INDIGENOUS PEOPLES AND ACCESS TO FINANCE

The UN Declaration on the Rights of Indigenous Peoples (UNDRIP) states that indigenous peoples have the right to maintain and develop their own economic systems; and calls upon States to take effective measures to ensure the continuing improvement of economic conditions for indigenous peoples. However, the UN Addis Ababa Action Agenda on Financing for Development, which supports implementation of the 2030 Agenda for Sustainable Development, acknowledges that indigenous peoples continue to be excluded from participating fully in the economy.

Developed countries have highly developed capital markets, high levels of liquidity, meaningful regulatory bodies, large market capitalisation, and high levels of income per capita. In spite of these opportunities, **indigenous businesses in developed economies still experience challenges** with accessing capital due to multiple and intersecting forms of disadvantage facing indigenous peoples.

Indigenous businesses in developing countries experience a further set of challenges. Developing countries have little market liquidity, zero to marginally developed capital markets, weaker regulatory environments, lower income per capita, and broader challenges with infrastructure and delivery of public services, especially to marginalised indigenous communities. Consequently, many investors consider it too risky to invest in many developing countries, especially 'Least Developed Countries' and 'Small Island Developing States'. An indigenous business in a developing country will therefore experience multiple and intersecting barriers to starting or growing a business, and are at the greatest risk of remaining marginalised from the mainstream economy. **These challenges are exacerbated for indigenous women and indigenous persons with disabilities in developing countries**.

The international community will need to take coordinated and complementary steps in order to **unlock private sector investment and expertise into indigenous businesses in developing countries.**

Impact investments are made with the intention to generate social and environmental impact alongside a financial return.

In 2016, the Global Impact Investing Network (GIIN) surveyed 158 impact investors that were collectively managing **USD15 billion in impact investing assets in 2015** (half were invested in developed markets and half in emerging economies):*

- Capital was allocated to businesses across various stages:
  - **12%** invested in seed/start-up and venture stage companies
  - **88%** invested in growth, mature and public companies
- Allocation to **private debt** was higher than that to **private equity**:
  - nearly **90%** of those investing via private equity were allocating to seed, venture or growth stage companies
  - roughly **half** investing in private debt were allocating to mature private companies and growth stage companies

Based on this data, for example, a start-up indigenous business in a developing country will likely experience significant challenges with accessing impact investment in general, but particularly equity investment.

**2016 Annual Impact Investor Survey*

Developing countries in Africa, Asia, the Pacific and Latin America etc. often experience challenges with attracting private capital. Many developed countries provide '**Official Development Assistance'** to promote the economic development and welfare of developing countries. The **OECD's Development Assistance Committee (DAC)** is the international forum of many of the largest funders of aid. Recognising that aid alone is not sufficient to address development challenges, the DAC and its Members are working to mobilise private sector finance into developing countries.

For example, the **OECD-DAC and the World Economic Forum** jointly established the '**Redesigning Development Finance Initiative'** to boost private investment in developing countries through the complementary deployment of risk mitigation and concessional finance tools.

1/3 of the world's 900 million extremely poor rural people are indigenous

Indigenous peoples comprise 5% of the global population but 15% of the world's poor

2/3 of the world's indigenous peoples live in Asia

The majority of people in Small Island Developing States in the Pacific are indigenous

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PROPOSAL FOR DISCUSSION: GLOBAL INDIGENOUS INVESTMENT FUND

The establishment of a Global Indigenous Investment Fund (or Investment Bank) could fill the gap in the investment market by providing **targeted, ethical, and culturally sensitive capital investment** into indigenous businesses in developing countries at risk of marginalisation from mainstream investors (especially for indigenous women and indigenous persons with disabilities in business). In doing so, the Fund could also contribute to the fulfilment of several Sustainable Development Goals (SDG), including SDG 10 (reduced inequalities), SDG 8 (decent work and economic growth) and SDG 5 (gender equality). The Fund could:

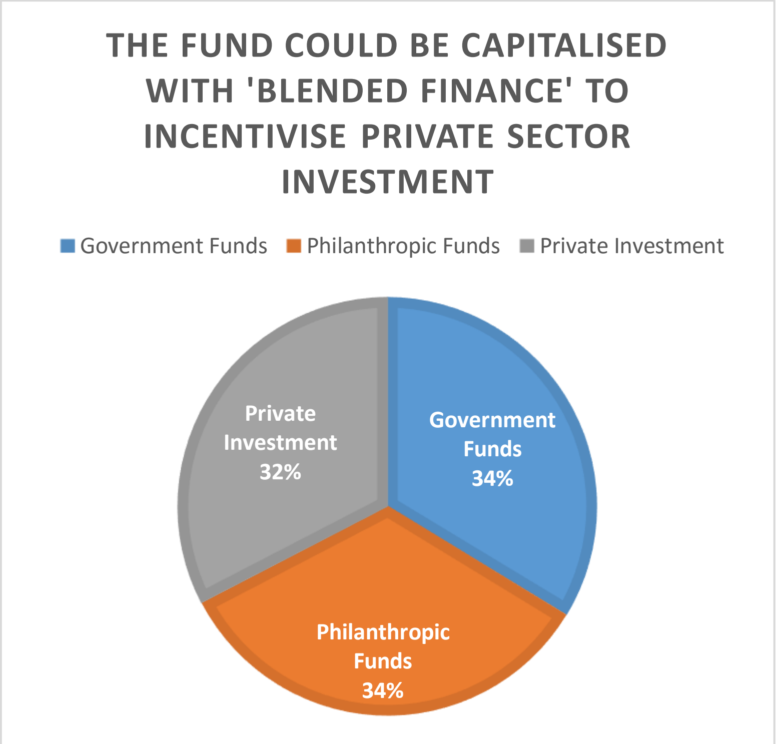
1. **Investment**: provide direct investment and/or de-risk mainstream investment from other investors into indigenous businesses seeking capital in order to generate financial returns, as well as to generate social, environmental or cultural impact for their community.
2. **Capacity building:** provide culturally-appropriate technical assistance to the indigenous businesses that it invests in. The Fund could employ, mentor and train its own indigenous employees to make the investment decisions and to provide 'indigenous-to-indigenous' capacity building assistance. It could also facilitate support and capacity building assistance from other experienced indigenous businesses (including from the Global Indigenous Business Network).
3. **Knowledge products:** develop, test and advocate the mainstream use of metrics that measure the social, environmental, financial and cultural impacts of investments from the unique, collective perspectives of indigenous peoples.
4. **Influence**: influence global economic actors, policy, decision-making and norm setting to advance the economic rights and interests of indigenous peoples.

Frequently Asked Questions

What could be the role of the UN Human Rights Council (HRC)?
The HRC could provide the political mandate for the proposed Fund by calling on UN Member States to mobilise private sector investment and expertise into indigenous businesses at risk of marginalisation from mainstream investors and the broader economy.

What could be the role of the UN Expert Mechanism on the Rights of Indigenous Peoples (EMRIP)?
EMRIP could utilise its convening power to bring together the Global Indigenous Business Network; UN Member States; the World Bank; the OECD and the World Economic Forum's joint 'Redesigning Development Finance Initiative'; and philanthropic and private sector investors to explore the merits and possible modalities for establishing and capitalising a Global Indigenous Investment Fund.

What could be the respective roles of UN Member States and investors?
A private sector organisation, or a consortium, would be responsible for establishing and operating the Fund on markets terms, including sourcing capital and making investment decisions. The Fund Manager would also be responsible for hiring experienced investment bankers to mentor and train indigenous peoples to work across the organisation and eventually take over operations (so it truly becomes a Fund for indigenous peoples, by indigenous peoples). UN Member States and philanthropic organisations could provide the grant funding to incentivise and de-risk investment from investors until the Fund has proven its viability. Profits could be re-invested back into the Fund.



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