development, and their capabilities are built over the three-month program through direct mentorship and engagement with Indigenous leaders who have developed clean energy projects along with a supporting community of technical practitioners.

## 5.3 HOUSING



Availability and quality of housing for on-reserve Indigenous peoples has long been an area of great need and political attention. According to the 2016 census data, 19.4% of all Indigenous households<sup>104</sup> live in a home in need of major repair, while 6.0% of the non-Indigenous population lives in similar conditions. While this number has dropped by almost 50% from the previous decade, on reserve houses in need of major repair worsened slightly and sits at 24.2%.<sup>105</sup> Furthermore, the increasing Indigenous population in urban areas puts growing pressures on already strained social housing infrastructure. This is evident in the disproportionately high homelessness rate among Indigenous Peoples, where 1 in 15 Indigenous people in urban centres experience homelessness as compared to 1 in 128 for non-Indigenous people.<sup>106</sup>

### Defining the Sector

In Canada, Indigenous housing is divided between on-reserve and off-reserve housing.<sup>107</sup> The Assembly of First Nations' Director of Housing states that there are approximately 80,000<sup>108</sup> on-reserve housing units across southern Canada alone, with a backlog of over 85,000 units still needing to be constructed to meet the current housing shortage on reserves. One of the main impediments to on-reserve housing is a lack of

<sup>104</sup> An Indigenous household is defined by CMHC as one of the following: a non-family household in which at least 50 percent of household members self-identified as Indigenous; or a family household that meets at least one of two criteria: at least one spouse, common-law partner, or lone-parent self-identified as an Indigenous; or at least 50 percent of household members self-identified as Indigenous.

<sup>105</sup> Statistics Canada (2016). The housing conditions of Aboriginal people in Canada. <http://www12.statcan.gc.ca/census-recensement/2016/as-sa/98-200-x/2016021/98-200-x2016021-eng.cfm>

<sup>106</sup> Patrick, Caryl. (2014). *Aboriginal Homelessness in Canada: A Literature Review*. Toronto: Canadian Homelessness Research Network Press

<sup>107</sup> Canadian Aboriginal AIDS Network (2010). *Aboriginal Housing in Canada: An Informal Discussion Paper* Retrieved from: [http://caan.ca/wp-content/uploads/2012/05/CAAN\\_Aboriginal-housing-in-Canada\\_2010.pdf](http://caan.ca/wp-content/uploads/2012/05/CAAN_Aboriginal-housing-in-Canada_2010.pdf)

<sup>108</sup> David Akin. (2016). Ottawa makes tiny dent in massive demand for First Nations housing. <http://nationalpost.com/news/politics/ottawa-makes-tiny-dent-in-daunting-demand-for-first-nations-housing>

access to financing due to provisions in the *Indian Act*, which limit seizure of property on-reserve, a key barrier toward securing mortgage financing.

Housing literature reveals that Indigenous peoples do not participate in the housing market on equal footing with the rest of Canadians, as the government-imposed reserve system limits their ability to obtain mortgages or home improvement loans.<sup>109</sup> Recent introductions of On-Reserve Housing Loan programs and funds, from both private and public-sector initiatives have demonstrated success in helping to address issues of on-reserve housing. However, tackling the unique social and economic challenges faced by the larger, urban Indigenous population currently living off-reserve remains an area requiring considerable additional investment.

### **Market Opportunity**

The market demand for Indigenous housing is increasing in off-reserve areas and urban centers. In this scenario, Indigenous peoples may face economic and racial discrimination in securing adequate and affordable housing, especially if they are competing against non-Indigenous people for the same, depleting social housing stock.<sup>110</sup> For example, Indigenous people moving from life on-reserve face major adjustments and may require culturally sensitive programming and service delivery methods to facilitate successful transitions to off-reserve living. Additionally, a selection processes that includes credit history checks to access rent-to-own housing may exclude Indigenous people that a lack credit history.<sup>111</sup>

Therefore, given the concentration of Indigenous housing needs within urban areas, the impact investment opportunity for Indigenous housing is deeply connected to the overall gaps that exist in traditional social housing. However, when considering investments that increase the quality or quantity of housing, there is a need to layer in complimentary services (e.g. screening processes, outreach and navigation of services, mortgage financing etc.) that are culturally appropriate to the Indigenous community.

### **Key Trends**

Recent trends in Indigenous housing have been focused on creating solutions to circumvent barriers to on-reserve housing. For example, the emergence of On-Reserve Housing Loan Programs offered by major banks represents a growing trend amongst private sector institutions partnering directly with First Nations leaders and band councils. In this program, qualified band councils guarantee loans provided for mortgages, new construction, major renovations and home purchases, which represent a more streamlined process than an application to the pre-existing Ministerial Loan Guarantee program. The success of On Reserve Housing Loan Programs have resulted in increases to authorized credit amounts<sup>112</sup> and paved the way for more innovative public-private partnerships such as RBC's Leasehold Mortgage Program introduced in 2009.<sup>113</sup>

The First Nations Market Housing Fund is another similar model that was introduced by the federal government in 2007 with an initial capital allocation of \$300M. In addition to First Nations guaranteeing loans offered by lending institutions, the FNMHF also provides partial financial backing to the lending institution, as well as a second guarantee if the First Nation does not honor theirs. By 2017 the FNMHF had grown to 17 lending partners, which includes 13 credit unions, two-Indigenous specific financial institutions and two of the 'Big Five' Canadian banks.

<sup>109</sup> Patrick, Caryl. (2014). *Aboriginal Homelessness in Canada: A Literature Review*. Toronto: Canadian Homelessness Research Network Press

<sup>110</sup> Ibid.

<sup>111</sup> Ibid.

<sup>112</sup> See RBC example whereby their Loan Fund increased from \$8M to \$130M in the last 2 decades.

<sup>113</sup> RBC. (2009). RBC first to offer unique mortgage program to First Nations members. <http://www.rbc.com/newsroom/2009/0513-firstnations.html>

**Profile: Douglas Cardinal Housing Corporation****Type of Impact Capital:** Loan, mortgage-like financing; housing design

Douglas Cardinal Housing Corporation (DCHC) is a collaboration between Douglas Cardinal, a renowned Anishinabe architect and The Usand Group, a company specializing in Indigenous financing. DCHC works with Indigenous communities to design homes that are durable, sustainable, energy efficient, built to withstand extreme climates and culturally-appropriate for the community. The Usand Group then works with the community to secure appropriate financing for the projects. Douglas Cardinal created DCHC specifically to target the housing crisis and the firm believes that their homes can help break the cycle by building houses that are meant to be passed down to the next generation.

## 5.4 NATURAL RESOURCES



Given the significant land assets of many Indigenous communities, the most immediate opportunity for economic development is the utilization of natural resources. Driven by growing global awareness and standards around environmental conservation and sustainability, there may also be greater opportunities for marketable development which aligns with traditional Indigenous values around sustainable development.

### Defining the Sector

The natural resources sector includes many primary renewable and non-renewable assets that are derived from nature such as oil, gas, timber, and minerals mining. Indigenous communities control an estimated \$315 billion of potential natural resource wealth.<sup>114</sup>

### Market Opportunity

The natural resources industry is a dominate economic force in Canada. For example, forestry accounted for \$23.1 billion or 1.2% of Canada's GDP in 2016.<sup>115</sup> Mining accounted for a further \$56 billion (3.4%) and oil and gas extraction a further \$120.4 billion (7.3%).<sup>116</sup> Given the capital intensity of the sector, there are high barriers to entry for new businesses. However, there are significant supply chain opportunities where Indigenous people may take small roles, and seek to take more significant ownership in over time.

### Key Trends

Natural resource development has been visibly contentious for Indigenous communities, as it can put in sharp contrast choices between maintaining the natural environment and the demand for economic development and employment. Nonetheless, the engagement of Indigenous communities in the sector could serve as a catalyst for the adoption of more stringent standards around conservation and sustainability. Increasingly, major resource developers are looking to better support Indigenous engagement in their value chain.<sup>117</sup>

<sup>114</sup> Government of Canada; Indigenous and Northern Affairs Canada; Communications Branch (2009). "Federal Framework for Aboriginal Economic Development," fact sheet; policy; reference material; report. <https://www.aadnc-aandc.gc.ca/eng/1100100033501/1100100033522>.

<sup>115</sup> Indicator: Gross domestic product. <http://www.nrcan.gc.ca/node/16556>. Accessed November 1· 2017.

<sup>116</sup> Brendan Marshall (2016). Facts and Figures of the Canadian Mining Industry. <http://mining.ca/sites/default/files/documents/Facts-and-Figures-2016.pdf>

<sup>117</sup> Laurie Sterritt (2016). Social Finance in the Indigenous Context.

Concurrently, there is increasing attention being paid to how Indigenous communities can participate as owners in projects, taking equity stakes where before they may have negotiated an impact benefit agreement. For example, the recently finalized Great Bear Rainforest agreement has extended more timber rights to BC's First Nations.<sup>118</sup> Initiatives, such as the First Nations Major Projects Coalition, are advocating for loan guarantees to provide Indigenous communities access to capital markets when significant resource developments become available.<sup>119</sup>

**Profile: [Coast Tsimshian Resources](#)**

**Type of Impact Capital:** Loan

Coast Tsimshian Resources is a forestry company owned by the Lax Kw'alaams First Nation which operates in North West British Columbia with a woodland holding of 550,000 square meters, near Prince Rupert. Initiated in 2007 through the acquisition of a bankrupt forestry company with financing from BMO<sup>120</sup>, Tsimshian Resources was the band's first major entry into private enterprise. Since then, the forestry company has served as a key part in a growing portfolio of nine businesses operated by the Lax Kw'alaams Group that generated nearly \$200 million in 2014, including a fishery plant expanded with an additional \$13 million in financing from BMO. Tsimshian Resources serves as a strong example of how a major development can create the conditions for more diverse and sustained community enterprise, and how tighter relationships between a community and a lending institution develop over time.<sup>121</sup>

---

<sup>118</sup> Justine Hunter (2016). Final Agreement Reached to Protect B.C.'s Great Bear Rainforest. *The Globe and Mail*. <https://www.theglobeandmail.com/news/british-columbia/final-agreement-reached-to-protect-bcs-great-bear-rainforest/article28475362/>

<sup>119</sup> Peter O'Neil (2016). B.C. Proposal Aims to Have First Nations Own Chunks of Major Projects. *Vancouver Sun*. <http://www.vancouversun.com/business/proposal+aims+have+first+nations+chunks+major+projects/11662706/story.html>.

<sup>120</sup> Public Policy Forum (2016). Improving access to capital for Canada's First Nations communities. [http://www.ppforum.ca/sites/default/files/First%20Nation\\_02-17\\_website\\_final.pdf](http://www.ppforum.ca/sites/default/files/First%20Nation_02-17_website_final.pdf)

<sup>121</sup> BMO Financial Group (2014). Corporate Social Responsibility Report. [https://www.bmo.com/cr/images/BMO\\_CR2014en.pdf](https://www.bmo.com/cr/images/BMO_CR2014en.pdf).

## 6.0 SUMMARY

### 6.1 INSIGHTS

Our research demonstrates that impact investing in Indigenous communities is at a very early stage, but is gaining traction within some industry-specific opportunities. There is strong unrealized potential for impact investing to develop new investment markets that are aligned with Indigenous values. This can increase the supply of capital to meeting social, environmental and economic demand within Indigenous communities. Leadership, both in Indigenous communities and the private sector, with enabling support from government, is required to advance this marketplace. This can be made possible through increased collaboration across public, private, and social sectors to realize consensus and develop the trust that is essential for successful market development and execution.

In this section, we present a summary of our findings and an analysis of needs by the various actors. We also present a set of recommendations that can enhance the activity and leadership around impact investing in Indigenous communities in the coming years, reinforcing the examples shared throughout this report.

#### 6.1.1 SUPPLY-SIDE

The level of activity in Indigenous impact investing varies across different types of institutions.

Organization type	Insights
Aboriginal Financial institutions	Aboriginal Financial Institutions are active impact investors, but generally do not describe their work this way. Their ability to raise significant private capital varies. Further work is necessary to identify those best positioned to leverage private capital and create the successful precedents for broader network participation.
Credit unions	While growing lending activity is occurring with on-reserve Indigenous communities, credit unions are the most likely to include this work as part of their impact and community lending.
Chartered banks	Chartered banks are providing some of the largest financial capital, but there are significant divisions between the retail lending managers that face Indigenous communities and the capital markets teams that make larger lending decisions in high-impact sectors including clean energy and infrastructure.
Foundations & HNWI	Foundations have significantly increased their impact investing mandates, however, neither they, High Net Worth Individuals, nor pension funds are very actively investing in Indigenous communities, with most engagement still philanthropic.

**Urban vs. remote divide:** Of the existing activity, we have observed a large discrepancy between investment in urban Indigenous communities and remote communities. This is partly due to the small size of the remote communities, reducing the perceived market potential for investors.

**\$13 billion opportunity:** With an expected additional \$13 billion in new capital accessible to Indigenous communities through ongoing land settlements, this represents a great opportunity for additional capital to be purposed for Indigenous community and economic development. There are, however, hurdles to ensuring this capital is invested in alignment with Indigenous values.

**Sophisticated financial barriers:** Part of the challenge is that investing capital in Indigenous communities is sophisticated, similar to investing in frontier markets internationally. A broad range of financial mechanisms are required for projects with varying levels of maturity. For example, financing an energy project with proven technologies requires different financial engineering compared to an innovative housing project in a remote community.

The likelihood of developing highly replicable products that could be scaled to many communities is relatively low. Instead, there are greater opportunities for flexible funds that are driven by investment themes around specific sector needs and challenges faced in common by Indigenous communities. Nonetheless, increasing financial standards and intermediary bodies such as the First Nations Finance Authority will likely see more financially sophisticated communities able to issue new products in the next few years.

**Need for Intermediaries:** Additionally, investors lacking exposure to Indigenous communities may feel uncertainty when engaging with them. This points to the need for strong intermediaries that can effectively manage expectations and relationships.

## 6.1.2 INTERMEDIARIES

**Increased trust needed:** For intermediaries, the significant diversity in communities means that the scalable commercial opportunity to serve Indigenous communities is reduced by high “soft” costs and uncertainty when a new community is engaged. One of the largest barriers to greater activity is trust and human factors, and there are significant opportunities for more regular convening to build these necessary long-term relationships

**Closing the divide through trusted relationships:** There is a high need for trusted brokers to close the distance between on the ground realities and investor access, given a sense of visible failure and perceived inefficiency of what has been delivered through publicly managed economic development programs.

## 6.1.3 DEMAND-SIDE

**Balancing demand and supply:** The greatest attention needs to be given to supporting the development of investment-ready opportunities. As the impact investment market continues to grow, investors are more actively seeking opportunities, and more early precedents will pull impact investors forward.

**Four leading sectors:** Most of the opportunities for meaningful policy and programmatic effort are driven by sector themes. The sectors where there is a strong alignment of interest and initial activity that can be cultivated are in Agriculture and Fisheries, Clean Energy, Housing, and Natural Resources. Each of these sectors has a critical mass of either multilateral organizations, existing precedents and experienced practitioners, or strong and proven business models that can enable targeted intervention and the growth of investment opportunity

## 6.2 RECOMMENDATIONS

### 6.2.1 SUPPLY-SIDE ORGANIZATIONS

#### **Indigenous Trusts and Endowments: Evaluate portfolio asset allocation**

Indigenous trusts play a major role in the economic and community development of their communities through their grant- and loan-making activities. There is, however, a significant amount of capital tied to their investment arms. With the goal of preserving and growing the capital base, many of the trusts' financial managers have focused investments in traditional markets with little consideration of social and environmental impacts. With a growing amount of empirical evidence showing responsible investment as a strategy that can realize market-rate returns, we recommend that Indigenous Trusts:

- Explore responsible investment methodologies such as positive and negative screening, ESG factor integration, and norms-based screening.
- Engage community members in the investment strategy design, creating opportunities for the trust's beneficiaries to dictate general guidelines for growing the trust's assets.
- Better integrate the grant-making and investment arms of the trusts, exposing to each other how grant decision-making integrates vision, mission, and values, and how investment teams must consider financial viability and feasibility.

#### **Asset Owners and Managers: Recognize your role as a catalyst**

Institutional asset owners can play an important role in showing their interest in impact investing, as well as creating conditions and incentives to do so in Indigenous communities. We recommend that asset owners and managers:

**Explore new capital sources while considering existing investments:** With an additional \$13 billion expected to materialize from land settlements, explore potential partnerships to align the capital with the communities' needs. However, recent events, like Indigenous Climate Action's rejection of a \$150,000 award due to the grantor's misaligned investments, suggest that providing investment capital is not enough. Consider how your asset allocation aligns with the Indigenous community:

- Assess the feasibility of tapping into existing Aboriginal financial institutions and financial institution infrastructure to provide greater access to capital to Indigenous communities.
- Revisit the concept of fiduciary responsibility in Indigenous Trusts when evaluating the assets currently being deployed.

**Increase learning opportunities:** A major hurdle for other investors to participate in this sector is a lack of exposure to issues surrounding Indigenous communities. Sharing lessons of success and failure can propel Indigenous impact investment activity forwards:

- Find opportunities to expand your network toward the Indigenous communities. Events such as the Indigenous Innovation Summit bring together a plurality of perspectives.
- Openly share precedents of investments in Indigenous communities to help raise awareness among other investors.

#### **FOUNDATIONS: Act as an entry point for investors**

Public, private and community foundations have begun to more actively engage with Indigenous communities as donors. There remains, however, hesitance to engage more heavily in this sector, perhaps due to lack of exposure to Indigenous issues and communities. For foundations, there is a strong opportunity to develop a pipeline of both Indigenous investees *and* investors. We recommend that foundations:



- Continue to engage with networks such as the Circle on Aboriginal Philanthropy to build trust and mutual understanding with these communities.
- Consider where your philanthropy can have a highly developmental role given the early stage of this market.
- Work with other impact investors to build a pipeline of compelling impact investing opportunities across Indigenous-facing sectors and geographies.

## 6.2.2 INTERMEDIARIES

### Policymakers & Government

**The government should adopt an ecosystem approach and mechanisms should be targeted at the problem they are intended to solve.**

- Given the relatively high barriers to capital market participation in Indigenous communities, it is important to adopt an ecosystem approach, meaning that all dimensions of the social finance market - demand, supply and intermediation - are supported. At the same time, it is important that any supported social finance mechanisms are independently designed to target specific social or environmental objectives.<sup>122</sup>
- Recognize that social finance models for Indigenous communities require a long-term strategy: While there are positive examples of investment happening today, growth will take time. Social finance is about more than leveraging private finance for the public good, and in the case of Indigenous communities presents an opportunity to develop market activity in a framework that is aligned with Indigenous values of stewardship and responsibility. However, investment in Indigenous communities may feel like pioneering, and significant trust and relationships need to be built among investors and Indigenous communities
- Building capacity on the demand side in Indigenous communities is a top priority and should be the focus of ecosystem development efforts. This is especially relevant given the low levels of comfort among investors with investment in Indigenous communities. There are strong opportunities to support specialist impact investing intermediaries to engage with Indigenous communities within that developmental process to better establish track record and community-level trust.

**Adopt a combination of supports that are sector-targeted and meaningful to different actors**

- The enormous diversity of Indigenous communities, both in terms of capacity to manage external investment and governance structures, implies that more comprehensive solutions for impact investing are less applicable than more localized, sector targeted opportunities.
- Target high interest, high impact sectors and link to appropriate impact investment mechanism: Working with a range of key stakeholders including multiple federal departments, map the high-impact sectors where Indigenous communities are engaged to the social finance mechanisms available and be clear about where there are gaps. Sectors such as Fisheries, Clean Energy, and Natural Resources are “lower hanging fruit”, and providing meaningful support here is more important than addressing every sector.

<sup>122</sup> Ben Thornley, David Wood, Katie Grace, Sarah Sullivant. (2011). Impact Investing: A Framework for Policy Design and Analysis. Pacific Community Ventures. [http://www.pacificcommunityventures.org/wp-content/uploads/sites/6/2015/07/Impact\\_Investing\\_Policy\\_Full\\_Report.pdf](http://www.pacificcommunityventures.org/wp-content/uploads/sites/6/2015/07/Impact_Investing_Policy_Full_Report.pdf)

- Consider using mechanisms like first-loss capital to leverage private sector investments: As the market develops, policymakers should consider how additional supply-side capital could be leveraged through the provision of first-loss capital to reduce risks to investors. Existing developmental lenders, such as the AFIs are the best positioned to become partners in this approach.

**Uncertainty makes it difficult for investors to form expectations, and for social sector organizations to plan over the long-term, so ensure transparency and clarity in objectives and commitment.**

- Make a clear commitment to social finance: Investors value predictability that comes with commitment. While community conditions imply the need for more tailored, sector-focused interventions, communicating these as tools within a consistent strategy is necessary.
- Many investors feel that Indigenous communities pose new uncertainties given their political cycles and decision-making structures. To ensure that support doesn't create even greater uncertainty Government commitment to a social finance policy should be matched in duration and resources.<sup>123</sup> Clear objectives are also important for addressing the effects of government intervention in the market<sup>124</sup> Government should communicate that, once a track record for the investment types has been established, it will reduce the scope of its intervention and allow for the market to take over.<sup>125</sup>
- Be transparent and clear about expectations of a social finance approach: Many communities are reluctant to develop their resources if it will negatively impact their lands. Consistent messaging about the intended role of impact investing to support values-aligned market activity, honest recognition of the limitations of social finance, and implications for current funding arrangements could go a long way to ease these concerns.

**Intermediaries and Enablers: Bridge investors with Indigenous communities.**

While there are not many intermediary organizations in the Indigenous impact investing marketplace today, their eventual emergence will be vital to support the growth of this market. To enhance their engagement, we recommend that they:

- Continue to partner with Indigenous leaders to foster greater peer-to-peer learning and development. Developing expertise in managing relationships can help direct additional investment capital towards Indigenous communities.
- Find opportunities to partner with existing capacity development and investment readiness supports (such as ASET agreement holders and the ACFDCs) to better strengthen the quality of the investment pipeline, and build more trust and expertise regarding these communities.

### 6.2.3 DEMAND-SIDE ORGANIZATIONS

**Indigenous Entrepreneurs: Continue developing investment-ready enterprises**

Indigenous business owners and leaders are finding some success in running profitable enterprises, but do not have the same access to capital as their non-Indigenous peers. We recommend that entrepreneurs:

<sup>123</sup> Ibid.

<sup>124</sup> Global Impact Investing Network (2013). Catalytic First-Loss Capital.

<https://theqiin.org/assets/documents/pub/CatalyticFirstLossCapital.pdf>.

<sup>125</sup> Boston Consulting Group (2014). Ready, Willing and Able. A Review of the Investment and Contract Readiness Fund. <http://www.sibgroup.org.uk/beinvestmentready/review/>; Global Impact Investing Network, "Catalytic First-Loss Capital."

- Showcase successful business models that embed social or environmental considerations in their community or industry, particularly those that counter the perceived trade-off between development and environmental stewardship.
- Be willing to partner with non-Indigenous companies and managers to develop internal capacity. In the short-term though, models such as social franchising could be used.
- Look for opportunities, such as the Catalysts 20/20 program, that enable mentoring from peer Indigenous communities that have successfully engaged in new business models.

### **Indigenous Serving Organizations: Increase organizational capacity of grassroots and established initiatives**

Leaders of Indigenous sector organizations are taking notice of the opportunities that impact investing and social innovation provide, and are building their knowledge and expertise around how to best harness impact investing. We recommend that non-profit and charitable organizations:

- Continue to convene and engage with cross-sector initiatives such as ABSI Connect and the Indigenous Innovation summit to build a relationship with more diverse stakeholders.
- Promote opportunities for nation-to-nation collaborations and investment opportunities, particularly leveraging opportunities for more reciprocal economic development between communities that are land and/or asset rich.
- Continue to strengthen your organizational capacity to adopt innovative approaches to service delivery, such as outcome-based approaches that have strong mission alignment.
- Look for learning opportunities from other communities globally that have successfully deployed services to remote communities in other regions of the world.

## 6.3 CONCLUSION

While investing in Indigenous communities remains a relatively small segment of the overall social finance sector, recent developments are encouraging in terms of creating more consistent legislative and financial conditions, more product structuring, and the promise of greater connections between Indigenous and non-Indigenous communities. Our analysis of current activity highlights significant opportunity for further growth in impact investing in Indigenous communities, which can be used to develop greater economic activity in multiple sectors and in a framework aligned with Indigenous values.

Looking forward, we see significant developmental opportunities for the public, private, and non-profit sectors. Governments must use a combination of mechanisms that are targeted at different market actors to develop the social finance marketplace. This is as true for Indigenous communities as any for any other population. Consistent leadership and patience are required to catalyze the growth of impact investing in Indigenous communities, but the results can be inspirational. Across the country, community and private sector leaders have created early examples of a new model of Indigenous development centered on local enterprise, and there is now the opportunity to leverage these precedents as a new partnership with Indigenous communities begins to unfold.

## 7.0 APPENDICES

### APPENDIX A: GLOSSARY

**Blended value:** The idea that economic, social and environmental value can be created in the same transactions

**B Corporation:** A certified business that meets standards of social and environmental performance, accountability and transparency, as governed by B Lab

**Blended-financing model:** Transactions that combine both public, philanthropic and private capital investment

**Environment, Social and Governance (ESG):** factors are the common framework through which non-financial parameters are considered in investment risk management

**Finance-first investors:** Investors who prioritize a financial return over a desirable social or environmental objective(s), such as commercial investors seeking close-to-market-rate returns with an intended social or environmental good

**Impact-first investors:** Investors who target social or environmental good as their primary objective. May allow a lower-than-market rate return in order to reach tougher social or environmental objective.

**Impact investing:** An impact investment is an investment in a project, business or financial vehicle with the explicit intention to create a positive impact and generate a financial return. Impact investors seek to move beyond “doing no harm,” and toward intentionally deploying capital in businesses and projects that can provide solutions to social and environmental problems.

**Indigenous Market:** The marketplace formed by Indigenous communities purchasing power and economic activity.

**Mission-related investing:** Mission investments seek opportunities to align a foundation’s financial investments with the mission of the organization, while maintaining long-term targeted financial returns.

**Patient capital:** Allows for a long-term investment that may include flexible terms.

**Shared value:** According to the Harvard Business Review, “The concept of shared value can be defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates.”<sup>126</sup>

**Social enterprise:** Organizations that employ commercial strategies to accomplish a social or environmental mission rather than focusing on maximizing profits for shareholders. Social enterprises different are intentionally structured to seek social or environmental value as a primary goal. Like conventional enterprises, social enterprises can provide goods or services (or both), and can operate in any number of sectors. They also take a variety of forms: they can be structured as a for-profit or non-profit organization, a co-operative, a mutual organization or a social business. When structured as part of a not-for-profit organization, social enterprises can provide an alternative source of revenue to fulfill and expand their parent organization’s mandate.

**Social finance:** A broad approach to finance that includes investment strategies such as responsible investing, socially responsible investing, community investing, microfinance, social enterprise lending, venture philanthropy and impact investing.

**United Nations Principles of Responsible Investment (UNPRI):** This initiative is an international network of partners that have committed to six principles of responsible investment related to the incorporation of ESG analysis into investment analysis and decision-making.

---

<sup>126</sup> Porter, M. E., & Kramer, M. (2011). Creating Shared Value. Harvard Business Review. Retrieved from <http://hbr.org/2011/01/the-big-idea-creating-shared-value>

## APPENDIX B: SOCIAL FINANCE AND IMPACT INVESTING DEFINED

### Social Finance Defined

The Canadian Social Finance Task Force (2010) define “social finance” as “the array of instruments made available for investments that produce a “combination of net, measurable financial, social, and/or environmental benefit”. Using this definition, social finance can be represented by a continuum of investment approaches that includes responsible investing, socially responsible investing, community investing, microfinance, social enterprise lending, venture philanthropy and impact investing<sup>127</sup>. The degree to which social and environmental impact is a primary value, as opposed to a secondary value in relation to financial returns, distinguishes these strategies.

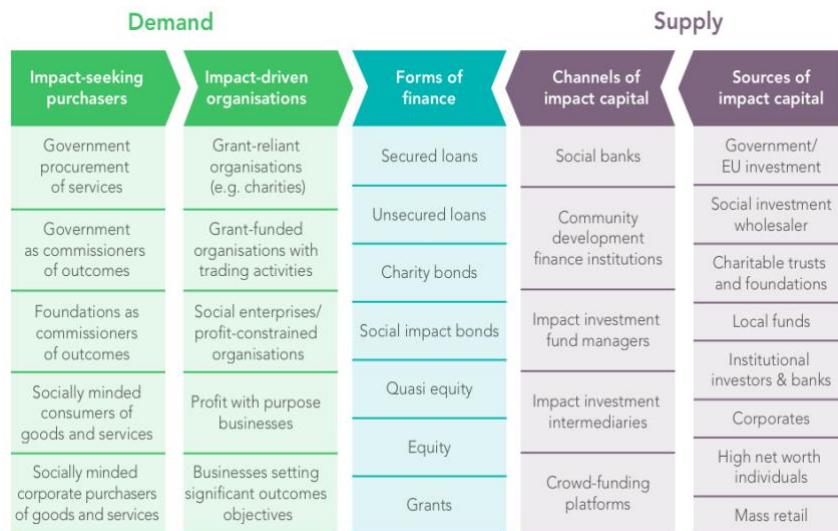
### Impact Investing Defined

Impact investment is differentiated from traditional investment by:

1. **Investor intention:** Investors seek to allocate capital (debt, equity or hybrid forms) to investments where they expect both to receive a financial return (ranging from return of principal to market-beating returns) and a defined societal impact.
2. **Investee intention:** Business models for investees (whether they are for-profit or non-profit enterprises, funds or other financial vehicles) are intentionally constructed to seek financial and social value.
3. **Impact measurement:** Investors and investees are able to demonstrate how these stated intentions translate into measureable social impact.

Impact Investing is a market ecosystem, and represents the range of capital supplying, capital demanding, and connecting products. As the figure below illustrates, impact investing is not one product or one thing, but a category of activities. It therefore captures a variety of tools, and a variety of profit motivations.

Source: Harji and Reynolds, “State of the Nation: Impact Investing in Canada.”



## APPENDIX C: ABORIGINAL FINANCIAL INSTITUTIONS

Source: <http://nacca.ca/aboriginal-financial-institutions/>

### ALBERTA (5)

Alberta Indian Investment Corporation (AIIC)	Enoch
Apeetogosan (Métis) Development Inc. (AMDI)	Edmonton
Community Futures Treaty Seven (CFT7)	Calgary
Indian Business Corporation (IBC)	Calgary
Settlement Investment Corporation (SIC)	Edmonton

### BRITISH COLUMBIA (10)

Aboriginal Business and Community Development Centre	Prince George
All Nations Trust Company (ANTCO)	Kamloops
Burns Lake Native Development Corporation (BLNDC)	Burns Lake
CFDC of Central Interior First Nations	Kamloops
Haida Gwaii Community Futures	Masset
Native Fishing Association (NFA)	West Vancouver
Nuu-chah-nulth Economic Development Corporation (NEDC)	Port Alberni
Stó:lō Community Futures Corporation (SCF)	Chilliwack
Tale'Awtxw Aboriginal Capital Corporation (TACC)	West Vancouver
Tribal Resources Investment Corporation (TRICORP)	Prince Rupert

### MANITOBA (11)

Arctic Co-operative Development Fund (ACDF)	Winnipeg
Cedar Lake Community Futures Development Corporation	The Pas
Community Futures North Central Development (CFNCD)	Thompson
Dakota Ojibway Community Futures Development Corporation (DOCFDC)	Headingley
First Peoples Economic Growth Fund Inc. (FPEGF)	Winnipeg
Kitayan Community Futures Development Corporation	Winnipeg
Metis Economic Development Fund (MEDF)	Winnipeg
Louis Riel Capital Corporation (LRCC)	Winnipeg
Northwest Community Futures Development Corporation	Lynn Lake
Southeast Community Futures Development Corporation	Winnipeg
Tribal Wi-Chi-Way-Win Capital Corporation (TWCC)	Winnipeg

### NORTHWEST TERRITORIES (6)

Akaiicho Business Development Corporation (ABDC)	Yellowknife
Deh Cho Business Development Centre (DCBDC)	Fort Simpson
Dogrib Area Community Futures (1-800-464-2923)	Wha Ti
NWT Métis-Dene Development Fund (MDDF)	Yellowknife
Sahtu Business Development Centre (1-800-464-2923)	Norman Wells
Thebacha Business Development Services (TBDS)	Fort Smith

### NOVA SCOTIA (1)

Ulnooew Development Group Inc. (serving all Atlantic provinces)	Truro
---	-------

**NUNAVUT (5)**

Atuqtuarvik Corporation	Rankin Inlet
Baffin Business Development Corporation (BBDC)	Iqaluit
Kakivak Association	Iqaluit
Kitikmeot Community Futures Inc. (KCFI)	Cambridge Bay
Kivalliq Business Development Centre	Rankin Inlet

**ONTARIO (8)**

Indian Agricultural Program of Ontario (IAPO)	Stirling
Métis Voyageur Development Fund Inc. (MVDF)	Ottawa
Nishnawbe Aski Development Fund (NADF)	Fort William First Nation
Rainy Lake Tribal Area Business & Financial Services Corporation	Fort Frances
Tecumseh Community Development Corporation (TCDC)	Sarnia
Two Rivers Community Development Centre	Ohsweken
Wakenagun Community Futures Development Corporation	Moose Factory
Waubetek Business Development Corporation	Birch Island

**QUEBEC (5)**

Corporation de développement économique montagnaise (CDEM)	Sept-Îles
Eeyou Economic Group / CFDC Inc. (EEG)	Waswanipi
Nunavik Investment Corporation (1-819-964-0227)	Kuujuaq
Société de crédit commercial autochtone (SOCCA)	Wendake
Tewatohnhi'saktha Business Loan Fund	Kahnawake

**SASKATCHEWAN (6)**

Beaver River Community Futures Development Corporation (BRCFDC)	Meadow Lake
Clarence Campeau Development Fund (CCDF)	Saskatoon
Northern Enterprise Fund Inc. (NEFI)	Saskatchewan
Saskatchewan Indian Equity Foundation Inc. (SIEF)	Asimakaniseekan Askiy Reserve
SaskMétis Economic Development Corporation (SMEDCO)	Saskatoon
Visions North CFDC	LaRonge

**YUKON (1)**

dāna Nāye Ventures	Whitehorse
--------------------	------------

List retrieved December 2017



## APPENDIX D: DEMAND FOR CAPITAL – OTHER SECTORS

### FINANCIAL ACCESS



Where microfinance and inclusive banking are growing the market for financial services, Indigenous communities still face numerous barriers when it comes to accessing safe and affordable financial services. Nonetheless, as the Indigenous population continues its steady growth in Canada, with largely young and increasingly urban demographic, observers draw parallels between providing financial services to Indigenous populations in Canada and emerging international markets like China and India.

#### Defining the Sector

While the financial services sector is notable for its use of innovative tools to provide access to finance, the absence of mainstream financial services in many rural and remote communities, combined with the shift toward electronic banking, represent significant barriers for many Indigenous peoples. Some studies estimate that up to 15% of the Indigenous population is unbanked.<sup>128</sup> By contrast, recent growth in fringe financial institutions<sup>129</sup> (FFIs) has exploited the low financial literacy rates amongst Indigenous communities, where a recent study in British Columbia found that up to 60% of users of FFI's self-identified as Indigenous.<sup>130</sup> In urban centers, however, the situation is markedly different, where the rapid growth of a young Indigenous population represents a lucrative market for mainstream financial institutions that have seen considerable growth in recent years within their Indigenous banking portfolios.

#### Market Opportunity

A 2015 updated report from TD bank estimates the combined household, business and government income from Indigenous communities will have reached \$30-31 billion by 2016; larger than the nominal GDP of Newfoundland and Prince Edward Island combined.<sup>131</sup> A notable by-product of this growth, however, is a growing discomfort many Indigenous communities experience when entering mainstream financial institutions, which ultimately lead to increased reliance on FFIs.<sup>132</sup>

As a result, an emerging market opportunity exists around servicing what is known as the "precariously banked", a term used to describe regular users of mainstream financial institutions, albeit with precarious relationships, where they turn to FFIs in times of financial difficulty. This phenomenon has led the way for the development of Indigenous owned financial institutions such as the First Nations Bank of Canada, or Indigenous Financial Institutions, created "by Indigenous People, for Indigenous People."

#### Key Trends

Outside of individual banking needs, the rise of trust and investment services offered to First Nations communities or Band Councils represents a noteworthy trend seen within mainstream financial institutions that may directly impact the role of institutional impact investors. This trend is largely a result of recent legal

<sup>128</sup> Prosper Canada (2015) *Financial Literacy and Aboriginal Peoples*. Available via: <http://prospercanada.org/getattachment/08b6e9cb-8615-402b-88da-0e3f1388540e/Financial-Literacy-and-Aboriginal-Peoples.aspx>

<sup>129</sup> Those offering financial services such as cheque cashing, payday loans, and income tax refund anticipation loans at rates of interest much higher than those offered by mainstream financial institutions or credit unions.

<sup>130</sup> Bowles, P., Dempsey, K., & Shaw, T. (2010). Fringe Financial Institutions, the Unbanked, and the Precariously Banked: Survey Results from Prince George, B.C. Retrieved from [http://www.nccah-ccnsa.ca/docs/nccah\\_partner\\_documents/ABDCReportOct15.pdf](http://www.nccah-ccnsa.ca/docs/nccah_partner_documents/ABDCReportOct15.pdf)

<sup>131</sup> Gulati, S and Burleton, D. The Long and Winding Road Towards Aboriginal Economic Prosperity. TD Economic, 2015.

<https://www.ccab.com/wp-content/uploads/2016/11/TD-AboriginalEconomicProsperity.pdf>

<sup>132</sup> Prosper Canada (2015) *Financial Literacy and Aboriginal Peoples*. Available via: <http://prospercanada.org/getattachment/08b6e9cb-8615-402b-88da-0e3f1388540e/Financial-Literacy-and-Aboriginal-Peoples.aspx>

decisions that give band councils more control and economic interest in resource development; resulting in potentially billions of dollars in land claim settlements that will require professional management<sup>133</sup> as well as the ability to engage in, and finance, larger and longer-term infrastructure projects.

**Profile: [Indigena Solutions](#)**

**Type of Impact Capital: Venture Capital**

Indigena Solutions exemplifies how First Nations–driven businesses can attract investors to create impact. Based in Vancouver, BC, Indigena Solutions was founded in 2011 as a partnership between the Tsawwassen First Nation, Accenture and CAPE Fund L.P. As of June 2016, the firm was jointly owned by Talon-Sky Ventures (51%) and CAPE Fund (49%). Indigena opened its first delivery centre in July 2012, delivering IT and business support services at competitive prices. Indigena’s service offerings include application software maintenance; QA testing; contact centre; IT service desk/help desk; and back-office business process support. Indigena’s services and workforce model align with its belief in community transformation through jobs that allow people to live and work on or close to First Nations communities, while leveraging technology to enable First Nations socioeconomic development. In February 2017, Indigena partnered with Nimble Information Strategies to expand their operations nation-wide.

## EDUCATION



First Nation leadership across Canada recognizes the importance of education and is dedicated to ensuring that every First Nations child will be supported to succeed through culturally and linguistically appropriate education.<sup>134</sup> Education is considered one of the top priority areas with regards to combating the high rates of violence and crime affecting Indigenous youth today, as well as supporting a pipeline of skilled labor to meet Canada’s growing workforce needs.

### Defining the Sector

In 2016, there were a total of 448,573 Indigenous children aged 14 and under, and a further 282,869 aged 15-24. This is compared to 9.3 million of non-Indigenous youth in the same age categories.<sup>135</sup> Off reserve, provincial schools are attended by approximately 39%<sup>136</sup> of First Nations students with the remainder of Indigenous students attending elementary or secondary schools operated by First Nations on reserves across Canada.<sup>137</sup> The 2017 federal budget lifted the 2% cap on education programming and commits a historic \$3.7B to First Nations education over 5 years.<sup>138</sup>

<sup>133</sup> Barbara Schecter (2015) An 'emerging market' at home: Canada’s banks making a big push into aboriginal communities, Financial Post. Accessed via: <http://business.financialpost.com/news/fp-street/an-emerging-market-at-home-how-canadian-banks-are-making-a-big-push-into-aboriginal-banking>

<sup>134</sup> Assembly of First Nations 2013 Annual Report, *Education Jurisdiction and Governance*. Retrieved from:

<http://www.afn.ca/en/policy-areas/education>

<sup>135</sup> Census Profile, 2016 Census. <http://www12.statcan.gc.ca/census-recensement/2016/as-sa/fogs-spg/Facts-CAN-eng.cfm?Lang=Eng&GK=CAN&GC=01&TOPIC=9>

<sup>136</sup> INAC - Elementary and Secondary Education Program. <https://www.aadnc-aandc.gc.ca/eng/1450708959037/1450709026045>. Accessed November 19, 2017.

<sup>137</sup> Chief’s Assembly on Education (2012), *A Portrait of First Nations and Education*. Retrieved from:

[http://www.afn.ca/uploads/files/events/fact\\_sheet-ccoe-3.pdf](http://www.afn.ca/uploads/files/events/fact_sheet-ccoe-3.pdf)

<sup>138</sup> Assembly of First Nations – Federal Budget <http://www.afn.ca/policy-sectors/education/>. Accessed November 19, 2017.

At the post-secondary level, there are 60 First Nations owned and controlled post-secondary institutions which deliver preparatory programs, adult upgrading, trades and apprenticeship, certificate, diploma, degree and advanced degree programs to approximate 10,000 learners.<sup>139</sup>

### Market Opportunity

Education considerations are especially pronounced amongst Indigenous communities where the median age of the population is 26 years old.<sup>140</sup> This is more than 14 years younger than the median age of the population as a whole<sup>141</sup>, who also have high school graduation rates that are twice as high as those of Indigenous youth.

Funding has been identified as the main challenge faced by over 55% of First Nations schools, where the existing government formula does not cover education components such as technology, First Nations language immersion, sports and recreation, student data management systems or libraries.<sup>142</sup> The challenges around education for Indigenous students are further exacerbated by the linguistic and culturally appropriate nuances that are part of a holistic learning approach unique to the needs of First Nations.

### Key Trends

Studies have shown that involvement in extracurricular sports and activities has a direct and positive impact on the high-school graduation rates amongst both Indigenous males and females, where completion rate increased by 20% and 36%, respectively, following regular involvement in sports, arts or clubs.<sup>143</sup> As mentioned above, investments in recreation programs and technology are not included in federal funding budgets, yet any modern educational pedagogy would emphasize the role and positive impacts of these investments on learning outcomes.

Furthermore, when it comes to investment in post-secondary education, recent reports indicate that Indigenous women with post-secondary certificates, diplomas or degrees enjoyed higher rates of employment and earnings potential than their non-Indigenous counterparts.<sup>144</sup> These and related observations around the gender gaps between Indigenous men and women have resulted in increased attention to the need to create investment opportunities that target Indigenous women and girls.

Overall, impact investments that focus on Indigenous education are rare, but increased federal government commitment may draw attention to this sector and thus catalyze initiatives that would likely take the form of education loan programs or related human capital investments that finance post-secondary learning.

## HEALTH



Low Interest

Low Activity

<sup>139</sup> Chief's Assembly on Education (2012), *A Portrait of First Nations and Education*. Retrieved from: [http://www.afn.ca/uploads/files/events/fact\\_sheet-ccoe-3.pdf](http://www.afn.ca/uploads/files/events/fact_sheet-ccoe-3.pdf)

<sup>140</sup> Statistics Canada. Aboriginal Peoples in Canada: First Nations People, Métis and Inuit <http://www12.statcan.gc.ca/nhs-enm/2011/as-sa/99-011-x/99-011-x2011001-eng.cfm>, Census 2016

<sup>141</sup> Census Profile, 2016 Census. <http://www12.statcan.gc.ca/census-recensement/2016/dp-pd/prof/details/Page.cfm?Lang=E&Geo1=PR&Code1=35&Geo2=&Code2=&Data=Count&SearchText=Ontario&SearchType=Begins&SearchPR=01&B1=All&GeoLevel=PR&GeoCode=35>

<sup>142</sup> Statistics Canada. Aboriginal Peoples in Canada: First Nations People, Métis and Inuit <http://www12.statcan.gc.ca/nhs-enm/2011/as-sa/99-011-x/99-011-x2011001-eng.cfm>, Census 2016

<sup>143</sup> Paula Arriagada (May, 2015) Study: Participation in extracurricular activities and high school completion among off-reserve First Nations people. Available via: <http://www.statcan.gc.ca/pub/75-006-x/2015001/article/14175-eng.htm>

<sup>144</sup> Paula Arriagada (Feb, 2016) *First Nations, Metis and Inuit Women*. Available via: <http://www.statcan.gc.ca/pub/89-503-x/2015001/article/14313-eng.htm>

Impact investments in the Canadian health sector largely focus on innovations that yield better patient outcomes. Our government-funded health system has reduced the need for private capital to address issues of access. Within Indigenous communities however, health care challenges are reflective of the complex web of governance across federal, provincial, territorial, and First Nations and Inuit jurisdictions.

### Defining the Sector

Currently, understanding around Indigenous health faces serious limitations due to the lack of recent health research and data on Indigenous people. Much of the available research and data consider Indigenous peoples as a homogenous group and fail to consider varying social determinants of health between First Nations, Inuit and Métis; between urban and rural populations or between on-reserve and off reserve populations.

Furthermore, while provinces and territories deliver public health programs to all Canadians, including Indigenous people, they do not offer direct health services on reserve. Instead, the federal government funds primary care in 85 remote communities while offering other related services and prevention programs in over 600 communities. This leaves the First Nations and Inuit Health Branch (FNIHB) of Health Canada to support the Indigenous communities and the delivery of health services on reserve, in Inuit communities and in remote or isolated areas where no provincial services are readily available.<sup>145</sup>

### Market Opportunity

Indigenous populations are affected by major health problems at much higher rates than the non-Indigenous population, particularly in areas of maternal, fetal and infant health; child health; certain communicable and non-communicable diseases; mental health and wellness; violence, abuse and injury; and health impacts from environmental contamination.<sup>146</sup> Where impact investments in the health sector have previously occurred in the realm of venture capital and private equity, these opportunities were primarily focused on the commercialization of technology that can produce more effective outcomes for specific conditions. One opportunity lies in mobile health, so that Indigenous peoples in remote communities can access a broader range of specialized health care.

Instead, when it comes to improving outcomes in Indigenous health, opportunities for impact investment are much more limited due to the complexities that link health sector challenges with social determinants and infrastructure gaps that are unique to the Indigenous population.

### Key Trends

The issue of mental health amongst Canadian Indigenous communities is rapidly gaining attention both domestically and abroad, where suicide and self-inflicted injuries are the leading causes of death for First Nations youth and adults up to 44 years of age.<sup>147</sup> In the early months of 2016 alone, two First Nations communities declared states of emergency in response to alarming rates of suicide among their youth population.<sup>148</sup> This crisis has galvanized efforts to create culturally relevant approaches for suicide prevention and will see the increased role of new partners in helping to deliver these strategies.<sup>149</sup> "We don't need people to come into our communities and tell us what the solutions are, we have them," says North

<sup>145</sup> Health Canada (2012) First Nations and Inuit Health Strategic Plan. Available via: [http://www.hc-sc.gc.ca/fniah-spnia/alt\\_formats/pdf/pubs/strat-plan-2012/strat-plan-2012-eng.pdf](http://www.hc-sc.gc.ca/fniah-spnia/alt_formats/pdf/pubs/strat-plan-2012/strat-plan-2012-eng.pdf)

<sup>146</sup> National Collaborating Centre for Aboriginal Health (2013) *The State of Knowledge on Aboriginal Health (2013)*. Retrieved from: [http://www.nccah-ccnsa.ca/Publications/Lists/Publications/Attachments/52/SOK\\_report\\_EN\\_web.pdf](http://www.nccah-ccnsa.ca/Publications/Lists/Publications/Attachments/52/SOK_report_EN_web.pdf)

<sup>147</sup> Health Canada (2003), *Mental Health and Wellness*. Retrieved from: <http://www.hc-sc.gc.ca/fniah-spnia/promotion/mental/index-eng.php>

<sup>148</sup> <http://www.cbc.ca/news/aboriginal/poverty-inequality-fueling-suicide-crisis-1.3487028>

<sup>149</sup> Government of Nunavut (2016) *Resiliency Within; An action plan for suicide prevention in Nunavut 2016-2017*. Available for download: [http://gov.nu.ca/sites/default/files/resiliency\\_within\\_eng\\_0.pdf](http://gov.nu.ca/sites/default/files/resiliency_within_eng_0.pdf)

Wilson Grand Chief of Manitoba Keewatinowi Okimakanak in Manitoba. "We just need partners to help make them a reality."<sup>150</sup>

## NON-PROFITS & SOCIAL ENTERPRISES



Like the rest of Canada's social sector, Indigenous serving non-profits and social enterprises often face challenges in accessing conventional, sustainable and long-term financing. Impact investors can play an important role in unlocking capital for non-profits and social enterprises when they harness business models that align their missions and social impact with the capacity to generate financial returns.

### Defining the Sector

Canada's non-profit sector is substantial and one of the biggest in the world. There are estimated to be more than 170,000 non-profits in Canada, including more than 86,000 with charitable status.<sup>151</sup> These organizations collectively employ over 2 million people and engage 13 million volunteers.<sup>152</sup> The sector is diverse, ranging from arts and culture to health and social services. Within this sector, various non-profit social enterprises serve Indigenous communities as a target population.<sup>153</sup> The Canadian Social Enterprise Surveys conducted in 2014 found a wide range among respondents, with 41% of responding social enterprises in BC naming Indigenous peoples as a target group compared to 26% for all provinces as a whole.<sup>154</sup>

### Market Opportunity

The charitable and non-profit sector contributes 8.1% of Canadian GDP, and 2.4% when excluding universities and hospitals ("core non-profits"). In 2015, Canadian tax filers claimed \$9.1B billion in charitable donations. Further, 45.1% of core non-profit income comes from goods and services sales.<sup>155</sup> Nonetheless, non-profits and social enterprises have significant capital needs that are not being met. According to a 2015 survey in Ontario, between 2010 and 2012, 77% of social enterprises run as for profit entities name access to loan capital as a challenge.<sup>156</sup> While it is difficult to determine the capital demand of specifically Indigenous serving non-profits, it is notable that social enterprises serving more rural populations are less likely to break even, with the profit of urban Social Enterprises approximately 1.5 x higher than that of their rural counterparts.<sup>157</sup> This likely translates into greater difficulty in accessing capital.

### Key Trends

Across Canada, loans are the most common form of financing offered to non-profits<sup>158</sup>, with subordinate loans and equity most commonly offered to for-profit social businesses. Non-profits have often been

<sup>150</sup> Tim Fontain (March 2016) CBC News, Poverty, inequality fuelling suicide crisis. Available online: <http://www.cbc.ca/news/aboriginal/poverty-inequality-fueling-suicide-crisis-1.3487028>

<sup>151</sup> <http://pfc.ca/canadian-foundation-facts/>

<sup>152</sup> Imagine Canada, "Sector Impact | Sector Source," accessed March 25, 2016, <http://sectorsource.ca/research-and-impact/sector-impact>.

<sup>153</sup> Which within surveys are defined as incorporated enterprises controlled by a non-profit that sell a good or service in the market for the purpose of created a blended return on investment.

<sup>154</sup> Paul Chamberlain and Kelly Gillis, "Enterprising Change: Report of the 2015 Social Enterprise Survey for Ontario," 2015.

<sup>155</sup> Imagine Canada, "Sector Impact | Sector Source."

<sup>156</sup> Paul Chamberlain and Kelly Gillis, "Enterprising Change: Report of the 2015 Social Enterprise Survey for Ontario."

<sup>157</sup> Paul Chamberlain and Kelly Gillis, "Enterprising Change: Report of the 2015 Social Enterprise Survey for Ontario."

<sup>158</sup> Geobey, S., Westley, F., & Weber, O. (2011). Working Paper: Enabling Social Innovation through Developmental Impact Investing. *Social Innovation Generation and University of Waterloo*. Retrieved from <http://sig.uwaterloo.ca/sites/default/files/documents/Developmental Impact Investing - Geobey, Westley, Weber.pdf>

challenged to provide the collateral or stability of income that makes them more attractive to investors, and the most accessible market has tended to be in areas such as housing, where significant assets are being developed. Despite these challenges, leading players including Vancity, the Canadian Alternative Investment Cooperative (CAIC), and the Community Forward Fund are actively making investments in non-profits. Apart from Vancity, these groups aren't specifically targeting Indigenous organizations, but as activity grows in the Indigenous non-profit sector, there are more available partners. For example, in London Ontario, Community Forward Fund has provided a bridging loan to Four Feathers Housing Cooperative for the development of a 33-unit building that aims to provide affordable housing for Indigenous seniors. With recent events such as the Indigenous Innovation Summit directly engaging key Indigenous serving non-profits such as friendship centres, there are likely to be more opportunities for the Indigenous non-profit community to have visibility into social finance opportunities.

**Profile: [Ulnooweg Financial Education Centre \(UFEC\)](#)**

**Type of Impact Capital: Grant funding**

Founded in 2013 as a spin-off of Ulnooweg Development Corporation, UFEC is a charity that focuses on advancing education in Indigenous communities by teaching financial, accounting, and economic principles, while conducting assessments through the Community Financial Review Process that has been used at the local level since 2007 and conducted comprehensively with 7 Atlantic communities. Initially supported through a multi-year grant through to 2018 to better develop and test the Community Financial Review for scale-up to more communities outside of Atlantic Canada.<sup>159</sup> As an enterprising charity that may be able to achieve economies of scale and earn significant portions of its revenues through sales of service, UFEC may look to impact investors to help finance its intended growth.

---

<sup>159</sup> McConnell Family Foundation, "Ulnooweg Financial Education Centre (UFEC)," accessed March 25, 2016, <http://mcconnellfoundation.ca/en/granting/granting-database/grant/ulnooweg-financial-education-centre-ufec>.

## APPENDIX E: TYPES OF CAPITAL BY SECTOR

Sector	Sub Sector	Type	Example	Source of Funding	Type of Capital Received	Type of Capital Deployed	Project/Fund Size	Indigenous Component
Agriculture & Fisheries	Fisheries	Fund	Atlantic Integrated Commercial Fishery - Pilot Fund Proposal	Indigenous investors; Government of Canada	Equity investment	Debt financing	\$20M	All
	Agriculture	Project	T'sou-ke First Nations and Pacific Coast Wasabi	Nuu-chah-nulth Economic Development Corporation	Debt	N/A	\$0.175M	All
Renewable Energy	Hydro	Fund	First Nations Regeneration Fund	Tale'awtxw Aboriginal Capital Corporation (TACC); Tribal Resources Investment Corporation (TRICORP), Ecotrust, Government of Canada	Not Available	Debt to acquire equity	\$7M	All
		Project	Six Nations of the Grand River Renewable Wind Project	RBC			\$100M	\$10M
	Wind	Project	Huron-Wendat Riviere-du-Moulin Wind Farm	Desjardins, Industrial Alliance, Manulife, Fondation			\$900M	\$43.75M
		Project	Innu of Mashteuiatsh and Essipit First Nations Riviere-du-Moulin Wind Farm	Not Available	Debt to acquire equity	N/A	\$900M	\$43.75M
		Project	McLean's Mountain Wind Farm	TD			Not Available	\$20.1M
	Solar	Project	Six Nations Oneida Business Park Solar Project	Not Available			Not Available	Not Available
Housing	Housing & Community Buildings	Fund	First Nations Market Housing Fund	Government of Canada	Government	Loan Guarantees	\$300M	All
		Program	Douglas Cardinal Housing Corporation	Various lenders	Varied	Varied	Not Available	Not Available
		Product	Aboriginal Savings Corporation of Canada	Individual investors	Term Deposits		\$2M	All
	Residential	Program	First Nations Bank of Canada	N/A	N/A		\$86M	All
		Program	On-Reserve Housing Loan Program BMO			Mortgage-like financing	\$225M	All
		Program	On-Reserve Housing Loan Program CIBC	Internal allocation	N/A		Not Available	Not Available
		Program	On-Reserve Housing Loan Program RBC				\$132M	All
Natural Resources	Forestry	Project	Coast Tsimshian Resources	BMO, Lax Kw'alaams First Nation	Debt	N/A	Not Available	Not Available
Various	Various	Product	First Nations Finance Authority Debentures	Provincial pension funds, US Foundations, life insurance companies.	Public Debt	Varied	\$251M	All
		Fund	CAPE	Major banks, insurance companies, US foundations, other Canadian corporations.		Private Equity	\$50M	All
		Fund	First Nations Venture Capital Fund	Native Benefits Plan, SOCCA, CDEM, Fonds de Solidarite (FTQ), Desjardins.	Equity investment	Venture Capital	\$8M	All