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CANADIAN COUNCIL FOR INDIGENOUS BUSINESS

A Way Forward

Ontario's Path Towards Economic Reconciliation, Equity and Inclusive Growth

Part II: Finance and Capital

Introduction

The Indigenous economy in Canada has experienced staggering economic growth, doubling from $24 billion in 2011 to nearly $50 billion in 2020 and is rapidly surging towards $100 billion.[1] The Indigenous population is younger and growing at double the rate of non-Indigenous Canadians,[2] and studies show that Indigenous people in Canada are nine times more likely to start their own business.[3] With this impressive growth, Ontario's business community must recognize that economic reconciliation is more than just a "nice to have": it is not only a moral imperative but also an economic opportunity.

Building on our **Sharing Prosperity** resource, *A Way Forward*, is a series that aims to advance the Truth and Reconciliation Commission's Call to Action 92, building on the foundational National Indigenous Economic Strategy. The Ontario Chamber of Commerce and Canadian Council for Indigenous Business aim to offer practical steps, learnings, and case studies, for Ontario businesses to advance economic reconciliation.

The journey towards Truth and Reconciliation begins with confronting hard truths. Indigenous Peoples have been the original stewards of the land since time immemorial. However, most Indigenous communities did not share in the benefits of natural resource development on their land as Canada failed to live up to the promise of shared prosperity. Indigenous Peoples were deliberately excluded from the process of wealth creation because of government policy.

This legacy has lasting impacts, with most Indigenous Peoples living off-reserve still earning, on average, $7,000 less than their non-Indigenous peers, while those residing on-reserve face even more significant disparities and higher rates of poverty.[4] Indigenous businesses also face steep challenges: hiring and retaining employees, accessing reliable sources of financing, and articles within the Indian Act.

Financial institutions, large resource companies operating on Indigenous lands, local chambers of commerce and small and medium-sized enterprises (SMEs) all have a role to play in supporting a thriving and resilient Indigenous economy — for mutual benefit.

The National Indigenous Economic Development Board estimates that closing the education, employment and poverty gaps facing Indigenous People could add $27.7 billion annually to Canada's GDP.

The Canadian economy benefits when everyone is included, including Indigenous Peoples who have been historically left out of the process of wealth creation. To address the productivity and growth crisis in our country, it is essential we create a thriving economy for future generations by supporting the economic development of Indigenous Peoples, the fastest growing segment of Canada's population, through meaningful partnerships, and by incorporating Indigenous Traditional Knowledge and worldviews. This report examines the challenges of accessing capital, potential solutions, and strategies for fostering a thriving Indigenous economy.

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[1] Indigenous economy surging toward $100B, Indigenous leaders say | CBC News

[2] Statistics Canada. The Daily — Indigenous population continues to grow and is much younger than the non-Indigenous population, although the pace of growth has slowed (statcan.gc.ca)

[3] Canadian Council for Aboriginal Business. 2020 Aboriginal Business Survey.

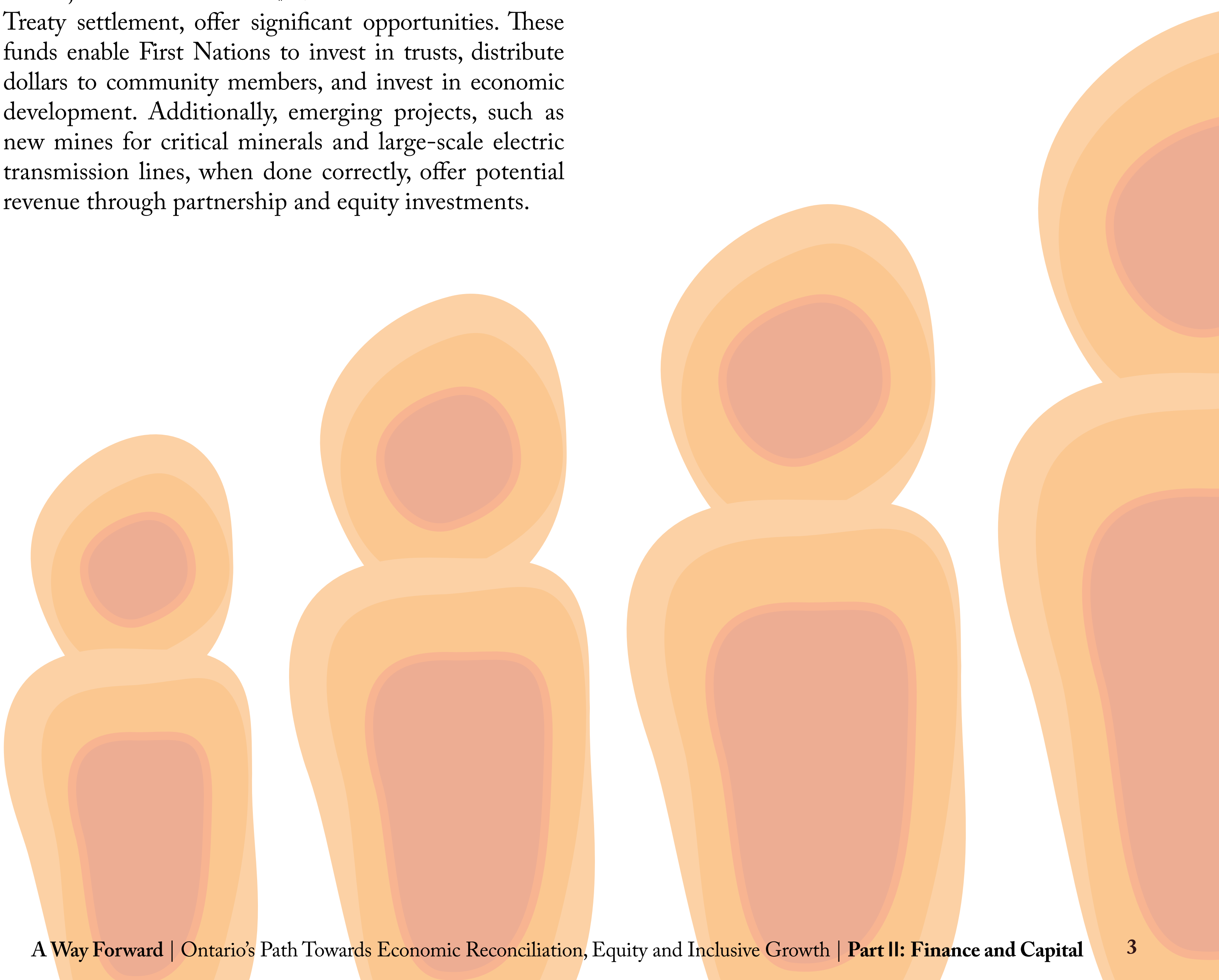
[4] An update on the socio-economic gaps between Indigenous Peoples and the non-Indigenous population in Canada: Highlights from the 2021 Census (sac-isc.gc.ca)

Indigenous Peoples have long faced systemic barriers to accessing capital due to the ongoing effects of colonialism. Since before Confederation, discriminatory government policies have deliberately excluded Indigenous Peoples from the levers of wealth creation.

Economic reconciliation is about restoring the prosperity Indigenous Peoples enjoyed before contact and supporting self-determination. While government transfers can help alleviate the worst effects in the short-term, true self-determination for Indigenous communities requires supporting a growing and robust Indigenous economy. This can create sustainable sources of revenue, employment, and economic development, enabling Indigenous Peoples to continue providing for themselves as they have since time immemorial.

Historic court-ordered settlements and annuity payment arrears, such as the recent $10 billion Robinson-Huron Treaty settlement, offer significant opportunities. These funds enable First Nations to invest in trusts, distribute dollars to community members, and invest in economic development. Additionally, emerging projects, such as new mines for critical minerals and large-scale electric transmission lines, when done correctly, offer potential revenue through partnership and equity investments.

These changes present significant opportunities for Indigenous Peoples, businesses, and communities to build wealth and meet their own needs. However, realizing this potential requires ensuring that Indigenous Peoples have access to the financial capital necessary to expand their businesses, support community development, and make long-term investments.



Challenges

Lending on Reserve: The Colonial Remnants of *The Indian Act*

The *Indian Act*, introduced in 1867, aimed to assimilate Indigenous Peoples by prohibiting them from practising religious ceremonies, pow wows, potlaches and traditional ceremonies, while also restructuring Indigenous governments and establishing the rules governing First Nations Reserves. Despite several amendments to give First Nations voting rights (1960), reverse discrimination against women who married non-Indigenous men (1985), and empower Band Councils with authority over land management (1999) and fiscal management (2005) — these have not gone far enough and many restrictive provisions still exist.

A significant barrier to capital access under the *Indian Act* is that First Nations do not own their reserve lands and, therefore, cannot borrow against them. Section 89 of the Indian Act states that "the real and personal property of an Indian or a band situated on a reserve is not subject to charge, pledge, mortgage, attachment, levy, seizure, distress or execution." Consequently, banks are limited to unsecured lending, making it challenging for First Nations to obtain credit, for mortgages or business ventures, as these loans are unsecured and therefore seen as "higher risk." Barriers to home ownership have also prevented First Nations individuals from accumulating wealth — as primary homes are the largest asset for most Canadians.

While constitutional scholars, and Indigenous and political leaders debate whether to reform the Indian Act, in the meantime Indigenous Peoples and businesses today often find themselves left with very few options when seeking financing to grow their businesses and support community economic development projects. Overcoming Section 89 requires innovative thinking — such as adopting loan guarantees, and new structures. Financial institutions must familiarize themselves with the Indigenous market — or partner with organizations with existing expertise.

> *"When you're serving Indigenous populations, risk is often misunderstood. Understanding risk requires understanding Indigenous revenue models, and different tax incentives. How do we change our risk models and, more importantly, better understand how risk weights are impacted by legislation relevant to First Nation own source revenues and Indigenous loan guarantees? You have to take a financial institution's resources and apply them to uniquely Indigenous circumstances. That's reconciliation."*
>
> - Jonathan Davey, Vice President, CEO Support, Scotiabank

Limited Credit History and Wealth Accumulation

Historically, many Indigenous individuals were excluded from the financial system due to a lack of access to banks on-reserve, the impacts of colonial policies, and systemic racism in financial institutions. According to Prosper Canada, in 2015, up to 15 per cent of Indigenous individuals were unbanked, compared to two per cent of the general population.

As a result, Indigenous Peoples are less likely to have significant savings or credit history, making it difficult to access capital and find lenders, often facing very high interest rates. Moreover, Indigenous Peoples continue to experience stereotypes and systemic bias in accessing financial services.

Recognizing these structural barriers is a critical first step in acknowledging that the Indigenous economy is currently underserved by financial institutions. This recognition is a necessary step towards creating dedicated programs to support First Nations, Inuit, and Métis entrepreneurs and businesses.

> *"Even going into a bank for a loan is uncomfortable. Indigenous entrepreneurs don't feel comfortable talking to a banker or they've been told no once or twice. It's not necessarily poor credit, it's sometimes no credit or a very thin credit profile. They may have only had a small personal credit card."*
>
> \- Wade Kerr, Manager, Indigenous Entrepreneurship, BDC

Financial Literacy

Creating a fully inclusive financial system requires that financial institutions work with Indigenous Peoples to promote awareness of western banking and business practices, which may differ. Historically, systemic barriers have limited Indigenous Peoples' access to education and resources about western financial systems. With only 60 per cent of on-reserve First Nations individuals graduating high school, this systemic inequity means many Indigenous individuals do not have experience with western banking models.

> *"We have been stewards of the land since time immemorial. Now, we must learn to become stewards of capital–and the best way to do that is by getting First Nations directly involved in finance. When I teach portfolio theory, I use a simple analogy: when you go hunting, you have three caches. It's the same principle — diversifying to manage risk and ensuring you're not putting all your eggs in one basket. Finance isn't inherently complicated; it's the jargon that makes it feel inaccessible. Our goal is to cut through that noise and keep it simple."*
>
> \- Fred Di Blasio, CEO & Managing Partner, Longhouse Capital Partners

Financial institutions can play a constructive role by offering tailored financial literacy resources and working closely with Indigenous clients — whether they may be individuals, business owners, or communities — to build mutual understanding around financial services, opportunities, and risks. Some progress has been made. Many mainstream institutions have initiated or supported outreach programs to provide tailored financial literacy resources on western banking programs and support Indigenous entrepreneurs with capacity-building, training and mentorship to create a fully inclusive financial system.

To go further, financial institutions can expand their own understanding of Indigenous values as they relate to banking and finance, including by working with organizations like the **Reconciliation & Responsible Investment Initiative (RRII)**. Programs that align capital with Indigenous values are essential to ensure real equity in financial services for Indigenous Peoples and businesses.

A Way Forward

Building Trust and Meaningful Relationships

Building trust with Indigenous Peoples and **approaching relationships in a good way is fundamental for economic reconciliation.** Historical injustices and discrimination have created skepticism towards mainstream Canadian institutions — including governments, banks, and major corporations.

Recognizing these challenges, financial institutions and all corporations should ensure flexibility in their approach to Indigenous clients. This starts with providing internal training to increase awareness of Indigenous culture and traditional practices. Above all, financial institutions must seek to understand the unique context of Indigenous communities and work towards equity in their programs and services.

This involves acknowledging truth before reconciliation, actively learning about Canada's history of colonial exploitation and finding appropriate ways to engage with Indigenous communities. Respectful engagement means moving beyond token gestures and truly listening to communities to understand their needs and develop financial solutions that reflect their values.

Additionally, hiring Indigenous employees and creating dedicated Indigenous banking units can play a critical role in developing in-house expertise. These individuals bring lived and professional expertise, intimately understand the unique needs of Indigenous communities, and can work with peers to ensure an equity lens is taken in risk and banking decisions. Beyond that, having dedicated professionals and relationship managers who regularly work with Indigenous Peoples ensures that businesses, communities, and consumers feel comfortable working with mainstream institutions.

“*We also need to be honest: historically, there's been some bad relationships. It's really important that we're authentically engaged with how Indigenous people want trusts to service their community – [such as] values that are built into the agreement. We're really engaged and committed to learning with you on this journey together.*”

- Brittney Sault, Relationship Manager - Indigenous Trust Services, CIBC

“*If reconciliation is really going to happen, there has to be some flexibility. How can we talk about business in a different way, so that it's not just the big banks saying, here's our box and we're willing to educate you about how to get into the box. I think it's saying…how can we adjust our business approach to better fit with you and not leave you out?*”

- Trina Maher, President of Bridging Concepts

Indigenous Business Financing

Research from Canadian Council for Indigenous Business in 2021 shows that only 11 per cent accessed business lines of credit — three times less than Canadian firms overall (35%). The remaining 33 per cent used other primary sources of financing, highlighting a patchwork of funding strategies beyond conventional credit. Notwithstanding their very low default rates, Indigenous business owners face unique barriers to capital including a lack of collateral, lack of credit history and lower average incomes.

Recognizing these challenges, several financial institutions have established dedicated programs to invest in the Indigenous economy. These programs create dedicated capital and encourage Indigenous business owners to engage with institutions where they previously may not have felt welcomed. Most importantly, these programs create an impetus for lenders to expand their risk criteria to be more inclusive and meet targets to specifically support Indigenous entrepreneurs. Although Indigenous business owners may lack extensive credit history or a long history of cash flows, data from the National Aboriginal Capital Corporations Association (NACCA) shows that Indigenous entrepreneurs have a very low rate of default. Thus, creating dedicated lending programs requires financial institutions to reevaluate existing practices and adopt more inclusive risk criteria, making lending more accessible for Indigenous individuals and businesses.

> “*We know we have to get better. BMO's Indigenous Entrepreneurs program builds on long-standing support for Indigenous businesses–expanding access and removing barriers through a clear commitment. We started with our learning process, and we really wanted to go on a listening journey. We consulted with everybody. We've consulted with our customers, with First Nations communities, with our Indigenous Advisory Council, with BDC–because BDC is a leader with entrepreneurs, and with National Aboriginal Capital Corporations Association (NACCA). We consulted with them, and then we found out what they're doing really well. And then we made a conscious effort to improve our services.*
>
> Dan Adams, Interim Head, Indigenous Banking, BMO

Spotlight

Taking Action: Creating Financial Programs for Indigenous Entrepreneurs

Recent trends toward the rapid adoption of new programs with expanded risk criteria and specific capital allocations for Indigenous entrepreneurs recognizes the rapidly expanding Indigenous Economy. It is important that these programs are developed in partnership with Indigenous Peoples based on their needs. Recent examples of developments include:

- **Futurpreneur's Indigenous Entrepreneur Startup Program** provides up to $60,000 for young aspiring Indigenous entrepreneurs (including those on reserve) and offers dedicated 1:1 mentorship, networking opportunities and business workshops including the Ohpikiwin workshop series. Since 1996, Futurpreneur has supported programs dedicated to unleashing innovation by supporting the next generation of Canadian entrepreneurs.

- **BMO for Indigenous Entrepreneurs** provides up to $150,000 for Indigenous business owners to access working capital, capital investments and short-term receivable financing. It is available to business owners operating on- and off-reserve and builds on BMO's commitment to Zero Barriers to Inclusion for all and the experiences of its Indigenous Banking Unit, which has worked for more than three decades to support economic self-determination for Indigenous Peoples.

- **BDC's Indigenous Entrepreneur Loan** offers offers businesses operating for at least 24 months up to $350,000 with flexible repayment terms to scale their operations. Entrepreneurs are also provided with access to 15 hours of advisory services from Indigenous advisors and BDC's platform, which offers courses in finance, marketing, operations and business growth. In June 2024, BDC announced **$200 million in equity funding for Indigenous and Black businesses** to facilitate even greater access to capital.

Indigenous Loan Guarantees

Since reserve lands are held by the Crown, innovative solutions are essential to support First Nations in accessing capital. Though they are not directly affected by the reserve system, Inuit and Métis communities also face barriers to accessing capital that stem from structural and historical challenges. One important policy tool is the use of Indigenous Loan Guarantees, wherein a federal or provincial government guarantees the loan (providing a source of security for market financing), which enables Indigenous communities and businesses to access credit. These loan guarantees eliminate risk for lending institutions, significantly increasing the ability to access market financing, and allowing First Nations to benefit from high government credit ratings.

Ontario's existing $3 billion Indigenous Opportunities Financing Program has been operating since 2009 and has supported 11 guarantees to facilitate Indigenous participation in renewable energy projects and beyond. Since 2019, the Alberta Indigenous Opportunities Corporation has offered $3 billion in loan guarantees. This has supported Indigenous communities with taking a major equity stake in several projects, including the $1.65 billion TC Energy deal, $1.2 billion investment in Enbridge's pipeline, the Aspen Point Program, and $93 million for the Cascade Power Plant. The federal government's announcement of a $10 billion national loan guarantee will enable even more projects. These deals are significant because they provide First Nation, Métis and Inuit communities with reliable sources of long-term revenue, which in turn can be used to fund housing, infrastructure, education, health and other community priorities.

On a smaller scale, the Canada Mortgage and Housing Corporation (CMHC) facilitates ministerial loan guarantees for on-reserve housing. Like larger programs,

this program plays a critical role in expanding access to capital for individuals. However, awareness of these programs is limited, and a cumbersome application process – with requirements for community and ministerial signoff – create significant barriers to accessing them.

Ultimately, these programs can be valuable for some projects but remain imperfect. The application process, bureaucratic requirements, and greater demand than the level of funding available continue to create constraints. The First Nations Major Projects Coalition estimates there are 470 major projects in Canada, with a need for approximately $50 billion in Indigenous equity financing. While Indigenous Loan Guarantees are vital, the scale of funding remains insufficient to meet full need, amounting to over $525 billion in capital investment over the next 10 years.

> *"First Nations need loans made available to us, based on sound business cases, not handouts or grants. We want into the Canadian economy, on an equitable and fair basis. To get there, we need comparable access to investment capital, much as Canadian companies and governments do, to finance our participation in these major initiatives.*
>
> - Chief Sharleen Gale, Chair of First Nations Major Project Coalition (**op-ed**)

Case Study: A New Type of Micro-Loan Guarantee

Building on the principle of loan guarantees for major projects, this model enables financing for Indigenous SMEs. Indeed, Meridian Credit Union, TD, and Vancity offer loans of up to $500,000 through the **Business Accelerator Loan Program** for diverse entrepreneurs including Indigenous Peoples, women, newcomers, visible minorities, 2SLGBTQ+ people and persons with disabilities. This program is supported by loan guarantees from the BDC, which enables the financial institutions to expand their risk criteria in approving them.

This guarantee can significantly improve access to lending for those without a significant credit history, who may have fewer assets, or may face unique challenges, including being located on-reserve. The loan guarantee model presents an example of how forward-thinking public policy can expand access to capital for the Indigenous economy at all levels — from investing millions in a pipeline to supporting working capital for a business to hire a second employee, or scale to be able to participate in procurement opportunities.

Indigenous Financial Institutions

Funded by the federal government, **Indigenous Financial Institutions (IFIs)** — collectively represented by **NACCA** — were established in the late 1980s to create a new sources of capital for Indigenous entrepreneurs who were seen as "high-risk" and faced difficulty in accessing credit from mainstream financial institutions.

Over the past 30 years, with an initial federal investment of just $240 million, IFIs have successfully provided more than $3.2 billion in loans to 50,000 Indigenous SMEs. Located within specific communities, IFIs foster trust with clients, enabling them to better assess risks than mainstream financial institutions. A 2020 **OECD report** highlighted IFIs as an innovative model for supporting economic growth in rural and remote Indigenous communities.

Mainstream financial institutions increasingly seek to partner with IFIs, leveraging their unique knowledge and deep expertise in supporting the Indigenous economy. These partnerships help them take on loans traditionally considered to be "higher risk" while maintaining a 95 per cent repayment rate.

> *"With the launch of our Indigenous program finance initiative, Meridian Credit Union is proud to take a meaningful step toward economic reconciliation — empowering Indigenous and underserved communities with the capital they need to grow, thrive, and build a more inclusive future. By increasing access to financial resources, we are helping to remove systemic barriers and support long-term prosperity through collaboration, respect, and shared opportunity."*
>
> \- Simon Wellington, Regional Vice President, Commercial Services, Central, Northern & Eastern Ontario, Meridian

In 2023, the Conference Board of Canada concluded that for every $1 million in lending by IFIs, $3.6 million is added to Canada's GDP. This success is a major reason why in Budget 2024, the federal government announced $350 million in additional funding for IFIs to support economic reconciliation and self-determination.

Yet, demand continues to be significantly higher than the total funding capacity of IFIs. While the Budget 2024 announcement is welcome news, long-term sustainability requires leveraging market capital and moving beyond reliance on government funding, enabling true economic reconciliation and self-determination for Indigenous communities. NACCA is also leading in this space through the Indigenous Growth Fund, which has already attracted private capital to expand IFI lending to Indigenous businesses.

Case Study: Leveraging Partnerships with the Indigenous Growth Fund (IGF)

In 2021, NACCA launched a new $153 million **Indigenous Growth Fund (IGF)** leveraging a new financing model to encourage private sector investment and reduce reliance on federal government contributions. Made possible by initial investments from the BDC, Export Development Canada, the Department of Finance, Farm Credit Canada, and private investor Block, the IGF enables private investors to receive market returns while creating positive social impact. While Crown corporations anchored the initial investment, NACCA believes that this initial fundraising will demonstrate proof of concept and pave the way for future private investments — stimulating significant increased capital for IFIs.

The IGF model has already proven to be a success. As of 2023, the fund had committed capital to seven IFIs, including two in Ontario–the Nishnawbe Aski Development Fund (NADF) and Rainy Lake Tribal Area Business & Financial Services Corporation. This has led to 155 new loans collectively worth $35.4 million to Indigenous businesses. Since its launch, the IGF is estimated to have created 1,954 full-time equivalent jobs and added more than $141 million to Canada's GDP.

These investments have enabled individual IFIs to make larger loans and support Indigenous SMEs to scale up. Through the IGF, Salish Soils — a waste recovery company in British Columbia — received a loan of $1 million, enabling the company to invest in capital purchases and secure 32 waste removal contracts from municipal governments. Salish Soils is fully Indigenous-owned, employs 30 people, and is supporting sustainable solutions to waste recovery while leading the way in economic reconciliation.

This type of scaling demonstrates what is possible and aims to encourage more private investors to partner with IFIs. These partnerships generate returns while significantly boosting capital for Indigenous businesses with a "by Indigenous, for Indigenous" model that builds on the trust IFIs have established with Indigenous communities.

Indigenous Trusts

Indigenous Trusts can be a significant vehicle for long-term wealth creation. Trusts present two significant opportunities: earning market returns for long-term community benefit agreements like healthcare, housing, and infrastructure, and reinvesting capital into Indigenous businesses and priorities.

The importance of trusts is growing. As a result of historical inequities, First Nations have received government payouts, including the $10 billion Robinson-Huron Treaty Settlement, and are increasingly taking equity stakes in major projects. Private financial institutions that already administer such trusts could re-invest dollars in financially viable Indigenous businesses to fuel a positive reinforcing cycle of growing the Indigenous economy.

Successful trust models demonstrate their potential. In New Zealand, Indigenous communities control over $15 billion in assets under management and have partnered to create the Iwi/Māori Direct Investment Fund. Similar Indigenous Trusts in Canada could significantly contribute to economic reconciliation by generating recurring revenue for community investments.

"Indigenous Financial Institutions are embedded in the community. They understand the entrepreneurs on a personal level and can also understand realities of economic development in their own region really deeply. I think if there's something to learn, it's that the 'by Indigenous, for Indigenous' model works and to find Indigenous partners and go that route. I think all of our investors understand there's a strength to our model and lean into what is working."

- Sarah MacNeil, Senior Manager - Strategic Partnerships & Investor Relations, Indigenous Growth Fund

"You know $37 million had come into the community. We could have had a very huge impact on the community in developing infrastructure and education and cultural and traditional pursuits. So there's that balance – I think it's a blessing and a curse. You have to be prepared to be unpopular if you want to set these funds aside and say we're not going to give you as much as you want now in your pocket, but we're going to be building more homes or education and really benefitting the community."

- Mark Sevestre, Founding Member of National Aboriginal Trust Officers Association (NATOA)

Reconciliation Pathways: Key Actions

The following recommendations for Canada's financial sector will enable it to invest more effectively in the growing Indigenous economy, support the prosperity and self-determination that Indigenous Peoples experienced before contact, and partner with Indigenous entrepreneurs, businesses, and communities to advance reconciliation.

1. **Creating trust and developing relationships with Indigenous Peoples, communities and businesses** is essential to restoring confidence in Canada's financial institutions and enabling partnerships to work together. To do so, financial institutions should consider training all staff to create awareness and understanding, attending community gatherings, hiring Indigenous employees with lived experience — including in leadership and at the board table — and establishing dedicated Indigenous Banking departments or teams to establish expertise and ensure programs, products and services are delivered with unique needs of Indigenous clients in mind.

2. **Establishing specific programs** for Indigenous financing, developed through consultation with Indigenous Peoples, businesses and communities is key to facilitating access to capital. Such programs encourage greater applications, set aside specific pools of capital and, importantly, compel institutions to adopt more realistic and effective risk and lending criteria that recognize the unique needs, very low default rates, and growth opportunities for Indigenous business owners that stem from a historical exclusion from the levers of wealth creation.

3. **Provide tailored financial education resources** on western banking programs while supporting Indigenous entrepreneurs with capacity-building, training, and mentorship to foster an inclusive and accessible financial system.

4. **Ensure financial institutions leverage Indigenous Loan Guarantee models — both small and large —** to expand their risk criteria and address ongoing barriers created by the Indian Act. Financial Institutions should also look at the loan guarantee model to see where they can expand their own risk criteria.

5. **Partnering with Indigenous Financial Institutions** is critical to leveraging existing expertise and ensuring capital reaches the most underserved individuals and businesses — especially those in rural, remote and on-reserve communities.

6. **Fostering continued self-determination for Indigenous communities** is the goal of economic reconciliation. Achieving this vision requires supporting pathways to long-term prosperity, including supporting Indigenous Trusts, enabling equity investments, and supporting governance models to restore independent decision-making and ensure recurring revenue for Indigenous communities over the long term.

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