

Indigenous Growth Fund raises \$150M in First Round to Support Indigenous Entrepreneurs in Canada

NACCA, the Government of Canada, BDC and other government partners increase access to capital with an innovative, evergreen fund, a first of its kind in Canada.

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Summary

- The Indigenous Growth Fund (IGF) has completed its first close. The IGF is Canada's newest and largest Indigenous social impact fund and will be under the management of the National Aboriginal Capital Corporations Association (NACCA).
- The IGF will enable Indigenous entrepreneurs throughout Canada to receive the capital they require to start or expand their businesses through the Aboriginal Financial Institution (AFI) that serves them. AFIs will access the IGF for capital to build on their 30-year track record of lending to Indigenous-led small and medium-sized businesses.
- The IGF's innovative evergreen fund model will offer institutional and social impact investors a vehicle for investment that will directly contribute to economic reconciliation.
- The Fund's lead investors are the Government of Canada and Business Development Bank of Canada (BDC), with further commitments from Export Development Canada (EDC) and Farm Credit Canada (FCC).
- BDC's partnership with NACCA has been integral in bringing the Fund to fruition leading negotiations on behalf of the federal government and other investing Crown corporations and supporting NACCA with additional resources.
- The Fund will be operational and capital will begin to be deployed to AFIs later in 2021. Once fully utilized, the Fund will increase AFI lending by \$75M annually with loans to roughly 500 businesses.

The Indigenous Growth Fund

The Indigenous Growth Fund (IGF) is a new \$150M investment fund that will provide access to the capital that Indigenous small- and medium-sized enterprises (SMEs) have long sought and lacked. Indigenous entrepreneurs across all industries, including emergent exporters and food and agriculture related businesses, will be able to access the Fund via business loans from a network of Aboriginal Financial Institutions (AFIs) throughout the country.

Lead investments in the IGF come from the Government of Canada and the Business Development Bank of Canada (BDC), with further commitments made by Export Development Canada (EDC) and Farm Credit Canada (FCC). The investments demonstrate a concrete commitment to economic reconciliation, and a crucial step on the path to prosperity for Indigenous peoples. The Fund's model, which was structured by NACCA and BDC Capital, BDC's investment arm, connects private investors to Indigenous

businesses. The structure relies on AFIs' ability to deploy capital based on their unique understanding of, and connection to, the communities they serve.

"The IGF is a demonstration of the type of work NACCA is capable of as a leading national Indigenous organization in Canada. This Fund is the product of decades of advocacy work by NACCA and demonstrates confidence in the developmental lending work that AFIs have been tirelessly doing," states Jean Vincent, Chair of the Board of Directors for NACCA. "The demand of our entrepreneurs for more capital has mounted steadily; now AFIs will be in a position to meet it." Since it was announced in Budget 2019, NACCA, working with BDC and the Government of Canada, has prioritized the development of the IGF.

"We are excited to see the IGF become a reality," adds Michael Denham, President and CEO, BDC. "AFIs know Indigenous entrepreneurs better than anyone; they are close to the Indigenous communities and understand their needs. Alongside NACCA, we are providing through these AFIs financing for a growing number of Indigenous entrepreneurs, reaching into the remote and urban communities where financing is needed."

Background

Indigenous economic development is a critical aspect of reconciliation in Canada. Since the early 1980s, the developmental lending programs offered by AFIs have supported Indigenous communities and their members by creating opportunities from within. Where a lack of capital has long been the most significant barrier to Indigenous people seeking to start up or expand their businesses, the loan programs the AFI network supported by NACCA stimulate the emergence of Indigenous-led Small and Medium Sized Enterprises (SMEs).

Whether owned by communities or individuals, Indigenous-led SMEs contribute to the economic self-determination of First Nations, Métis and Inuit Peoples. Representing more than simply job creation for Indigenous peoples, these SMEs are the heart of development in communities. Ultimately, these SMEs provide the promise of a better future for business owners and their families, and a motivating environment for other community members – who benefit both from their examples and from the goods and services they offer. Most successful Indigenous-led enterprises start by entrepreneurs addressing local needs. These businesses also contribute to their regional economies and bring positive impacts to Canada as a whole.

"The IGF truly creates a tool to connect partners like BDC and others in the investment community with our community," states Shannin Metatawabin, CEO of NACCA. "This new Fund will meet the ever-growing demand for capital from our Indigenous businesses and will provide investors with a path to implement reconciliation in their own way."

Capital from the Indigenous Growth Fund will ensure that AFIs can continue to support Indigenous business clients in their communities and will unlock pent-up loan demand for new and expanding Indigenous businesses.

The first AFIs are expected to be approved to receive capital from the Fund later in 2021, allowing them to make loans available to more and larger businesses. Once it is fully utilized the Fund will increase AFI lending by \$75M annually with loans to roughly 500 businesses.

About NACCA and the Aboriginal Financial Institution Network

The National Aboriginal Capital Corporations Association (NACCA) is the umbrella organization for a network of over 50 Aboriginal Financial Institutions (AFIs) across Canada. NACCA's mandate is to serve, support and advocate for the Aboriginal Financial Institutions network.

Aboriginal Financial Institutions (AFIs) are autonomous, Indigenous controlled, community-based financial organizations. AFIs provide developmental loans and business financing to First Nations, Métis, and Inuit entrepreneurs and businesses in all provinces and territories.

AFIs are key drivers for the economic advancement of Indigenous peoples and prosperity of their communities. With nearly 50,000 loans worth close to \$3 billion made over the past three decades, the AFI network continues to play a critical role, filling the financing gaps and unmet needs of Indigenous entrepreneurs. Beyond loans, clients can access additional supports such as non-repayable contributions, financial and management consulting, and business start-up/aftercare services.

Annually the AFI network makes \$125M in new loans – but there is potential to lend out much more. In 2020, the network again showed its ability to move capital quickly to where it is most needed, as part of the federal government's response to the COVID-19 crisis.

About BDC

BDC is the bank for Canadian entrepreneurs. It provides access to financing, as well as advisory services to help Canadian businesses grow and succeed. Its investment arm, BDC Capital, offers a wide range of risk capital solutions. For more than 75 years, BDC's only purpose has been to support entrepreneurs in all industries and at all stages of growth. For more information and to consult more than 1,000 free tools, articles and entrepreneurs' stories, visit bdc.ca.

Additional Quotes

"The government's investment in the Indigenous Growth Fund will help close the gap between Indigenous and non-Indigenous businesses, creating more economic equity and further advancing the important work of reconciliation—to the benefit of Indigenous peoples and all of Canada. Today's investment is yet another step in our continued efforts to support the Indigenous peoples of this land—in housing, early learning and child care, health, mental health, infrastructure, and beyond."

- The Honourable Mary Ng, Minister of Small Business, Export Promotion and International Trade

"The Indigenous Growth Fund is an excellent example of business, government, and Indigenous partners coming together to strengthen the Indigenous economy and create jobs. This Fund will play a crucial role in making affordable capital more readily available to Indigenous entrepreneurs. I am very

pleased that ISC's Aboriginal Entrepreneurship Program will play an important role in supporting Indigenous entrepreneurs and the network of Aboriginal Financial Institutions as they access the Fund."

- The Honourable Marc Miller, Minister of Indigenous Services

"More and more Indigenous peoples and communities are getting involved in the many opportunities in commercial agriculture and food processing. Farm Credit Canada's financial contribution to the Indigenous Growth Fund will help Indigenous entrepreneurs and communities access the capital they need to grow and thrive in one of Canada's most dynamic industries."

- The Honourable Marie-Claude Bibeau, Minister of Agriculture and Agri-Food

"EDC is delighted to participate in the Indigenous Growth Fund and is confident it will have a positive impact for Aboriginal Financial Institutions and their Indigenous business clients. We are optimistic the Fund will improve access to capital and facilitate the long-term sustainable growth of Indigenous companies and exporters. We are excited to be working with NACCA, the AFIs and other IGF partners in helping to address the financing and credit challenges facing many Indigenous businesses and entrepreneurs."

- Mairead Lavery, President and CEO, Export Development Canada