Discussion Note:

2.3 Indigenous Governments

Summary Details

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Summary of Issues and Draft Recommendations:

This Discussion Note (DN) addresses gaps in the Government Finance Statistics Manual (GFSM) regarding the classification and treatment of self-governing Indigenous entities.

The DN proposes guidance to classify Indigenous entities as government units based on two indicators:

- Formal Recognition of Authority: Whether the Indigenous organization is formally recognized (through the constitution, local laws, or legally binding agreements) as exercising authority over other Indigenous institutional units.
- Self-governing: Whether the Indigenous organization has the capacity to determine its own expenditure priorities and to select its own governing authorities, without those authorities being appointed or imposed by another government unit.

The DN also considers whether the existing control criteria for non-profit institutions need to be expanded on for Indigenous organizations; recommending keeping them unchanged.

Several options for the sector classification of Indigenous government units are examined, with the recommendation not to impose a specific approach to subsector classification, instead to encourage countries to transparently report activities of Indigenous governments through the use of "of which" categories within the existing subsectors of general government.

To support the analysis in the DN, Annex 1 provides summary information on Indigenous government arrangements within select countries.

Introduction

1. Indigenous peoples are recognized in United Nations documents as distinct communities with ancestral ties to specific territories, possessing unique ethnic identities, cultural traditions, traditional governance practices, and legal systems. As emphasized by the International Working Group on Indigenous Affairs (IWGIA), achieving genuine empowerment, equality, and secure access to land and

[1] The views expressed in this Discussion Note are those of the authors and/or Task Team and do not necessarily represent the views of the IMF

natural resources requires robust protection of their political rights within national legal frameworks and governance systems.

2. Within macroeconomic statistics, Indigenous organizations often lack clear statistical recognition or visibility, even though many self-governing Indigenous entities may meet the conceptual definition of a government unit. However, there is no clear guidance on their classification within existing statistical frameworks, leading to uncertainty as to whether such entities should be treated as part of general government or classified outside conventional government structures. As noted in paragraph 31.19 of the *2025 SNA*[2], these "organizations are likely to occupy a grey area between the non-profit sector and either the corporations or general government sectors." While this characterization acknowledges the existence of ambiguity in classification, it does not provide further clarification on how this issue should be resolved in practice. This limited guidance in the *2025 SNA* and *GFSM 2014*[3] contributes to inconsistencies in the statistical treatment of Indigenous governments across countries, as well as to the lack of visibility of Indigenous institutions in macroeconomic statistics.

3. The statistical relevance of this issue is particularly important for the GFSM. In the national accounts framework, whether these entities are classified within the non-profit institutions serving households sector, the household sector, or within the public sector, they remain included in the total economy. Accordingly, the issue is not whether the SNA records these entities, but how they are sectorized within the full sequence of accounts. By contrast, in the GFSM, the correct identification and incorporation of Indigenous governments have a more substantive impact on the delineation of the public sector and the fiscal perimeter. Classifying them within the public sector brings into the fiscal perimeter economic operations that help better capture the scope, functions, and economic influence of the public sector. In this sense, the GFSM has a stronger need than the SNA to provide explicit guidance, as the inclusion or exclusion of Indigenous governments directly affects the measurement of government activities, fiscal aggregates, and the visibility of these entities within public sector statistics. In this context and given that this issue relates to the definition and delineation of government sector, the ongoing update of the GFSM offers an opportunity to provide additional clarification. This DN therefore aims to clarify the statistical treatment of Indigenous governments and to present alternative approaches that can support compilers in addressing these classification challenges.

4. Under the current *GFSM 2014* framework, classification follows the public sector decision tree set out in *GFSM 2014* (paragraph 2.124 and Figure 2.4), which sequentially evaluates: (1) whether the unit is resident; (2) whether it constitutes an institutional unit; (3) whether it is controlled by government; and (4) whether it is a market or nonmarket producer. This approach, however, presupposes the prior existence of self-governing government subsectors for the purpose of assessing control. Yet the vast majority of Indigenous organizations do not correspond to any conventionally established government subsectors. As a result, the direct application of this decision tree tends to classify them as Non-Profit Institutions Serving Households (NPISH), since the government control criteria (*GFSM 2014*, Box 2.1) are not clearly met. At the same time, an analysis of the economic nature of these units reveals that many of them exhibit characteristics similar to those of government units as described in paragraph 2.38 of *GFSM 2014*. This divergence between the current classification framework and the actual economic characteristics of

[2] [System of National Accounts 2025 (pre-edit version)] (2025 SNA)

[3] [Government Finance Statistics Manual 2014] *(GFSM 2014)*

Indigenous organizations illustrates the classification challenge and reinforces the existence of the "gray area" referred to above.

5. A further possible grey area within the current framework concerns the classification of control. If an Indigenous organization is treated as a government unit on the grounds that it is nonmarket and subject to the control of another government unit, it should, in principle, be assigned to the subsector of the controlling unit (*GFSM 2014*, paragraph 2.83). On that basis, one might conclude that the central government exercises control over an Indigenous organization because of its financial dependence. Even though the organization performs functions more commonly associated with local government, namely the provision of services to users who are in closest contact with institutional units located in their own localities. Such an interpretation would therefore place the organization within the central government subsector. This classification, however, appears difficult to reconcile with the treatment of conventional local governments, which are likewise typically heavily dependent on grants (*GFSM 2014*, paragraph 2.95), yet are not classified according to a criterion of financial control.

6. To better understand these gray areas and provide options that may clarify statistical guidance, this DN examines three central issues related to the classification of Indigenous governments in fiscal statistics. Issue A discusses the need for preliminary criteria to identify when an Indigenous organization may be considered a self-government unit, prior to the application of the existing public sector decision tree. Issue B assesses the possible revision of the control indicators used in classification (*GFSM 2014*, Box 2.1), so as to adequately capture cases in which Indigenous organizations do not fully meet all the requirements of an autonomous government but nonetheless exhibit some typical characteristics of government entities. Finally, Issue C addresses the subsectoral classification of Indigenous governments within the general government sector, examining whether they should constitute a distinct level of government (analogous to a state or local government) or be incorporated into existing government levels (central, state, local). This last topic also considers the sectorization challenges that arise when the jurisdiction of these organizations do not align with conventional jurisdictional boundaries.

Issue A: Preliminary criterion of Indigenous governments as units of General Government

Background and Issues

7. For the purposes of this Note, and to support a common understanding of the entities under discussion, it is useful to begin from a working basis for identifying Indigenous Peoples, given the complexity and country-specific nature of this topic. In this regard, the International Labour Organization (ILO) provides a widely recognized foundation. Rather than offering a single, fixed definition, ILO Convention 169 sets out criteria for identifying Indigenous Peoples. It refers to:

> *"Peoples in independent countries who are regarded as Indigenous on account of their descent from the populations which inhabited the country, or a geographical region to which the country belongs, at the time of conquest or colonization or the establishment of present state boundaries and who, irrespective of their legal status, retain some or all of their own social, economic, cultural and political institutions."*

8. The Convention further emphasizes that self-identification as Indigenous or tribal should be regarded as a fundamental criterion for determining the groups to whom its provisions apply. Highlighting these elements helps frame the concept of Indigenous Peoples in a manner consistent with international standards while acknowledging the diversity of national contexts.

9. While the ILO criteria provide an internationally recognized foundation for identifying Indigenous Peoples, an important limitation is that these criteria do not establish a single, standardized definition applicable uniformly across all countries. Instead, they allow for a degree of national interpretation, enabling each country to determine—based on its own historical, legal, and institutional context—how Indigenous Peoples are defined domestically. Although this flexibility is appropriate from a human-rights and sociocultural perspective, it presents challenges for macroeconomic statistics. In particular, the absence of a universal definition may hinder cross-country comparability and complicate efforts to establish a consistent statistical treatment within the GFSM.

10. For fiscal statistics, where sector delineation directly affects the measurement of government activities, this variability in national definitions can introduce asymmetries and reduce the degree of international standardization that the GFSM seeks to promote. Given the flexibility inherent in the ILO criteria and the resulting variability in national definitions of Indigenous Peoples, it may be useful, only for macroeconomic statistical purposes, to adopt a more operational and standardized definition of "Indigenous Government." Such a definition would not replace national legal or sociocultural definitions but would instead provide a consistent basis for classification within the GFSM.

11. Any such operational definition would need to be anchored in the existing statistical framework for identifying government units. As a starting point, to qualify as a government unit, an organization must first be recognized as an institutional unit (paragraphs 3.17, 5.6, and 30.35 of the *2025 SNA*; and paragraphs 2.30, 2.58, and 2.124 of *GFSM 2014*). The organization must therefore meet the criteria set out in paragraphs 5.2, 3.16 of the *2025 SNA* and paragraph 2.22 of *GFSM 2014* on ownership of assets, incurrence of liabilities, decision-making capacity, and the ability to compile a complete set of accounts if required.

12. Additionally, it is essential to clarify the first criteria for including Indigenous organizations within the general government sector, and the paragraph 2.38 of *GFSM 2014* provides a useful reference in this regard, as it sets out the definition of a government unit:

> *"2.38 Government units are unique kinds of legal entities established by political processes that have legislative, judicial, or executive authority over other institutional units within a given area. The principal economic functions of government units are to:*
>
> *• Assume responsibility for the provision of goods and services to the community or individual households primarily on a nonmarket basis;*
>
> *• Redistribute income and wealth by means of transfers;*
>
> *• Engage primarily in nonmarket production;*
>
> *• Finance their activities primarily out of taxation or other compulsory transfers.*
>
> *A government unit may also finance a portion of its activities in a specific period by borrowing or by acquiring funds from sources other than compulsory transfers—for example, interest revenue, incidental sales of goods and services, or the rent of subsoil assets. All government units are part of the general government sector."* (paragraph 2.38 of *GFSM 2014*)

13. Accordingly, although an Indigenous organization may exercise economic authority over assets and liabilities within a defined jurisdiction, that feature alone is not sufficient for classification as a government unit. A stronger basis for such classification exists when they are formally recognized as

having legislative, executive, or judicial authority over other institutional units. As indicated in *GFSM 2014* (paragraph 2.38) and the *2025 SNA* (paragraph 5.9), government units are legal entities established through political processes and endowed with public authority within a given jurisdiction. In this note, formal recognition is used as the operational indicator of such a political process. It refers to situations in which an Indigenous government is officially acknowledged, through a constitution, local legislation, or legally binding agreements with the conventional government, as having public authority over other institutional units. Such recognition signals that a political process, whether by enactment or negotiated agreement, has conferred that authority.

14. A further element that may help distinguish Indigenous governments from other community-based organizations is the effective existence of self-government. Paragraph 2.95 of *GFSM 2014* provides useful guidance in this respect:

> *"Local governments (...) are often heavily dependent on grants (transfers) from higher levels of government, and they may also act, to some extent, as agents of central or regional governments. They should also be able to appoint their own officers, independently of external administrative control. Even when local governments act as agents of central or state governments to some extent, they can be treated as a separate level of government, provided they are also able to raise and spend some funds on their own initiative and own responsibility."*

15. Accordingly, beyond being an institutional unit and having formal recognition, the ability to select one's own governing authorities and to decide on the use of at least some resources on one's own initiative provides evidence that the organization performs functions of self-government.

16. This principle is particularly relevant in the case of Indigenous organizations, whose institutional arrangements may differ significantly from those of conventional governments. In many cases, leaders are chosen through customary or traditional processes rather than through standard electoral or administrative procedures, and expenditure decisions are embedded in community-based or consensus-driven governance arrangements rather than in a conventional budget framework.

17. The relationship between conventional governments and Indigenous organizations varies widely across the world, shaped by several factors including: the legal basis of recognition (constitutional, treaty, statutory, or customary); the degree of autonomy (from purely advisory bodies to fully self-governing nations with their own courts and police); the functional scope of authority (whether communities govern land, deliver services, administer justice, or serve mainly a ceremonial role); the structural relationship with the state (co-equal partners, nested sovereigns subordinate to national law, or recognized consultative bodies); and the gap between rights on paper and rights in practice. This last factor is often the most telling differentiator. Generous legal frameworks can be hollow without funding, enforcement, and genuine political will. Conversely, Indigenous organizations with modest formal recognition sometimes exercise real territorial and economic power through long-established custom and local authority. For GFSM purposes, such features matter only where they evidence public authority over other institutional units, not merely cultural or community recognition.

18. Table 1 provides a summary of how the indicators apply to the country cases of Annex 1 as well as the stylized cases for traditional government and non-government entities. The table is intended as an illustrative mapping to support analytical clarity, based on initial findings and subject to important limitations, including data availability, country-specific variation, and the need for further detailed analysis.

They should not be interpreted as definitive or exhaustive assessments of Indigenous organizations across countries.

Table 1: Summary of Indicators regarding Stylized Cases and Country Examples in Annex 1

Indicator	Gov	Non-gov	Canada	USA	South Africa	Guatemala	Brazil	Nicaragua	Bolivia
Formal Recognition to exercise authority	Yes	No	Yes	Yes	Yes	No	No	Yes	Yes
Self-governing	Yes	Yes	Yes[4]	Yes[5]	Yes	Yes	Yes	Yes	Yes[6]

Source: *Own elaboration.* ***Notes:*** *1. The responses presented reflect initial findings based on the research conducted to date and may require further country-specific analysis. 2. The research team does not specialize in Indigenous affairs, and the results may therefore be subject to certain limitations. 3. Some responses draw on legal provisions and country studies related to specific Indigenous organizations and should not be interpreted as representative of all Indigenous organizations within a country. 4. The analysis was also constrained by significant challenges in collecting consistent and comprehensive data[7].*

19. Regarding Annex 1, some countries have formally recognized Indigenous communities as a distinct level of governance, often incorporating their authority into national constitutions to allow for self-determination and customary law. In other countries, the Indigenous communities are formally recognized in their constitutional laws or other categories of law. Even in the countries in which there is no formal recognition of Indigenous communities, informal relations exist between one or all levels of government (central, state, local) and these groups of people.

20. Depending on the country and the type of relationship between the government and the Indigenous communities, the nature of role and responsibilities differ. In fact, in the case of South Africa, traditional authorities have been allocated funds to ensure maintenance of their properties, personnel and infrastructure. Other institutions and government departments which allocate responsibilities and functions to traditional leadership on an agency basis will also have to assist with funding.

21. In the United States case, self-governance is typically formalized through compacts or agreements negotiated between the tribe and a federal agency, such as the Indian Health Service (IHS[8]). Tribes also assume full funding, control and accountability for the programs they choose to manage under these agreements.

22. In the case of Mexico funding for Indigenous governance is shifting from State-led agencies to direct management by the communities themselves. The communities can be funded by direct budgeting

[4] Negotiated agreements put decision-making power into the hands of Indigenous governments who make their own choices about how to deliver programs and services to their communities (see Annex 1).
[5] See Section 3 of Annex 1 related to Indigenous governance within the United States of America.
[6] (Article 290 of Bolivia's 2009 Constitution) The self-governance of the rural native Indigenous autonomies is exercised according to their norms, institutions, authorities and procedures, in accordance with their authority and competences, and in harmony with the Constitution and the law.
[7] National compilers may face similar data constraints, and sampling or partial-coverage approaches may be considered when exhaustive coverage is not feasible.
[8] https://www.ihs.gov

(Dozens of communities, starting with Pichátaro in 2015, have won legal rights to manage a proportional share of public funds directly), by international multilateral institutions (projects like the Mexico Dedicated Grant Mechanism (DGM), funded by World Bank, provide millions (e.g., a $6 million grant) to strengthen the capacity of forest-dependent Indigenous peoples) by non-government organizations (NGO) and philanthropic support.

23. It is clear from the above that the treatment of Indigenous communities within macroeconomic statistics needs to consider both institutional and legal organization as well as funding arrangements.

Options Identified to Address Issue

Option A1: Maintain Status Quo

24. This option keeps the current approach, where Indigenous entities are classified under existing general rules without specific criteria. It preserves continuity of the statistical framework. However, it does not resolve uncertainties or inconsistencies in how these entities are treated across countries. It also misses the opportunity to align with evolving international recognition of Indigenous governance.

Option A2: Incorporate Indicator Guidance to Classify Indigenous Governments as part of General Government

25. This option proposes introducing a structured approach to support the identification and classification of Indigenous governments within the GFSM. Under this approach, the classification process begins by confirming that the entity represents an Indigenous community, as defined below, and establishing that it is an institutional unit[9].

Definition of Indigenous community: a population that descends from pre-colonial or pre-establishment communities who are regarded as Indigenous because of their descent and who maintain some or all of their own social, economic, cultural and political institutions.

26. Once these conditions are met, the classification of the corresponding Indigenous organization is assessed, based on two indicators. When both indicators are assessed positively, there is strong evidence to support classification as a government unit. Indicator 1 assesses whether the Indigenous organizations have formal recognition while Indicator 2 seeks to evaluate if the organization is self-governing.

Indicator 1 – Formal Recognition of Authority: Does the Indigenous organization have a formal recognition established through political or administrative processes, such as the constitution, local laws, or legally binding agreements, to exercise legislative, judicial, or executive authority over other institutional units and does such recognition correspond to effective authority in practice?

- **Yes**: Indicates a high likelihood of being a government unit.
- **No**: Not classified as a distinct government unit, unless there is strong evidence of well-established authority over other units or the entity is controlled by another public sector unit.

[9] For the purposes of this guidance, Indigenous organizations are understood as institutional units that represent Indigenous communities.

Indicator 2 – Self-governing: Does the Indigenous organization have the capacity to determine its own expenditure priorities and to select its own governing authorities, without those authorities being appointed or imposed by another government unit?

- **Yes**: Indicates existence of a self-government arrangement.
- **No**: Suggests that the organization is more likely to be treated as part of the government unit that exercises control over it.

27. The additional guidance would be included in Chapter 2 of the GFSM to be applied alongside the public sector decision tree. It aims to improve clarity and consistency in classification and enhance the visibility of Indigenous fiscal activities, supporting policy development and rights recognition. Implementing this option requires additional effort, including adapting national data systems and considering varied legal and institutional contexts. The inclusion of Indigenous governments may affect time series comparability due to classification changes. However, the overall impact is expected to be small, though country-specific, depending on the relative importance and fiscal weight of Indigenous governments.

28. Table 2 summarizes the classification outcomes associated with the combined assessment of Indicator 1 and Indicator 2. It is intended to schematize the results of the indicator-based assessment and should be applied only after the entity has first been assessed as meeting the definition of an Indigenous organization and the criteria for an institutional unit.

Table 2. Summary of Classification Outcomes Based on Indicator Assessment

Indicator 1	Indicator 2	Outcome
Yes	Yes	Classified as distinct unit within general government
Yes	No	To be classified based on application of the public sector control criteria (see Issue B)
No	Yes	Unlikely to be as distinct unit within general government unless (i) there is strong evidence of entity exerting a well-established (but not legally-established) legislative, judicial, or executive authority over other institutional units, OR (ii) is found to be under the control of another public sector unit.
No	No	To be classified based on application of the public sector control criteria (see Issue B)

Source: Own elaboration**. Note:** The indicator assessment applies only to entities that have first been confirmed as institutional units. Entities that do not meet the institutional unit criteria should be classified as part of the institutional unit that controls or administers them, as appropriate under the general GFSM framework.

Draft Recommendations

29. The task team recommends updating the GFSM guidance by adopting Option A2 (Incorporation of indicator based guidance) to improve clarity in classifying Indigenous governments as part of General Government. The introduction of clear criteria and guidance will enhance the coherence and coverage of government finance statistics, and enhance the visibility of Indigenous fiscal activities.

Issue B: Indicators of control applicable to Indigenous organizations

Background and Issues

30. If an Indigenous organization is not classified as an Indigenous government based on its economic nature, as discussed under Issue A, the institutional unit would need to be assessed under the public sector decision tree set out in the *GFSM 2014*. In such cases, the organization may not have formal recognition of public authority, even though it may be formally recognized for the exercise of its traditions, culture, or language. Conversely, it may possess formal recognition of public authority, while its expenditure decisions remain subject to control by another government unit. To support this assessment, Table 2 under Issue A presents a matrix-based approach that links the relevant indicators to the corresponding classification outcomes. Where the matrix indicates that further assessment is needed, one of the key steps in classification is the application of the control indicators set out in Box 2.1 of the *GFSM 2014* on government control of nonprofit institutions (NPIs).

31. Box 2.1 identifies five main indicators of government control over an NPI: (i) the appointment of officers; (ii) other provisions of the enabling instrument that allow government to determine significant aspects of the entity's general policy, functions, or objectives, or to remove key personnel or veto proposed appointments; (iii) contractual agreements that allow government to determine key aspects of the entity's policy or program; (iv) the degree of financing by government; and (v) the extent to which government bears the financial risks associated with the entity's activities. Depending on the circumstances, a single indicator may be sufficient to establish control, while in other cases control may emerge from the combined effect of several indicators.

32. However, Box 2.1 may not be fully sufficient for Indigenous organizations, because it seeks signs of control that are especially suitable for entities created in a top-down manner by the conventional governments. Many Indigenous organizations arise from a different institutional logic. They may possess their own historically rooted and territorially specific authority, which may be fully or only partially legally recognized, and yet may not fit neatly within classic NPI indicators such as appointment of officers by government or control through contractual arrangements. At the same time, dependence on government financing may remain highly relevant in these cases.

33. In this context, the assessment of control may need to consider additional questions that are particularly relevant to Indigenous organizations. These include whether the entity exercises public authority of its own or merely authority delegated and revocable by another government unit; whether the central, state or local government can unilaterally extinguish, suspend, replace its leaders, annul its acts, or redefine its powers; whether formal recognition exists only in a nominal sense while material authority is constrained by the conventional government; and whether the conventional government can influence management or decide, authorize, veto, or participate in a binding way in decisions concerning land, water, subsoil assets, forests, or fisheries.

Options Identified to Address Issue

Option B1: Maintain Status Quo

34. Under this option, the current indicators in Box 2.1 of *GFSM 2014* would continue to be applied without modification. This approach assumes that the existing framework already captures the most relevant dimensions of control for Indigenous organizations, after the decision of Issue A.

35. Keeping the current framework has the advantage of relying on well established criteria that are already understood by compilers and that can capture important aspects of administrative and financial dependence, which may be especially relevant in cases where Indigenous organizations do not operate with full self-government. A possible drawback, however, is that the current indicators were developed in the context of NPIs and may not always capture the institutional particularities of Indigenous organizations.

Option B2: Complement Box 2.1 with additional indicators applicable to Indigenous governments

36. Under this option, the current indicators in Box 2.1 would be retained and complemented by additional indicators specifically designed for Indigenous organizations. These supplementary indicators could assess whether the entity exercises public authority of its own, or only authority delegated and revocable by another government unit; whether another government can unilaterally extinguish, suspend, replace leaders, annul acts, or redefine the entity's powers; whether formal recognition exists in legal terms but is not matched by effective authority in practice; and whether another government can influence management or decide, authorize, veto, or participate in a binding manner in decisions concerning land, water, subsoil assets, forests or fisheries.

37. The main advantage of this option is that it would allow the framework to reflect more accurately the institutional diversity of Indigenous organizations and the particular ways in which control may be exercised over them. It could also improve analytical clarity in cases where a gray area remains after the application of the criteria discussed under Issue A, by adapting the decision tree to better capture forms of control exercised by conventional governments over Indigenous organizations. The main drawbacks are that it would add complexity to the framework, require additional information, and increase compilation effort, which may not be justified by the likely statistical impact in many cases. In addition, many of the proposed supplementary indicators could apply to conventional subnational governments, so it is debtable as to whether the additional indicators add value or clarity.

Draft Recommendations

38. The research team recommends Option B1 (Maintain the status quo). The clarifications proposed under Issue A are expected to resolve most classification cases involving Indigenous organizations. For the remaining entities, the existing control indicators in Box 2.1 of *GFSM 2014* continue to provide a sufficient and operational basis for assessment without adding complexity, particularly where financial dependence on another government unit is present.

Issue C: Classification of Indigenous Governments within Subsector of Government

Background and Issues

39. Once an Indigenous organization has been identified as a government unit, an additional classification question arises regarding the appropriate subsector of government within the general government sector. This question should be considered in light of the conclusions reached under Issues A and B. In particular, whether the entity has been identified as a self-governing unit with formal recognition of public authority, or instead as a unit subject to the control of another conventional government unit, may be highly relevant for its subsectoral classification.

40. *GFSM 2014* distinguishes levels of government based on the territorial scope of authority and the functions exercised. Central government units exercise authority over the entire economic territory of a

country (*GFSM 2014*, paragraph 2.85). State governments consist of institutional units exercising some of the functions of government at a level below that of central government and above that of local government, provided that the country as a whole may be divided into such jurisdictions (*GFSM 2014*, paragraph 2.90). Local government units are institutional units whose authority extends over the smallest geographical areas into which the country is administratively divided (*GFSM 2014*, paragraph 2.95). In this context, it would generally be expected that Indigenous government units would be classified at the local government level; however, additional institutional and jurisdictional nuances may also need to be considered.

41. The guidance provided in paragraphs 2.77 and 2.78 of *GFSM 2014* may offer additional clarity for the institutional classification of Indigenous governments within the subsectors of general government:

> *"2.77 Depending on the administrative and legal arrangements, there may be more than one level of government within a country, and statistics should be compiled for each level (also referred to as subsectors). However, because of these different arrangements, international comparison of data for each subsector of general government should be undertaken with some caution. In macroeconomic statistics, provision is made for three subsectors of general government: central, state, and local. Not all countries have all three levels; some may have only a central government or a central government and one level below. Other countries may have more than three levels. In that case, the various units should all be classified as one of the three subsectors suggested here. In addition to levels of government, the existence of social security funds and their role in fiscal policy may require that statistics for all social security funds be compiled as a separate subsector of the general government sector."*
>
> *2.78 "(...) Countries may choose either presentation."*

42. These paragraphs suggest that subsectoral classification is possible to choose by countries, while also preserving the broad three-level presentation of general government for purposes of international comparability. Accordingly, even where an Indigenous government is legally recognized, operates as a self-government, and is not controlled by another conventional government unit, it may still be aggregated within an existing subsector of government in order to preserve the three broad subsectors of central, state, and local government.

43. At the same time, the practical classification of Indigenous governments may remain complex. In deed, in practice, many Indigenous government units do not form part of the conventional budgetary governments, which raises the question of whether they should be classified as extrabudgetary units of an existing government subsector rather than as budgetary units.

44. In addition, it is possible that Indigenous governments exercise authority that is not fully contained within the territorial boundaries of conventional state or local governments (such as federally recognized tribal governments in the United States), and in some cases their jurisdictions may overlap with those of other Indigenous organizations. Their jurisdictional reach may cut across multiple local or state governments, making classification within a single existing subsector conceptually challenging. This raises the further question of whether a distinct subsector dedicated to Indigenous governments could provide a clearer and more analytically meaningful classification. At the same time, creating a distinct subsector would represent a departure from the current GFSM presentation of general government and

would need to be considered against the objectives of international comparability, consistency with other macroeconomic statistical frameworks, and the practical costs of compilation.

Options Identified to Address Issue

45. Despite the scope described under each option of this section, it may be difficult to visualize how the options differ in terms of institutional subsectors and what each represents in practice. Annex II therefore presents illustrative materials demonstrating how the classification options (C1–C5) could be applied across institutional subsectors. The options below distinguish between subsector classification approaches, including maintaining the current GFSM framework, creating a new classification category and introducing additional analytical presentations to enhance the visibility of Indigenous governments.

Option C1: Maintain Status Quo

46. Under this option, no amendments would be made to the existing GFSM framework. Indigenous governments that qualify as government units would continue to be classified within general government following current principles, allowing flexibility to record them either as part of an government subsector, including central, state, or local government, or as extrabudgetary units of one of these subsectors, depending on country-specific institutional arrangements. This option would therefore preserve the current GFSM architecture and would not require changes to reporting templates, compilation systems, or the existing subsector structure.

47. This option provides flexibility to reflect cases in which Indigenous governments operate as local or regional governments, or cases in which an Indigenous organization is treated as being under the control of a central government unit. It also preserves consistency with the existing GFSM subsectoral framework and avoids introducing additional reporting requirements. At the same time, this flexibility may lead to heterogeneous practices across countries, as the absence of more explicit guidance can result in different choices between classification within a conventional subsector (reflect in option C2) and classification as an extrabudgetary unit (reflect in option C3). It may also leave unresolved cases in which the jurisdiction or authority of Indigenous governments does not align well with conventional territorial boundaries, creating a potential conceptual mismatch within the existing subsectoral framework. In addition, this option does not provide a specific mechanism to enhance the visibility of Indigenous governments, since their activities would be consolidated within existing general government subsectors without a separate identification.

Option C2: Classification within an existing government subsector (local or state)

48. Under this option, Indigenous governments that qualify as government units would be classified within an existing subnational government subsector, most commonly local government and, in some cases, state government, depending on the jurisdiction. Under this approach, Indigenous governments would be treated as part of a conventional subnational government subsector, rather than as a distinct subsector of general government. No predetermined distinction would be made between budgetary and extrabudgetary components; countries could apply their existing practices to determine whether such units are presented as budgetary or extrabudgetary within the relevant subsector. In addition, Indigenous organizations that do not meet the indicators discussed under issue A, but are controlled by central government, could be classified by convention within a local or state government subsector, depending on the level of jurisdiction and the functions exercised. This option would require only minimal structural

change, since it would rely on the existing GFSM subsector definitions rather than introducing a new subsector.

49. This approach standardizes the classification of Indigenous governments as part of subnational governmentand reflects the expectation that Indigenous governments typically operate at a level comparable to existing local or state government subsectors. It could also improve transparency relative to the status quo, since the fiscal activities of Indigenous governments could be identified as separate units within the relevant subnational subsector, even if they are not presented as a distinct subsector. It may support comparability at the level of government closest to the population and may be particularly useful in countries where Indigenous governments exercise functions similar to those of local or state governments. However, it departs from the flexibility of current guidance by not allowing classification within the central government subsector, even when they are effectively under its control. As a result, it could misrepresent governance arrangements in cases where Indigenous governments function as administrative extensions of the central government but would nevertheless be classified at the subnational level. It also does not provide a standardized approach to distinguishing between budgetary and extrabudgetary units. As a result, while this option may improve consistency in cases where Indigenous governments are broadly comparable to subnational governments, it may not fully capture alternative governance arrangements, including cases where Indigenous governments have overlapping jurisdictions, operate outside conventional administrative boundaries, or have institutional features that differ from state or local conventional governments.This option also does not provide separate visibility for Indigenous governments, since they would not be identified separately in the statistical presentation.

Option C3: Classification as extrabudgetary units of an existing government subsector (central, local orstate)

50. Under this option, Indigenous governments would be classified as extrabudgetary units within an existing government subsector, typically local or state government, but also within central government where they are considered to be under the control of a central government unit. This approach recognizes Indigenous governments as government units while reflecting the fact that, in practice, many of them may not form part of the conventional budgetary framework of central, state, or local governments. It also provides some flexibility across existing subsectors, since countries could classify Indigenous governments within the central, state, or local government subsector that best reflects their institutional arrangements. Standardizing their classification as extrabudgetary units would provide some additional visibility to their activities, although not through an explicit separate identification as Indigenous governments.

51. Classifying Indigenous governments as extrabudgetary units allows their economic activities to be fully captured within general government statistics, while preserving an analytical distinction between budgetary and nonbudgetary operations. This approach may be useful where Indigenous governments operate with separate institutional, financial, or administrative arrangements but are still considered part of an existing government subsector. It may also be practical in light of the diversity of Indigenous governance structures across countries, since it avoids requiring all countries to fit these entities into a single institutional model or to create a separate subsector. In this respect, it may reduce political sensitivity relative to the creation of a dedicated Indigenous government subsector, because it does not require a distinct subsectoral recognition of Indigenous governments in the GFSM framework.

52. On the other hand, this approach implies that Indigenous government units are recorded as part of other conventional government subsectors, even in cases where they are not under the control of those governments. In other words, their activities would still be consolidated with other units of the relevant government subsector. This option also provides limited flexibility, since it would classify Indigenous governments as extrabudgetary units even in cases where they may be integrated into budgetary government arrangements. Finally, while this option may improve visibility relative to options C1 or C2, such visibility would remain incomplete, as Indigenous governments would not be separately distinguished from other extrabudgetary units within the same subsector. Without sufficiently clear guidance, similar Indigenous entities could still be classified differently across countries, reducing comparability and weakening the harmonization objective of the GFSM.

Option C4: Classification under a new subsector dedicated specifically to Indigenous governments

53. Under this option, Indigenous governments would be classified within a separate subsector of general government dedicated specifically to Indigenous governments. This approach may be relevant in country contexts where Indigenous governments exercise authority that is not fully contained within the territorial boundaries of existing local or state governments, or where their jurisdiction overlaps multiple conventional government units. It may also be relevant where Indigenous governments are analytically or politically significant and where users require a separate presentation of their fiscal activities. By making Indigenous governments a distinct component of general government, this option would provide the highest degree of visibility among the options considered.

54. Establishing a dedicated subsector could enhance analytical clarity by explicitly recognizing the distinct institutional, legal, and jurisdictional characteristics of Indigenous governments. In addition, this option would enhance the visibility and identification of Indigenous governments within fiscal statistics and could support international comparison of Indigenous government activities where countries compile such data on a consistent basis. It could also support policy relevance by facilitating analysis of the fiscal role, functions, and economic impact of Indigenous governments. However, it would represent a departure from current GFSM practice and would require careful consideration to ensure consistency and comparability across countries. It would also create a subsectoral presentation that differs from the standard three-level structure of general government used in other macroeconomic statistical frameworks.

55. Cross-country comparability may also be uneven, since not all countries have Indigenous governments or collect data on them in a comparable manner. In addition, this option could entail significant implementation costs, including adjustments to compilation systems, data collection processes, dissemination tables, and time series. These costs may be particularly relevant in countries where Indigenous governments are not material in fiscal terms or where data availability is limited. Finally, creating a dedicated subsector may raise political sensitivity, as it could be interpreted by some users as a form of political recognition rather than solely as a statistical classification.

Option C5: Maintain the status quo with a recommended "of which" analytical breakdown for Indigenous governments

56. Under this option, the core GFSM sectorization framework would remain unchanged. This option would therefore be close to option C1 in terms of institutional classification, as Indigenous governments that qualify as government units would continue to be classified within existing general government

subsectors, according to current principles and country-specific institutional arrangements. However, for national presentation purposes, countries would be encouraged to provide an additional analytical breakdown, such as “of which: Indigenous governments,” to identify the activities of Indigenous governments within the subsector in which they have been classified. Where relevant and feasible, countries would also be encouraged to submit this supplementary data to the IMF as additional data accompanying their regular GFS reporting.

57. This “of which” breakdown would not alter the underlying institutional classification or the central GFSM guidance on sectorization. Rather, it would serve as a complementary presentation to enhance transparency, analytical usefulness, and national visibility of Indigenous governments where this is relevant and feasible. Since this approach would not require changes to the subsector structure, its implementation burden would be lower than under an option that creates a new subsector, although reporting templates or dissemination tables may need to be adjusted where the breakdown is introduced.

58. This approach has the advantage of preserving the current international comparability of general government subsectors and maintaining consistency with other macroeconomic statistical frameworks, since it does not introduce a new subsector or require a standardized reclassification of Indigenous governments. At the same time, it would allow countries to provide greater national visibility to Indigenous governments and to respond to user needs where such information is analytically or policy relevant. The flexibility of this option may be particularly useful given the diversity of legal, institutional, and jurisdictional arrangements across countries. In this sense, it may offer a balance between flexibility and comparability: countries would retain the ability to classify Indigenous governments within existing subsectors, while still being encouraged to disclose their activities through a supplementary analytical line.

59. However, this option would not fully resolve the conceptual sectorization issues raised by Indigenous governments and could result in heterogeneous national presentations, since it would not provide a standardized recommendation on subsector classification. It may also raise analytical concerns where such units are included in budgetary central government aggregates but are not fully controlled by central government policymakers. In addition, the “of which” breakdown would depend on national relevance, data availability, and compilation capacity. Some countries may also need to collect additional disaggregated data, particularly where Indigenous government activities are not currently separately identified in source systems. Its use would also be primarily national in scope: international comparisons of Indigenous government data could be limited if international databases do not collect this breakdown and users need to rely on country-specific dissemination sources.

Draft Recommendations

60. The task team recommends Option C5 (Maintain the status quo with a recommended “of which” analytical breakdown for Indigenous governments). This option preserves the current GFSM sectorization framework and the comparability of the existing general government subsectors, while providing a practical mechanism to enhance the visibility of Indigenous governments where relevant and feasible. Subsector classification would continue to follow existing GFSM principles, while the recommended “of which” line would be used only as a supplementary analytical presentation to improve the visibility of Indigenous governments where relevant and feasible.

Preliminary Views of GFSAC

61. **An earlier version of the DN was discussed by the GFSAC in May 2026.** GFSAC members broadly supported the recommendations on Issues A and B, but expressed differing views on the sectorization of Indigenous governments under Issue C. Members requested clearer SNA references, a more precise definition of Indigenous governments, and further discussion of the sectorization options, including an "of which" presentation. All of which are reflected in this updated version of the DN.

Questions for Global Consultation

1. Which option do you prefer (Option A1; Option A2)? Please explain the reason for the option selected and provide any other additional comments, including any alternative options you would like to propose.
2. Do the proposed indicators adequately capture the defining features of Indigenous governments?
3. Which option do you prefer (Option B1; Option B2)? Please explain the reason for the option selected and provide any other additional comments, including any alternative options you would like to propose.
4. Which option do you prefer (Option C1; Option C2; Option C3; Option C4; Option C5)? Please explain the reason for the option selected and provide any other additional comments, including any alternative options you would like to propose.
5. Are there additional criteria or considerations relevant for statistical classification of Indigenous governments?
6. Are you aware of potential risks or concerns associated with statistical recognition of Indigenous governments?

Annex 1: Generalities and Country Experiences

Indigenous[10] communities, peoples and nations are those which, having a historical continuity with pre-invasion and pre-colonial societies that developed on their territories, consider themselves distinct from other sectors of the societies now prevailing on those territories, or parts of them.

To decide whether it is pertinent to include the Indigenous government in GFS or not, the review of countries experiences and realities is important. In this regard examples of some countries like South Africa, USA, Canada, Guatemala, Brazil and Nicaragua, and a summary of other countries around the world.

The material presented in this annex is intended solely for illustrative purpose[11], to support a better understanding of the diversity of institutional arrangements involving Indigenous organizations. Accordingly, the examples and observations should not be interpreted as definitive classifications or as representative of all Indigenous organizations within the countries referred to. Further country-specific analysis would be required for classification purposes.

1. South Africa

Like many African countries, before colonization it was many small kingdoms inside the actual nations. During the colonial period, the former small kingdoms formally disappeared and the new rulers constitute new territorial areas. Despite this new form of organization, many former kingdoms keep some statute recognized by the new rulers.

After the independence some countries like South Africa formally recognized the traditional rulers also called Indigenous government. In this section, we will the review institutional aspects, some key roles of traditional leaders and some illustrations.

A) Institutional aspects[12]

Chapter 12 of South African Constitution is related to the traditional leader. The chapter is divided into two components: Recognition and role of traditional leaders.

- **Recognition**

In terms of recognition three points appear in the constitutional law:

1. The institution, status and role of traditional leadership, according to customary law, are recognized, subject to the Constitution.
2. A traditional authority that observes a system of customary law may function subject to any applicable legislation and customs, which includes amendments to, or repeal of, that legislation or those customs.
3. The courts must apply customary law when that law is applicable, subject to the Constitution and any legislation that specifically deals with customary law.

- **Role of traditional leaders**

The constitutional law also attributed some roles to the traditional leaders:

1. National legislation may provide for a role for traditional leadership as an institution at local level on matters affecting local communities.
2. To deal with matters relating to traditional leadership, the role of traditional leaders, customary law and the customs of communities observing a system of customary law:

[10] State of the World's Indigenous Peoples, United Nations, New York 2009
[11] The authors are not experts on Indigenous communities, and the information reflects initial findings based on available sources, which may be subject to limitations in data coverage, consistency, and country-specific detail.
[12] https://www.justice.gov.za/constitution/SAConstitution-web-eng-12.pdf

a) national or provincial legislation may provide for the establishment of houses of traditional leaders; and
b) national legislation may establish a council of traditional leaders.

B) Some key roles of traditional leaders

The obligation to fund service and development lies primarily with municipalities, working with national and provincial spheres of government.

It is accepted, however, that traditional leaders still have a major role to play with regard to development, custodianship and implementation of customary norms and practices of traditional communities. They also have a role to play in resolution of disputes.

This means that traditional authorities will still have to be allocated funds to ensure maintenance of their properties, personnel and infrastructure. Other institutions and government departments which allocate responsibilities and functions to traditional leadership on an agency basis will also have to assist with funding.

C) Example of Zulu land

The Zulu king in South Africa possesses significant resources, including financial and land assets, allocated to him by the South African state. These resources are used to finance his lifestyle, the activities of the kingdom, and to support community development initiatives.

- **Resource Details**

  - **Operating budget**

  The king receives a substantial annual budget to cover the kingdom's operating expenses, including the maintenance of palaces and infrastructure.

  - **Annual annuity:**

  An annual sum is also allocated to the king for his personal use, enabling him to finance his activities and lifestyle.

- **Land properties:**

The king owns vast tracts of land, managed by a trust of which he is the sole administrator, generating potential income for him.

- **Real estate properties**

The king also owns a significant number of properties from which he can collect rent.

- **Influence and support**

The king is considered a guarantor of social peace, and his influence helps to foster the development of Zulu communities.

- **Examples of expenses:**

  a) Maintenance of palaces and other infrastructure.
  b) Funding for community development initiatives, such as infrastructure projects.
  c) Support for cultural and traditional activities.

As an entity recognized by the law and receive public funds, it’s important to include it in the GFS. But the questions about in which sub-level of government it will be included and whether these entities produce or not financial statement will remain.

2. Canada[13]

"Indigenous peoples" is defined as a collective name for the original peoples of North America and their descendants.

The Canadian Constitution recognizes three groups of Indigenous peoples:

a) First Nations
b) Inuit
c) Métis

These are three distinct peoples with unique histories, languages, cultural practices and spiritual beliefs.

A) First nation

- **Governance**

Indigenous Services Canada supports **First Nations** and **Inuit** communities in the implementation of strong, effective and sustainable governments.

Canada recognizes that Indigenous peoples have an inherent right of self-government guaranteed in section 35 of the *Constitution Act*, *1982*. The Government of Canada's Approach to Implementation of the Inherent Right and the Negotiation of Aboriginal Self-Government was first launched in 1995 to guide self-government negotiations with Indigenous communities.

Negotiated agreements put decision-making power into the hands of Indigenous governments who make their own choices about how to deliver programs and services to their communities. This can include making decisions about how to better protect their culture and language, educate their students, manage their own lands and develop new business partnerships that create jobs and other benefits for their citizens.

Because communities have different goals, negotiations will not result in a single model of self-government. Arrangements take many forms based on the different historical, cultural, political and economic circumstances of the Indigenous governments, regions and communities involved.

For example: Inuit land claim agreements have been signed in all four Inuit regions. These Inuit communities are pursuing their vision of self-determination under these agreements and in some cases through ongoing self-government negotiations. The Métis are also actively pursuing their own vision of self-determination through ongoing engagement with their citizens and through dialogue at Recognition of Rights and Self-Determination discussion tables with Canada.

Self-government is part of the foundation for a renewed relationship and is a pathway to development and economic growth that generates benefits for Indigenous peoples.

- **The Indian Act**[14]

Unless they have negotiated self-government, most **First Nations** are currently governed by the *Indian Act.* They elect chiefs and councils to make decisions on their behalf and pass by-laws in a limited number of areas.

First Nations have been living under the *Indian Act* for over 140 years. The *Indian Act* establishes a limited form of local administration that does not take into account the specific circumstances of individual communities.

In contrast, self-governing First Nations can make their own laws and policies and have decision-making power in a broad range of matters. This includes matters internal to their communities and integral to their

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[13] https://www.canada.ca/en/canadian-heritage/services/rights-Indigenous-peoples.html

[14] https://laws-lois.justice.gc.ca/eng/acts/i-5/page-1.html

cultures and traditions. Under self-government, First Nations move out from under the *Indian Act* and chart their own course toward a brighter future.

- **How does self-government work?**

Negotiated agreements can set out law-making authority in many areas, including: governance, social and economic development, education, health, lands and more. It varies from group to group, depending on their unique needs and priorities and their vision of self-determination.

While there is no "one-size fits all" approach to Indigenous self-government, all of the agreements negotiated to date have some things in common. This includes:

a) No self-government agreement is possible without the approval of the Indigenous people through a community vote;
b) Self-government is negotiated within the Canadian constitutional framework and federal legislation is passed before the negotiated agreement takes effect;
c) Under self-government, Indigenous laws operate in harmony with federal and provincial laws. Indigenous laws protecting culture and language generally take priority if there is a conflict among laws;
d) However, the *Canadian Charter of Rights and Freedoms*, the *Canadian Human Rights Act* and other general laws such as the Criminal Code continue to apply;
e) Community members and non-member residents on Indigenous lands will have input into decisions that directly affect them.

➢ **Self-government agreements**

There are 25 self-government agreements across Canada involving 43 Indigenous communities. There are also two education agreements involving 35 Indigenous communities.

Different forms of governance or self-government have been negotiated in Canada. One example is the **Nunavut Agreement**, a modern treaty (comprehensive land claim agreement) where the self-government aspirations of **Inuit** are expressed through public government. This self-government agreement is unique since the Nunavut government represents all the people residing in its territory.

Another form of self-government is where law-making power is negotiated with an Indigenous group in only one or two key areas such as the Education Agreement in Nova Scotia and the Anishinabek Nation Education Agreement in Ontario.

➢ **Funding for self-government**

The Government of Canada is committed to renewing the fiscal relationship with Indigenous peoples based on respect, co-operation and partnership. Canada is working with self-governing Indigenous governments to co-develop fiscal policy approaches to support self-government. These co-developed fiscal policy approaches form Canada's collaborative self-government fiscal policy. This policy:

a) Only applies to Indigenous groups with self-government arrangements
b) Replaces, and takes precedence over other existing federal policies for groups to which it applies

Canada's collaborative self-government fiscal policy is the basis for development of fiscal arrangements. These arrangements are sometimes called:

a) Financial transfer agreement
b) Fiscal financing agreement
c) Fiscal relationship agreement

Fiscal arrangements detail the ongoing funding relationship between the Indigenous government, Canada and, where applicable, provincial or territorial governments. The arrangement provides funding that supports the operations of the Indigenous government to effectively deliver programs and services to its members on an ongoing basis. These fiscal agreements generally have a 5-year term.

- **First Nations operating under the Indian Act**

In addition to the collaborative work on the self-government fiscal policy, the Government of Canada has also been engaged since 2016 in collaborative processes to renew fiscal relationships with **First Nations** operating under the *Indian Act*. This separate process is coordinated by Indigenous Services Canada and the Assembly of First Nations with the support of Indigenous-led governance organizations.

3. United States

In the US case, Indigenous government can be reference by Tribal self-governance. In fact, tribal self-governance allows Native American tribes to have more control over their own affairs, programs, and resources, rather than being subject to federal oversight. This is based on the government-to-government relationship between tribes and the United States and provides tribes with the flexibility to design and implement programs—such as healthcare, housing, and economic development—that are tailored to the specific needs of their communities. It is often achieved through agreements like self-governance compacts, which allow tribes to assume control of federal funding and management of services.

Federal Recognition[15]

Federal recognition (sometimes called federal acknowledgment) is a term of art formalizing a government-to-government relationship between the United States and a particular Indian Tribe.
A federally recognized Tribe is generally “eligible for the special programs and services provided by the United States to Indians because of their status as Indians.”
Accordingly, federal recognition engenders certain rights and protections for a recognized Tribe, including limited sovereign immunity and powers of self-government.
Under current federal law, a group of Indians may obtain federal recognition in three ways:

1) via the Federal Acknowledgment Process, an administrative process overseen by the U.S. Department of the Interior (DOI);
2) by congressional act; or
3) pursuant to a decision of a U.S. court.

However, courts in the modern era have generally declined to consider granting federal recognition. As a result, groups wishing to obtain federal recognition typically must do so either through the Federal Acknowledgment Process or by lobbying for congressional recognition.
Since 1994, pursuant to Congress’s statutory instruction, the Department of Interior (DOI) has published an annual list in the Federal Register of Tribes that have received federal recognition through any means.

A) Institutional and legal aspects

Tribes possess all powers of self-government except those relinquished under treaty with the United States, those that Congress has expressly extinguished, and those that federal courts have ruled are subject to existing federal law or are inconsistent with overriding national policies. Tribes, therefore, possess the right to form their own governments; to make and enforce laws, both civil and criminal; to tax; to establish and determine membership (i.e., tribal citizenship); to license and regulate activities within their jurisdiction; to zone; and to exclude persons from tribal lands. (US department of Interior, Indian Affairs)

[15] https://www.congress.gov/crs-product/R47414

Limitations on inherent tribal powers of self-government are few, but do include the same limitations applicable to states, e.g., neither tribes nor states have the power to make war, engage in foreign relations, or print and issue currency.

Also, the tribal self-governance had been formalized by the "Tribal Self-Governance Act of 1994".

B) Key aspects of tribal self-governance

- **Here are some key aspects of tribal self-governance:**

  a) **Sovereignty and control:** Self-governance fundamentally acknowledges tribal sovereignty by giving tribes more decision-making authority with minimal federal interference.
  b) **Tailored programs:** Tribes can redesign and manage programs to fit their community's unique needs, moving away from one-size-fits-all federal systems.
  c) **Flexibility:** Participating tribes can consolidate funding streams, waive federal rules, and operate programs without the "red tape" of traditional federal oversight.
  d) **Growing participation:** The number of tribes participating in self-governance is increasing, demonstrating its perceived benefits.

- **How does it work?**

  a) **Compacts and agreements:** Self-governance is typically formalized through compacts or agreements negotiated between the tribe and a federal agency, such as the IHS.
  b) **Funding and management:** Tribes assume full funding, control, and accountability for the programs they choose to manage under these agreements.
  c) **Alternative to direct services:** Participating in self-governance is one of several options tribes have for obtaining federal services. Other options include receiving services directly from the federal agency or entering into contracts to administer specific programs.
  d) **Shift in focus:** The goal is to shift the focus from federal red tape to the direct delivery of services and to build local capacity within tribal governments.

4. Guatemala

A brief description of how the country approaches Indigenous governments is provided below. Officially, the country recognizes three categories of Indigenous peoples: the Maya, Xinka, and Garifuna. Some texts also refer to Ladinos (or mestizos), who are not Indigenous but are often included for cultural classification purposes. Within these groups, 24 ethnic groups are recognized: 22 linguistic communities of Maya origin, the Xinka people with their own customs, and the Garifuna people, whose roots combine African and Caribbean Indigenous ancestry.

A) Legal Perspective on Indigenous Peoples

The legal framework is the starting point for understanding how Indigenous people are recognized. For this document, the topic is divided into two segments: the recognition of Indigenous people and the second one is about certain powers granted to them through secondary legislation.

- **Recognition in the Constitution and Peace Accords**

The constitution does not use the expression "Indigenous people" instead, it refers to "ethnic groups", distributing this recognition across several key articles.

In addition to the provisions established in the constitution, the Peace Accords signed in Guatemala introduce additional elements that are important to highlight. These accords constitute political and legal commitments adopted in the country following a 36-year armed conflict, and they address a range of obligations aimed at ending the conflict while laying the foundations for the nation's democratic and social transformation.

It is important to clarify that, although the Peace Accords have legal force through the approval of the Framework Law of the Peace Accords, their implementation has been only partial, and many of the commitments undertaken remain unfulfilled.

Table A1: Main Elements in the Political Constitution of the Republic of Guatemala

Description	Articles
• Recognizes the right of individuals and communities to their cultural identity, including values, language, and customs.	58
• The State recognizes that Guatemala is formed by diverse ethnic groups, especially those of Maya descent. The State must recognize, respect, and promote their ways of life, customs, traditions, social organization, and the use of Indigenous dress.	66
• Communities that have historically possessed and administered land under special systems shall maintain that system.	67
• Indigenous community lands, cooperatives, or any form of communal or collective agrarian property enjoy special State protection. The State must provide preferential credit and technical assistance and supply State-owned land to Indigenous communities that need it.	67 y 68
• Mandates the creation of a specific law regulating all matters related to Indigenous communities. (Although partial norms exist, no single specific law has been created).	70
• Recognizes the use of Indigenous languages and dialects. Although Spanish is the official language, vernacular languages are part of the Nation's cultural heritage.	143
• Schools in predominantly Indigenous areas must preferably provide bilingual education.	76

Source: Political Constitution of the Republic of Guatemala[16]

Table A2: Main Elements in the Peace Accords

Description
• The identity of the Maya, Garifuna, and Xinka peoples is formally recognized as a fundamental component of the unity of the Guatemalan nation. This identity is defined by elements such as direct descent from the ancient Maya, languages with a common root, a worldview based on a harmonious relationship with the universe and the earth, and self-identification
• Commitment to promote bilingual and intercultural education and the use of Indigenous languages in public services.
• Commitment to institutionalize Indigenous representation at local, regional, and national levels, ensuring consultation and participation in decision-making.

Source: Guatemala Peace Accords[17]

- **Powers Granted Through Secondary Legislation.**

As mentioned earlier, there is a general constitutional recognition of the forms of social organization of Indigenous people. In addition to this, there is a set of legal norms that mention or interact with Indigenous authorities, which means that several lower-ranking legal provisions refer do different forms of

[16] https://www.congreso.gob.gt/assets/uploads/secciones/pdf/16e67-constitucion-politica-de-la-republica-de-guatemala.pdf
[17] http://biblioteca.oj.gob.gt/digitales/44084.pdf

Indigenous governments. It is important to note that these references are indirect and that no specific law exists to regulate them comprehensively.

Among these legal norms, the Municipal Code can be highlighted as it is the law that organizes, regulates, and develops the functioning of municipalities, their autonomy, their authorities, and their roles within the State. This Law includes references to Indigenous mayorships, community governments and their participation in consultation process, among other aspects.

Table A3: Main Elements in the Municipal Code

Description	Articles
• Municipalities are composed of the Municipal Council and the traditional authorities of the communities.	8
• Indigenous communities are recognized as natural forms of social cohesion and have the right to legal personality, requiring registration in the municipal civil registry.	20
• Municipal governments must recognize, respect, and promote Indigenous mayorships where they exist, including their administrative practices.	55
• The Municipal Council must recognize community or auxiliary mayors as representative entities for decision-making and as links to municipal government, respecting local customs and traditions.	56
• Municipal governments must establish mechanisms guaranteeing community members the use, conservation, and administration of communal lands, in consultation with community authorities.	109
• The President of the Guatemalan Association of Indigenous Mayors and Authorities is part of the commission responsible for calculating the constitutional allocation to municipalities.	119

Source: Municipal Code of Guatemala[18]

Withing Guatemala's legislation, the International Labour Organization (ILO) convention 169 on Indigenous and tribal peoples has been recognized. This convention has served as a binding instrument on multiple occasions for judicial bodies to recognize Indigenous authorities, mandate prior consultation for extractive projects, protect communal lands, among other application.

In summary, Indigenous authorities (or in any form of Indigenous government) generally function in practice as mechanisms that provide a degree of community representation before municipalities and certain government entities. They often manage internal conflicts by serving as mediators in community matters, may administer communal lands, are subjects of consultation for major projects, and act as an important mechanism of social cohesion.

5. Brazil

Indigenous peoples in Brazil are formally recognized at the constitutional level, but not as a distinct level of government. The 1988 Federal Constitution[19], particularly Article 231, recognizes Indigenous peoples as the original inhabitants of the land, guarantees respect for their social organization, customs, languages, beliefs, and traditions, and affirms their original rights over the lands they traditionally occupy. The Constitution assigns to the Federal Government the duty to demarcate, protect, and ensure respect for Indigenous lands and all associated assets.

Under this constitutional framework, Indigenous peoples hold original rights to land, together with permanent possession and exclusive usufruct of the natural resources found on their lands, including soil,

[18] https://www.contraloria.gob.gt/wp-content/uploads/2018/02/12-CODIGO-MUNICIPAL.pdf

[19] https://www.planalto.gov.br/ccivil_03/constituicao/constituicao.htm

rivers, and lakes. However, these lands are inalienable. Indigenous peoples cannot alienate, sell, mortgage, or otherwise dispose of them. In addition, the Constitution guarantees Indigenous communities the right to receive regular primary education using their mother tongues and their own learning processes.

This recognition is collective and cultural in nature and does not constitute recognition of Indigenous peoples as public authorities exercising general governmental powers over other institutional units. Brazil has also ratified ILO Convention No. 169, which reinforces consultation rights, land protection, and respect for Indigenous institutions, but does not establish Indigenous governments as fiscal or political government units.

Indigenous peoples in Brazil do not exercise legislative, executive, or judicial authority over other institutional units within the national legal system. They do not enact binding laws of general application, do not levy penalties under public law, and do not operate courts that are recognized as part of the state judicial system.

Likewise, Indigenous communities in Brazil do not provide public goods or services to the population at large. Public spending targeted at Indigenous peoples, such as health, education, and social protection, is executed by federal, state, or municipal governments and recorded in their respective public budgets.

6. Nicaragua

Indigenous peoples in Nicaragua are formally recognized at the constitutional level. The 1987 Political Constitution[20] acknowledges the multicultural and multiethnic character of the nation and includes a dedicated chapter[21] on the rights of the communities of the Atlantic Coast. It also establishes the institutional basis for the formal recognition of multiple levels of Indigenous authority.

Within this framework, a region is a territorial unit that encompasses multiple Indigenous territories. A territory, in turn, is a large area composed of several communities and complementary areas that may not belong to any single community. The constitutional framework was operationalized through Law No. 28/2016, the Statute of Autonomy of the Regions of the Caribbean Coast, which established the North Caribbean Coast Autonomous Region and the South Caribbean Coast Autonomous Region. Each Autonomous Region is subdivided into municipalities, organized in accordance with communal traditions. Law No. 28/2016 also establishes regional and local forms of authority, including the Regional Council, the Regional Coordinator, municipal authorities, and communal authorities. Article 8 of Law No. 28 defines the Autonomous Regions as public-law legal entities and assigns them broad responsibilities, such as participation in the formulation and implementation of national development plans, administration of public programs (including health and education), promotion of economic, social, and cultural projects, and a role in the management of natural resources. The law also allows for the establishment of regional taxes in accordance with national legislation.

A complementary legal framework governs the recognition of communal and territorial authorities in relation to land tenure. Law No. 445/2003, on the Communal Property Regime, recognizes collective ownership rights over ancestral lands and establishes procedures for the demarcation and titling of Indigenous territories. These lands are held under communal ownership and are not freely alienable under private law. At the community level, the communal assembly elects communal authorities. Collectively, these communal authorities form the territorial assembly, which then elects the territorial authorities. Community and territorial organizations typically designate two principal authorities: one responsible for social control and justice, known as the wihta (communal judge), and another responsible for the administration of land and natural resources, known as the síndico. In Nicaragua’s Indigenous communities, these authorities are typically elected. Both the síndico and the wihta may participate in decisions related to land and resource use within the community, including authorizations for the establishment of new agricultural areas or access to timber.

[20] https://www.constituteproject.org/constitution/Nicaragua_2014

[21] Title IX, chapter II, articles 180-181.

7. Other country experiences

In addition to the countries mentioned above, several other countries have formally recognized Indigenous communities as a distinct level of governance, often incorporating their authority into national constitutions to allow for self-determination and autonomous rule. Notable examples include Bolivia, Ecuador, Nicaragua, and Greenland (via Denmark), which provide significant self-government powers, ranging from legislative, executive, and judicial authority to territorial autonomy and control over customary laws.

a) Mexico offers a 'broader autonomy' approach to self-determination. The national legal frameworks that support the political inclusion of Indigenous and Afro-Mexican peoples and communities are rooted in the country's multicultural and multiethnic character. These frameworks affirm that the scope and content of recognition are shaped through mutual understanding and agreement between the state and Indigenous Peoples and include—recently—the formal recognition of these communities as a fourth level of government.

b) Bolivia (2009) & Ecuador (2008): Their constitutions strongly recognize the right of Indigenous peoples to self-determination and self-government.

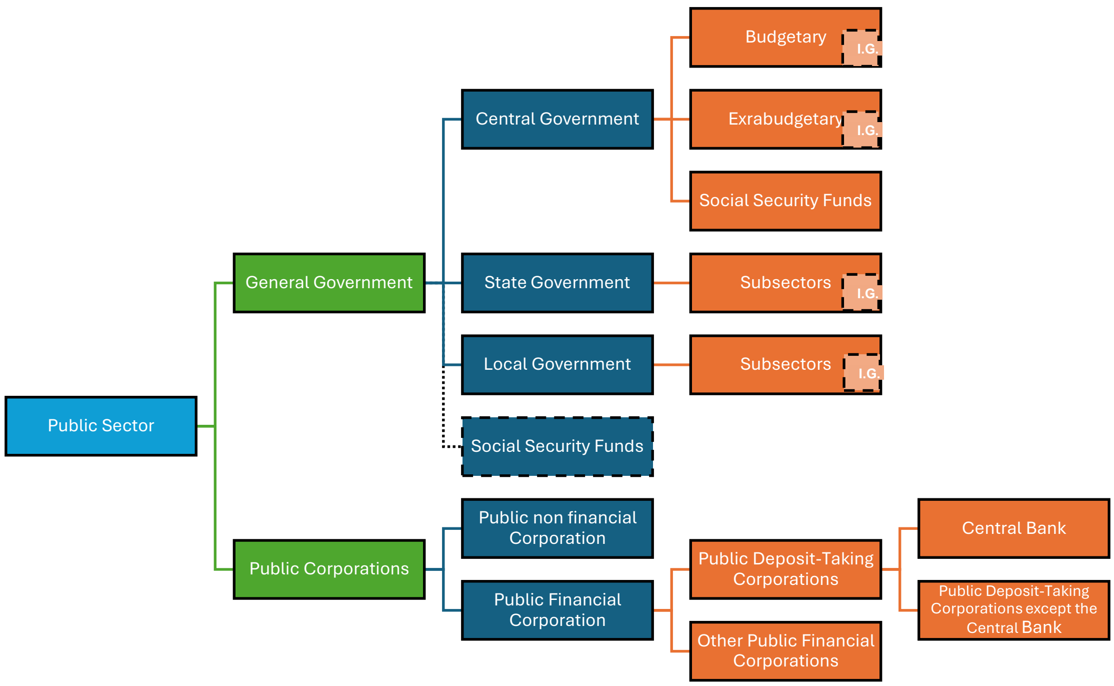
c) Greenland (Denmark, 2009): The Act on Greenland Self-Government establishes a legal framework granting legislative, executive, and judicial powers to the Greenlandic people.

d) Norway, Sweden, Finland: Utilize Saami Parliaments to grant a level of self-governance.

These arrangements often include the recognition of traditional land rights, customary laws, and, in some cases, the right to manage natural resources within their autonomous territories.

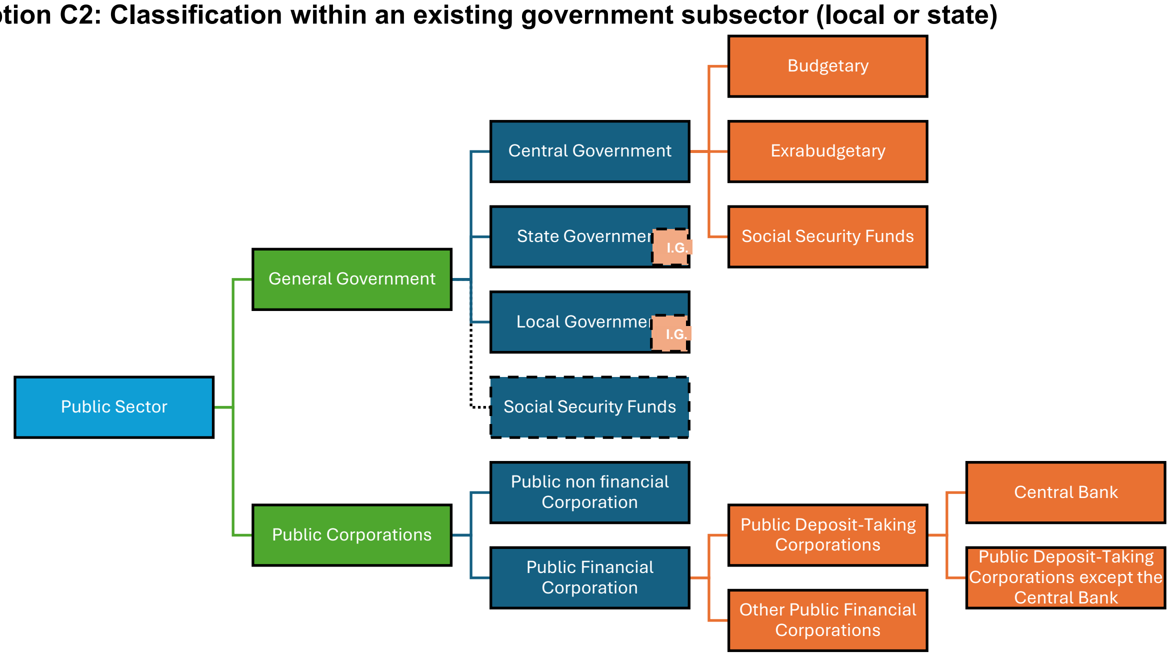
Annex 2: Illustrations of Institutional Subsector Classifications under Issue C

Option C1: Maintain Status Quo



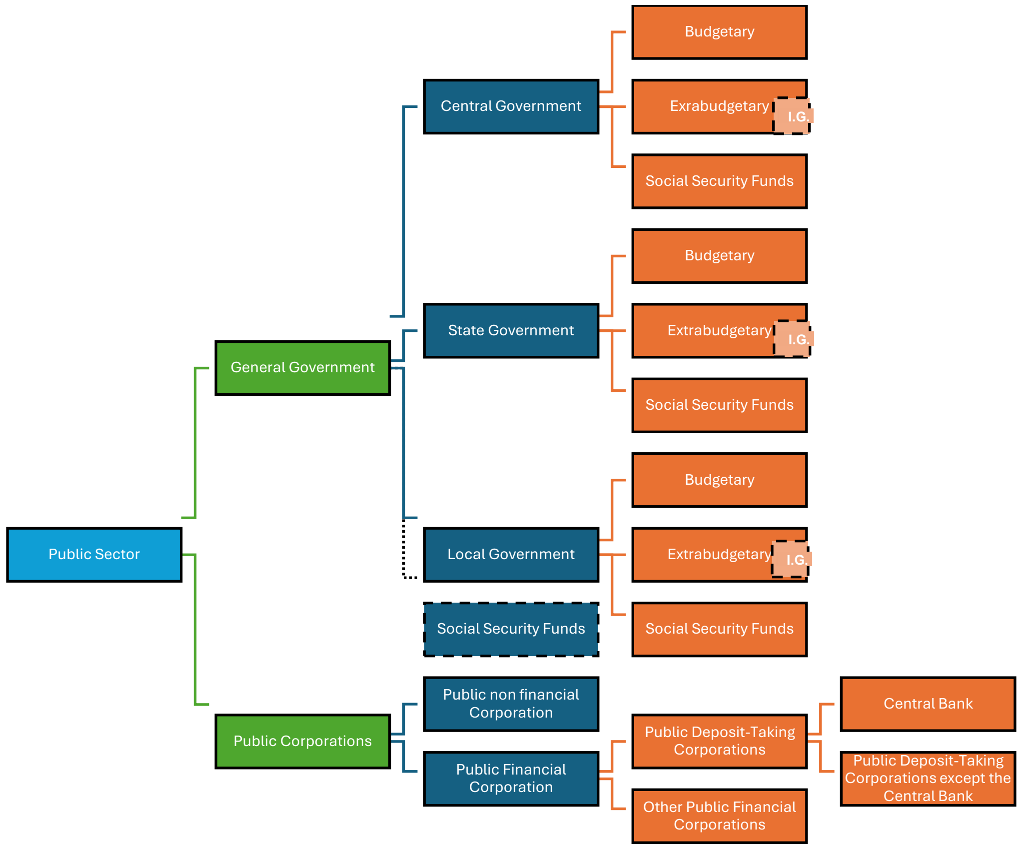
Note: I.G. = Indigenous Government

Option C2: Classification within an existing government subsector (local or state)



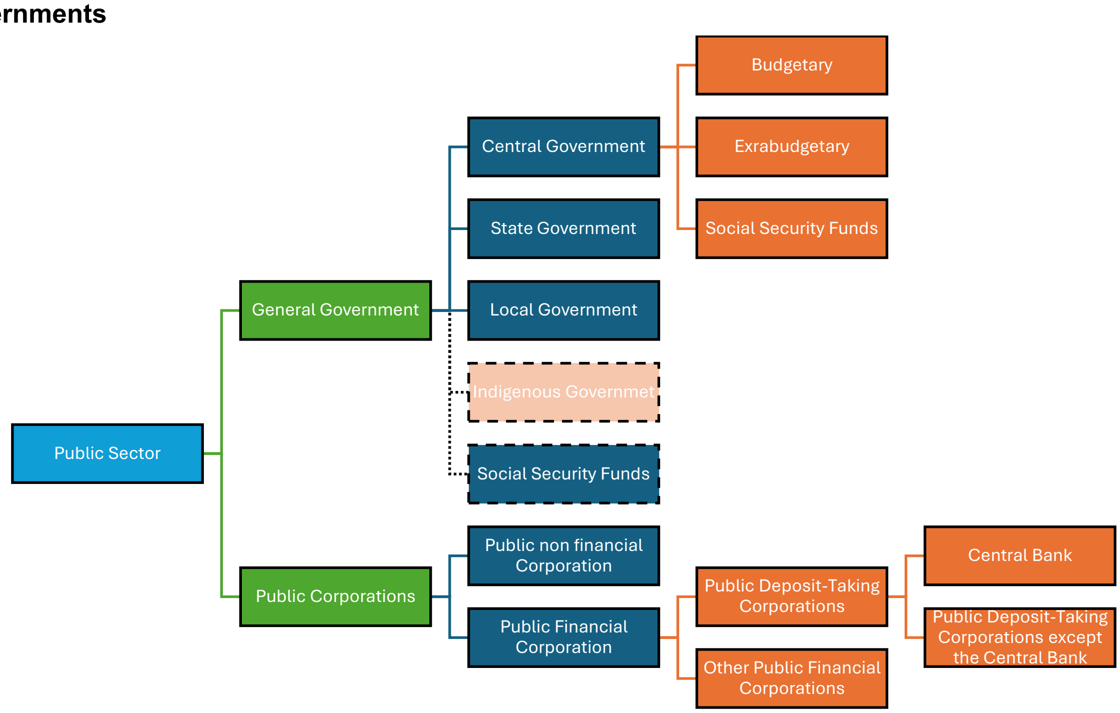
Note: I.G. = Indigenous Government

Option C3: Classification as extrabudgetary units of an existing government subsector



Note: I.G. = Indigenous Government

Option C4: Classification under a new subsector dedicated specifically to Indigenous governments



Option C5: Maintain the status quo with a recommended "of which" analytical breakdown for Indigenous governments