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Community-Centered Blended Finance: Towards a Transformative Approach

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Executive Summary

This work aims to ignite inspiration around opportunities to support the growth of flourishing communities through blended finance. By applying a combined methodology of finance as a tool for social change, and engaging dynamics of power in investment processes, we recenter the roles that community agency and governance play in blended finance investment design and implementation. Notably, we draw from Indigenous ways of knowing and being that embed a community-centric model of success in contrast to mainstream finance, which prioritizes an individualistic approach to business and growth. Our community-centric blended finance approach integrates leading work from the fields of development, impact investing, systems investing, and regenerative and donut economics, and engages with dynamics of power around gender and intersectional identities.

In this work we argue that blended finance is an underutilized tool to building community wealth and wellbeing. While there have been notable positive social impacts from blended finance to date, these initiatives tend to be limited by assumptions of what finance *should* be and how it *historically* operates. To raise the bar, we promote three strategies for leveraging blended finance to *change* the system of finance to place communities at the center. We do this by:

- shifting how value is assigned and reframing calculations of market risk;
- shifting whose knowledge is valued and whose expertise is trusted in investment decision-making and models for shared decision-making and governance in investment; and
- shifting structures and terms in investment processes to address unequal dynamics of power.

Our research was informed by discussions with thought leaders and change makers working toward aligned goals worldwide. Throughout this paper we provide case studies that showcase community-led and governed financial models in action. By embedding this rich tapestry of examples within the overarching framework provided, our hope is to excite and inspire a new wave of blended finance investment models that place communities at the center. We share recommendations around the process of developing localized community-owned and governed structures to manage assets. We also highlight the importance of the role of the community translator or localized intermediary in bridging traditional financial processes toward a transformative community-centric approach.

Much of the wealth inequality in the world today is the direct result of historic trauma due to colonial rule. We see finance broadly, and blended finance in particular, as an avenue to address and repair the trauma of our global past. We encourage a reframing of how finance can operate in a variety of ways including: 1) the effective combination of development and private finance that support redistribution of power, 2) the impact outcomes that finance can support, 3) alternative ways that financial instruments can be structured, 4) innovative approaches to how transactions can be conducted, and 5) new ways that stakeholders in an investment can be in relationship with one another. We believe a better world is possible, a world where communities can thrive through strengthened social and governance foundations, and we invite you to take a step in that direction with us – a crucial first step to lead the dynamic shift ahead.

Introduction: Finance and Power

Systems of finance are about more than only the transfer of money across entities. The structures in which money moves involve immense power, and – though many of these systems have become normalized today – we are wise to remember that they came about in a colonial era and, thus, are embedded with a set of assumptions that carry biases. What are commonly considered neutral and rational financial models actually are rooted in colonial, patriarchal, and extractive norms. When biased ideologies become normalized, the bias can be hard to see. Yet, we argue that seeing bias in finance, and actively working to remove it, results in better social and financial outcomes for all parties. The work that follows aims to provide an alternative lens to financial models that expose unequal dynamics of power and that leverage opportunities to *change the system* of finance in order to elevate community-centric approaches and create flourishing communities.

This research was conducted by staff at the Criterion Institute, a global nonprofit think tank that focuses on finance as a strategy for social change. Criterion is also a founder and thought leader in the gender lens investing field. Our work is grounded in feminist principles and conducted with an intersectional understanding of power dynamics in financial processes. From this vantage we apply [Criterion's five strategies of finance as a tool for transformative systems change](#) to goals of systems-level investing (a perspective from the birds-eye-view-down) and community wealth building (activity from the grassroots-movement-up) to demonstrate the case for, and process of creating, a community-led and governed finance model.

A core strategy that we explore in this work, and that we argue is currently being underutilized, is blended finance. Blended finance occurs when public or philanthropic capital is provided to incentivize or catalyze additional private investment. This capital can be provided through a combination of tools including grants, loans, investments, guarantees, and related, non-financial resources like advising and networks. This research examines ways that blended finance is currently being deployed to promote flourishing communities, reviews limitations of current efforts, and offers some new perspectives and alternative approaches to using this tool. In this work we argue that blended finance has an untapped role to play in reframing how risk is determined, how value is measured, and whose expertise is important in investment. Further, if wielded differently, we discuss how blended finance can serve to reshape the power dynamics inherent to the structures and terms of investment processes that carry embedded bias.

Blended finance occurs when public or philanthropic capital is provided to incentivize or catalyze additional private investment.

Throughout this paper we provide a range of case studies showcasing community-led and governed financial models in action. By embedding this rich tapestry of examples within the framework provided, our hope is to excite and inspire a new wave of blended finance investment models that place communities at the center. Current financial systems are so deeply intertwined in minute and major ways across the globe that they can feel intractable. Yet, finance is merely a system created by people. Therefore, it is a system that we can change.

Community-Centered Approach

What do we mean by ‘community’? Scott Guggenheim, founder of Community Driven Development, a model that centers community ownership and decision-making in development practice, defines community as a ‘social organization’ (Carstei, Bisca, and Bergman 2021.) Community can be bounded by place but is not limited to geography. Community can be created by shared culture, values, customs, or identities. Notably, community is created through a set of relationships between people. “Members of a community have a sense of trust, belonging, safety, and caring for each other. They have an individual and collective sense that they can, as part of that community, influence their environments and each other,” (Chavis and Lee 2015.) For the purposes of this work, we define community as a social organization created by people in relationship to one another, that are both influenced by, and influence, the environment around them.

In finance, a community-centered approach is one in which the financial instrument is owned and governed by the community. This approach draws from Community Driven Development, which emphasizes community control in decision-making and resourcing (Wong and Guggenheim 2018), and Localization, which involves shifting the field of development from an ideology of charity to an imperative of solidarity (Criterion Institute 2022.) The application of Localization in investment involves shifting the point of decision making to the closest point where that decision can be made, and to the stakeholders who are most impacted by the decision (ibid.)

For the purposes of this research, we have also drawn on principles of Social Movement Investing, which center the three pillars of Community Ownership, Community Governance, and Community Action in the investment process with a goal of community power building as a measure of impact (Center for Economic Democracy 2023). In addition, we are informed by the framework of Restorative Economics, which “centers on healing and restoration of vulnerable communities who have been marginalized and oppressed by a polluting and extractive economy, by investing in strategies that create shared prosperity and self-determination for a just transition,” (Agbo 2017.) Building from these perspectives, we frame a community-centered approach to finance as one that is aware of, and accountable for, dynamics of power and bias at all stages of the investment process.

Notably, our understanding of community is informed by Indigenous ways of knowing and being. While Indigenous knowledge and ways of knowing are as varied as the Indigenous communities and peoples scattered across this wide earth, we are clear that there is not *one way* of Indigenous knowing. Yet, consistently in Indigenous communities across continents, Indigenous ways of knowing and being value, consider, and prioritize community differently than Western approaches, which tend to be more individually centered. We see the application of the Indigenous community-centric approaches in finance reflected in the three different Indigenous Finance Frameworks referenced through this report and shared in the Appendices. These three frameworks are rooted in communities based in three different corners of the world (please see Appendices B, C and D for more information.)

Robin Wall Kimmerer, honored academic, member of the Citizen Potawatomi Nation in the United States, and well known translator of Indigenous and Western ecological ways of knowing, echoes this centering of community in her interpretation of Indigenous economies. Kimmerer writes: “In a gift economy, wealth

“Members of a community have a sense of trust, belonging, safety, and caring for each other. They have an individual and collective sense that they can, as part of that community, influence their environments and each other,”

Chavis and Lee 2015

is understood as having enough to share, and the practice for dealing with abundance is to give it away. In fact, status is determined not by how much one accumulates, but by how much one gives away. The currency in a gift economy is relationship, which is expressed as gratitude, as interdependence and the ongoing cycles of reciprocity. A gift economy nurtures the community bonds that enhance mutual well-being; the economic unit is ‘we’ rather than ‘I,’ as all flourishing is mutual.” We see from this explanation the many assumptions regarding value, success, and relationships that differ in Kimmerer’s Indigenous perspective on the economy and finance in comparison to how finance is traditionally considered. (Kimmerer 2022)

Similarly, in his “paradigm-shifting” book *Sand Talk: How Indigenous Thinking Can Save the World*, Tyson Yunkaporta, academic researcher, Indigenous knowledge translator, and member of the Apalech clan in Queensland, Australia, centers community – in particular, the community created by extended family – as a derisking mechanism for global financial insecurity. In *Sand Talk*, Yunkaporta discusses how the security of family-centric finance is not unique to Indigenous communities. He notes that global remittances, the funds sent home by immigrants, did not dip but grew during the last financial crisis. He discusses historic European communal property ownership laws that allow extended families to hold capital and run their businesses collectively, providing a highly stable “internal welfare safety net,” in times of financial stress

(p.44). In line with Kimmerer’s perspective of mutual flourishing, Yunkaporta explains that in a kinship-centric ideology “you have a vested interest in co-creating a stable system... and also ensuring a bit of intergenerational equity,” (p.52). (Yunkaporta 2020)

“In a gift economy, wealth is understood as having enough to share, and the practice for dealing with abundance is to give it away.”

Robin Wall Kimmerer

We share the words from these Indigenous thought leaders to note that, while this work is guided by insights from Indigenous ways of knowing and aims to reframe traditional models of finance to better speak *to and with* Indigenous communities, it also absolutely does not intend to speak *for* them.



Research Process

This report was conducted by Criterion Institute, in partnership with the Menzies Foundation and Trust Waikato. Criterion Institute is a global nonprofit think tank that leverages finance as a tool for systems change. At Criterion, we break past boundaries of current approaches in finance to address power, expertise, and bias in investment processes. Specifically, we're examining how investment resources can be reallocated and how local community and place-based expertise can be differently valued and integrated in investment design processes.

Inspired by the legacy of Sir Robert Menzies, the non-partisan Menzies Foundation was established in 1979 to create opportunities to support the next generation of Australian leaders. Sir Robert Menzies, Australia's longest serving Prime Minister, embodied many of the leadership qualities that remain important today: integrity, purpose, strong values, a regard for all Australians and an abiding commitment to service and the community. In May 2018, in celebration of the 40-year Anniversary, the Foundation honored past achievements, unveiled a catalytic strategy to address the pressing leadership challenges of our time and reaffirmed their commitment to raising the profile and importance of 'outstanding' leadership. Today the Menzies Foundation acts as a catalyst change agent focusing on supporting a leadership movement that encourages Australians to reflect on their purpose, build their leadership capability and contribute to the 'greater good.'

Trust Waikato is a community trust in Aotearoa New Zealand with the vision for vibrant and resilient Waikato communities. Established by government statute in 1988 to hold and manage the shares of Trust Bank Waikato, they have since managed those investments, using a portion of the profits each year to support community groups and projects throughout the Waikato region. Guided by four strategic pou (pillars) of equity, sustainability, impact, and Te Tiriti o Waitangi (The Treaty of Waitangi) alongside their Strategic Priorities for Impact, the Trust has a strong aim to achieve transformational change for people, families, communities, and places where the need is greatest.

This research was commissioned to examine power dynamics in investment practices from a Feminist and Indigenous perspective, and to shine a light on the untapped opportunities of blended finance to build flourishing communities.

Research Goals

This research was conceptualized to support the stability and growth of the Maganda Makers Business Club and replication of its model across Australia and beyond.

The Maganda Makers is a "Kimberley Indigenous Women's led grassroots initiative nurturing, championing and supporting Kimberley Indigenous Women in Business (aspiring, emerging, established and growing)" with the aim of "empowering Kimberley Indigenous women to build wealth through business."¹ The historic legacy of colonialism in Australia, and the trauma caused to Australia's Indigenous people, coupled with pervasive gendered inequalities, has created real barriers for Indigenous women's ability to fully participate in the economy. The Maganda Makers Business Club is rooted in Indigenous ways of knowing and being and is specifically targeted to support women on their entrepreneurial journeys. The club provides peer-based support and resources for women to design and grow their business operations.

¹ <https://magandamakers.business/>

The Maganda Makers not only supports the incubation and growth of individual businesses, it also builds wealth across the Kimberley's Indigenous community and roots the strengthening of this community wealth and wellbeing in Indigenous knowledge and culture. As a Maganda Makers participant shared, "I can contribute to my community knowing it is my contribution that can make changes – and that is empowering. My business will create social outcomes like employment for family and community, promote our culture and our region. Importantly we as business owners can take back control of our Indigenous knowledge systems and monetize our knowledge for our own positive outcomes and sharing the wealth," (Torres 2023.)

In discussions between the Menzies Foundation and leaders of the Maganda Makers, it was determined that this project would not include direct consultation with the Indigenous women of the Maganda Makers community. Aboriginal Australians are the most researched population in the country and much of this research is extractive, mining data from communities without compensation for shared time or expertise, and often without direct links to community investments or projects designed to support community needs. For this project, we instead relied on secondary data publications and a broad set of interviews with global leaders implementing alternative integrated capital funds and community-wealth building models, primarily, but not solely in, Indigenous communities. As a result, this report is not meant to serve as a design solution for the Maganda Makers. Instead, the information and insights shared here are meant to provide a *framing* for blended finance investment design with Indigenous women in the Kimberley (and beyond) that account for biases in the traditional financial process and the centers the power, needs, and expertise of Indigenous women and Indigenous communities.

This report aims to support the work of the Maganda Makers indirectly by providing a foundation of innovative approaches to investment design that challenge assumptions of traditional financing, and recenters Indigenous expertise and ways of knowing. The goal of this report is to inspire new opportunities for blended finance to leverage systemic change through finance that supports the growth of flourishing communities. We intend to shine some light on potential innovative pathways for blended finance stakeholders to reimagine how they engage with communities, including but not limited to the Maganda Makers in the Kimberley, that can reallocate power alongside capital to build community wealth and wellbeing. We hope that this work speaks to you, that it excites and inspires the reality that the world is what we make it to be, and that another, better, way is possible.

Research Methodology

Criterion Institute is well known as a leader and builder of the field of gender lens investing. Gender lens investing is the process of incorporating a gender analysis to an investment analysis, and is applicable across all investment sectors and asset classes (Anderson and Miles 2015). The premise of gender lens investing is that systems of economics and finance are gendered, and that this gendered dynamic continues to prevent populations who have been marginalized (including women, girls, nonbinary, and LGBTQ people) from achieving their full societal participation and

The premise of gender lens investing is that systems of economics and finance are gendered, and that this gendered dynamic continues to prevent populations who have been marginalized (including women, girls, nonbinary, and LGBTQ people) from achieving their full societal participation and potential.

potential. In addition, the application of a gender lens unlocks improved financial decision making and thus, enhances financial returns (Subramanian, Muirow and Anderson.) Our work at Criterion is grounded in the application of feminist processes and principles to redesign and realign systems of finance to be more feminist and gender transformative. As such, this research is grounded in core feminist financial principles including continual critique, radical care, interdependence, units of account (what is valued and who decides), alternative design models, and goals of reciprocity and solidarity (adapted from Molenda and Gloerich 2020.)

Criterion Institute utilizes a framework of five strategies to leverage finance for social change. These strategies work to either ‘use’ the financial system as it currently exists as a mechanism for change, or to ‘change’ the system of finance to better meet social impact goals. The two *use the system* strategies in this framework, known as Criterion’s TOOLKIT,² are investing in new opportunities and diversifying a portfolio. These strategies aim to **shift or expand the type of enterprises that are invested in**, what opportunities are viewed as investable, mobilizing resources toward social change opportunities and **challenging the traditional benchmarks** used to determine investment ‘success.’

Criterion’s TOOLKIT presents three strategies that propose to *change the system* of finance. These strategies push back against assumptions in finance, reminding stakeholders that finance is a system created by people that also can be changed. The first strategy centers around **how value is assigned**, noting that the introduction of new data or the elimination of bias can shift an analysis of value. Shifting how value is assigned can drastically influence the perception of opportunity risk and return. The second strategy focuses on the **process of investing**, illuminating the role that trust and perceptions of expertise play in investment. This strategy calls into question the prioritization of traditional finance expertise over place-based and community expertise and the expertise of lived experience relevant to the investment. The third strategy, **how capital moves**, opens avenues for shifting power dynamics in investment processes through the formal reorganization of the structures and terms that define the investment relationship. This strategy includes attention to language and an alignment of needs and roles for all of those engaged in an investment, including intermediaries, that does not prioritize the needs of the capital holder. Our team used Criterion’s TOOLKIT framework, particularly the three strategies designed to ‘change the system’ to guide this work.

Finally, our approach to this research would not be complete without a thorough analysis and accountability of dynamics of power in investment processes. Criterion has developed a framework that identifies seven overarching dynamics of power within investment processes. This framework was developed in collaboration with key branches of the Australian and Canadian governments, as well as investment fund managers, and feminist organizations. It builds from a detailed portfolio-wide analysis of factors that contributed to the success or failure of enterprises in the Pacific through Pacific RISE, a five-year program funded by the Australian Government’s Department of Foreign Affairs and Trade (DFAT) to pilot and facilitate the growth of a social impact market in the Pacific with a gender lens. (Criterion Institute 2021)

² <https://criterioninstitute.org/toolkit/overview>

Criterion's power dynamics in investment framework argues that dynamics of power appear in investment processes in ways that can be measured and accounted for. Further, accounting for unequal dynamics of power is essential in designing a transformative investment model. These dynamics are:

1. **Knowledge:** Whose knowledge is valued?
2. **Access:** Who is seen as 'worthy' of access to capital and resources?
3. **Decision Making:** Who gets to decide across the process?
4. **Timing:** Whose timeframe matters?
5. **Transparency:** Who gets to know what, when?
6. **Risk Sharing:** Whose risk is mitigated?
7. **Alignment / Incentives:** Who is incentivized to do what?

Attention to and accountability for the ways that these dynamics are prioritized, privileged, and included for all stakeholders in an investment process deeply informed our thinking and approach to the research that guided this paper. (Criterion Institute 2021)

Finance for Systems Change

Current financial systems can appear so deeply entrenched in our work and lives as to be immutable. However, finance is simply a tool. It is a set of assumptions and structures made by people that can also be changed by people. We can wield it differently. There are current movements around the world working to reshape the ways that finance operates, shifting financial systems from an extractive to a regenerative model. Criterion Institute's theory of change calls on thought leadership to promote understanding, imagination, and a will to act. By sharing the systems change framework below, and by providing case studies of alternative structures in action, our hope is that this paper will inspire you on all three of these levels.

Our approach to finance for social change builds from theories regarding circular economies, regenerative finance, and restorative investing. Notably, circular economies imply not only the reuse of raw materials to reduce waste (as it is commonly known for,) but also the injection of capital into communities through a *systemic* approach designed to **circulate capital to build capacity**, generate beneficial resource and value flows, and grow community wealth and wellbeing while reducing external leakage (Hannant et. al. 2022.) Similarly, **regenerative finance aims to regenerate communities** and natural environments and solve systemic problems such as climate change and inequity. It includes the **transfer of control of capital to the communities most affected by racial, economic, and environmental injustices**. The concept builds from the theory of Regenerative Economics, which incentivizes actions that increase systemic health and community wellbeing, and disincentivizes actions that lead to systemic degradation. Finally, restorative investment strategies build from theories of Restorative Economics, are designed to **generate community wealth, produce governance structures that benefit the whole, and build community power** (Agbo 2017.)

These systemic perspectives presents a birds-eye view to the value of centering community in investment. Simultaneously, grassroots movements designed to build community wealth focus on the importance of *community governance of community-owned capital* to grow capacity within a community as it builds its wealth. This ground-up approach includes valuing social and cultural capital alongside monetary capital. An examination of both avenues of systems change through finance provides insight into opportunities for a reconfiguration of the role that blended finance can play in creating flourishing communities.

Systems Level Investing and Regenerative Finance

Regenerative finance is a philosophy and approach to financial systems and processes that is underpinned by a set of core principles and grounded in the implementation of specific strategies. Regenerative finance is rooted in where and how capital moves toward local economies through non-extractive and community-led processes, shifting power away from traditional capital holders and toward community-governed control (Justice Funders 2023.) This philosophy draws from principles of Restorative Economics, which “centers on healing and restoration of vulnerable communities who have been marginalized and oppressed by a polluting and extractive economy, by investing in strategies that ... generate community wealth, produce governance structures that benefit the whole, and build community power ... Restorative Economics places the wellbeing of the community directly into the hands of the community,” (Agobo 2017.)

The Systems Capital Approach posited by the Griffith Centre for Systems Innovation and Hatched to foster transition towards “regenerative futures,” applies a similar ideology. The Systems Capital Approach discourages individualized investment processes, and, instead, advocates for investments to be made holistically across a localized system – such as housing, energy, etc. – to amplify beneficial value flows between activities, actors, and assets and build capacity within that system. This also includes disrupting structural barriers and unequal power dynamics. The systems-level investing model argues for the pooling and redeployment of capital with revised governance models and likens capital to “stored energy” in a localized system that can be deployed to optimize existing and latent relationships while reducing leakage (Hannant et. al., 2022.) In other words, community investment with a systemic perspective should be designed to improve and strengthen a full community, rather than focusing on only a single enterprise (although the needs of single entities still need to be met within a portfolio context). Further, this approach is optimized when it is governed by the stakeholders who are an active part of its implementation and evolution, the community themselves.

Notably, regenerative finance also includes a focus on the “preservation and return to traditional knowledge, languages, practices, and ecologies,” (Justice Funders 2023, p. 9.) This role of traditional knowledge is particularly salient to the way we frame and understand community as inherent to the financial system. Reframing traditional approaches to finance to account for unequal dynamics of power and elevate non-finance expertise, such as community and/or Indigenous knowledge, is fundamental to repositioning where and how blended finance can engage the investment process to promote

...community investment with a systemic perspective should be designed to improve and strengthen a full community, rather than focusing on only a single enterprise...

transformational change. We discuss this reframing in more detail in the *Changing the System: Towards a Transformative Approach* section of the report below.

Community Wealth Building

While a systems-level, circular economy, or regenerative approach to finance supports a birds-eye view of what community-centered finance can be, the grassroots movement towards community wealth building provides an important perspective from the ground level. Community wealth building presents a specific model for social change through the intentional deployment of capital to and for communities. The aim of community wealth building is to increase direct investment to local economies. Specifically, community wealth building approaches can “help residents achieve personal financial goals, contribute to residential stability, and help local institutions further their missions. Most importantly, they help residents prosper in place,” (Theodos et. al., 2021, p.2.) According to Dark Matter Labs,³ the global nonprofit advocating a “boring revolution” to societal transformation, “Community Wealth focuses on systematic change in the ways we view wealth and its purpose by transitioning away from a dichotomy of private and public property ownership towards portfolios of community assets, jointly owned and governed,” (Dark Matter Labs, 2021.)

Examples of community wealth building also appear in innovative finance under the umbrella of community-based development or place-based investing. Notably, while place-based investing highlights the interconnections between environmental and social outcomes of localized investment, community wealth building centers the role of community ownership and governance in localized investment practices. Like regenerative finance, community wealth building takes a localized and systemic approach to investment, centering community ownership and community-led decision making. Community wealth building models include not only investment *in* communities but also include community control over these resources. The naming may be misleading, as wealth creation is not the only outcome goal of these models. Community wealth building, by design, is aimed to improve social and economic outcomes including ecological sustainability, transportation, and public health – thus building community wellness and wellbeing alongside increased capital growth – building, what we call in this report, ‘flourishing communities.’

Power Dynamics and Intersectional Identities

Core to both systems-level investment in regenerative finance and investment in community wealth building is a grounding in place-based lived experiences and values. Localization is an acknowledgement that the people who live and work in a place bring expertise in the unique needs and processes around what does and doesn’t work in their communities. In the context of finance, Localization implies shifting the point of decision making to the closest point where that decision has implications, i.e., where the investment is taking place. In other words, acknowledging that Local perspectives, knowledge, credibility, and abilities are essential in the design and decision-making of any project that includes them. Crucial to this model’s success is the ability of local communities to participate authentically. Therefore, a truly localized context incorporates attention to dynamics of power with all stakeholders and across all investment stages, including the place-based dynamics that impact intersectional identities of gender, race, ability, and all other axis of difference and power.

Building community wealth helps to address gender discrimination in marginalized and under-resourced communities. Yet, financial systems continue to be gendered. Still today, the majority of assets under

³ <https://darkmatterlabs.org/About>

management (AUM) are owned and managed by men. Women entrepreneurs are less likely to seek investment capital, and those that do are less likely to receive it. Women-run enterprises receive less than half of the investment capital of men, and those percentages become exponentially smaller for Black and brown women (UN Women 2022.) All too often, lenders fail to account for impacts of financial transactions on women, including but not limited to risks of gender-based violence, increased burdens due to caretaking responsibilities, inability (legally or socially) to own property, and negative consequences of indebtedness (Madden, Freund, and Hilton 2023.) Acknowledging intersecting dynamics of power in investment processes is a core component of assessing and accounting for gendered discrimination. Recognizing that gender identity and lived experiences are influenced by place and other intersectional identities is essential to understanding how marginalization and oppression work in different contexts (Subramanian, Muirow and Anderson 2022.)

The power dynamics of gender and finance are particularly compounded for Indigenous women. According to Yunkaporta, subjugated gender roles stem from a colonial ideology and were not a part of traditional Aboriginal culture (Yunkaporta 2020.) While women were still primarily responsible for food preparation and childcare in Indigenous communities, they maintained an equal power role. That equality is not the case today. Now, Indigenous women face barriers of both racial and gender discrimination and bias, and this intersectional identity compounds their exclusion from traditional avenues of wealth building and business creation.

Blended Finance

Blended finance is the merging of public or philanthropic funds with private investment capital to bridge perceived barriers to investment, account for concerns of risk, and catalyze increased funds toward a specific geography or initiative. Convergence, the global membership organization that provides data, insights, grant support, and deal information on blended finance, describes it this way: “Blended finance is the use of catalytic capital from public or philanthropic sources to increase private sector investment in developing countries to realize the SDGs,” (Convergence 2021.)

There are three core characteristics required for a blended finance transaction. **Blended finance should simultaneously contribute toward development and/or impact goals, generate a positive financial return, and leverage public or philanthropic capital to catalyze private sector finance.** Currently, there are four avenues through which blended finance tends to occur: adjusting returns (concessional capital), adjusting risk (providing guarantees), ‘fixing’ companies (providing technical assistance) and supporting project development (providing transaction design.) Details on the processes of each of these are shared below.

Adjusting return (concessional capital): Blended finance can structure an investment approach that enables fund providers to accept below-market terms (to lower the overall cost of capital) or provide an additional layer of protection to private sector funders.

Adjusting risk (guarantees): Through guarantees, public funds can be used as a credit enhancement mechanism, or insurance, for the return of capital invested by the private sector funders. Derisking a transaction can crowd in private capital that otherwise would not participate in impact-driven investments. Guarantees are also contingent obligations where the actual public funds are only required in case a guarantee event is called (unlike concessional capital and technical assistance support.)

‘Fixing’ companies (technical assistance): Technical assistance, funded by public or philanthropic capital, is provided to make businesses more commercially viable and/or to strengthen their

impact. It does not have financial return expectations and usually works well in supporting other blended finance instruments such as concessional capital. For example, technical assistance may provide training or a market feasibility study to make the enterprise ‘investment ready.’

Project development (transaction design): Grants funded by public or philanthropic capital can be used to fund transaction design or project preparation stages of businesses. This support can entail providing financing for riskier market segments or funding feasibility studies and/or proof of concepts for blended finance vehicles aiming to attract private capital.

Using the System – Blended Finance for Social Change

The concept of blended finance was first recognized as a potential solution to address the funding gap in the outcome document of the Third International Conference of Financing for Development in July 2015 (UN 2015.) The concept originated on the premise of aligning the interests of private capital providers and development funders by leveraging development finance and resources to attract private capital into transactions that they wouldn't have considered otherwise. In principle, the notion of such public-private cooperation has existed through Public-Private Partnership (PPP) in the past. Unlike blended finance, however, those PPPs did not necessarily require an alignment of interests of the private sector and development funders. Blended finance, on the other hand, aims to expand the investment opportunities in the emerging and frontier markets by mitigating the risk associated with some of these investments.

Blended finance brings together the government, philanthropy and the private sector to deliver development goals as well as commercial sustainability. Collaboration of different stakeholders can take various forms.

A dumpsite in Fiji spanning more than 16 hectares is currently leaching waste into the ocean, causing a major negative impact on the Great Sea Reef ecosystem. Through a blended finance vehicle, the Global Fund for Coral Reef (GFCR), a local waste management company is looking to fund a sanitary landfill and recycling facility through a combination of instruments including grants, debt, equity, and technical assistance for investment readiness as well as feasibility of the project. GFCR is a 10-year, \$625 million blended finance vehicle established through a coalition between United Nations agencies, financial institutions, and private philanthropy sources. The fund seeks to protect and restore coral reefs and is working with local advisers to develop an investment



pipeline to invest in solutions that reduce the negative impact on the ocean ecosystems. The investment aims to generate revenue while also supporting local jobs and reducing the negative environmental impact.

Vunato Landfill in Fiji. Photo courtesy of Global Fund for Coral Reefs.

Blended finance is often touted as the bridge needed to bring private investment dollars to spaces of social impact. Indeed, proponents of community wealth building models argue that blended finance deals can be a major support for innovative community investment and have made “ownership and decision-making stakes more accessible to populations who traditionally have not been able to participate as owners in their local economy,” (Theodos et. al., 2021, p.2). To date, philanthropic capital has played an outsized role in supporting these types of community investment initiatives.



The Black Farmer’s Fund is a democratically-governed community investment fund that provides financing options for Black farmers and food entrepreneurs in the Northeast United States. Black farmers are

severely underrepresented in farming in the United States, representing only 1.4% of farmers, while the Black population across the country is around 13.4%. The Black Farmer Fund’s vision is a for a “thriving, resilient food economy in which the consumers and producers of this black food ecosystem participate as community wealth builders, to repair black communities’ relationship to food and land.” The Fund is in its third year of operations, and is continuing to expand, providing a range of financing and technical assistance as well as intellectual capital, networking, and policy support. The Fund was initially made possible through philanthropic investment from Ceres Trust and is now open to private investors. (Black Farmer Fund 2022)

Blended finance initiatives tend to use the existing structures of traditional finance to promote social impact and development goals. Criterion’s TOOLKIT identifies two strategies to *use the system* of finance for social change. These strategies are investing in opportunities and diversifying a portfolio. Deploying capital to a transaction by adjusting for risk or return helps to channel resources to enterprises or investment opportunities contributing to social change efforts. Similarly, diversification at the portfolio level can broadly shift investment goals, and the benchmarks against which success is measured, toward social change initiatives. **Yet, attention to dynamics of power is crucial for the capital holder not to reinforce norms of traditional finance that may be problematic for a community or enterprise as a condition for capital.** This imbalanced power dynamics concern is particularly amplified in blended finance provided through technical assistance or transaction design support.

Limits to Current Blended Approaches

Current blended finance approaches are limited by traditional finance assumptions of growth, scale and success metrics that may not always adequately capture impact. Blended finance deals tend to disregard unequal dynamics of power and many at times fail to recognize community expertise and decision-making mechanisms in investment design processes. This upholding of traditional financial models means that when institutional stakeholders engage in blended finance in communities that are not their own

(which is the norm), **they are transferring not only funds, but an ideology and definition of success that is not necessarily aligned with community needs or ways of knowing.** While blended finance is structured to attain development and financial goals, it is often geared toward supporting the private sector, creating investments that align with the capital holder's risk and return profiles, rather than on the needs of community. While some blended finance interventions have been very successful, it is important also to be cautious of potential shortcomings or oversights in the processes.

There are specific concerns relating to each of the four avenues of blended finance support. These are:

Concessional capital: Blended finance is often used to address market failures and inefficiencies where public funds finance a project's bankability that needs to be established before private capital can crowd in. However, the nature and size of the concessional element is critical to avoid **undue subsidizing of the private sector.**

Guarantees: By design, blended finance structures provide additionality in terms of finance and development impact, resulting in outcomes that would not have materialized in the absence of such intervention. However, blended finance structures such as guarantee schemes may **struggle with additionality** where traditional financial criteria are difficult to change. For example, government or DFI-backed loan guarantee schemes targeting small and medium enterprises to access capital may fail to demonstrate an increase in such lending compared to what would have occurred without such guarantees in place. (Asian Development Bank 2016)

Technical assistance: The process of 'fixing' the company through technical assistance often **disregards what the business wants** at that point in time. This process also tends to **disregard existing strengths in these communities.** Concerns including a lack of flexibility (based on familiarity bias), mismatched needs on the timing of capital deployment, scalability targets that many community projects may never meet, and the overall reporting and disclosure requirement burdens can set a very rigid structure for these types of blended finance interventions.

Transaction design: The design process may engage communities that are stakeholders and even beneficiaries of such interventions. However, the **use of local knowledge, valuing that knowledge** and understanding the mechanisms in place that already work, may not be included in the engagement with community in the design process.

It is also important to note that while blended finance has delivered many success stories, there are instances where such blending of government's public funds and the private sector has undermined public policy objectives once the private capital was mobilized. Governments of smaller economies that are faced with rising national debt levels often consider partnership with the private sector where development goals are disregarded. Often, the promise of short-term gains can trump long-term sustainability. For example, the Government of Papua New Guinea re-entered a deal with a Canadian-based mining company whose mining license had been revoked following strong opposition from the landowners and communities located near the mines. The issues relating to the mines ranged from environmental and social concerns to the minimal economic benefits that trickled back to the local communities (Blades 2021.) As in this case, the behavior of favoring short-term gains over longer-term sustainability goals often extends to communities where leaders and decision makers may opt for more extractive partnership due to immediacy of capital gain, even with leakages so significant that the wellbeing of the communities are unlikely to improve.

Public funding is a core source of blended finance capital. Arguably, the government's role is to steward resources for the common interest of its constituents. From this perspective, blended finance models that funnel government funds toward a holistic, systemic, and place-based investment model, and through a community-governed process, can serve as a meeting ground for the more traditional (individualistically oriented) private finance with an ecosystem-driven approach of community-led systems investment grounded in place. Yet, **this process requires an overhaul shift from both the capital holders and community members of roles in decision-making and governance and the positionality of risk.** This includes asking questions such as: *Who assigns value and how? What components are being derisked, and for who? And whose expertise is valued?* These core questions are integral to a power analysis of investment process and to developing a truly community-centric investment model.

If blended finance deals are truly aimed at building community wealth and wellbeing through increased community resource ownership and governance, blended finance stakeholders will need to reconsider and rebalance their role and the power that they hold in investments. This process will be challenging to achieve within the constraints of traditional finance structures and norms. Yet, the norms of finance are ones that we humans dictate. Therefore, as we have argued, they can be changed. Criterion's TOOLKIT provides three core strategies to *change* the system of finance. We discuss each of these in more detail in the following section, and advocate for the engagement of blended finance in them all.

Changing the System: Towards a Transformative Approach

Blended finance can be viewed as a means of shifting from the current payment and support systems that the government has in place, to a more self-sufficient and regenerative approach that delivers long-term sustainability. For Indigenous communities, whose historic trauma with government agencies lends a demoralizing aspect to financial handouts, **this shift includes an increase in power and agency.**

Blended finance can provide the safety net needed for traditional financial institutions to reassess their conceptualizations of risk and of bias. Simultaneously, these alternative pathways to financing can allow Indigenous communities to maintain increased control over managing their own resources and building what they value most. Notably, this Indigenous value system often includes consideration of the broader community's wealth and well-being, in contrast to a traditional single enterprise investment model grounded in Western individualist entrepreneurial notions of 'success.'

This shift from individual to community success metrics, and of the role that blended finance can play, requires an internal assessment from all stakeholders on internalized bias and a deep questioning of who is, and who should be, holding power in investment processes, and why. An alternative, power-transformative approach to community-led blended finance requires a two-way learning, one that is not only challenging traditional finance to think differently, but is also applying an Indigenous-centered approach to improving assumptions of mainstream finance. As Craig North, Managing Director at Indigenous Impact Pty Ltd and co-developer with First Australians Capital of the Indigenous First Impact Framework shared, "Indigenous people have more power than people realize: we have knowledge and history. We need to be working to shift the mindsets not only of those who have capital... but [also] changing our own mindsets regarding our power" (North, interview 03.06).

The following section reviews Criterion's three strategies to *change* the system of finance for increased social impact, and the ways that these strategies can be leveraged through blended finance to promote a more community-centric investment model.

Community-Centered Finance

Inspired by Indigenous practices and ways of knowing that elevate interconnection and the importance of community, the Criterion team has developed the matrix below to delineate components of traditional (colonial) finance in comparison to a community-centered finance model. In the development of this matrix, and through multiple conversations with thought leaders around the world, our team determined that identifying and supporting the ‘middle ground’ between community-centered and traditional finance is as important as the development of the community-centered finance model itself. This ‘middle space’ is one of translation and intermediation between traditional finance processes and an alternative transformational approach. This localized intermediary or “bridge maker” can play a facilitator role between stakeholders, creating spaces of trust needed to balance dynamics of power and providing opportunities for true collaboration (Wolfe, interview 04.12). Particularly for Indigenous communities, this intermediary position can serve as a coach, mentor, and “armor” to support and protect communities, guarding the values rooted in their approach and business processes (Bradford interview 03.14.)

The matrix below provides an overview of traditional finance, community-centered finance, and the ‘middle ground’ between the two. We review various aspects of overall context and ideology for each of these positions, as well as share insights into the investment approach for all three across all stages of the investment process.



	Traditional Finance	Translation and Intermediation (the 'middle ground')	Community-Centered Finance
Context & Perspective			
Historic Context	Developed in a historic colonial and patriarchal context.	Relatively recent development to bridge 'traditional' finance to community-centric models.	Deeply rooted historic expertise that predates 'traditional' finance.
Ideology	Extractive, growth-oriented and profit maximizing goals, with little accounting for environmental or social externalities.	Stewards and facilitators: ecosystem builders, cultural and community protectors, financial intermediaries, and translators.	Grounded in community-centric and interconnected systems approach (including ecosystems and future generation impacts.)
Values/Goals – Who is incentivized to do what, and why?	Maximize return to shareholder, increase enterprise value, individualistic model of success.	Creating a space of trust and collaboration, supporting goals of community stability and wellbeing, while also valuing goals of financial engagement. Serving as a facilitator or bridge between stakeholders.	Enterprising as a family unit. Value stronger communities and interconnected ecosystems. Increased community wealth and wellbeing. Better livelihoods for current and future generations, reduced reliance on handouts.
Power	Insensitive to unequal dynamics of power. Power held by the capital holder.	Local partners set the criteria and terms with the understanding on what will work the best. Will require capacity building.	Power valued through resources, cultural and place-based knowledge, connection to history and place, connection to community.
Gender lens	Not (generally) considered.	Understanding gendered dynamics and supporting facilitation of that understanding to all.	ROI includes women's financial independence, women's safety, and family protection.
Business structure	Formal	N/A	Mostly informal
Approach to Investment			
Investment timeline - Whose timing matters?	Opportunities are delivering returns aligned to risks (ex] greenfield enterprise will need to deliver higher returns.)	Incorporates the other 'check boxes' that are not traditionally included in finance (ex] channelling capital to funding gaps in the community instead of focusing on high yielding and extractive proposals.)	Timing for investment is when gaps and problems are being identified at the community level and thus solutions are being designed.
Risk assessment – Whose risk is being mitigated?	Default rate, theft and unemployment rate, geographical risk	Changing the narrative by demonstrating the investability of groups	Risk data determined by community partners

	(gender and racial biases). Does not account for colonial theft of Native lands and cultures.	previously seen as risky (ex) Indigenous women.) Refocusing and amplifying data that mitigates the perceived risks of alternative investment models or approaches.	with on-the-ground information.
Past performance – What knowledge is being considered?	Financial historical data (traditional finance expertise.)	Community and movement-accountable intermediaries.	Community knowledge and expertise. Character history within the community.
Certainty of future – Who holds the power in the decision making and how do they hold it?	Traditional due diligence processes that validate assumptions. Business plans and forecasts with familiar/ 'normal' financial models.	Promotion of incentivized ownership (ex) tiered incentives for loan forgiveness). Neutralizing the bias and familiarity used in both approaches and offering alternative avenues for presenting the future.	Trust building, understanding localized mechanisms
Governance – Who gets to know what, when? How is information shared? Who decides?	Board, capital holder.	Mediating decision making and translating language for increased communication across all partners.	Community-led governance, collaborative decision-making, transparency across all parties.
Pitch – Who is viewed as worthy of investment and why?	Written in specialized language and format. Investee presents pitch to capital holder for evaluation.	Integration/translation of alternative approach to traditional processes, addressing development and social impact goals.	Storytelling (yarn) to come to mutual understanding and communication for both parties.
Insurance – Whose risk is being mitigated, how?	Traditional insurance models required for risk mitigation.	Demystifying perceived risks to enable actual risks to be mitigated, helping reframe the risk to include communal mechanisms that mitigate risk.	Insurance products could be costly, complicated and difficult to access. Risk has traditionally been mitigated through local knowledge around activities and preparation. Communal mechanisms also bring diversity and resilience that mitigate risks.
Record keeping and reporting (knowledge and transparency)	Formal, templated, written.	Utilizing and building trust to strengthen communication processes between stakeholders to provide increased transparency and knowledge for both sides. Managing expectations.	Stories and trust.

Assigning Value in a Market

Investments and financial systems assign value in the marketplace. There is an opportunity to introduce new data or shift data analyses (for example, by eliminating previously unseen bias in the data analysis process) that can change what has been assigned value, and how much, in finance. For example, Criterion’s past research demonstrated the previously unaccounted for material risk of gender-based violence in investment (Criterion Institute 2022.) Building from an increased understanding of the impact of gender-based violence risk – assigning an increased *value* to gender safety in investment – several development finance institutions, including the IFC in the United States and FinDev Canada, now require a gender-based violence assessment as conditional to their loan provisions. This example demonstrates how new data can impact valuation which, in turn, can impact social change. In this case, Criterion and our partners have shifted financial systems to better account for and incorporate impacts on gender safety.

Adjusting how value is assigned requires framing entrepreneurship differently. For the entrepreneur, their work is growing something of value. This growth may not necessarily be in the profits or sales turnover traditionally sought. Rather, this value may be maximizing shareholder returns or creating social impact for community benefit. In a community-centered approach to finance, there is *value* assigned to the strength and wellness of a flourishing community. If community health and community wealth were, in fact, viewed as having a *material impact*, how might that shift investment design? This is not a hypothetical musing. The Center for Economic Democracy, for example, has developed a ‘power rating’ model for investment products – measuring for investment design, governance, alignment with social movement, community ownership, and community action – that provides a numerical evaluation for an investment on a spectrum rating from extractive to restorative (Center for Economic Democracy 2023.)

Much of the transformation of how value is assigned centers on **perceptions of risk**. The innovative investment platform Coralus (formerly SheEO) conducts regular check-ins with its Ventures as part of its model of relationship-building based on mutual respect and trust, ensuring that all talents across the community are utilized. One outcome of this model is the ability to crowdsource solutions if Ventures are unable to make loan payments on time. This crowdsourcing option within the Coralus community to fund and address the shortage in repayment by a single borrower, if necessary, displays a unique communal approach to solving investment problems. It also supports the mitigation of default risk. In the Coralus investment model, risk is assigned value differently than in traditional finance with the ‘perceived’ risk of default decreased through an approach that prioritizes the common good of all.⁴

Another example of the value of such communal approaches is an Indigenous Fijian method of *solesolevaki*. *Solesolevaki* is a concept where iTaukei farmers pool together their own labor and undertake rotational work on each group members’ farm to ensure that all products are harvested in a timely manner (AECOM-Kalang 2018.) For exporters of commodities such as root crops, this approach enables a stable and consistent supply to their larger markets. *Solesolevaki* is not only strengthening community cohesion and relationships, it also is a risk mitigation strategy for these farmers. However, in traditional finance models it may not be seen as such, and therefore these farmers’ risk may be being miscalculated.

⁴ <https://coralus.world/>

Native Women Lead is a non-profit organization created by and for Native American Women entrepreneurs to create a “safe and inclusive space to foster, start, grow and build native businesses everywhere.” The organization operates several funds, as well as hosts networking and informational events to “build community and power with and for Native women entrepreneurs at all levels so they can continue to build their businesses, skill sets, networks, knowledge, and wealth.” Native Women Lead’s Matriarch Fund provides loans ranging from \$2,000-\$50,000 to entrepreneurs with a 0-5% interest rate. The organization does not conduct traditional due diligence on credit rating, collateral, or assets, but instead determines risk through community-generated data on personal history and intention for the capital. Native Women Lead’s “5 Rs of Rematriation” provides an alternative framework to assess and account for (to differently *value*) risk. The 5 Rs stand for: **Revolutionary** (is the business game changing or solving a problem?), **Regenerative** (is there a seventh generation impact?), **Restorative** (does the business help close Racial Wealth Gaps), **Rooted** (is the business rooted in Indigenous values and need?), and **Relational** (are relationships and reciprocity enhanced and honored?). This model has proved successful. To date, the Matriarch Fund has a 95% repayment. Enforcing the importance of community even further, the Matriarch Fund provides a tiered incentive structure for loan forgiveness based on participation in events and/or programs, with 50% loan forgiveness for repayment. “The 5 R’s of Rematriation are an alternative framework from the lens of us, Indigenous women where design and decision making process and power are spearheaded and intentionally protected for Native women to mitigate racial and gender bias. The 5 R’s is taking another approach to challenge and change a system while proving Native women are investable and there are matriarch-led businesses that are aligned with our values that we want to catapult so they can continue to be of service to our communities.” (Native Women Lead 2022)



Managing the Business of Investing

Shifting systems of finance toward a power transformative community-centered approach by managing the business of investing involves shifting the investment processes around who is seen as an expert and whose knowledge is valued. There is an opportunity to expand whose expertise is trusted in the investment decision-making process by authorizing the validity of knowledge outside of traditional finance. In a community-centric approach, this process centers on valuing and including cultural, place-based, and community knowledge as integral to the investment design and implementation process.

There are multiple examples of this type of shift in the value of expertise and shared decision making of stakeholders across the investment process. With Coralus, for example, a selected group of **Ventures decides amongst themselves how to allocate the investment capital**.⁵ This innovative process shifts the decision-making power to the community, allowing them to use the knowledge and unique insights of their own work that they have, and applies risk mitigation through internally trusted decisions. Similarly, the Buen Vivir fund – an innovative fund designed to support the needs and aspirations of Indigenous people, youth, and women – is structured in a participatory governance model.⁶ The Buen Vivir fund’s structure relies on **equal decision making between investors and those with on-the-ground experience** and is designed to facilitate a **two-way flow of upskilling**, positioned as equally as important for the investor as the investee. The Buen Vivir fund is made possible through financial support from, and partnership with, the Thousand Currents foundation.

Another example of alternative investment practice is the work of Raven Indigenous Capital Partners (RICP) and the Raven Indigenous Impact Foundation (RIIF). RICP and RIIF both operate from an Indigenous worldview, following traditional Indigenous protocols, working for the well-being of people and the planet, and acknowledging responsibility to the next Seven Generations. Raven’s Indigenous Impact Funds (Raven Fund I and Raven Fund II) offer a “patient, flexible approach to deal structures”

in contrast to an “inflexible, compliance-based colonial funding model,” and seek **mutually valued relationships** in partnership with entrepreneurs. (Raven Indigenous Capital Partners 2023). RIIF’s innovative Outcomes finance **investment process is community-owned and community-led** and is centered in Indigenous practice and ways of knowing using a unique **Community Driven Outcomes Contract** to determine governance, risk tolerance, and impact goals. (Raven Indigenous Capital Partners 2023)

This innovative process shifts the decision-making power to the community

⁵ <https://coralus.world/>

⁶ <https://thousandcurrents.org/the-buen-vivir-fund/>



The Cultural Fire Credit, developed through a collaboration between the Firesticks Alliance Indigenous Corporation (Firesticks) and the Aboriginal Carbon Foundation (AbCF) in Australia, represents a novel shift in the role of cultural knowledge in investment practice.⁷ The Australian continent struggles with wildfire devastation, and, though wildfire management practices are improving, there finally is a recognition of the need to draw on the Indigenous fire-management knowledge that has been cultivated and refined on this land for thousands of years. The Firesticks Alliance presents a unique partnership of an Indigenous-led network that provides knowledge, mentorship, and training around cultural burning practices and land management. The Cultural Fire Credit, launched in 2018, provides an investment opportunity in growing and maintaining that knowledge and putting it to practice, and is a community-led operation, owned and managed by Aboriginal Australians. Individual people, companies, or government agencies are eligible to buy or invest in Cultural Fire Credits through the Catalyst Markets trading platform, developed by AbCF and Griffith University and managed by the Aboriginal Carbon Foundation. These credits represent a long-term, forward-buy investment that supports cultural burns in practice over a series of years. The Cultural Fire Credits provide a wide range of positive cultural, environmental, social, educational, economic, wellbeing, and health outcomes and are verified through a rigorous Indigenous-to-Indigenous peer approval process. (Aboriginal Carbon Foundation and Firesticks Alliance Indigenous Corporation 2022)

Shifting finance systems by managing the business of investing also includes reevaluating the cost of trust. Relationships in finance rely on systems of trust, and traditional financial institutions have built business models through markets to facilitate trust at a distance. Many of the traditional processes of determining which enterprises are ‘investment worthy’ stem from formulated processes designed to calculate trust. Yet, trust is not neutral. There are power dynamics and biases baked into what are considered ‘norms’ in traditional finance’s approach to trust. The role of the intermediary, or translator, is important in navigating alternative avenues to promote and develop trust across investment stakeholders.

⁷ <https://www.firesticks.org.au/cultural-fire-credits/>

Maree Cutler Naroba, Business Strategist and Entrepreneur Educator, is the Program Manager of Maganda Makers Business Club, a partnership between Good Return, Kimberley Jiyigas, and the Menzies Foundation. Maree shared with us a simple example of how things can be done differently. Based on her experience, Maree found that the requirements for small entrepreneurs to access traditional investment funding are overly onerous in their expectations of information around business plans, detailed forecasts, and strategies. Further, investors expect this data in formats unfamiliar to the entrepreneurs Maree works across the Kimberly Region in Australia. Traditionally, a common medium of passing information and knowledge is through art and 'yarn' (or story sharing,) and not through formal writing. For this reason, the Club collaboration team decided to trial a "Pay it Forward" system where Maree sat with a businesswoman who shared what she aspired to do with her business and how she required \$600. Maree and the Kimberley Jiyigas Founder Natasha Short put together \$300 each from their personal funds and provided this investment to the businesswoman to use for her business development. Instead of repaying the money back to the Club, however, the entrepreneur was asked to re-pay the investment forward to another Kimberley Indigenous businesswomen of her choosing who required such funding. After six months the original investment flowed to another businesswoman who, in turn, invested her money in a hair accessory business that she was growing. Notably, this process included no paper trail, was built entirely on trust developed through relationships, and empowered the women entrepreneurs to choose who in their community they would like to support next. (Cutler Naroba interview, 02.25)

Imagine if this model was implemented on a larger scale? Even if only a percentage of the development funds allocated to researching Aboriginal women was set aside to directly address the funding gap they face through a revolving fund, this small-scale financing could empower them to start and sustain their businesses while "Paying it Forward" to other women entrepreneurs. The impact on these communities could be significant.

Facilitating the Movement of Capital

The third strategy of changing the system of finance involves adjusting the ways in which capital moves. This strategy includes a close analysis of dynamics of power in the investment process and a shift in the structure and terms of an investment to change how power is held. This strategy presents a clear opportunity for increased blended finance engagement because of the role of the blending institution in setting the structures and terms of stakeholder relationships across all parties. There are opportunities in the structures of how money moves to adjust for innovative leadership roles, avenues for engagement and voice, the redistribution of power and resources, as well as the relationships across stakeholders. There is also an opportunity to elevate the role of the intermediary in this scenario to help balance unequal dynamics of power between the capital holder and the entrepreneur.

One case study that models this approach is BIDUK Indonesia, an impact-oriented lending platform designed to bridge the financing gap for women-led or environmentally sustainable small and growing businesses.⁸ BIDUK has designed its lending to address the financing gap between microfinance and larger businesses through a series of unsecured short-term loans. The initial loan cycle is accompanied with training in budgets and record keeping with loan terms of around three to four months. This longer process allows BIDUK and the entrepreneur to better understand one another and to align their expectations accordingly. The first set of loans aims to build trust (even if very little is expected in financial return). By the time the entrepreneur has paid off the first loan successfully, they are qualified to apply again for a slightly higher amount and for a longer term. BIDUK allows the entrepreneurs to define what success means for them and helps them on their journey.

The innovative Menstrual Health Trade Finance Vehicle (MHTFV) was launched in 2020 as a project of Pacific RISE (Pacific Readiness for Investment in Social Enterprise,) a pilot initiative of the Australian Department of Foreign Affairs and Trade (DFAT) designed to facilitate and grow the social impact investment market in the Pacific. The concept for the MHTFV emerged from workshops convening a range of stakeholders – including NGO partners, government funders, intermediaries, and entrepreneurs – to discuss the challenges of the overall menstrual health market in the Pacific. What they found was that the supply chain posed the largest challenge to Pacific menstrual health enterprises, with materials being difficult to source and comprising the bulk of their operating costs. While financing individual enterprises separately could have provided a short-term solution, it would not have addressed the underlying supply chain concerns. Therefore, the MHTFV was designed to reduce the materials cost and provide financing support for both formal and informal micro, small, and medium size enterprises. A third party intermediary (Red Hat Impact) was brought in to reduce the payment risk from the material wholesaler and the supply risk for the enterprises. Through the MHTFV materials are ordered in bulk and enterprises pay for supplies on a timeframe that works for them. Notably, the enterprises participating do not hold the transaction risk, which is carried instead by the financial intermediary and initial investors. The planning phase of this demand-driven design also included an advisory board of Pacific menstrual health enterprises (who were compensated for their time), which allowed for a strong relationship to develop between enterprises and the intermediary, and a strong voice for enterprises in the vehicle design process. (Pacific RISE 2021)



⁸ <https://bidukindonesia.com/>

Facilitating the movement of capital into communities not previously able to access capital requires innovative structures. One such structure is currently being considered by Good Return in the Pacific, where financial institutions continue to operate within their rigid risk frameworks, making small-scale lending quite costly and time consuming for banks.⁹ Good Return is considering strengthening a local community-based association through a loan guarantee mechanism which would support the local association to secure a large loan sum from the financial institution. The local association would then proceed to administer and manage smaller loans to members of its community, aligning the terms of these loans with the cashflow needs of the borrowers. The pricing of risk in this model will also include local knowledge and aim to remove biases that may exist in traditional finance. (Dutta interview, 02.22)

Conclusion and Next Steps

Throughout this paper we have attempted to encourage a rethink of how finance can work, the impact outcomes that finance can support, alternative ways that financial instruments can be structured, innovative approaches to how transactions can be conducted, and new ways that stakeholders in an investment can be in relationship with one another. Our hope is that our readers may take away a shift in their thinking around whose voices matter in the investment process, who holds power (and who should), and the value of a community-centered approach. Claiming a “regenerative approach to finance” will not shift resource allocation without clarity on what a power transformative and non-extractive approach to investment really looks like. We hope we have provided an increased understanding of the nuances around those processes here.

We encourage the private sector to reconsider risk, and where risk may be being missed or undervalued due to embedded bias around financial norms or a lack of community expertise. We encourage those in government and philanthropy to reconsider their blended finance transactions and the role they can play in leveraging social change strategies to build flourishing communities by engaging in their investment relationships in another way. We encourage small business owners and entrepreneurs to step into their power in the investment process differently, and to advocate for the visions that they hold for the enterprises they are growing.

Change will come through an ecosystem shift. The recommendations here do not present a ‘silver bullet,’ but, rather, a reframed approach to the untapped opportunities of blended finance to shape the change we seek. Businesses need not only to access finance, but also ongoing support through advisory, training, and coaching as well as access to markets to ensure their success. Investment designs need to account for the whole journey of entrepreneurs, and how power can shift in this process to increase their agency over time.

⁹ <https://goodreturn.org.au/>

Healing Historic Trauma through Finance

As discussed at the outset, our understanding of community is informed by Indigenous ways of knowing and being. Indigenous knowledges and processes informed every section of this report. It is also widely understood that colonial legacies have left a historic trauma on First Nations and First Peoples around the world.¹⁰ Historic trauma is defined as, “the cumulative emotional and psychological wounding over the lifespan and across generations, emanating from massive group trauma,” (Brave Heart et. al, 2011.) This historic trauma includes the systematic violence and harm, theft of land and culture, destruction of language, and ongoing oppression experienced by Indigenous peoples as a result of settler colonialism (First Nations, 2020.) In Australia, generations of Aboriginal and Torres Strait Islander children were forcibly removed from their families, hundreds of Aboriginal languages were systematically destroyed, and Indigenous-occupied land was declared under British rule as free to colonial settlers who “found” it because it was “no man’s land.”

The legacy of colonial trauma to First Nations people is complex and multifaceted, and the implications are not always immediately visible. In their article on First Nations businesses challenges and opportunities, scholars Michelle Evans and Cain Polidano discuss the role of trust in entrepreneurship and investment. They explain that indicators for trust stem from “well-resourced networks, past intergenerational advantages, business experience, financial and other assets, and education qualifications,” all areas that First Nations Australians have been systematically excluded from. Further, they write that “a trust deficit can impact First Nations entrepreneurs in many ways, including difficulty in attracting low-cost finance, building a customer base, winning contracts or establishing links with reliable suppliers... and difficulty in accessing powerful business and professional networks that are often opened by family and other intergenerational social connections” (Evans & Polidano 2022, p36.)

Our hope in framing the opportunities for systems change through blended finance mechanisms that place communities at the center of the investment process, rather than at the margins, is to help surface and account for some of the biases embedded in our current financial processes and address the concerns raised by Evans and Polidano above. For example, businesses and projects in the Kimberley Region of Australia face common challenges to those in other developing areas, where small businesses’ access to finance is limited due to inadequate financial markets, financial products, expertise, knowledge, and capacity. All too often, risks of investment to small enterprises in developing areas are perceived as higher than they are, prompting investors to assign value incorrectly, and requiring a higher rate of return for the entrepreneur. These perceived risks are further enhanced by ‘unknowns’ in the investment process due to the inadequate translation of local knowledge and expertise to finance, again highlighting the importance of the localized intermediary and translator role.

The entrepreneurs in the Maganda Makers Business Club, in Kimberley Australia, may defy traditional perceptions of entrepreneurship. These business owners tend to “venture in family units” where they assist one another in enterprises that may be seasonal, rotational, or interconnected in some way (Mitchel interview 02.07.) Arguably, this family venturing’s *community-centric* approach to business development is both a strength to the community as a whole as well as a risk mitigator. Yet, the value of this type of interconnected community-level multi-enterprise growth may confound the traditional investor who is more likely to be familiar with a single point investment model. In fact, the Harvard Business School provides a course to “formalize family businesses” that advocates directly against this

¹⁰ Note that, while there are commonalities, the traumas experienced by First Nations and First Peoples worldwide are deeply nuanced, diverse, and varied by place and history, and therefore should not be positioned as a collective or unified set of experiences.

type of interconnected approach.¹¹ Our perspective is that this mainstream approach to family business formalization is narrowly construed. Rather, we see the “collectivist motivations” of Indigenous entrepreneurship (Evans & Williamson 2017) as an under-appreciated strength and risk mitigation strategy. Arguably, promoting these types of interconnected ventures supports a systems-level approach to investing that is more regenerative in nature and more likely to lead to flourishing communities overall.

There is a long road ahead to address and begin to repair the harm done by colonialism. One avenue to support healing from this historic trauma is to increase the wealth and opportunities for First Nations communities. In his well-known book, *Decolonizing Wealth*, Indigenous activist and social finance thought leader Edgar Villanueva discusses using “money as medicine” as an avenue for healing. Villanueva writes, “the accumulation of wealth is steeped in trauma. The process of healing from that trauma is central to decolonialization,” (Villanueva, 2021 p9.) One of our aims in offering a community-centric approach to finance is to provide an avenue in which finance can be leveraged as a tool to address historic and colonial traumas to First Nations Peoples. We have paid particular attention to blended finance throughout this report because we see this as an underutilized avenue for the catalyzation and strengthening of community wealth and wellbeing.

Recommendations

Building from the core concepts of transformative change through community-center blended finance opportunities, and the case studies shared throughout this report, we have identified five recommendations for next steps. These recommendations include developing localized community-owned and governed structures to manage assets, elevating the role of the translator or localized intermediary, amplifying the reframing of risk, and promoting a community of practice for the leaders who are implementing this work. More detail on each of these recommendations is shared below.

If communities can collectively own and manage assets, they will be more able to leverage their combined economic power in asserting their rights and strengthening their ecosystems. **Blended finance interventions can enable community asset ownership through various instruments** such as repayable grants and concessional equity to fund early-stage capital or guarantees and first loss capital to facilitate access to commercial credit lines for communities to acquire assets themselves. Technical assistance can further support the governance and capabilities that ensure proper management of these assets within the community. Such community-led vehicles with local leadership can create a shift in the way financial decisions are made.

To effectively action such initiatives, it is critical that **capital go directly into the communities, allowing ownership and agency**. Private capital will crowd in once such initiatives have reached their potential to achieve commercial sustainability. However, the design must embed the social outcomes and ensure that the projects being funded are regenerative in nature. Identifying and investing in community-based enterprises that are thoroughly connected to the communities they work within are also more likely to achieve higher impacts by increasing demand and supply at other points in the system as they simultaneously increase their own capabilities. For blended finance to capitalize such enterprises is crucial to strengthening communities and supply chains that the private sector may not otherwise consider for investment in early stages. This approach also enables the use of appropriate local knowledge, provides

¹¹ <https://www.exed.hbs.edu/families-business/>

flexibility, and allows decision making that considers a community's social realities without the biases that usually lead to inaccurate perceptions of risk.

Through the research process it has become clear that a **localized intermediary who can play a translation and facilitation role between the capital holder and the community is a core component** to developing successful community-centered finance initiatives. This position plays a crucial role in developing strong relationships and trust across all parties and should be financially supported by funders. For the role of this 'middle space' to balance dynamics of power across stakeholders in the investment process, it needs to hold accountability and authority both in the community it's operating within as well as with the traditional finance actors and capital holders. There is a need to upskill individuals so that a broader applicant pool is available to fill those roles. Simultaneously, there is a need to elevate the importance of this translation and facilitation work in the implementation of successful community-centered blended finance initiatives.

There is also a need to **broadly amplify the importance of reframing risk**. Insurance for small businesses has proven challenging as it is difficult to design specific products for communities or community-based businesses where scale is not present. This market usually falls beyond the risk appetite of insurers, or is made available at higher costs. The current risk framework used by insurers also needs to be reviewed to address how bias misses and sometimes distorts risk. The ability to use local mechanisms and systems in place to demystify perceived risk is vital for community-based businesses and projects. Community-centered investments at a systems scale deliver mitigating factors that are currently not considered in risk profiles. For example, as we have discussed, venturing in family units allows members of a household to support one another's economic activities and helps to diversify family incomes, hence helping build resilience and serving as a risk mitigation factor.

Finally, in dialogue with the innovators and thought leaders doing the work of developing and implementing community-centered funds globally, it became clear to us that these **leaders would benefit from participation in a community of practice**. This community of practice could be an opportunity for the leaders of the organizations who are putting the theories shared in this report into action (many of which are presented in the case studies) to share with one another their best practices, innovations, and recommendations for overcoming obstacles. This community of practice can serve as a space of support for those leaders doing the hard work of driving transformational change. It can provide opportunities for knowledge building and training, peer learning, and networking. This community could help to incubate ideas for expanded demonstrations and increased implementation of community-centric finance models. It can help to amplify the successes and disrupt the biases and perceived risks prevalent in traditional finance. This community of practice also can help to **reframe the global narrative of what is possible and highlight new ways that blended finance can be applied to promote flourishing communities**.

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Appendix A – Glossary of Terms

Blended Capital - When public or philanthropic capital is provided to incentivize or catalyze additional private investment. This capital can be provided through a combination of tools including grants, loans, investments, guarantees, and related, non-financial resources like advising and networks.

Circular Economy – A systems solution framework that tackles global challenges like climate change, biodiversity loss, waste, and pollution. It is based on three principles, driven by design: eliminate waste and pollution, circulate products and materials (at their highest value), and regenerate nature. (Ellen MacArthur Foundation)

Community – A social organization created by people in relationship to one another, that are both influenced by, and influence, the environment around them.

Community-Centered Finance – An approach to finance that is aware of and accountable for dynamics of power and bias at all stages of the investment process.

Intersectionality - The interconnected nature of social categorizations such as race, class, and gender as they apply to a given individual or group, regarded as creating overlapping and interdependent systems of discrimination or disadvantage. (Kimberle Crenshaw)

Localization - Localization in Development implies a process in which the expertise of local leaders and organizations is recognized, respected, sought out, and strengthened in order to address the needs of local communities.

Regenerative Finance – Regenerative Finance aims to regenerate communities and natural environments and solve systemic problems such as climate change and inequity. It includes the transfer of control of capital to the communities most affected by racial, economic, and environmental injustices. The concept builds from the theory of Regenerative Economics, which incentivizes actions that increase systemic health and community wellbeing, and disincentivizes actions that lead to systemic degradation.

Restorative Economics - Restorative Economics centers the healing and restoration of vulnerable communities who have been marginalized and oppressed by a polluting and extractive economy, by investing in strategies that create shared prosperity and self-determination for a just transition to the next economy. It is an invitation for communities to come together and form relationships that allow them to reimagine a new way of being grounded in cooperation instead of competition, inclusion instead of exclusion, and abundance instead of scarcity. (Agbo 2017)

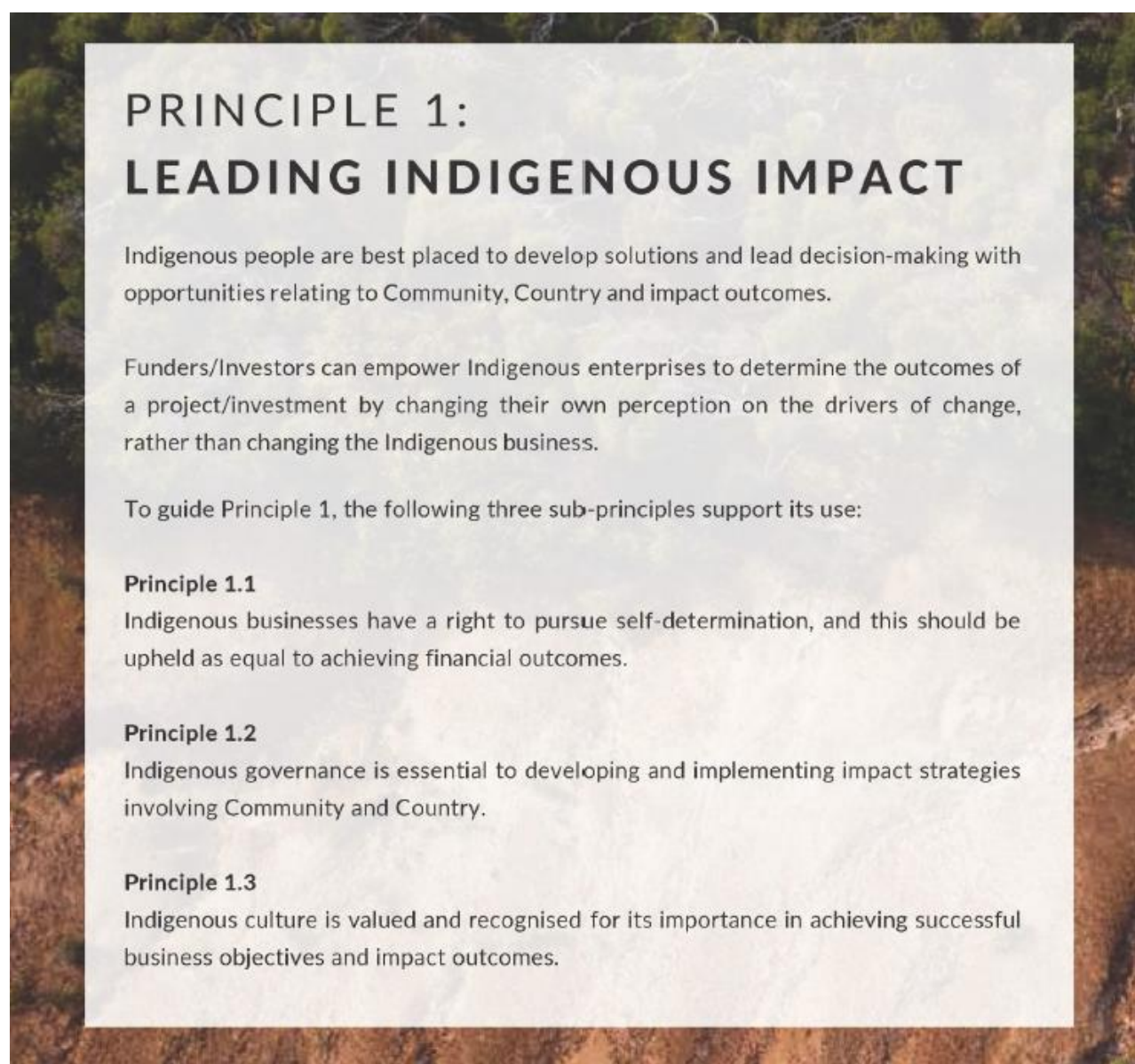
Restorative Investment - Investment strategies that generate community wealth, produce governance structures that benefit the whole, and build community power – rooted in values of equity, regeneration, and interdependence. (Agbo 2017)

Appendix B – First Australians Capital: Indigenous First Impact Framework

A Tool to Support the Indigenous Economy

First Australians Capital and Indigenous Impact came together at the start of 2021 to start work on this framework: [The Indigenous First Impact Framework](https://firstaustralianscapital.org/investors/indigenous-first-impact-framework/).¹²

“We believe we can uniquely position the Australian impact investment market with greater Indigenous inclusions, which will have multiplier effects in key impact areas, through equitable access to ‘Right’ capital.”



**PRINCIPLE 1:
LEADING INDIGENOUS IMPACT**

Indigenous people are best placed to develop solutions and lead decision-making with opportunities relating to Community, Country and impact outcomes.

Funders/Investors can empower Indigenous enterprises to determine the outcomes of a project/investment by changing their own perception on the drivers of change, rather than changing the Indigenous business.

To guide Principle 1, the following three sub-principles support its use:

Principle 1.1
Indigenous businesses have a right to pursue self-determination, and this should be upheld as equal to achieving financial outcomes.

Principle 1.2
Indigenous governance is essential to developing and implementing impact strategies involving Community and Country.

Principle 1.3
Indigenous culture is valued and recognised for its importance in achieving successful business objectives and impact outcomes.

¹² <https://firstaustralianscapital.org/investors/indigenous-first-impact-framework/>

PRINCIPLE 2: DESIGNING INDIGENOUS IMPACT

Indigenous decision-making and the role and value of Indigenous culture are not adequately recognised in impact measurement and performance frameworks. Furthermore, Indigenous data is often held outside of communities.

The framework advocates the use of cultural indicators in measurement and performance frameworks, where and when appropriate.

To guide Principle 2, the following three sub-principles support its use:

Principle 2.1

Data sovereignty ensures that Indigenous impact data is held by Indigenous peoples.

Principle 2.2

Indigenous impact data is viewed as an asset to creating shared value where Indigenous knowledge contributes to positive outcomes for all Australians.

Principle 2.3

Reciprocity means paying for what you want. Additional data and measurement reporting requirements, such as alignment with investor frameworks, should be funded and resourced by the Impact Investor, not the Indigenous enterprise.

PRINCIPLE 3: POWERING INDIGENOUS IMPACT

Shifting power to Indigenous businesses requires investment processes and relationships to be underpinned by transparency, timely and adequate information and risk sharing.

Systemic inequities within investment processes can inhibit Indigenous businesses from making self-determined decisions. This often forces the Indigenous business into a predefined structure or agreements that the Indigenous participants have had a limited role in creating. This results in compromises to Community and Country impacts over investor-determined reporting outputs or rates of return.

A Right Capital and Right Support approach bridges the gap between existing financial structures and Indigenous-led impact. Patient time horizons, sharing of resources and flexibility are required to achieve long-term impact outcomes and business sustainability.

To guide Principle 3, the following sub-principles support its use:

Principle 3.1

Partnerships need to be values-aligned and based on a foundation of transparency. Investors should be clear about their intentions for investing, how they deploy and manage capital, and keep Indigenous participants up to date about any changes that may affect the outcomes.

Principle 3.2

Cater for long-term investment horizons. Longer time horizons for investments enable an environment for learning and growing with the Indigenous business.

Principle 3.3

Remove systemic barriers within the investment processes so that Right Capital can be, deployed to Indigenous businesses. This could mean developing financial products that are more suitable to the requirements of the Indigenous enterprise to enable long-term sustainable impact outcomes.

Appendix C – Native Women Lead: Matriarch Funds

Since 2020, Native Women Lead (NWL) has piloted three relationship based lending programs to support Indigenous women-led businesses in New Mexico, Arizona, Colorado, and Utah to access equitable, patient capital while providing wrap-around support.¹³

“These gender-lens focused pilot programs were designed and led by Native women for Native women through our Matriarchal worldview. As we have evolved, NWL is now applying and activating the 5 R’s of Rematriation as a primary values & underwriting framework. We believe decision-making process and power should be spearheaded and intentionally held and protected for Native women to mitigate racial and gender bias, dismantle systemic and structural inequities and challenge traditional frameworks in finance that are often shaped by western systems of capitalism & patriarchy.”

THE 5 R'S OF REMATRIATION FRAMEWORK

An innovative underwriting and due diligence framework developed by Native Women Lead and Roanhorse Consulting LLC provides an alternative to the current and exclusionary frameworks used by financial institutions.

The decision-making process and power are spearheaded and intentionally protected for Native women to mitigate racial and gender bias through a community decision committee that is guided by these values and criteria.

- REVOLUTIONARY**
Is the business game changing or solving a problem?
- REGENERATIVE**
Is there seventh generation impact?
- RESTORATIVE**
Does the business help close Racial Wealth Gaps?
- ROOTED**
Is the business rooted in Indigenous values and need?
- RELATIONAL**
Are relationships and reciprocity enhanced and honored?

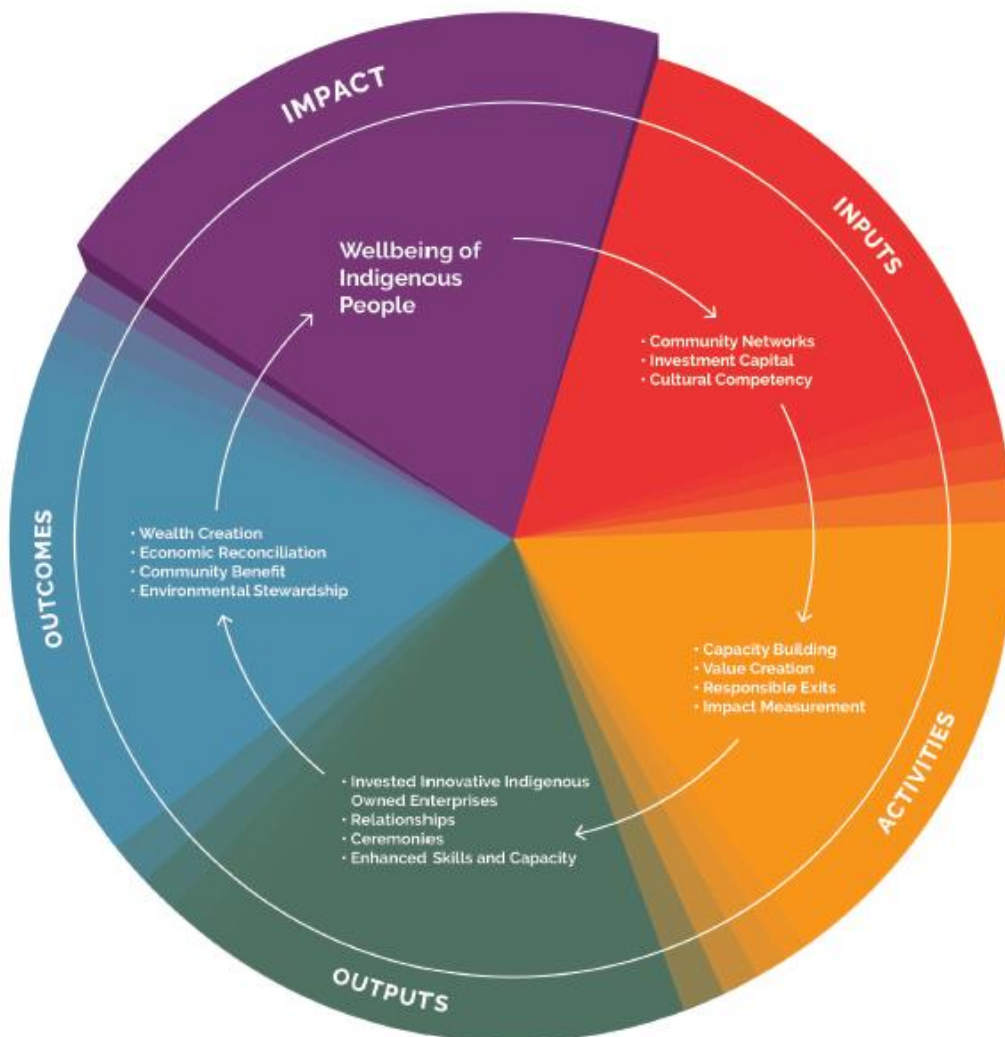
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¹³<https://www.nativewomenlead.org>

Appendix D – Raven Indigenous Capital Partners: Raven Impact Measurement Framework

Raven Indigenous Capital Partners provides culturally appropriate equity and equity-like capital to innovative, scalable Indigenous enterprises that generate measurable benefit streams for Indigenous Peoples.¹⁴ “We are committed to building skills and business capacity, knowledge exchange and a strong network of Indigenous entrepreneurs in Canada and the United States.”

Theory of Change (ToC)



¹⁴ <https://riif.ca/impact/>

RIM Framework Outcome Circle



LEGEND

Community Benefit, Wealth Creation, Environmental Stewardship, and Ecosystem Reconciliation are RICP's outcome themes. Indigenous Integrity and DE&I are priorities for investment decisions and goal setting. Sovereignty and Belonging is a primary outcome measure. Wellbeing of Indigenous Peoples is our ultimate desired impact.