Aboriginal Access to Capital in Western and Northern Canada: Issues, Obstacles, and Directions

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Executive Summary

This report provides an overview and analysis of Aboriginal access to capital issues with a particular focus on Western and Northern Canada. The report is divided into two sections: the first section is descriptive, providing an overview of access to capital issues and barriers and presenting a conceptual framework to help inform policy analysis and development. The second section is more prescriptive, suggesting several principles for orienting access to capital policy in Western and Northern Canada and concluding with a number of priority recommendations.

Improving access to capital for Aboriginal businesses and communities is critical for breaking the cycle of poverty, dependence, and underdevelopment among Aboriginal people. Toward this end, it is important to understand the pervasive and multifaceted nature of access to capital issues as they affect economic development.

There are three main components of access to capital: loans, equity, and investment. Drawing on these components, there are a wide range of access to capital instruments, all of which have been developed to meet the variety of business and economic development needs. One end of the spectrum consists of developmental instruments, for the early stages of business development. The other end of the spectrum consists of tools provided by the private sector for financing larger, established, commercial enterprises. Between these two is what can be described as government-assisted market instruments. While there has been significant effort and progress in making developmental instruments available to Aboriginal people, the more mainstream market instruments are still very difficult to access. Placing more effort in developing the mid-range, government-assisted instruments will help move Aboriginal business along this spectrum.

In describing the nature and pervasiveness of Aboriginal access to capital issues, it is also helpful to appreciate the range of economic development issues where access to capital plays a critical role. While this report is focused on business development, there are other layers of economic development that also require access to capital and will ultimately affect the success of business development efforts. Infrastructure, housing, and personal finance form the foundations upon which business development can occur.

Understanding the range of access to capital tools and the components of economic development where access to capital is required provides a conceptual map for looking at the current situation among Western and Northern Canada's Aboriginal population.

The barriers to Aboriginal access to capital are myriad and have been widely documented. On the one hand, there are the basic prerequisites for mainstream financing that are often not met by Aboriginal people. These include things such as access to banking services and personal savings, asset registration systems that provide clear property titles, and clear government jurisdiction and regulations concerning economic activity. The lack or underdevelopment of these basic prerequisites is compounded by other factors including cultural and linguistic differences, geographical isolation, and complications related to uncertainty over access to resources.

The descriptive component of the report concludes with an overview of efforts that have been made in facilitating Aboriginal access to capital and business development. These efforts can be broadly divided into government contributions and support for Aboriginal institutional capacity. While both approaches have played an important role, further

development of Aboriginal capacity offers a better prospect for sustained economic development. The current state of Aboriginal financial institutions and other support mechanisms sets the stage for considering future directions and program orientations for Aboriginal access to capital.

The second part of the report is focused on directions and recommendations for advancing the state of Aboriginal access to capital in Western and Northern Canada. Based on our review of current issues and barriers, and on our discussions with practitioners in the field and with provincial representatives, we frame three principles that provide a framework for moving forward.

First, we conclude that government cannot expect to meet the increasingly large and complex requirements of Aboriginal access to capital. The role of government, therefore, is not to replace the market, but to engage mainstream financial institutions and facilitate Aboriginal access to mainstream market instruments. In order to achieve this, we propose a model of economic development that supports the integration of Aboriginal communities into the larger economic life of the region and the country. This approach is a departure from existing models of development that have sought either to create self-sufficient community economies or to integrate individual Aboriginal people into the mainstream economy.

Secondly, we suggest that government needs to further focus and clarify its role in facilitating Aboriginal access to capital. By recognizing the limits of government intervention, agencies can begin to move away from approaches that foster dependency and create disincentives toward more sustainable economic development. This principle entails greater coordination and rationalization of access to capital programming, where government programs focus on filling gaps. In particular there is a need to further develop government-assisted market instruments that are needed to move Aboriginal businesses and communities into mainstream financing channels.

Arising from the first two principles is a third which calls for building on existing Aboriginal institutional capacity and success. It is these Aboriginal institutions that understand the issues outlined in this report, that understand their Aboriginal clients, and who can ultimately bring the private sector partners that are needed for long-term Aboriginal access to capital requirements. There is a strong foundation of Aboriginal capacity that can serve as both the starting point as a model for ongoing efforts.

With these principles in mind, and with regard to the issues and barriers identified in Part 1 of the report, we conclude with a number of priority recommendations. These are all actions that could be undertaken in the short to medium term and would create real progress in improving Aboriginal access to capital. The recommendations are divided into four categories:

Improving the Investment Climate

> **Recommendation**: 1) First Nations should consider mechanisms to opt out of Section 89, as recommended in NAFTF report; 2) mechanisms to streamline approval processes and increase investor certainty should be examined as they relate to economic development projects.

> **Recommendation:** Develop fact sheet on Aboriginal incorporation, outlying costs and benefits, and post information through appropriate channels.

Recommendation: 1) Continue to work with AFIs, bankers, and CBA to ensure that up-to-date information regarding on-reserve regulatory issues related to First Nations access to capital are readily available and understood within the mainstream financial community; 2) update the current on-line guide especially with respect to third party management policy, land management regimes, and fiscal institutions; 3) develop user-friendly guide on accessing capital for Aboriginal entrepreneurs.

Building Aboriginal Institutional Capacity

Recommendation: Continue discussion regarding, design, and implement a standardized systems for AFIs.

Recommendation: Work with NACCA and AFIs to provide support for Business Service Officers and ensure that the cost of such services is calculated as part of the support requirements for developmental lending.

Recommendation: Work with NACCA and NARCA to develop stronger information network and in-house financing expertise.

Recommendation: Ensure that resources are set aside to develop in-house expertise on access to capital matters within existing Aboriginal institutions, and engage these institutions in the development of new programming.

Developing Financial Instruments

Recommendation: Restructure annual payments for housing and infrastructure in a way that will allow First Nations to leverage private sector capital for construction in First Nations communities.

Recommendation: Look at opportunities for engaging the philanthropic community in Aboriginal economic development for loans and investments to Aboriginal businesses with sustainability objectives and as partners for Aboriginal investment funds. Explore the potential to tie Aboriginal economic development to issues of sustainability and community health.

Recommendation: Investigate potential and mechanisms to tap into existing funds or to create new capital pools for Aboriginal economic development. Expand on current pilots in this area and engage with provinces and territories.

Recommendation: Look into the potential to increase Aboriginal access to mainstream federal, provincial, and territorial government funding programs. Move away from the presumption that only Indian Affairs deals with First Nations issues.

Recommendation: 1) Explore ways to ensure First Nation businesses have equal access to mainstream loan guarantee programming; 2) enable the AFIs to partner with commercial lenders to make commercial lending available to First Nation businesses.

Recommendation: Re-examine the mandate and the funding requirements for Silu' Corporation. Work with Aboriginal institutions to explore a broker role for the provision of insurance services to Aboriginal businesses.

Improving Government Coordination, Program Delivery, and Criteria

Recommendation: 1) Undertake a review of existing programs across government agencies looking for opportunities to increase coordination and timely delivery; 2) create incentives for cooperation and aggregation among government-funded Aboriginal networks on the ground, such as Community Development Officers, officers of the Aboriginal Human Resources Development Agreements, and AFIs; 3) where possible, increase program delivery by Aboriginal institutions, as with the external delivery program of Aboriginal Business Canada.

Recommendation: Investigate opportunity and need for Northern regional agency.

Recommendation: Consider incorporating sustainability incentives into government contribution programs and subsidizing cost of exploring new technologies.

Introduction: Moving Forward on Aboriginal Access to Capital

Economic development for Aboriginal people in Canada's western provinces and northern territories is a complex issue, but one that is critical to improving the prospects for community health, prosperity, and economic sustainability among the Aboriginal population.

Access to capital is a pillar of economic development—not only does the ability to access capital directly affect the prospects for Aboriginal business development, it is also fundamental to infrastructural development, housing development, and personal finance that are the broader foundations of wealth creation, employment, and economic development in any community. These broader components of economic development, in turn, have a direct impact on the potential for ongoing business development.

While many studies and reports have addressed particular aspects of the access to capital issue for Aboriginal people in Canada, there has been little attention to the larger picture. As a result, progress in some components of access to capital—such as in developmental loan financing for Aboriginal business—are undercut by barriers to accessing capital in other areas, like personal finance or housing finance.

In order to best advance Aboriginal economic development and economic sustainability, a broader systems approach is required. Such an approach, as outlined in this report, will provide a framework for the most cost-effective and systemic improvements in the lives of Western and Northern Canada's Aboriginal people.

While access to capital is a complex and multifaceted topic that cuts across a range of Aboriginal economic development issues, it can be brought into focus by considering the nature of mainstream financing decisions. Certainly there is enough capital generally available in the Canadian economy, but it often does not flow to Aboriginal businesses and communities where it is desperately needed. Quite simply, lenders and investors don't believe that the reward potential justifies the perceived risk. There is a gap that restricts the flow of capital and hinders economic development.

Government has a crucial role to play in addressing this problem and in narrowing the gap, real or perceived, between risk and reward for investment in Aboriginal businesses and communities. Accordingly, this report defines the elements that create the risk/reward gap and suggests strategies for narrowing and closing it. Toward this end, we identify existing areas of support and the main obstacles for Aboriginal access to capital.

However, access to capital is broader than the strict question of attracting investments (internal and external) and includes issues related to ensuring these investments are directed at community benefit and economic growth. From this analysis, we derive principles and recommendations for future policy direction and program development.

This paper draws back from a program or even a departmental focus, to provide an orientation and a direction for future programs and strategies. Rather than restate much of the detailed work that has been done in terms of Aboriginal economic development and access to capital, we provide a broader view of the territory, and the suggestion, at least, of a map.

We arrived at our finding by reviewing many of the key studies and reports that have been produced on the topic over the past decade and by interviewing a number of key players from various government departments, agencies, and Aboriginal support organizations for their assessment of the challenges and opportunities for improving Aboriginal access to capital. While there are clearly differences of opinion in how best to support Aboriginal access to capital, there is a surprising degree of agreement among those closely engaged with the issues.

Economic development is a complex and dynamic process. For government agencies charged with facilitating this process, there is a continual need to weigh programs and interventions against the actual experience of Aboriginal people and communities, and to continually adapt government strategies to the best effect.

Governments in Canada increasingly recognize the unique challenges faced by Aboriginal peoples, businesses, and communities and are committed to long-term, sustainable economic development. Access to capital is central to this development process. As Aboriginal business continues to mature in Western and Northern Canada, it is important that government agencies develop policies and programs which address ongoing challenges for Aboriginal economic development.

Part 1: Access to Capital: Tools, Requirements, and Barriers

In setting broad strategic direction, it is useful to review the various dimensions of access to capital and their relevance to Aboriginal economic development. We begin, therefore, by discussing the components of access to capital and mapping the range of requirements for Aboriginal communities and businesses. Based on this map, we can further identify where support is available, where it is lacking, and where there are overt barriers to improved access.

Both the 1996 Royal Commission on Aboriginal People (RCAP) and 1997 National Aboriginal Financing Task Force (NAFTF) reports recognized the fundamental importance of access to capital issues for all aspects of Aboriginal economic development. Because government agencies tend to focus on particular components of access to capital, however, it is easy to lose sight of the big picture.

For best effect, programs and interventions need to be designed within a framework that recognizes the range of and the connections between access to capital issues for Aboriginal people. This approach is best achieved by engaging aboriginal institutions that deal with these issues "on the ground" to participate in the dialogue and design. Awareness of these connections, within an overall framework of Aboriginal economic development, will help Aboriginal communities, government agencies, mainstream financial institutions, and other organizations coordinate their efforts and set priorities for funding and program development.

What is Access to Capital?

Capital is fundamental to all forms of economic and business development. Through economic activity, individuals, businesses, and communities are able to accumulate and reinvest capital over time. However, without the ability to access capital when needed, it is difficult to break the cycle of underdevelopment, dependency, and poverty that exists in many Western and Northern Canadian Aboriginal communities.

In essence, all access to capital instruments involve leveraging assets—using security, accrued value, or earning potential to gain access to financing.

There are three fundamental avenues for accessing capital, each of which is comprised of various instruments. Broadly speaking, the three sources of capital are loans, equity, and investments. While these categories provide a useful framework for mapping access to capital tools there are, in fact, many blended instruments that combine elements each (as, for example, with unsecured lending, mezzanine financing, and participatory loans). Others, such as equipment leasing, are off balance sheet but represent an important and growing form of investment, especially for infrastructure equipment.

Loans

Loans are made with the expectation of repayment of the capital, with interest, according to a set schedule. The interest on the capital is a function of the perceived risk to the lender. Lenders can, in some situations, take additional risk in what is known as concessionary lending. Developmental lending is an example of this, where the lender takes on a higher risk than is justified by the interest rate in order to promote economic development.

Developmental loans are generally smaller and have access to less security coverage than commercial loans. Developmental loans are focused more on meeting business development goals than achieving a commercial return on investment. "Micro-lending" is one form of developmental lending, often offered below cost to new and small entrepreneurs. Commercial lending, on the other hand, is provided to larger, commercial enterprises according to market rules.

Loans can be made by individuals, governments, companies, banks, insurance agencies, building societies, and other financial intermediaries. Supplier credit and credit cards are also a common form of lending used by business. Loans usually require some form of collateral, or security, against which the lender can make a claim if the loan is defaulted. Increasingly, however, loans are provided on the basis of free cash flow (or EBITDA—earnings before interest, taxes, depreciation and amortization).

Equity

Equity refers to the value of a business after all liabilities have been allowed for. Equity is mainly accrued through reinvested earnings, but is also comprised of the owner's investment in the start-up, including sweat equity, cash, and other resources.

Government programs can also contribute to the equity of a firm through unencumbered contributions. These are capital contributions that do not require repayment and do not confer an ownership interest. While loans and investments generally operate within the market system, contributions are disbursed at the discretion of government or philanthropic organizations to meet goals and objectives that are not necessarily driven by market rules.

Investments

Investments are made when capital is provided in exchange for an ownership interest in a firm or asset, usually through a minority position in the firm. As such, investors generally insist on a degree of management control in the business as well as participation in profits. Investments are the most expensive form of capital in terms of control and cost. Investment capital can be either short-term or long-term ("patient") allowing for business development, but investors are always looking for an exit strategy, either through an initial public offering (IPO) or management buyback.

Business development financing requires a balance between investment and loan instruments. Investments can be leveraged to provide more loan capital. As a general rule, investors look for a 1:1 ratio between debt and equity. Investments are a way of increasing that ratio.

Loans, equity, and investments are made available through a wide variety of channels and financial tools, each of which contributes to the normal course of economic development and wealth creation.

Access to Capital and Economic Development

Loans, equity, and investments are fundamental to all aspects of economic development. In order to best understand the range of issues and barriers related to Aboriginal access to capital, we have identified the four principle domains where access to capital is required. For the purposes of analysis, these domains can be divided into infrastructure, housing, personal finance, and business. Each provides unique challenges and demands for accessing capital.

While the focus of this report is particularly on access to capital issues as they affect Aboriginal business development, each of the other areas of economic development we identify are considered to the extent they have an impact, ultimately, on business development. All are critical components of economic and community development.

Infrastructure

At the most fundamental level, Aboriginal people (and, more particularly, First Nations) need capital to build community and economic infrastructure. Without adequate infrastructure, communities will not attain the minimum levels of development and well being needed to support community health, economic prosperity, and business development.

Public infrastructure—such as power, roads and bridges, water and sewage, and other utilities—provides the basic necessities of community development and economic activity. Private infrastructure—such as private access roads—may be required for particular economic development projects.

Many Aboriginal communities in Western and Northern Canada lack the most fundamental components of economic infrastructure. This means the cost of economic infrastructure—normally covered by local governments through long-term, low cost bond financing—is added to establishment costs and amortized over the short term. This additional cost can reduce the return on investment to the point where both loan and investment financing become unavailable.

Housing

Housing requires significant capital investment. Housing is clearly much more than a financial investment, however, providing the foundation for family and community life. Without adequate housing, longer-term economic development is severely restricted. More directly, for many start-up businesses, the equity built up through home ownership is often the main source of security for debt financing.

As with community infrastructure, many Aboriginal communities, both on and off reserve, lack adequate housing. Moreover, Aboriginal families often do not have the access to capital (or mortgage financing) that would allow them to begin to build equity through home ownership. The low quality of Aboriginal housing on reserve also contributes to the out migration of talented and entrepreneurial youth who might otherwise contribute to economic and social development in their community.

Personal Finance

Personal finance includes personal savings and credit. As with housing and infrastructure, personal finance is a prerequisite for individuals wanting to launch a business enterprise. Many entrepreneurs need to use personal finance—including credit cards, personal loans, and lines of credit in addition to personal savings—as start-up capital for small businesses. Small loans from family and friends are another common source of seed capital for small businesses and also require the development of personal financial resources in Aboriginal communities.

Aboriginal people face cultural and geographical barriers to gaining the access to capital for personal finance that would allow them to build a credit history toward home ownership or business development. In many cases, Aboriginal people do not have access to the basic banking services that would allow them to gain a familiarity with personal finance and begin to build their own savings base and credit record.

Business Development

Business development is the most obvious area of economic development where capital is required, and is the primary focus of this report. Business development financing provides the capital required for start up (seed capital) and for ongoing operations (working capital) and, most importantly, for expansion.

Business development financing has received significant attention in terms of government studies, programs, and contributions over the past ten years. Despite the greater focus on access to capital issues related to business development, however, there remain systemic barriers to Aboriginal entrepreneurs in Western and Northern Canada. While much progress has been made in this area, Aboriginal people continue to face barriers especially accessing commercial finance for expansion.

Hierarchy of Economic Development

Access to capital requirements for Aboriginal people (outlined above) can be conceptualized as a pyramid (see Figure 1). This diagram illustrates how community and economic infrastructure forms a foundation for economic development. Building upon this foundation, personal housing provides the "personal infrastructure" that supports individuals and families.

Within a healthy community context, provided by proper infrastructure and housing, individuals are then able to build personal credit and financial resources. Finally, if all of these prerequisites are in place, individuals and communities can undertake business development that, in turn, generates more wealth for the community and builds the overall structure of economic development.

While it is possible for some business development to leapfrog beyond infrastructure, housing, and personal finance barriers, ultimately sustainable economic development and wealth creation will require a solid foundation in all of these areas.

It is important to continue to build Aboriginal access to capital in the business development sector, but these efforts will have limited success without also improving access to capital across the spectrum of needs, including infrastructure, housing, and personal finance. Each area of economic development presents unique challenges and will require more detailed needs assessment and program development. A coordinated approach to program development will allow for the most efficient allocation of funding and for the best progress in furthering Aboriginal access to capital and economic development.

It should also be noted, that while the vision of access to capital proposed in this paper is broader than the traditional focus on business development, other economic development issues also need to be addressed in parallel with access to capital. As highlighted in the RCAP report, these issues include governance, culture, spirituality, education and professional training, community healing, and social development.[1] While many of these issues are beyond the scope of this paper, we do consider governance as it relates to business development.

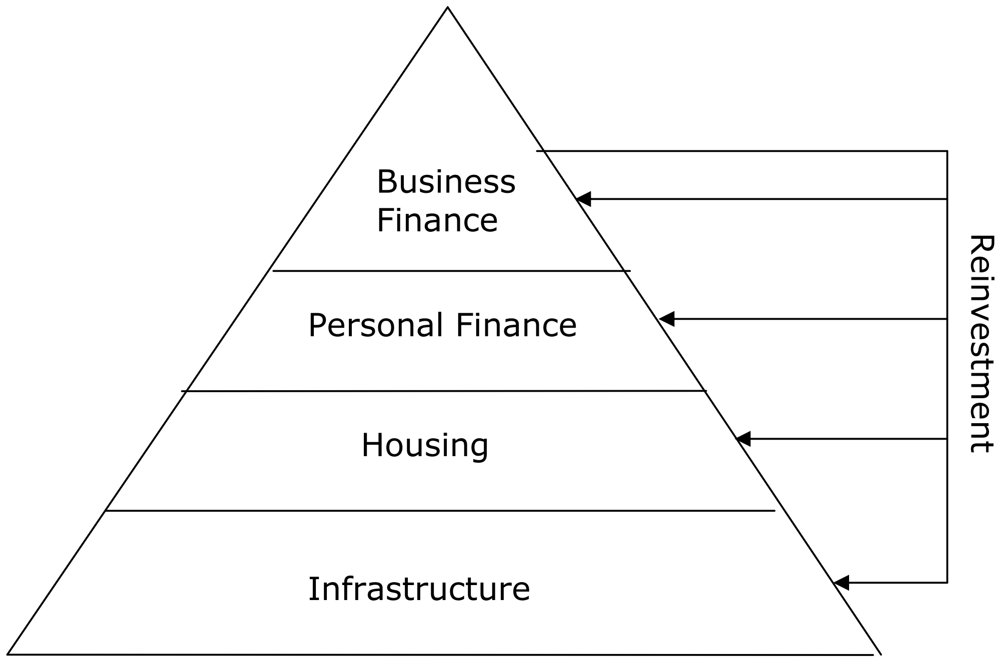

Figure 1: Hierarchy of Access to Capital Requirements

The Spectrum of Access to Capital Tools: From Government Programs to Mainstream Instruments

In assessing the barriers to and prospects for Aboriginal access to capital, it is useful to review the spectrum of access to capital tools as they relate to the different roles of government and mainstream institutions. As will be seen, it is important to move Aboriginal provision of capital along this spectrum and away from a reliance on government programs if more sustainable economic development is to be achieved. This spectrum can be divided into the following categories[2]:

Developmental Instruments:
- Seed capital
- Developmental lending
- Development Banks (old mandate of FBDB)

Government-assisted market instruments:
- Subsidized equity capital

[1] RCAP, 1996.
[2] Collin, Dominique. Indian and Northern Affairs material.

- Economic infrastructure
- Loan guarantees and loan-loss reserves
- Research & development, marketing, and export support
- Business Development Bank of Canada and sectoral funds

Mainstream market instruments:

- Commercial paper
- Asset-based financing
- Leasing
- Bonds and debentures
- Non-residential mortgages
- Venture capital

Governments in North America have traditionally taken a lead role to ensure that loan and investment requirements for mainstream businesses are met and that the conditions for economic development are in place. Among the tools governments have used to directly increase the amount of capital available for small business development are:

- equity contributions (to increase the owners' equity position and decrease the risk to lenders);
- loan guarantees (for such things as equipment, farming, inventory, export, etc.);
- loan-loss reserves (to encourage bankers to explore new areas where conventional sources of security are not available);
- community lending and investment agencies (such as Community Futures Development Corporations);
- lending of last resort institutions (Federal Business Development Bank mandate until 1989); and,
- focused tax credits for investments in specific geographical areas or sectors.

Mainstream government interventions have also indirectly contributed to access to capital through home ownership support programs (indirectly providing equity for small business start-ups), deposit insurance, and economic infrastructure investments (including access roads, utilities, postal services, industrial parks, etc.).

Even more broadly, government supports economic development and access to capital by providing the rules, administration, and enforcement within which market transactions can occur as, for example, with security registration and market regulation. In summary, governments have taken a strong role and developed a wide array of access to capital tools which can be used to strengthen business development and other forms of investment. Operating within the framework of government structures, mainstream financial institutions are able to address the great majority of capital requirements.

A review of available programming—federal, provincial, and territorial—reveals that while much effort has been directed to providing developmental access to capital instruments to Aboriginal people, there has been little progress in providing the government-assisted market instruments that are needed to provide the bridge to mainstream financing channels (see Appendix B for a summary of current provincial and federal programming). The gaps in Aboriginal access to capital in Western and Northern Canada arise from systemic barriers that distinguish Aboriginal communities and enterprises from their mainstream counterparts.

Barriers to Aboriginal Access to Capital

Less than a decade ago, the Royal Commission on Aboriginal People clearly identified the challenges facing Aboriginal people in Canada. As the report highlighted, and as continues to be the case, "achieving a more self-reliant economic base for Aboriginal communities and nations will require significant, even radical departures from business as usual."[3]

Shortly after the RCAP report the NAFTF report was released. This body, tasked "to provide creative solutions towards empowering Aboriginal people to access capital," outlined high level recommendations to Aboriginal leaders, private sector and educational institutions, the federal government, and provincial and territorial governments. NAFTF received considerable support and buy-in from the Aboriginal community in Canada.

Since the release of the RCAP and NAFTF reports, many more studies and reports have made recommendations about improving particular aspects of Aboriginal access to capital. In turn, new programs and polices have emerged, many of them building on the directions provided by the RCAP and NAFTF reports. However, while there are promising developments on several fronts, many of the challenges and obstacles documented ten years ago continue to face Aboriginal people trying to access capital today.

One way to assess the state of Aboriginal access to capital is to compare it to mainstream channels. All of the mainstream tools used by financial institutions and governments for providing access to capital presuppose a number of conditions such as:

- the availability of private sector loan and investment capital;
- access to information systems and networks;
- access to banking services and personal savings;
- the capacity to pledge assets as security for loans;
- asset registration systems that provide clear property titles;
- access to insurance and bonding services;
- access to professional business support services;
- adequate transportation and access to markets;
- clear jurisdiction and regulations concerning economic activity.

In addition to challenges in meeting these basic prerequisites to accessing mainstream sources of capital, Aboriginal people are further hampered by a number of additional barriers:

- broad cultural and linguistic differences;
- geographical isolation, especially in the territories and northern provincial regions;
- complications and restrictions related to uncertainty over access to resources;
- complex land ownership regimes;
- lack of standardized financial management systems;
- poor coordination between on-reserve and off-reserve infrastructure development;

[3] RCAP, p 1.

- disincentives to incorporation because of perceptions around *Indian Act* tax exemptions;
- absence of stable band governments committed to creating a positive climate for investors and lenders;
- in the case of housing and infrastructure, the lack of financial management capability and codes.

Cumulatively, these obstacles constitute a significant barrier to Aboriginal people accessing capital. These barriers, in turn, reinforce poverty, dependency, and isolation for Aboriginal communities, perpetuating the cycle of economic underdevelopment.

Issues for Western and Northern Canada

The barriers and challenges listed above apply, in varying degrees, to Aboriginal people across Canada. However, Aboriginal people in Western and Northern Canada have unique circumstances that provide additional challenges and opportunities. Strategies and program orientations aimed particularly at these populations of Aboriginal people will need to further consider the following circumstances:

- High percentage of urban Aboriginals (many with close ties to their home communities) in the western provinces (especially Winnipeg, Regina, and Vancouver);
- Absence of a regional agency for Northern Canada;
- Provincially recognized status and land base Métis in Alberta;
- Creation of new reserve land in rural, but also, increasingly, in urban areas through Treaty Land Entitlement;
- Economic opportunity from major oil and gas development;
- Downturn of some traditional resource industries (e.g. the fishing industry in BC) and difficulty in penetrating agri-food sector;
- Absence of land tenure systems based on certificates of possession (except in BC);
- Majority of royalty revenues held in trust for First Nations (over 90%) are in Western Canada (especially Alberta);
- Existence of multiple-branch First Nation owned financial institutions (First Nations Bank of Canada, Peace Hill Trust);
- Self-government agreements (Nisga'a, Sechelt, Yukon, etc.) and land claim settlements;
- Economic and partnering opportunities created by the uncertainty over land that is under treaty negotiation;
- 80% of property tax income for First Nations is generated in BC and high potential for leasing of land (also in BC particularly);
- Largest concentration of Aboriginal CFDCs and ACCs with overlapping territories;
- Particularly high percentage of Aboriginal youth;
- Increasing focus on and support for sustainable development (social, economic, and environmental).

What has been done to support Aboriginal access to capital?

In order to determine the best direction for program orientation around Aboriginal access to capital issues, it is useful to review trends in government policy and support programs. Government agencies have recognized the challenges faced by Aboriginal people trying to access capital and have designed interventions accordingly. Broadly speaking, government support for Aboriginal access to capital needs can be divided into two main categories: direct funding programs and support for Aboriginal institutions. Considering the history and success of these approaches can help provide direction for future program orientation.

Direct Funding: Grants and Contributions

Direct funding, in the form of government contributions, has played an important role in providing capital to Aboriginal economic infrastructure, housing, and business development. On the spectrum of capital instruments, these contributions fall under the category of developmental instruments. While these direct, developmental funding programs have contributed to economic development, however, their ongoing value as a primary policy tool is limited by several factors.

First, there is simply not enough funding available to provide the level of support needed for the rapidly expanding and increasingly complex financing needs of Aboriginal business, housing, and infrastructure. The scale of capital required to meet the needs of Aboriginal business development into the future, in a sustainable manner, demands that government programs leverage mainstream and other sources of capital to the greatest extent possible. This will require moving government interventions along the spectrum of capital instruments, developing more government-assisted market instruments and, eventually, increasing the accessibility of mainstream market instruments.

From the perspective of Aboriginal entrepreneurs and communities, direct funding has other inherent limitations. On the one hand, direct contributions foster a culture of dependency and isolation. Without the accountability and returns demanded by mainstream financial markets, projects funded through contributions are less likely to succeed and are less likely to engender the skills and knowledge needed for ongoing growth and expansion. As noted in an Angus Reid study of financing services for Canadian small and medium sized enterprises, these programs are designed as one-time products and do not meet ongoing business financing needs.

The centralization of policy through government agencies also tends to ignore the diversity of Aboriginal economies and their various needs and stages of development. In many ways, the Aboriginal economy is facing challenges more akin to those faced by the rural Canadian economy post World War II than to those of the information economy where most current government efforts are directed.

Even when contribution programs are well targeted, government contribution programs are necessarily encumbered with layers of administrative accountability and often do not provide resources in a timely manner. Finally, channelling government contributions through community structures can introduce a degree of politicization into the economic development process that undermines the prospects for project support based on the best business case.

While government contribution programs have played an important role in jump-starting Aboriginal economic development, they also have their limitations, from both the government and Aboriginal side of the equation. While there is a continuing need for such programs, they need to be more clearly defined and focused.

A complimentary approach, which has begun to take hold and has shown signs of success, is to use government funds to seed Aboriginal institutions that offer loans and investments, introducing greater market discipline and, where possible, leveraging mainstream sources of capital.

Developing Aboriginal Institutional Capacity

Aboriginal institutions have demonstrated that they are able to take on the provision of capital instruments and other support services for Aboriginal businesses.

The development of Aboriginal financial institutions (AFIs) for business financing began in the mid-80's, under the auspices of the Native Economic Development Program (NEDP) and later through support from the Canadian Aboriginal Economic Development Strategy (CAEDS). In parallel, Human Resources Development Canada (HRDC) launched the Community Futures Development Corporations (CFDCs) which were later transferred to regional agencies and territorial governments (a small number of which are specifically targeted to Aboriginal communities).

The development of autonomous Aboriginal institutions was given a further boost in the mid-90's when the ACCs and, later, the Aboriginally-controlled CFDCs, joined a national organization, the National Aboriginal Capital Corporation Association (NACCA). One of the ACCs has provided the impetus (and the seed capital) to establish the First Nations Bank of Canada (FNBC). More recently, with the advent of several risk capital pilot projects, another national coordinating and advocacy body has been formed: the National Aboriginal Risk Capital Association (NARCA).

In the area of economic infrastructure financing, a number of other Aboriginally-controlled institutions have opened new opportunities and helped provide a positive investment climate. These bodies include the Indian Taxation Advisory Body (ITAB), the Aboriginal Financial Officers Association (AFOA), and the First Nations Finance Authority (FNFA). By developing an investment climate that will attract investors, these institutions make it possible to envisage the development of new financing instruments:

- The mission of ITAB is to help First Nations achieve self-determination by the establishment of taxation jurisdiction. Created in 1989, ITAB was the first Aboriginally-controlled institution involved in the exercise of property taxation authority under the *Indian Act*.

- The AFOA is an Aboriginally-controlled institution responsible for training, certification, and professional development for Aboriginal financial management. It provides an important function in developing the human resources and improving the standardization of financial management practices among Aboriginal band administration.

- The FNFA is a non-profit finance authority to be established under the proposed *First Nations Fiscal and Statistical Management Act*. Like the Municipal Finance Authority of BC, the FNFA improves access to capital for infrastructure projects by creating a collective pool for borrowing.

The promise and the success of these institutions are indicative of the growing desire and capacity of Aboriginal people to govern their own financial affairs. Moreover, it indicates a growing recognition among government agencies of the need to build the instruments that can support development beyond the capacity of traditional contribution programs.

In the area of housing, exploratory work is underway to formalize and expand existing community revolving funds with the capacity to accelerate housing through securitization.

In the past fifteen years, federal and provincial government policy has successfully assisted in the development of Aboriginal institutional capacity around financing, banking, and other capacities that support access to capital. An initial capitalization and ongoing level of support from many federal agencies has created a strong and stable network of Aboriginally-controlled financial institutions. This groundwork has laid the foundation for future efforts which will be able to leverage and extend existing capacity.

Current Status: Aboriginal Institutions and Access to Capital

Following is a more in-depth review of existing Aboriginal institutional capacity as it relates to business financing. The institutions reviewed here provide the foundations for future growth and development in Aboriginal institutional capacity.

Aboriginal Financial Institutions

AFIs are mainly comprised of Aboriginal Capital Corporations (ACCs) and Aboriginally-controlled Community Futures Development Corporations (ACFDCs), with some that act as both ACC and ACFDC and a few as neither.[4] There are 57 AFIs across Canada, with 31 in Western and Northern Canada (see Appendix C for a breakdown, by province and territory, for ACCs and ACFDCs). While both ACCs and ACFDCs provide developmental lending services, ACCs focus primarily on either First Nation or Métis and non-status clients and have large territories; ACFDCs, on the other hand, service all Aboriginal clients and focus on a smaller, community-based territory.[5]

The growth in Aboriginal financial institutions, along with their success in fostering business development[6], demonstrates the potential for further investment in building Aboriginal economic development capacity. Aboriginal financial institutions can serve as a model for the development of other Aboriginal access to capital tools and institutions.

A recent report on the AFIs, *Strengthening the Aboriginal Financial Institution Network* provides a good summary of the role and current status of these financial institutions. The intention of the report, to build a stronger AFI network "with a more responsive range of support products and services, supported by new coordinating, support, and regulatory mechanisms," fits within the broader principles and scope of the current paper.[7]

Specifically, the *Strengthening the AFI Network* paper recommends positioning AFIs as the lead delivery organization for Aboriginal business development loan financing. The report recommends continuation of current Aboriginal Business Development Initiative programming (support and training, enhanced access, and interest-rate buy-down) as well as a series of new initiatives to address capital requirements of AFIs, support for operating and monitoring costs, harmonization of the treatment of ACCs and ACFDCs. The report also stresses the need to look at AFIs from a network

[4] For a thorough overview of Aboriginal financial institutions and more detailed recommendations for their development, see Growth Connections, 2002.
[5] For a more detailed comparison of ACCs and ACDFCs, see Appendix A: ACC-AFDC Comparative Profiles, from Growth Connections, 2002.
[6] See Schindelka, 2003 wherein he documents the growth in AFI lending as it approaches the cumulative total of $1 billion.
[7] Growth Connections (2002), p. 5.

perspective with items such as syndication of risk, pooling of funds and expertise, common loan management instruments and standards, benchmarking and self-regulation to be provided by NACCA which would play the role similar to credit-union centrals with respect to the independent yet federated members of credit union member institutions.

AFIs have largely been established as developmental lenders. This is explicit in ACFDC programming where financing is provided to offset the cost of developmental activities. ACCs, with their larger capital base, were expected to cover the cost of developmental activities with the returns from their interest free capital base; this has proven to be unsustainable with decreasing interest rates and needs to be re-examined. Ongoing support is needed to reflect the real cost of offering developmental loans.

Aboriginal business access to commercial lending continues to be an issue with limited Aboriginal access to government loan guarantee programming, especially on reserve. AFIs may well be the best positioned intermediary to partner with mainstream lenders to ensure access to commercial loans. This is currently being done by some AFIs with respect to working capital loans. Building on this may require an increase of a specialized expertise base within the AFI network, especially with respect to the legal aspects of lending in First Nations, but could pave the way for major sources of capital for the First Nation economy.

National Aboriginal Capital Corporation Association

A national coordinating body for AFIs, the National Aboriginal Capital Corporation Association (NACCA), was established in 1996 to assist members in areas of common interest and to act as an advocacy body on issues related to Aboriginal financing needs. It is currently the delivery agency for youth lending and for ABDI programming. In addition, NACCA provides a range of financial services, management support, information services, operational management, oversight, and advocacy.

The report on strengthening the AFI network also makes recommendations related to an expanded role for NACCA. It sees NACCA as well positioned to provide more comprehensive management support and information services to its AFI clients, and to play a role in the development of self-regulatory controls. NACCA is a critical player in ongoing development of Aboriginal institutional capacity.

Risk Capital Pools and the National Aboriginal Risk Capital Association

While AFIs and NACCA have taken great strides toward meeting Aboriginal access to capital requirements for developmental loan financing, there has been an increasing recognition over the past several years of the need for improved access to investment financing for Aboriginal people. For ongoing economic development, investment financing is an essential compliment to debt financing tools.

Several risk capital funds have been or are in the process of being established across Canada. The first, in Quebec, was set up in May 2002. It is a $7 million dollar fund with participation from: the federal government through Indian and Northern Affairs Canada and Industry Canada’s Aboriginal Business Canada program; the provincial government; two Aboriginal capital corporations; and several private sector partners including the *Fonds de solidarité de la Fédération des travailleurs du Quebec* and the *Mouvement Desjardins*. A second project is active in the Yukon and a third is being established in the oil and gas sector. Work is underway in other provinces and regions—Ontario, Saskatchewan, the Maritimes—to set up similar growth equity funds.

The mission of these funds is to assist Aboriginal business development and wealth creation by improving the availability of investment financing and management support services for growth-oriented businesses, and by building Aboriginal venture capital institutional capacity and the investment-readiness of their business community. For private sector partners, the fund offers an opportunity to build relationships with and understanding about the Aboriginal business community.

Currently, the National Aboriginal Risk Capital Association (NARCA) is being set up to coordinate activities among the risk capital pools and to provide research and policy development. NARCA could eventually act as a "fund of funds" for projects that exceed the capacity of provincial or sectoral risk capital pools.

Governance and Access to Capital

While it is beyond the scope of this paper, it should be noted that larger issues of governance also play an important role in First Nations economic development.

The requirement for effective governance is neatly summarized by Charles Wheelan. Although he is writing about economic development for developing countries, his words apply equally to First Nations economic development: "To grow and prosper, a country needs laws, law enforcement, courts, basic infrastructure, a government capable of collecting taxes—and a healthy respect among the citizenship for each of these things."[8]

An extensive US research project has examined the success of American Indian tribes in this regard. Known as the *Harvard Project on American Indian Economic Development*, the study has tracked the economic development path of many groups and communities of American Aboriginal people over the course of a decade.

Among the key research findings from this extensive study are that decision-making matters, and that Aboriginal input into program development and implementation is critical. The project has also supported the importance of stable and capable Aboriginal institutions for the creation of an environment conducive to economic development. As the research has demonstrated, these institutions must function, in part, to separate politics from day-to-day business management.

The Harvard Project has found that culture also matters, and successful Aboriginal economies can and must be built upon institutions that are culturally appropriate and legitimate among the people they serve. A recent report by the Auditor General of Canada has also cited the findings of the Harvard Project with regard to Aboriginal economic development stating that "institutional arrangements make a significant difference between achieving sustained economic success or continuing in poverty."[9]

[8] Wheelan, p. 208.
[9] Auditor General, p. 1.

In summary, sound structures of governance provide the framework within which access to capital can occur. In particular, good governance needs to provide a sound investment climate, political stability, and a clear, fair, and actionable regulatory regime. Currently, the *First Nations Land Management Act* and fiscal institutions legislation are the two main drivers of this governance agenda.

Part 2: Toward an Integrated Aboriginal Access to Capital Approach in Western and Northern Canada

Part 1 of this report has provided an overview of access to capital issues, barriers, and current directions for Aboriginal people in Western and Northern Canada. It has sketched out a descriptive framework to help make sense of the myriad of programs and institutions engaged in facilitating Aboriginal access to capital. Building on the implications of this analysis, on our review of current literature on the subject, and on our discussions with practitioners and government policy analysts, this section of the report presents a more prescriptive analysis for moving forward.

Guiding Principles and Program Orientations

The development of particular policies and programs by government agencies works best when developed within the context of consistent guiding principles. Because the goal of this report is to assess the broader context of Aboriginal access to capital, it is at the level of principles where directions can be best summarized.

These principles provide a framework for further dialogue among the many stakeholders and decision makers engaged with furthering Aboriginal access to capital. These principles generally reflect the predominant attitudes and approaches reviewed in the course of research for this study.

1. Don't replace market, but facilitate entry and engage mainstream financial institutions—integrate Aboriginal communities into larger economic system and structures.

Government agencies need a new and more consistent vision of the Aboriginal economy and its place within the larger Canadian and international context. Two competing visions have largely shaped existing policy and while they correspond to some aspect of Aboriginal economic reality and aspiration, exclusive focus on these models has resulted in inefficiencies and inconsistencies. On the one hand, there is the model of Aboriginal economies as self-sufficient, existing, in effect, as artificial enclaves within a larger, less hospitable environment. Alternatively, there is the implied model focused on integrating Aboriginal individuals into the mainstream economy without reference to what is particular to their communities.

For better or worse, the first option of a self-reliant economy can never be realized. Local economies, by their nature, need to be nested within larger systems and connected to wider markets and supply chains. Attempts to develop businesses and community economic structures in isolation will necessarily require ongoing and unsustainable inputs of government support and capital, particularly in the case of remote communities where there are limited prospects for stimulating competitive economic activity. The other model, of integrated individuals, may be good for those individuals who benefit from the programs, but it does little for Aboriginal communities. If anything, this approach perpetuates a "ghetto" mentality where successful entrepreneurs often need to leave their communities, which remain underdeveloped and impoverished.

However, a third conceptual model is possible where, rather than focus on the economic integration of individuals or the self-sufficiency of communities, government would assist with the economic integration of the communities. The following diagram illustrates these options:

	Individuals	Communities
Self-sufficiency	N/A	Model 1
Integration	Model 2	Model 3

This third model, of the economic integration of Aboriginal communities, will require a rethinking of current program orientations and incentives. It will also require developing greater access for these communities to mainstream financial institutions and markets.

To move toward a model of economically integrated communities, government should investigate strategies that can act as a bridge between isolated Aboriginal economies and full integration.

One alternative economic development model for further development could be referred to as the "cluster" model. With the cluster model, government could act to facilitate aggregation, co-operation, and partnerships within a region or around an industrial sector. This clustering of businesses or communities would allow Aboriginal entrepreneurs to compete more effectively in mainstream markets and, accordingly, open more opportunities for access to capital. A good example of this approach is the Meadow Lake Tribal Council experience in Northern Saskatchewan where a number of businesses have formed clusters in the forestry sector.

Another alternative model of economic development could be called the "bridgehead" model. This model would encourage Aboriginal people to set up a business development zone near or within a larger urban centre where a significant proportion of off-reserve members of the communities have settled and where economies of scale and market penetration can be achieved with more ease. The potential for this type of model is exemplified again is Saskatchewan where an "urban reserve" was established in Saskatoon and now serves as a centre of Aboriginal economic development for the region.

Both the cluster and bridgehead models suggested here speak to the potential for creative strategies that move Aboriginal communities away from the model of self-sufficient enclaves or individual integration and toward greater economic integration while still maintaining Aboriginal control and cultural values. Other models based on this principle should be explored and piloted.

It is important to keep in mind that an integrated Aboriginal economy in no way implies the need for or inevitability of cultural integration. On the contrary, Aboriginal communities and businesses can continue to build on their unique cultural heritage and can still find their niche within the larger economic framework. Support for Aboriginal financial institutions and capacity can further help ensure that economic integration does not entail cultural integration.

2. Focus and clarify the role of government

If an overarching goal is to achieve integrated Aboriginal economies, then governments' role with regard to access to capital issues becomes clearer. Rather than replace mainstream, market mechanisms with contributions and programs, governments need to facilitate Aboriginal access to mainstream sources. In this capacity, government program development should focus on identifying the barriers for Aboriginal people seeking mainstream financing and, at the same time, identifying barriers for mainstream investors and financial institutions that want to invest in Aboriginal entrepreneurs and communities. Government programs can then be developed that act as a bridge, bringing together mainstream financial institutions and Aboriginal people while building skills, understanding, and relationships that can be sustained in the long-term without a continual input of government funding.

Currently there is a gap that exists for mainstream investors and financial institutions between the perceived risk of investing in Aboriginal businesses and communities and the anticipated reward of such investment. Financial instruments are structured to match potential risk with appropriate reward. However, because of the additional barriers to Aboriginal people, highlighted earlier in this report, there is often a gap whereby anticipated returns on investment are not high enough to offset the risks inherent in (or, at least, perceived to be inherent in) working within an Aboriginal context.[10]

In light of the above, the role of government, if it is to facilitate Aboriginal access to mainstream sources of financing and build an integrated economy, is to either decrease the risk or increase the reward for financial institutions investing in Aboriginal opportunities. Many of the recommendations, below, provide direction on the ways in which this can be accomplished.

In addition to facilitating access to traditional sources of mainstream capital, government also has a role to play in developing new sources of capital and support where possible. As discussed in the recommendations, government regulations can create opportunities for Aboriginal access to capital from pension funds, immigrant investor funds, philanthropic endowments, etc.

In essence, government needs to recognize the limits of centralized, coordinated planning when it comes to economic development. Ultimately, economic development is based on local opportunity, initiative, and creativity, and cannot be mandated by distant government bodies. The inability of centralized agencies to choose winners and losers is well documented in the literature on economic development. The problems of centralized planning are compounded when multiple agencies are involved. Funding offered by one agency can easily undermine other agency goals as, for example, when government contributions create incentives that are contrary to the goal of moving toward mainstream financing channels.

Federal and provincial government agencies which offer programming related to Aboriginal access to capital, need to develop clear and consistent criteria that outline

[10] For a more detailed overview of financial markets with regard to risk/reward profiles for Aboriginal business, see McCloy.

a cost-effective and rational approach. Where government programming is needed, greater coordination is required between departments to ensure that efforts are not duplicated or at cross purposes.

Finally, while each government agency engaged with Aboriginal access to capital issues will focus on particular aspects of the problem, all efforts need to be considered within the context of overall economic development requirements. As detailed in the first section of this report, Aboriginal business development occurs in the context of a larger process that includes infrastructure, housing, and personal finance. Ultimately, progress is required on all fronts, and funding should be allocated according to where it will have the greatest overall impact. Working in conjunction with Aboriginal institutions, government agencies can identify economic bottlenecks and provide assistance where it will be most effective.

3. Build on Aboriginal institutional capacity and success.

As detailed in the review of government approaches to facilitating Aboriginal access to capital, in the long run, government programs which contribute to Aboriginal institutional capacity can be more effective than programs which provide direct funding. While contribution programs have their place, they should augment, rather than replace, the development of Aboriginal institutional capacity.

Building strong Aboriginal institutions is a way to create capital partners that can bring in private sector investment. While the government has a role to play in seeding start-up businesses and the private sector can look after mature business needs, there is an important range of early growth financing where more government assisted programming is needed. AFIs can play a critical role in filling this niche and providing a bridge between government contributions and private sector financing.

Aboriginally-controlled institutions must form the foundation of any network that will be able to meet the access to capital needs of Aboriginal people in Western and Northern Canada. Most importantly, these institutions know their clientele and best understand the barriers faced by Aboriginal entrepreneurs and communities. Aboriginally-controlled institutions also understand the regulatory and political context for economic development and are in the best position to facilitate private sector engagement in their communities and regions.

While there is now a strong foundation of Aboriginal institutional capacity in Western and Northern Canada, this foundation will need to be supported and strengthened by government agencies if it is to reach its full potential to support Aboriginal access to capital. As this capacity continues to grow, and as Aboriginally–controlled institutions gain more experience, government agencies should adopt a more cooperative program development model. Rather than act simply as clients or delivery agents for government programming, Aboriginal institutions can be seen more as partners in program development.

The recommendations section, below, on building institutional capacity, makes specific priority suggestions toward building on Aboriginal institutional capacity.

Conclusions and Recommendations

The principles outlined above, if adopted across government departments and jurisdictions, would provide overarching direction and compatibility among agencies supporting Aboriginal access to capital. However, in order to provide more direction on how these principles can be brought into effect, we offer a number of priority policy directions and recommendations. These recommendations synthesize many of the ideas coming from our review of current reports on Aboriginal access to capital, and from the current thinking of practitioners in the field.

The recommendations fall into four categories: improving the investment climate, building Aboriginal institutional capacity, developing capital instruments, and improving government coordination. Work is needed in each area if Aboriginal people are to gain improved access to capital through both Aboriginal and mainstream financial institutions.

Improving the Investment Climate[11]

The investment climate, or regulatory environment (arising from the *Indian Act*, self-government regimes, and First Nations' codes and by laws), provides the context of rules, by-laws, and legislation that either facilitates or hinders Aboriginal access to capital especially among First Nations. In some cases, the absence of mainstream regulatory instruments is at issue while in other cases a different (and, for mainstream investors, unfamiliar) regulatory regime exists for Aboriginal communities. The overall effect of these regulatory issues is to create a greater real or perceived risk to mainstream investment. Federal, provincial, territorial and First Nations government agencies as well as First Nations' institutions clearly have a key role to play in creating a positive investment climate.

A clearly defined and well administered regulatory environment is increasingly seen as a fundamental component of economic development. As Hernando De Soto points out in *The Mystery of Capital*, the principal barrier to economic success in developing countries is not lack of capital, but the lack of rights, procedures, and institutions that allow the conversion of assets into capital.

As De Soto points out, people in developing countries don't lack resources, "but they hold these resources in defective forms: houses built on land whose ownership rights are not adequately recorded, unincorporated businesses with undefined liability, industries located where financiers and investors cannot see them. Because the rights to these possessions are not adequately documented, these assets cannot readily be turned into capital, cannot be traded outside of narrow local circles where people know and trust each other, cannot be used as collateral for a loan, and cannot be used as a share against an investment."[12] Much the same can be said of Aboriginal communities.

Following are areas where particular challenges and opportunities exist around the investment climate and regulatory environment for Aboriginal businesses.

Indian Act Prohibitions

One often cited barrier to mainstream investment in First Nations communities concerns Section 89 of the *Indian Act* which is designed to maintain the territorial

[11] This section applies only to First Nations.
[12] De Soto, 2000.

integrity of reserve lands by prohibiting the alienation of these lands. While this principle is widely supported by First Nations people, it has had some detrimental impact on economic development since asses on reserve land cannot be used as loan security.

An addition to the *Indian Act* in 1988, Section 89 (1.1), does, however, affirm that a leasehold interest in designated lands can be pledged as security. It should also be noted that most lending is now based on cash flow, rather than security, mitigating the effect of Section 89. Additionally, *Indian Act* provision for ministerial approval of land management decisions, zoning, and use of royalties can lead to excessive delays for some projects.[13]

In order to give Aboriginal communities more flexibility the NAFTF recommended that an opting out clause be added to Section 89 allowing bands, with the support of their electors, to waive the prohibition on seizure of movable assets. This approach has the advantage of affording the opportunity for limited security, while maintaining the integrity of the land base. This recommendation should be revisited for consideration.

> **Recommendation**: 1) First Nations should consider mechanisms to opt out of Section 89, as recommended in NAFTF report; 2) mechanisms to streamline approval processes and increase investor certainty should be examined as they relate to economic development projects.

The costs and benefits of incorporation

Another way for First Nations businesses to avoid the restrictions on seizure imposed by the *Indian Act* is through incorporation. However, many First Nations businesses choose not to take this path in order to avail themselves of tax exemptions. While a sole proprietorship or partnership registered to First Nations entrepreneurs is exempt from federal and provincial taxes, a corporation does not have this same benefit. There are, on the other hand, other significant benefits to incorporation, especially as a business grows, that are perhaps not well understood among the Aboriginal business community and may well out weigh tax advantages. These benefits include liability protection, a framework to bring in partners, and greater financing options. Government could play an important role by clarifying the costs and benefits of incorporation.

> **Recommendation:** Develop fact sheet on Aboriginal incorporation, outlying costs and benefits, and post information through appropriate channels.

Understanding the regulatory environment

In addition to the challenges that arise from the *Indian Act* there are other administrative and legal complexities for financial institutions considering doing business with Aboriginal businesses on reserve. These extra layers of complexity act to further widen the risk/reward gap. Some progress has been made on this front since the publication, in 1999, of a resource for on reserve lending by the Canadian Bankers' Association (CBA) and INAC. The guide, *Understanding the Regulatory Environment for On-Reserve Lending*, is available on-line through the CBA website.[14]

In addition to a guide for lenders, a guide on access to capital for First Nation entrepreneurs would also be very useful.

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[13] For a full legal discussion of impediments imposed by the *Indian Act*, see Burgess, 2000.
[14] See: http://www.cba.ca/en/viewdocument.asp?fl=3&sl=89&tl=90&docid=450&pg=1

Recommendation: 1) Continue to work with AFIs, bankers, and CBA to ensure that up-to-date information regarding on-reserve regulatory issues related to First Nations access to capital are readily available and understood within the mainstream financial community; 2) update the current on-line guide especially with respect to third party management policy, land management regimes, and fiscal institutions; 3) develop user-friendly guide on accessing capital for Aboriginal entrepreneurs.

Building Aboriginal Institutional Capacity

As detailed in Part 1, Aboriginal financial institutions and other institutions supporting Aboriginal access to capital and economic development have taken on an increasingly important role throughout Canada in recent years. There are compelling reasons to continue to support this growth in capacity.

Standardized systems for AFIs

Initial discussions between NACCA and government agencies have taken place toward the development of standardized systems for AFIs in the areas of financial reporting, account management, risk-rating systems, and reporting. Such standardized systems are an important way for AFIs to pool and mitigate risk and to access external financing.

Recommendation: Continue discussion regarding, design, and implement a standardized systems for AFIs.

Aftercare and Business Service Officers

One particular area where AFIs require further assistance is aftercare and ongoing support for new businesses once financing has been secured. With better aftercare services, loan losses will decrease and more enterprises will succeed. An in-depth analysis of the losses suffered by Ulnooweg, an ACC in Eastern Canada reveals that close to 50% of the losses could have been avoided with more effective monitoring of clients. In addition to its strict value in terms of economic development objectives, such monitoring and follow up should be seen as part of the cost of operating a developmental lending portfolio and integrated into AFI cost of capital calculations.

Recommendation: Work with NACCA and AFIs to provide support for Business Service Officers and ensure that the cost of such services is calculated as part of the support requirements for developmental lending.

Government Support for AFIs

AFIs will require ongoing support from government as long as there is a need for developmental lending. With an estimated 25% cost of capital (loan losses plus the account management cost) and charged interest rates of 10 to 12%, it is unrealistic to expect developmental lending to occur without government subsidies for operations. The rationale for such a high cost of capital results from a combination of the small size of the loans and the remote location of most borrowers: this is why commercial lending is not an option for most AFI clients, even when they meet the normal criteria in terms of proven management capacity, security coverage, and free cash flow.

Based on the principle of developing Aboriginal capacity, continuing financial support for AFIs is necessary and warranted. A report prepared by Kevin Schindelka, the Director of Corporate Development for NACCA, considers the performance and needs of AFIs.[15] As this report highlights, AFIs have, over the course of their history, provided over 25,000 loans totaling close to $1 billion. The impact of this lending, in terms of business success, has also been impressive[16], and while the impact on the lives of Aboriginal people is difficult to measure, it is no doubt considerable.

As Schindelka points out, however, despite the apparent success of AFIs and their contribution to improving Aboriginal access to capital, the initial assumptions around capital requirements and eventual self-sufficiency have proven to be unrealistic. As a result, in order to maintain the important role of AFIs, Schindelka identifies the need for either additional cost free capital or additional operating subsidies (or both). In order to simplify calculation of capital needs and maximize flexibility, we recommend support funding on the basis of a formula that reflects the level of developmental lending done by AFIs (as measured by a common risk rating system) and reflects the different cost of offering the same services given the remoteness factor affecting each AFI.

However such support should not be used to offset the cost of inefficient account management and should be tied to the adoption by AFIs of common standards and regulatory controls.

> **Recommendation**: Provide ongoing support to AFIs by developing a formula for subsidizing their effective cost of capital, conditional on regulatory controls and standardized risk management, account management and reporting systems.

Expanded role for AFIs

In order for any financial institution to be financially viable, it needs to develop a diversified portfolio of instruments. As AFIs continue to grow and mature, it will be important for them to explore options for diversification and to develop new products such as insurance, commercial lending in participation with mainstream institutions, and housing or infrastructure financing. Indeed, access to sources of profitable financial activities may represent the only option for AFIs to break their dependency on permanent government funding to carry out their developmental mission and should therefore be strongly encouraged as long as it does not detract from the core mission of the AFIs.

> **Recommendation:** Work with NACCA and AFIs to explore and develop new lending and financing products.

Risk capital pools

As mentioned in the body of the report, a number of pilot projects have been initiated across Canada to test the possibility for establishing risk capital pools. These pools are an essential counterpart to the expanding capacity of AFIs and mainstream institutions to provide debt financing. Moreover, these pools offer another avenue for engaging mainstream sources of capital in Aboriginal business development (including credit unions, mainstream financial institutions, pension funds, and philanthropic foundations).

> **Recommendation:** 1) Continue to support and expand pilot risk capital projects, engaging provincial and territorial governments where possible and developing more flexible authorities where needed; 2) support NARCA to

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[15] Schindelka (2003).
[16] See, for example, Allen, Don R. and Associates (2003).

provide a national support role and to ensure economies of scale, self-regulation, and risk pooling.

Information network and deal making on commercial loans and investments
Access to information is a critical corollary of access to capital. Without timely information on emerging business trends, opportunities, and markets, business development will falter. Successful businesses often rely on a well-established network of associates and contacts that is less developed in Aboriginal communities. While access to government information is improving with programs like the Aboriginal Business Service Network (ABSN), improved access to broader information networks is required. Sectoral expertise needs to be supported (as for the agricultural AFIs) and identification of sectors and models for Aboriginal business opportunities needs to be documented.

Most important business opportunities require much financial planning and networking; local and regional economic development players do not have that expertise so that most joint ventures, partnerships, and investment opportunities tend to be designed and documented by would-be partners, to their advantage and not that of Aboriginal communities. In many cases, they are designed to maximize government contributions, forcing governments to be the deal-makers or breakers. Expertise needs to be developed and housed in AFIs to assist communities in negotiating maximum benefits for the economic opportunities that arise on their territories.

> **Recommendation:** Work with NACCA and NARCA to develop stronger information network and in-house financing expertise.

Developing knowledge base
Over the years, much analysis has been devoted to the issues explored in this report and considerable expertise has been developed. Unfortunately, much of that expertise is not retained. Rather, it has dissipated in the turn-over of government staff and of private consultants. An institutional home needs to be found for expertise in these areas and it must be brought to bear in identification of program objectives and design.

> **Recommendation:** Ensure that resources are set aside to develop in-house expertise on access to capital matters within existing Aboriginal institutions, and engage these institutions in the development of new programming.

Developing Financial Instruments

Besides improving the regulatory environment for Aboriginal economic development and access to capital, and helping to strengthen the institutional capacity of Aboriginal people, government agencies have a role to play in expanding the range of capital instruments available. These instruments should be developed with the intention of adding to the developmental instruments already available by making available government-assisted market instruments and facilitating expanded access to mainstream market instruments.

Housing and infrastructure
Currently, First Nations communities receive an annual allocation of funding for housing and infrastructure projects. While this funding is critical, it is dependant on political and budgetary commitments that can fluctuate annually. As noted in the

NAFTF report, government could restructure this flow of capital so that communities are better able to leverage mainstream financing.

> **Recommendation:** Restructure annual payments for housing and infrastructure in a way that will allow First Nations to leverage private sector capital for construction in First Nations communities.

Philanthropic capital

The philanthropic community is increasingly interested in opportunities for advancing social, economic, and environmental sustainability. Aboriginal communities and enterprises are well positioned to take advantage of this source of capital. A current initiative on BC's northwest coast, the Rainforest Solutions Project (RSP), is a good example of this emerging opportunity. RSP is raising a significant capital pool to assist in the development of sustainable resource industries in this region. There is also a growing community of social venture institutions looking for positive social and environmental investments (e.g. VanCity Capital Corporation, Social Venture Partners, EcoTrust, etc.)

> **Recommendation:** Look at opportunities for engaging the philanthropic community in Aboriginal economic development for loans and investments to Aboriginal businesses with sustainability objectives and as partners for Aboriginal investment funds. Explore the potential to tie Aboriginal economic development to issues of sustainability and community health.

Pension plan capital

There are large reserves of capital tied up in pension plans in Canada. However, because of the fiduciary duties of the fund managers, potentially higher-risk investments in Aboriginal development are not possible. If government could act to mitigate the risk, there is the potential for these funds to make higher-risk, social investments. Additionally, federal and provincial governments could look at establishing a new fund, targeted to Aboriginal economic development, which offered tax credits to investors (modelled after the labour-sponsored funds across Canada).

> **Recommendation:** Investigate potential and mechanisms to tap into existing funds or to create new capital pools for Aboriginal economic development. Expand on current pilots in this area and engage with provinces and territories.

Mainstream government funding

Among government agencies, there is a presumption that Indian and Northern Affairs is the only agency that needs to attend to First Nations issues. However, in situations where First Nations communities qualify for mainstream government funding programs, they may lack the information or access. For example, the Green Municipal Infrastructure Program may well serve the needs of some First Nations, but would require outreach to those communities. Moving Aboriginal communities and entrepreneurs toward mainstream market instruments also means facilitating access to these mainstream government programs.

> **Recommendation:** Look into the potential to increase Aboriginal access to mainstream federal, provincial, and territorial government funding programs. Move away from the presumption that only Indian Affairs deals with First Nations issues.

Access to sources of commercial lending

Developmental lending is not a replacement for commercial sources of loans. AFIs, because they are not deposit taking institutions and because their capital is limited, are not in a position to offer credit lines and other products that are essential for growing businesses. Banks are not interested in exploring small and mid-size business financing opportunities in distant communities and there are no incentives for them to make the time and financial effort to develop what is at best a marginal market for them.

Most mainstream businesses in the early phase of development can only access commercial loans with the help of government small business or farm loan guarantee programs, which are not available to on-reserve businesses because of the restrictions of the *Indian Act* on provision of security. As a result, First Nation businesses launched with the help of government contributions and developmental financing through the AFI network find it difficult to finance expansion, even when there are strong prospects for success.

> **Recommendation:** 1) Explore ways to ensure First Nation businesses have equal access to mainstream loan guarantee programming; 2) enable the AFIs to partner with commercial lenders to make commercial lending available to First Nation businesses.

Insurance and bonding

Insurance and surety products are required for Aboriginal businesses to grow and expand, especially when they begin to explore markets outside First Nation communities. Silu' Corporation was formed as a wholly owned subsidiary of NACCA in order to provide established Aboriginal contractors with contract performance guarantees in the form of documented letters of credit to compensate for *Indian Act* restrictions that make it almost impossible for them to access conventional sources of bid and performance bonding. This mechanism is vital to enable competent and experienced First Nation contractors to enter the mainstream market. However, without leverage and participation of the surety industry, the existing Silu' guarantee fund is insufficient to cover the documented need for bonding of First Nation firms.

> **Recommendation:** Re-examine the mandate and the funding requirements for Silu' Corporation. Work with Aboriginal institutions to explore a broker role for the provision of insurance services to Aboriginal businesses.

Improving Government Coordination, Program Delivery, and Criteria

Federal, provincial, and territorial government agencies will continue to play a lead role in facilitating Aboriginal access to capital, even as Aboriginal institutional capacity grows and mainstream investment becomes more available. While new program directions which foster the principles outlined in this report are needed, attention should also be paid to rationalizing and improving ongoing program delivery in the shorter-term.

Coordination and delivery

Many of the people interviewed in the development of this report spoke about the delivery, coordination, and timeliness of government contributions. Even when these programs are well targeted, they can lose their effectiveness when long review and approval processes cause delays which do not meet the requirements of business opportunities. The challenge for government agencies is to find ways to streamline program delivery and approval while meeting the requirements of due diligence.

Recommendation: 1) Undertake a review of existing programs across government agencies looking for opportunities to increase coordination and timely delivery; 2) create incentives for cooperation and aggregation among government-funded Aboriginal networks on the ground, such as Community Development Officers, officers of the Aboriginal Human Resources Development Agreements, and AFIs; 3) where possible, increase program delivery by Aboriginal institutions, as with the external delivery program of Aboriginal Business Canada.

Regional agencies

Aboriginal economic development and access to capital is supported in Western Canada by Western Economic Diversification and, in the central and eastern provinces by comparable regional agencies. The north, however, while an increasingly important economic region and home to many Aboriginal communities, has no such support. This lack was often cited as an impediment to Aboriginal economic development and access to capital in the territories.

Recommendation: Investigate opportunity and need for Northern regional agency.

Environmental and social sustainability

More and more businesses are recognizing the importance of expanding their bottom line to include social and environmental sustainability indicators. Not only does this broader focus often improve the financial bottom line of the company, it improves community health, social well-being, and environmental performance. Markets often fail to promote environmental sustainability, however, when the costs of higher short-term capital investments cannot be financed.

With growing environmental concerns, especially around global climate change, the markets for green products and energy will only improve. Since government is already very involved in Aboriginal economic development and capital provision, it could add environmental sustainability criteria to its program orientation in order to ensure that Aboriginal businesses are positioned to take advantage of this growing market. Investing in green energy development would also have direct health benefits for remote communities that currently rely on diesel generation.

Recommendation: Consider incorporating sustainability incentives into government contribution programs and subsidizing cost of exploring new technologies.

Informant List

The following people were interviewed for input and feedback on Aboriginal access to capital issues. The list includes both practitioners in Aboriginal finance and officials from federal, provincial, and territorial governments. While these interviews greatly added to and informed this report, the participants have in no way endorsed the findings or recommendations presented here.

Provincial/Territorial Contacts

John Reid, Executive Director, Government Relations and Aboriginal Affairs, Aboriginal Policy and Operations, Saskatchewan.

John Harper, Director, Social and Economic Initiatives, Ministry of Community, Aboriginal and Women's Services, Aboriginal Directorate, British Columbia.

Garry Singer, Assistant Director, Investment and Economic Analysis, Resources, Wildlife and Economic Development, Northwest Territories.

James Norris, Manager, Economic Initiatives, Aboriginal Affairs and Northern Development, Alberta.

George Privett, Export and Trade Facilitator, Department of Economic Development, Yukon.

David Sudlovenick, Canada-Nunavut Business Service Centre, Nunavut.

Eleanor Brockington, Director, Policy and Strategic Initiatives, Aboriginal Affairs Secretariat, Manitoba.

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Dominique Collin, Director, Strategic Initiatives, Indian and Northern Affairs Canada, Ottawa, Ontario.

Kevin Schindelka, Director of Corporate Development, National Aboriginal Capital Corporation Association, Vernon, BC.

Elaine Chambers, General Manager, Dana Naye Ventures, Whitehorse, Yukon.

Errol Wilson, General Manager, Anishinabe Mazaska Capital Corporation, Winnipeg, Manitoba.

Ron Scrimshaw, Manager, Western Region, Aboriginal Banking, Canadian Imperial Bank of Commerce, Edmonton, Alberta.

Yovhan Burega, formerly of First Nations Bank, Toronto, Ontario.

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Appendix A: ACC-ACFDC Comparative Profiles

(from Growth Connections, 2002)

Factor	ACC	ACFDC
Developmental Business Role	Primarily Lender	One stop service to developmental businesses
Clientele	Primarily First Nations	First Nations, non-status, Métis, Inuit,
Geographical coverage	Large territories often with remote clients.	Smaller territories centered on immediate community
Individual AFI gross assets	$5–$10 Million	$1-$2 million
Est. collective loan portfolio	$140 million (32*)	$25 million (22*)
Average loan size	$37,000	$34,000
Average loan losses	5%	Approx. 7%
Average Interest Rate	10-12% (prime plus 5-7% risk premium)	Up to 15% (Prime plus 1.5% plus up to 9% risk premium)
Financial Services	Term and operating loans; loan guarantees, contractor guarantees; youth loans.	Term and operating loans, loan guarantees, contractor guarantees; youth and micro-loans.
Management Services	Limited counselling	Pre- and Post-loan business counseling Regional Agency youth programs.
Information services	Some locations	Some locations
Community economic development planning		Assistance provided where practical
Discretionary services		Self-employment, trade promotion, training and other services provided for other agencies on a fee for service basis
Government funding assistance	Investment capital provided selectively.	Operating subsidies provided to all, with some limited variation; Investment capital provided selectively.
Primary accountability	Accountable to communities served, and reports to ABC if original agreement still in force. .	Accountable to and reports to Regional Agencies.

Appendix B: Access to Capital Related Programs and Services

Federal/National Programs

Community Economic Development Program

The Community Economic Development Program is designed to provide long-term employment and business development opportunities to First Nations and Inuit by giving them the means to effectively manage skill development programs, economic institutions and business enterprises. This is achieved by forging partnerships among Aboriginal peoples, various levels of government and the private sector.

The Community Economic Development Program (CEDP) provides funding for the establishment and operation of 505 Community Economic Development Organizations (CEDOs). Tribal councils, First Nations and Inuit communities can utilize CEDOs services including: developing community economic strategic plans; providing advisory services; planning business or resource development projects; providing contributions, repayable contributions or loans to community members for training, business or resource development projects; holding equity positions in private or community enterprises; providing job-related training and employment programs; and managing financial and technical services.

The CEDO program is fully devolved to First Nations and Inuit through INAC's regional offices. The following three programs are only available to recognized CEDOs:

The Economic Development Opportunity Fund (EDOF) provides financial aid in the form of matching equity funding. The objective is to use the funding to obtain conventional debt financing (such as a loan from a bank) to start or expand a business.

The Resource Acquisition Initiative (RAI) helps communities fund resource-sector and related business opportunities. This may include acquiring natural resource permits and licenses.

The Major Business Projects Program (MBPP) provides financial assistance to eligible First Nations and Inuit businesses. The funds can then be used to obtain conventional debt financing to start or expand a business to pursue a major industrial, commercial or resource-based opportunity.

Council for the Advancement of Native Development Officers (CANDO) is Aboriginal-controlled, community-based and membership driven, and is directed by a national volunteer board of elected EDOs representing the regions of Canada. As a federally registered, non-profit society, CANDO has been instrumental in facilitating partnerships with EDOs, academics, Aboriginal leaders, and senior corporate and government representatives.

Aboriginal Canada Portal

The Aboriginal Canada Portal offers one-stop access on the Internet to information for, and about, Aboriginal Canadians. Over 16,000 links connect users to national, provincial and regional information, from both government and non-government sources. Through the portal you'll find information on topics, such as economic development, business, employment, culture, claims and treaties, Aboriginal associations, news, justice, communities and upcoming events.

Aboriginal Business Canada

Aboriginal Business Canada (ABC) is an Industry Canada program that promotes the growth of commerce as one means towards economic self-sufficiency for all Aboriginal people.

Aboriginal Business Canada offers financial support to first-time entrepreneurs and existing entrepreneurs/businesses that are proposing to carry out a particular commercial activity for the first time in the following categories: tourism; manufacturing; business, professional, scientific and technical services; and business opportunities linked to major developments. For other types of businesses, the program can consider support for marketing and information technology needs.

Aboriginal Business Service Network

The Aboriginal Business Service Network is committed to providing the Aboriginal business community with a wide range of information on government services, programs and regulations that are relevant, up-to-date and accurate. This service is supported through the Canada Business Services Centres (CBSC), which provide free-of-charge access to this information.

The current National Aboriginal Economic Development Board (the Board) structure has been in place for over a decade. The Board was established to advise the Minister of Industry and other federal Ministers, with regard to the requirements of coordinating programs, policies and procedures which impact upon Aboriginal economic development.

First Nation and Inuit Youth Business Program

The First Nation and Inuit Youth Business Program was established with the National Aboriginal Capital Corporation Association (NACCA) managing the program. The primary elements of the program consist of counseling sessions, mentoring/business planning, capitalization, and aftercare assistance. The program elements are delivered by 31 Aboriginal Controlled Financial Institutions or Developmental Financial Institutions throughout the country.

Access to Capital (ATC)

Access to Capital programming involves a comprehensive range of components designed to strengthen the network of Aboriginal-controlled developmental lending institutions and foster increased availability and affordability of capital for developmental lending. The Aboriginal-controlled developmental lending institutions include the Aboriginal Capital Corporations (ACCs) and the Aboriginal Community Futures Development Corporations (ACFDCs), collectively called Aboriginal Financial Institutions (AFIs). Programming under the ATC comprises the following components:

a. An interest rate buy-down for qualified AFIs; (Interest Rate Buy-Down Fund)
b. Selective credit enhancement support for qualified AFIs; (Credit Enhancement Fund)

c. An enhanced access loan fund for areas not serviced by AFIs;(Enhanced Access Fund)

A developmental lending support initiative providing generic developmental products and services for AFIs and AFI training and development services comprising customized counseling and mentoring for individual AFIs; (Support and Training Fund).

Canadian Council for Aboriginal Business

- Founded in 1984 as a national non-profit organization
- More than 200 Aboriginal and non-Aboriginal businesses are members and supporters of CCAB across Canada
- Is non-political and receives no government funding
- To connect Aboriginal and non-Aboriginal people and companies with the opportunities they require to achieve personal and business success

Provincial/Regional/Territorial Programs

First Nations Bank Micro Loan Program

- From Western Economic Diversification Canada (WED) and the First Nations Bank of Canada offer loans to help start or expand a business.
- Operating or about to operate in Western Canada
- Referred to First Nations Bank by Western Economic Diversification.
- Loans can range to a maximum of $25,000
- Up to five years for repayment
- Interest rates may be floating or fixed over the term of the loan

British Columbia:

First Citizen's Fund Loan Program

- $75,000 lifetime maximum loan amount
- 2% fee which can be capitalized to the loan
- 40% forgivable under certain conditions

BC Hydro Aboriginal Business Partnership Program

- Provides financial support to establish and enhance Aboriginal or band-owned businesses within BC Hydro's service area
- Up to 30% of total business project costs to a maximum of $15,000

Alberta:

Agriculture Financial Services Corporation (not aboriginal specific)

- Provides farmers, agribusinesses and other small businesses loans, crop insurance and farm income disaster assistance
- Reports to Alberta's Minister of Agriculture, Food and Rural Development (AFRD).

Aboriginal Youth Business Fund

- Provide Métis and Non-Status Indian youth entrepreneurs with commercial loans
- Pre & Post Lending Business Advice.
- Loans up to $15,000

Saskatchewan:
Clarence Campeau Development Fund

- To provide financial assistance where currently there is a void for Métis clients
- To stimulate economic development activities of Métis people and communities by providing equity for Métis businesses
- Support to community economic development initiatives and assistance for the development of the management skills of new and existing Métis business owners and entrepreneurs

Manitoba:
Youth Equity Contribution Program

- Recipient must complete 4-day small business workshop
- $4,000 maximum amount

First Nations Farm Credit Program

- To provide loans (to a maximum of $175,000) to any member of a First Nations in Manitoba wishing to start, expand or acquire a viable farm unit in Manitoba
- Loans are available for land, equipment, livestock, buildings & facilities, Bison and Elk
- Term of loan is 5 - 8 years for equipment, buildings and livestock, 1 year for direct working capital loans

Nunavut:
Kitikmeot Business Assistance Program (KBAP)

Helps to provide jobs and income to Kitikmeot Inuit through financial assistance to establish and expand viable Inuit owned businesses in the region. This is done through contributions and loans. Contributions may be up to $5,000 per application and are non-repayable. Loans may be up to $25,000, are interest free and are repayable over a 3-year (36 month) term. Payment options are generally based on the cash flow of the project. Loans are secured with a pledge of security against the amount borrowed. Terms and conditions of both contributions and loans are written in a Letter of Offer. A report is required during or at the end of the project to state how the funding and/or loans were spent.

Nunavut Sivummut Grant

This program receives funding from Nunavut Tunngavik Incorporated (NTI) through Kitikmeot Corporation. It provides opportunities for Inuit to start new businesses or to carry out a commercial activity. A person who meets eligibility can obtain a grant of up to $3,000. The grant is generally non-repayable. As with KBAP, documentation is required to show how funding was spent.

Eligibility for both: Inuit of the Kitikmeot who are registered under the Nunavut Land Claims Agreement; Inuit-owned businesses (as defined by Article 24 of the Nunavut Land Claims Agreement) that are owned by Kitikmeot Inuit.

Northwest Territories:
Business Development Fund (not Aboriginal specific)

- Contribution funding to individual entrepreneurs and small business
- Funds may be used for business start-up, market and product development, training, and assistance in financial difficulty
- Funded by the Minister of the Department of Resources, Wildlife & Economic Development

Grants to Small Business (not Aboriginal specific)

- For small businesses, co-operatives, partnerships, or sole proprietorships with less than $500,000 in gross sales
- A maximum of $5,000 over the lifetime of any one business
- Funds are provided from this program only when the business is unable to get required funds from other sources
- If tools were purchased under this program, the program will not fund their replacement

Yukon:

Community Development Fund (not Aboriginal specific)

- Funding projects and events that provide long-term benefit and value to Yukon communities

Yukon Venture Loan Guarantee Program (not Aboriginal specific)

- is administered by the Department of Finance
- New business start-ups or expansions of businesses in the Yukon that have or project to have less than $5,000,000 in gross revenues and less than 100 employees
- Minimum $10,000; maximum $100,000 guarantee
- Guarantee level is 65% of venture loan, principle only, and based on the net loss of the venture loan

Yukon Small Business Investment Tax Credit (not Aboriginal specific)

- Intended to create jobs and promote economic growth and expansion in Yukon by reducing financial risk for investors in Yukon companies.
- Permits eligible investors to claim 25 per cent of their investment in an eligible Yukon company as a credit on their individual income tax returns.

Appendix C: Aboriginal Financial Institutions in Western and Northern Canada

Nunavut

Kitikmeot Economic Development Commission (KEDC) — Other
P.O. Box 18
17 Mitik Street
Cambridge Bay, Nunavut, X0E 0C0
Phone: 867.983.2095

Northwest Territories

North West Cooperative Business Development Fund (NWCBDF) — ACC
321 - C Old Airport Road
Yellowknife, NWT, X1A 3T3
Phone: 867.873.3481

NWT Métis-Dene Development Fund (NWTMDDF) — ACC
P.O. Box 1805
1st Floor, 5125 - 50th Street
Yellowknife, NWT, X1A 2P4
Phone: 867.873.9341

Deh Cho Business Development Centre — CFDC
P.O. Box 238
Ft. Simpson, NWT, X0E 0N0
Phone: 867-695-2441

Akaitcho Business Development Corp. — CFDC
Yellowknife, NWT
Phone: 867-920-2502

Yukon

Dana Naye Ventures — ACC
409 Black Street
Whitehorse, Yukon, Y1A 2N2
Phone: 867.668.6925

BC

All Nations Trust Company (ANTCO) — ACC
208 - 345 Yellowhead Highway
Kamloops, BC, V2H 1H1
Phone: 250.828.9770

Bella Bella Community Development Society — ACC
P.O. Box 880
Waglisla, BC, V0T 1Z0
Phone: 250.957.2556

Burns Lake Native Development Corporation — Other
Box 1030
483 W. Highway 16
Burns Lake, BC, V0J 1E0
Phone: 250.692.3188

Community Futures Development Corporation of Central Interior First Nations 215, 345 Yellowhead Hwy. Kamloops, BC, V2H 1H1 Phone: 250.828.9833	CFDC
First Nations Agricultural Lending Association 200, 345 Yellowhead Highway Kamloops, BC, V2H 1H1 Phone: 250.314.6804	ACC
Native Fishing Association (NFA) 303, 100 Park Royal South West Vancouver, BC, V7T 1A2 Phone: 604.913.2997	ACC
Nuu-chah-nulth Economic Development Corporation (NEDC) P.O. Box 1384 / 4563 Pacific Rim Highway Port Alberni, BC, V9Y 7M2 Phone: 250.724.3131	ACC & CFDC
Tale'awtxw Aboriginal Capital Corporation 508, 100 Park Royal South West Vancouver, BC, V7T 1A2 Phone: 604.926.5626	ACC
Tribal Resources Investment Corporation 344 West 2nd Avenue Prince Rupert, BC, V8J 1G6 Phone: 250.624.3535	ACC
Sto:lo Community Futures Development Corporation Units 29 & 30 6014 Vedder Road Chilliwack, BC Phone: 604-858-0009	CFDC

Alberta

Alberta Indian Investment Corporation Box 180 Enoch, AL, T7X 3Y3 Phone: 780.470.3600	ACC
Apeetogosan (Métis) Development Inc. 302, 12308 - 111 Avenue Edmonton, AL, T5M 2N4 Phone: 780.452.7951	ACC
Indian Business Corporation #Unit 56, 2333 - 18 Avenue N.E. Calgary, AL, T2E 8T6 Phone: 403.291.5151	ACC
Settlement Investment Corporation 18012 - 107 Avenue Edmonton, AL, T5S 2J5 Phone: 403.488.5656	ACC

Saskatchewan

Beaver River Community Futures Development Corporation 106 1st Street East, Box 2678 Meadow Lake, SK, S9X 1Z6 Phone: 306.236.4422	CFDC
Northern Enterprise Fund Box 220 Beauville, SK, S0M 0G0 Phone: 306.288.2258	Other
SaskNative Economic Development Corporation # 108 - 219 Robin Crescent Saskatoon, SK, S7L 6M8 Phone: 306.477.4350	ACC
Saskatchewan Indian Equity Fund 224 B - 4th Avenue S.W. Saskatoon, SK, S7K 5M5 Phone: 306.955.4550	ACC
Visions North P.O. Box 810 LaRonge, SK, S0J 1L0 Phone: 306.425.2612	CFDC

Manitoba

Anishinabe Mazaska Capital Corporation 811, 294 Portage Avenue Winnipeg, MB, R3C 0B9 Phone: 204.940.5000	ACC
Cedar Lake Community Futures Development Corporation P.O. Box 569, 314 Edwards Ave. The Pas, MB, R9A 1K6 Phone: 204.627.5450	CFDC
Kitayan Community Futures Development Corporation 345, 260 St. Mary Avenue Winnipeg, MB, R3C 0M6 Phone: 204.982-2170	CFDC
Louis Riel Capital Corporation 340, 150 Henry Avenue Winnipeg, MB, R3B 0J7 Phone: 204.589.0772	ACC
Tribal Wi-Chi-Way-Win Capital Corporation (TWCC) 203, 400 St. Mary Avenue Winnipeg, MB, R3C 4K5 Phone: 204.943.0888	ACC
Dakota Ojibway Community Futures Development Corporation 4820 Portage Avenue Headingley, MB, R4H 1C8 Phone: 204.988.5373	CFDC

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