

Indigenous Business in Canada: The Case for Economic Inclusion

Outline of the business case

- Engaged KPMG in March
- Scope: assess the requirement for capital and program funding in the coming 5 years
- Scenario: organic growth of the network's lending activities
- Objective: secure funding that allows existing programs to come to their full potential
- Target audience: INAC

Accounting for varying needs for capital across the network

Number of AFIs				
AFI Type	Liquidity Ratio (LR)			
	LR ≤ 0.2	0.2 < LR ≤ 0.5	0.5 ≤ LR	
ACC	9	8	8	25
ADL	1	2	4	7
ACF	3	9	10	22

Scenario	Liquidity Category	Growth assumptions					Loan loss rate
		Year 1	Year 2	Year 3	Year 4	Year 5	
Low Growth	Low	30.0%	20.0%	15.0%	10.0%	5.5%	10.0%
	Medium	20.0%	15.0%	10.0%	8.0%	5.5%	8.0%
	High	8.0%	7.0%	6.0%	5.5%	5.5%	6.0%
High Growth	Low	50.0%	35.0%	20.0%	10.0%	5.5%	13.0%
	Medium	30.0%	20.0%	15.0%	10.0%	5.5%	10.0%
	High	20.0%	15.0%	12.0%	8.0%	5.5%	8.0%

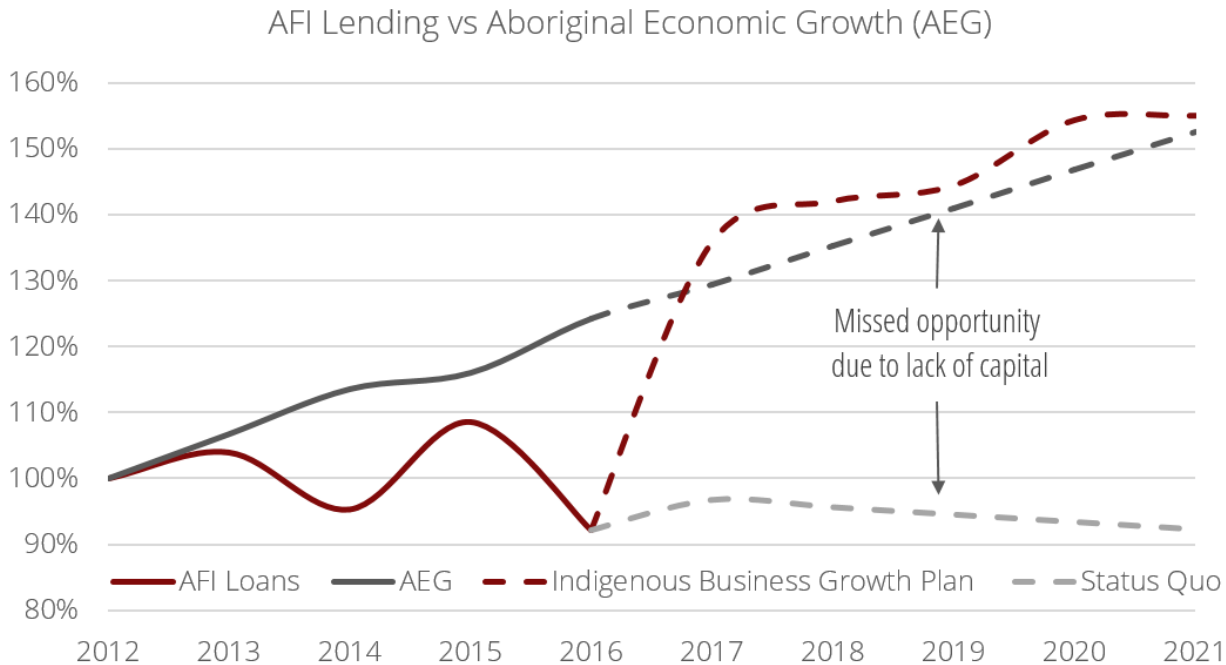
In dollar-terms, AFIs with low liquidity account for 50% of all loans advanced by the AFIs included in the model.

Assumptions for key variables in the forecasting model take account of differing needs across the network

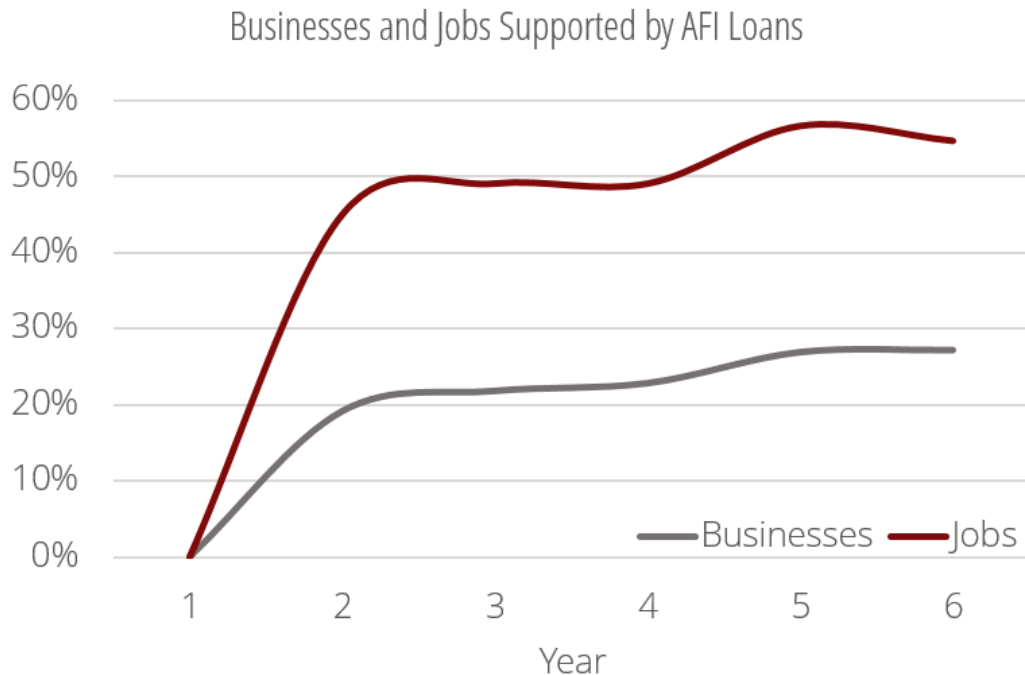
Aggregate 5-year budget request

Funding Request Summary							
(\$ millions)	Year 1	Year 2	Year 3	Year 4	Year 5	Total	
Low Growth							
Loan Capital	\$ 12.3	8.3	7.6	7.3	5.6	\$	41.0
ABFP	8.3	9.2	9.6	12.0	12.2		51.3
ADLA	0.9	1.0	1.2	1.4	1.3		5.8
ACDP [1]	1.5	1.5	1.5	1.5	1.5		7.5
	\$ 10.7	11.8	12.3	14.8	15.1	\$	105.6
High Growth							
Loan Capital	\$ 19.7	15.4	12.2	10.8	9.0	\$	67.0
ABFP	12.4	14.1	14.8	17.5	17.7		76.5
ADLA	1.7	2.0	2.2	2.5	2.4		10.8
ACDP [1]	1.5	1.5	1.5	1.5	1.5		7.5
	\$ 15.6	17.6	18.4	21.5	21.6	\$	161.8

Impact of high demand scenario – graph 1



Impact of high demand scenario – graph 2



Impact of high demand scenario - table

(Unless stated otherwise, numbers are for AFIs receiving capital)		2016	2017F	2018F	2019F	2020F	2021F	5 YEARS
Loan Capital Contributed	\$M		19.7	15.4	12.2	10.8	9.0	67.0
Loans Provided	\$M	38.4	56.7	59.2	60.2	64.4	64.7	305.2
over 2016	\$M		18.2	20.8	21.8	26.0	26.2	113.1
% growth (2016 is the base)	%		47%	54%	57%	68%	68%	
Average Loan Size *	\$	53,669	66,407	67,919	68,492	70,848	70,999	
Businesses Supported **	#	716	853	872	880	909	911	4,425
over 2016	#		137	156	164	193	195	845
% growth (2016 is the base)	%	0%	19%	22%	23%	27%	27%	
Jobs (created or maintained)		1,933	2,804	2,882	2,882	3,029	2,991	14,587
over 2016	#		870	949	948	1,095	1,057	4,920
% growth (2016 is the base)	%	0%	45%	49%	49%	57%	55%	
GDP Impact of Additional Investment ***	\$M		70.9	55.4	43.8	39.0	32.2	241.3

*) Assumes that half the growth in dollars lent is due to larger loan sizes

**) Equals the number of loans provided. These businesses are also provided with larger loans.

***) Based on a GDP multiplier of 3.6 calculated by the Conference Board of Canada for NACCA and BDC in 2017

Events since completion of the business case

- INAC re-organization
- ISED interest in the AFI file
- Government relations strategy
 - Letters of support
 - Engagement with Liberal Indigenous Caucus
 - Presentations to key departments
 - AFN, MNC and ITK support
 - Chamber of Commerce and NIEDB support
 - Pre-Budget submission to Standing Committee on Finance
- NACCA is exploring options to create an Indigenous Investment Fund:
 - Allow for transformative rather than organic growth in AFI lending

Building on success and supporting our future: a 5-year plan

*Indigenous peoples have the right to self-determination.
By virtue of that right they freely ... pursue their economic, social and cultural development.
United Nations Declaration on Rights of Indigenous Peoples (UNDRIP), Article 3*

1. Support **new lending and Indigenous business programming** through the Indigenous Business Growth Plan
 - **invest \$35 million annually** through enhanced investments for Aboriginal Financial Institutions
2. Support the AFI network to **provide an expanded and diversified range of business support services**
 - **invest \$9.5 million annually** to support the development of business skills, including financial literacy, and significantly enhance the provision of advisory and mentoring services
3. Support NACCA's institutional capacity to **build an Indigenous entrepreneurial class and grow the Indigenous economy**
 - **invest \$2 million annually** to support advocacy, partnership development, AFI training and certification, women & youth entrepreneurship initiatives, research and analysis, and the development of a National Indigenous (SME) business strategy
4. Establish an **Indigenous Investment Fund**
 - **Initiate a \$400 million fund** to provide new forms of financing to larger regional business/economic development initiatives

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