Update On The Indigenous Loan Guarantee Program – Canada Indigenous Loan Guarantee Corporation Is Open For Business!



The Federal Indigenous Loan Guarantee Program initially announced by the federal government in Budget 2024: Fairness to Every Generation heralding $5 billion in loan guarantees to help Indigenous groups access more favourable borrowing rates and the capital required for major economic investments in the natural resources and energy sectors and since then, many across these sectors have been eagerly awaiting the details of the program. Additional information and guidance has now been made available with the release of the federal government's 2024 Fall Economic Statement on December 16, 2024 including the mandate, strategic objectives, program elements, eligibility criteria, and assessment process for the 'Indigenous Loan Guarantee Program' (the **"Federal Program"**) and the introduction of the 'Canada Indigenous Loan Guarantee Corporation' (**"CILGC"**), a subsidiary of Canada Development Investment Corporation, as the vehicle through which the Federal Program will be delivered and operated.

CILGC will be responsible for:

- engagement with loan guarantee applicants;
- investment analysis and due diligence activities;
- negotiating draft loan guarantee agreements;
- making recommendations to the Minister of Finance on loan guarantee issuance;
- negotiating final agreements and issuing loan guarantees; and
- administering the portfolio of loan guarantees.

CILGC will provide loan guarantees ranging from $20 million to $1 billion to assist Indigenous groups in acquiring an equity stake in commercially viable projects within the natural resources and energy sectors. CILGC has begun to accept applications under the Federal Program and it is expected that the first loan guarantees under the Federal Program will be announced in the near future.

As part of the application process, an Indigenous group must provide certain information about the project in which it intends to invest such as the project's business model as well as the anticipated capital structure including all sources of financing.

To qualify for an Indigenous loan guarantee, applicants must be rights holders

under section 35 of the *Constitution Act, 1982*, and the projects must affect section 35 rights. Wholly owned subsidiaries of section 35 rights holders are also eligible. In consultation with the CILGC, NRCan will initially assist in evaluating applicants' section 35 eligibility.

Indigenous groups may submit applications on an ongoing, rolling basis; however, meeting eligibility requirements and strategic objectives does not ensure success. Priority may be given to projects that are more developed and demonstrate a strong cash flow potential.

To assist Indigenous communities in funding the investment analysis and due diligence necessary to determine whether to proceed with a commercial transaction supported by the Federal Program, NRCan will have funding available to support eligible Indigenous applicants; however, this funding will not be available to support

application development or project feasibility studies and similar early-stage project research.

When the Federal Program was first announced, concerns were raised over the interplay between the Federal Program and the various provincial guarantee programs and how these programs would work together. In the case of the Federal Program, the federal Department of Finance notes on its CILGC backgrounder webpage that the CILGC will facilitate stacking of federal-provincial loan guarantees up to 100 per cent of an equity stake acquisition and will work to reconcile its commercial terms and documents with provincial loan guarantee. Further, loan guarantees under the Federal Program will be permitted to be stacked for up to 75 per cent of project costs with other federal sources, such as federal grants, federally guaranteed loans, and loans from federal Crown corporations.

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The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

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