

ECONOMIC DEVELOPMENT

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**Office of Indian Energy and Economic Development
(IEED)**



ABOUT ME

- × Born on the Pine Ridge Reservation in South Dakota
- × Enrolled Citizen of the Cherokee Nation of Oklahoma

- × MBA, finance and entrepreneurship
- × Title: Economic Development Specialist
 - + Project Management
 - + Business Plan Writing
 - + Start-up Execution
 - + Financial Analysis
 - + Economic Development Planning

AGENDA

- ◎ **Who We Are**
- ◎ **Typical “Project” Development**
- ◎ **Establishing A “Business Development Environment”**
- ◎ **Organizational Model for Business within Tribal Government**
- ◎ **A Focus on Controllable Factors of Economic Development**
- ◎ **Basic strategy for Implementation**

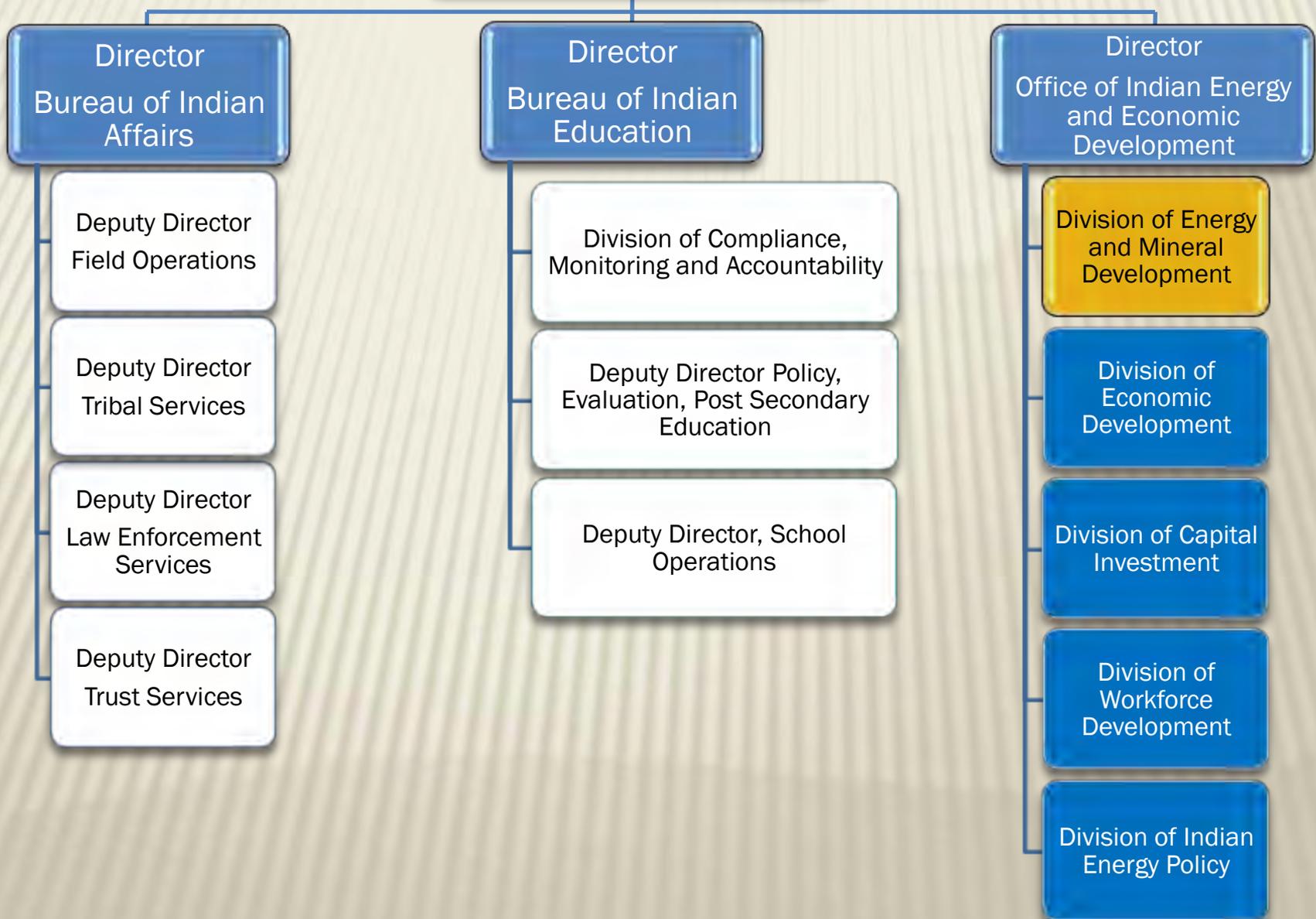
WHO WE ARE



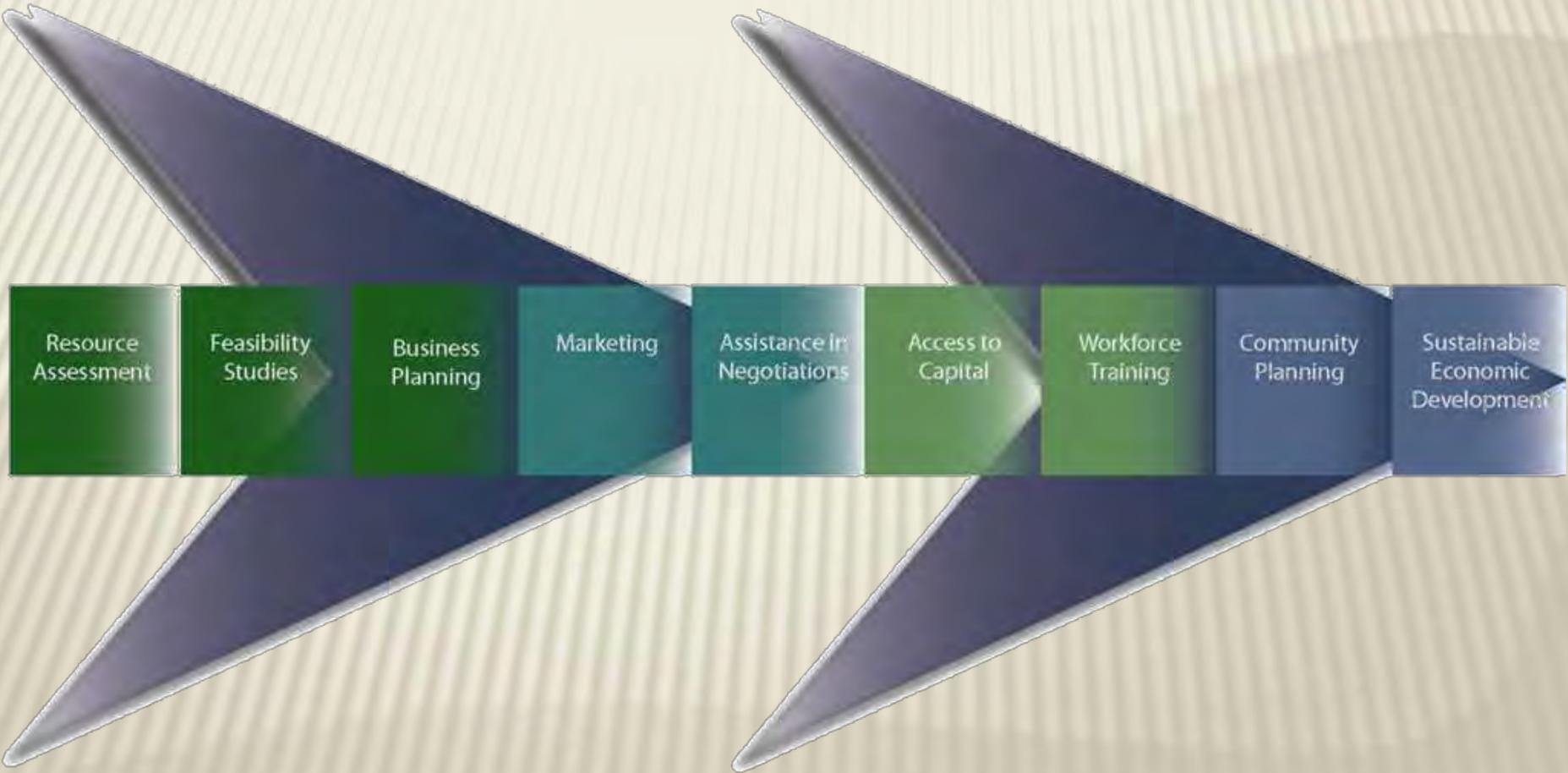
Office of Indian Energy & Economic Development



Assistant Secretary Indian Affairs



TYPICAL “PROJECT” DEVELOPMENT



WHAT'S WRONG WITH THIS PICTURE?

The Magic Bullet Project Myth

- × Too often Tribal leaders focus their attention on developing ONE project:
 - * Factory
 - * Renewable energy
 - * Hotel
 - * Timber enterprise
 - * Etc.
- × Picking the winning project is rare
 - * Indian Country is filled with failed projects
- + Why Failure?
 - × Lack of sound overall development strategy, structure of governance, and economic policy

ECONOMIC DEVELOPMENT IS NOT THE SAME AS “PROJECT” DEVELOPMENT

Which are the Most Critical Building Blocks of a Productive Economy?

- A. A skilled labor force
- B. Access to capital
- C. Big federal grants
- D. Good rules
- E. Natural resources
- F. Education
- G. Outside investors
- H. Fair enforcement of rules
- I. Nearby markets
- J. A good grant writer
- K. Physical infrastructure
- L. Lots of entrepreneurs

What the Research Says:

Good rules that are fairly enforced will generate more economic development than having an abundance of resources.

Resources help, but **resources alone won't produce economic growth if a good business climate does not exist.**

GOVERNANCE QUALITY IS THE KEY TO ECONOMIC SUCCESS.

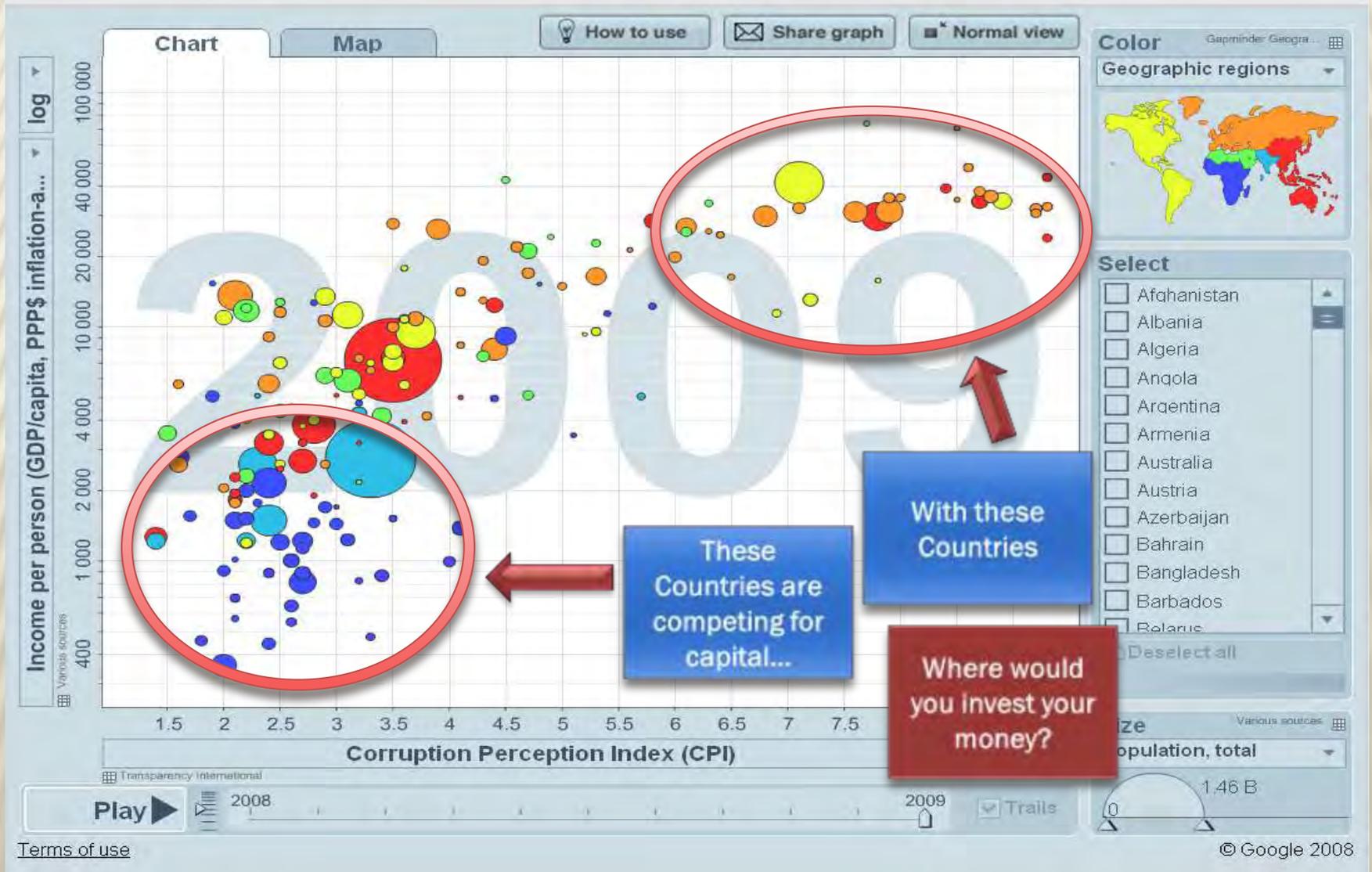
Source: Jonathan Taylor "Critical Building Blocks"
Tribal Energy and Mineral Development Consultation

ECONOMIC DEVELOPMENT IS NOT THE SAME AS “PROJECT” DEVELOPMENT

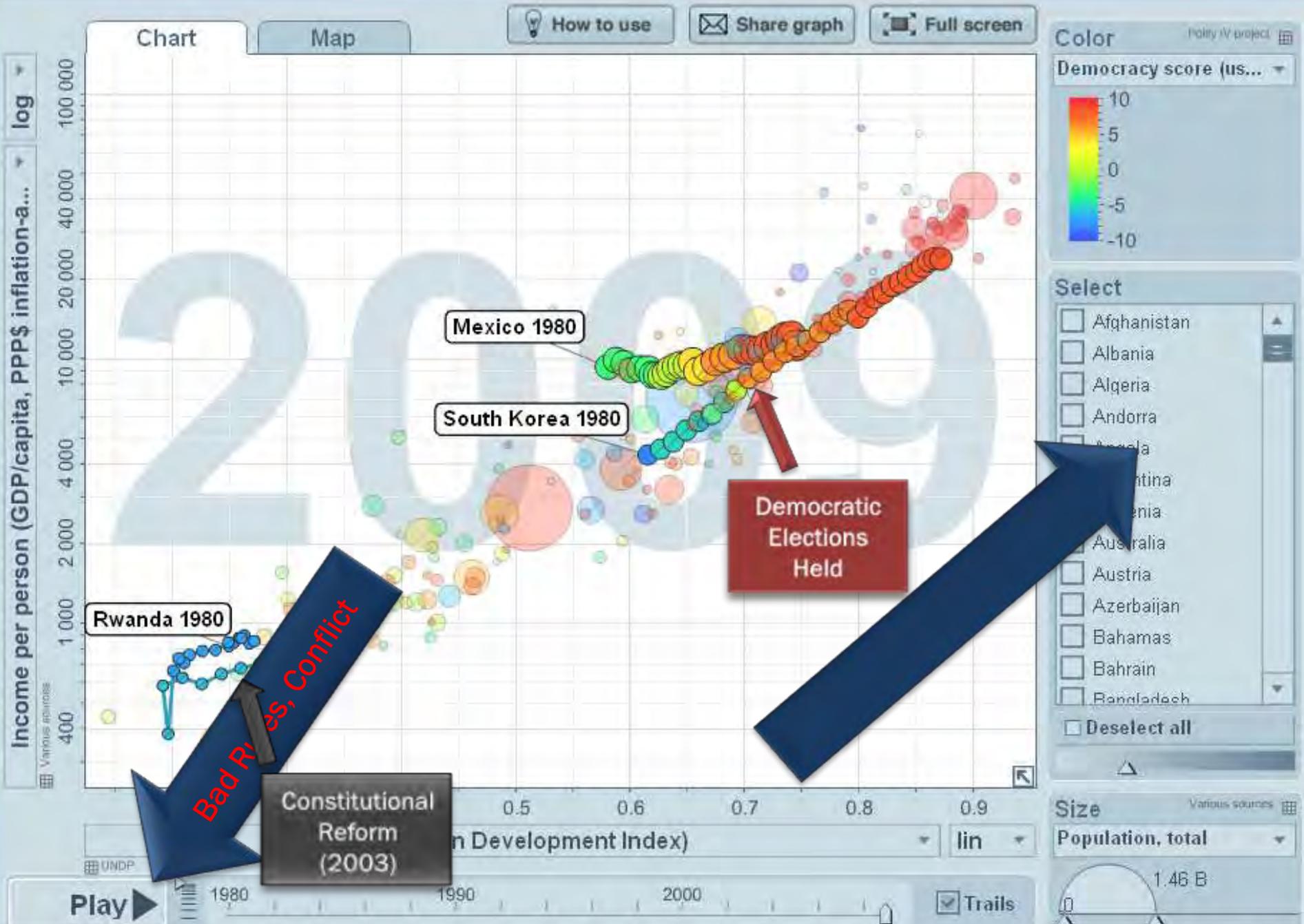
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AROUND THE WORLD, ECONOMIC SUCCESS IS LINKED TO RULES AND FAIR ENFORCEMENT







ESTABLISHING A PROPER BUSINESS DEVELOPMENT ENVIRONMENT

Proper Business Environment:

- Strategic Plan (CEDs)
- Good Governance
 - Effective Government structure
 - Proper Business Structure
- Legal Infrastructure
 - Business Codes, MTSTA/UCC Adoption, Taxation Codes
- Zoning
 - Land use plan, business incentives

• Effective Project Selection



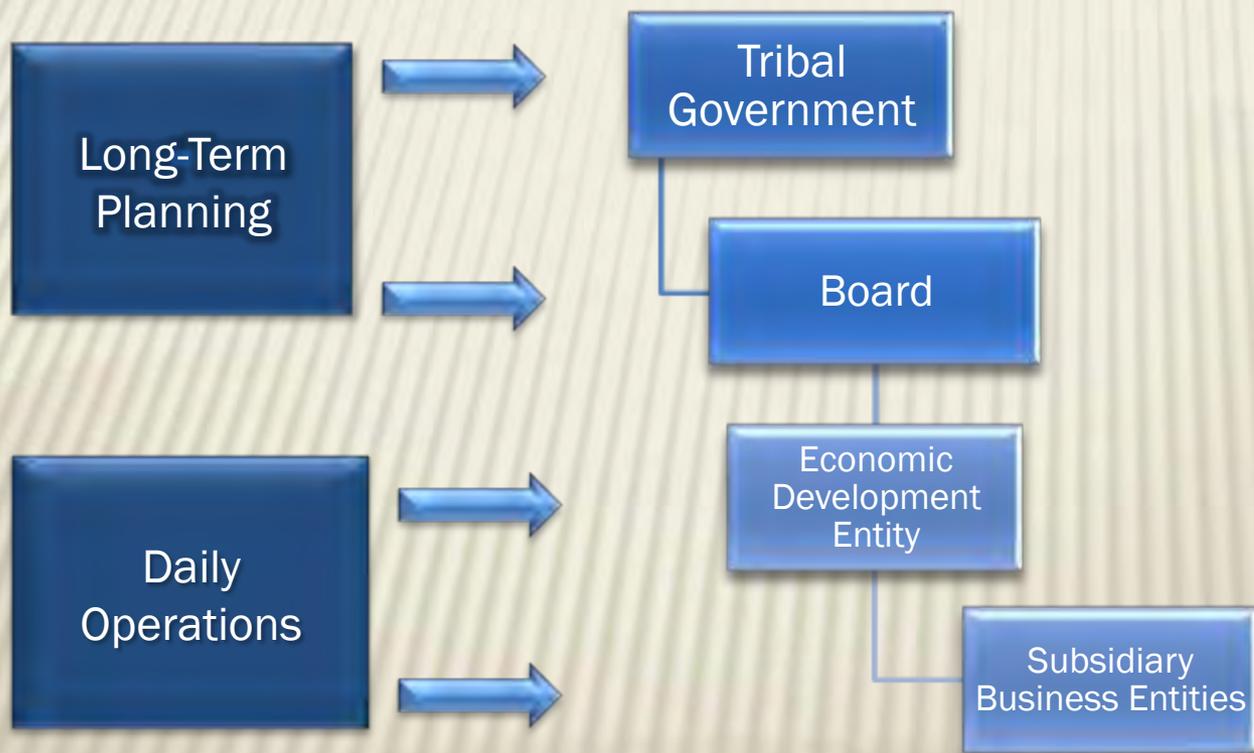
ECONOMIC DEVELOPMENT INVOLVES REFORMING THE TRIBAL BUSINESS ENVIRONMENT SO AS TO...

1. Build and maintain stability,
2. Match formal institutions to indigenous political culture,
3. Reduce corruption, abuse of power, and ensure fair enforcement of rules,
4. Incentivize investors to locate on the Reservation and make them feel SECURE,
5. Get politics out of business and program management.

Proper Economic Development creates a business environment that encourages investment and EMPOWERS citizens

GOOD GOVERNANCE: PROPER BUSINESS STRUCTURE

SIMPLISTIC VIEW



Businesses are **400%** more likely to succeed if they are isolated from politics.
(Harvard Project)

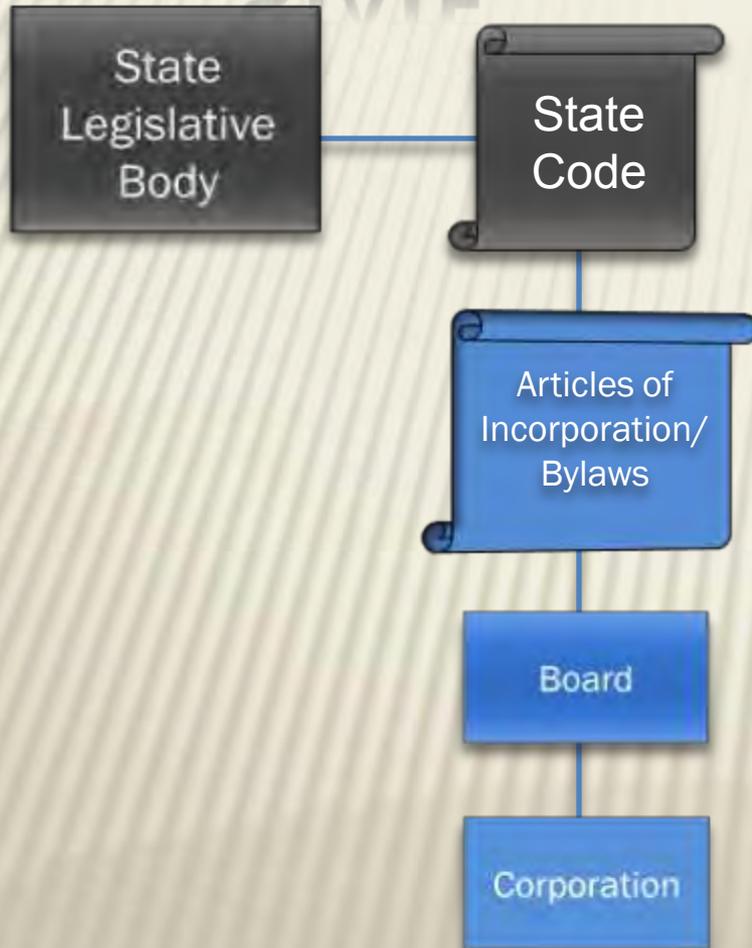
BUSINESS STRUCTURE PARALLEL

- × While tribes are dealing with **economic enterprises** (banks, non-Tribal corporations, development partners, etc.) some *common language* is required.
- × Seeking capital from, or forming joint venture relationships with, non-tribal entities requires the ability to **relate** to those non-tribal entities.
 - + Remember non-tribal entities are regulated and must adhere to state/federal law (business codes).

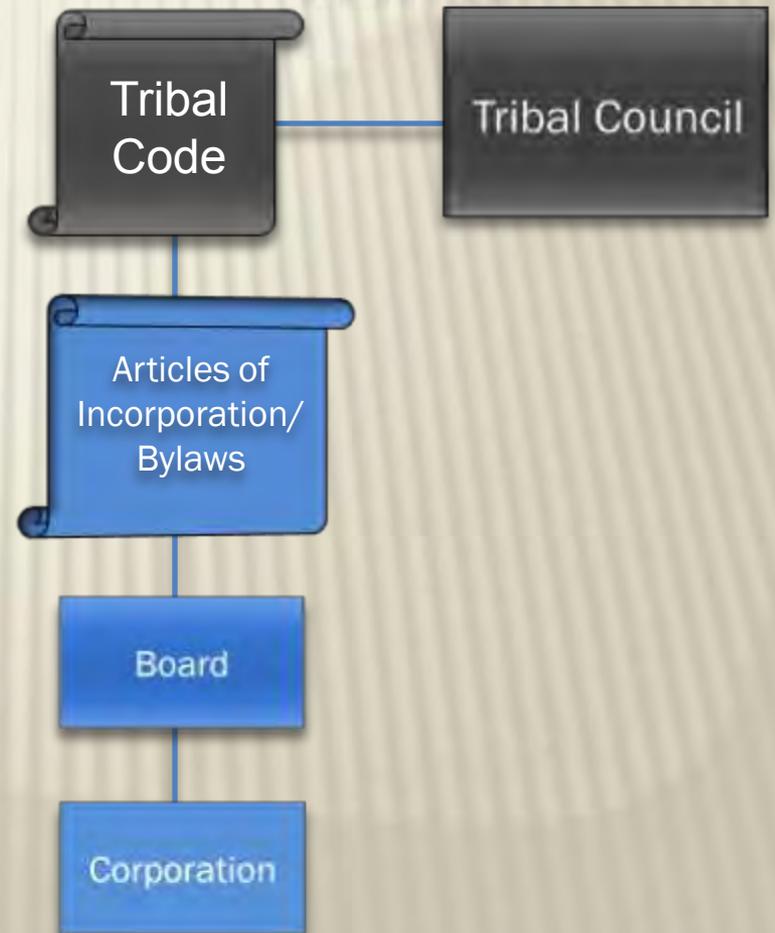
Parallel relationship

CORPORATE PARALLEL RELATIONSHIP

STATE

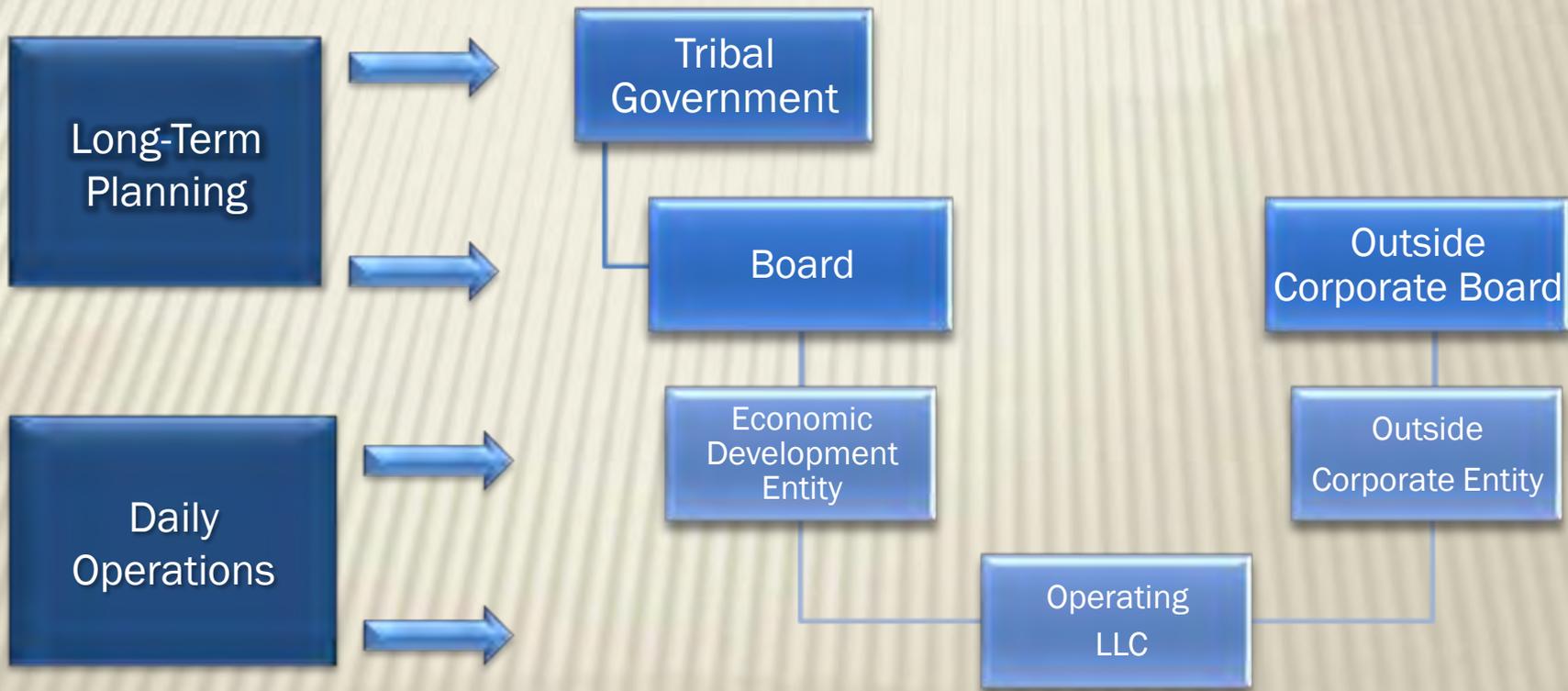


TRIBE



GOOD GOVERNANCE, ORG. STRUCTURE

SIMPLISTIC VIEW: OPERATING WITH OUTSIDE COMPANIES



ALLOWING SUCCESS (I.E. PROPER GOVERNANCE)

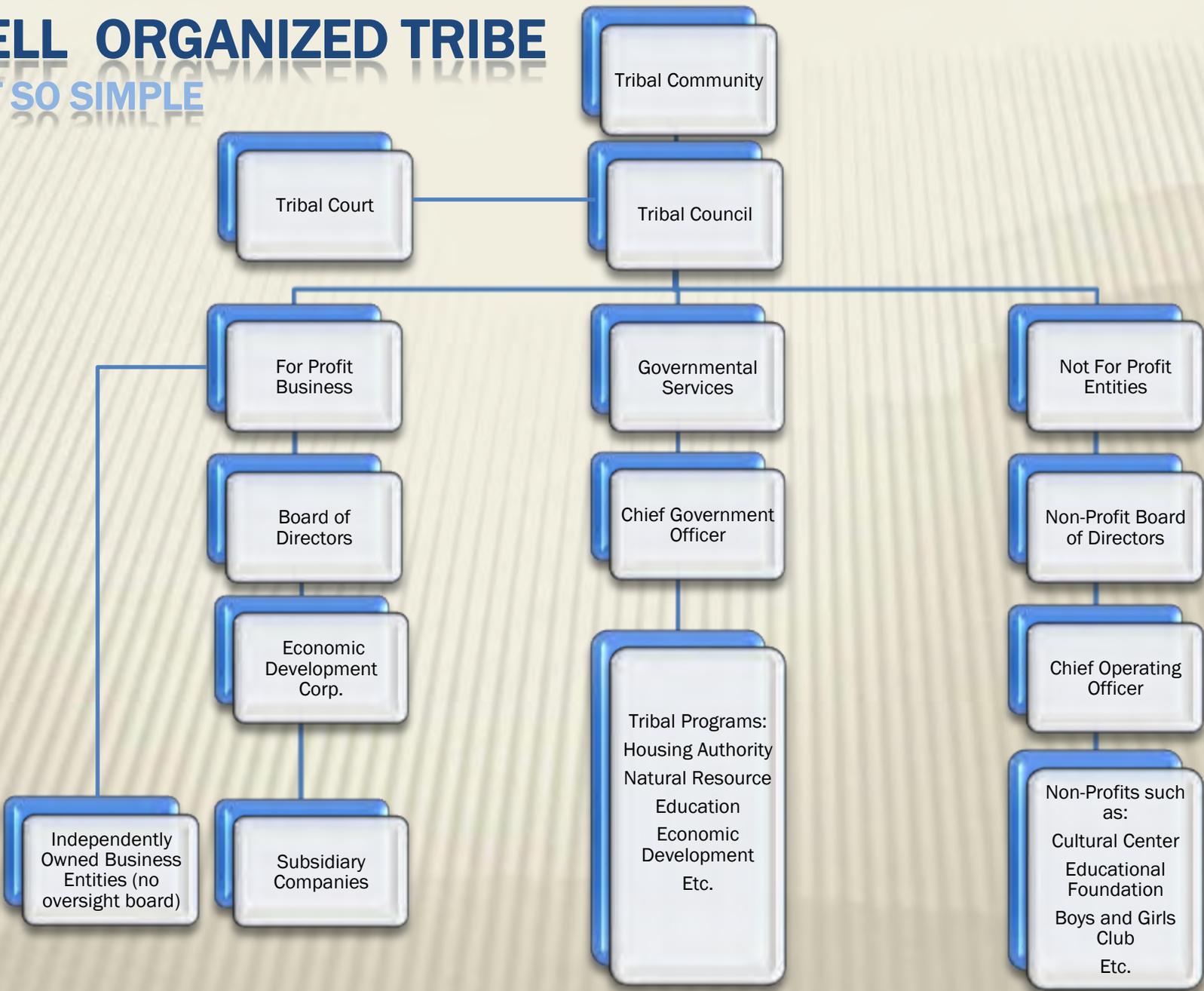
- × Organize to Implement
 - + Every Tribe is different
 - × Culture
 - × Family Structure
 - × Societal Norms
 - * All of the above influence:
 - × Government Operations
 - × Business Operations
- + **HOWEVER**, there are **proven** organizational **frameworks** that can work within each Unique Tribal Nation

TRIBAL ECONOMIC DEVELOPMENT CORPS



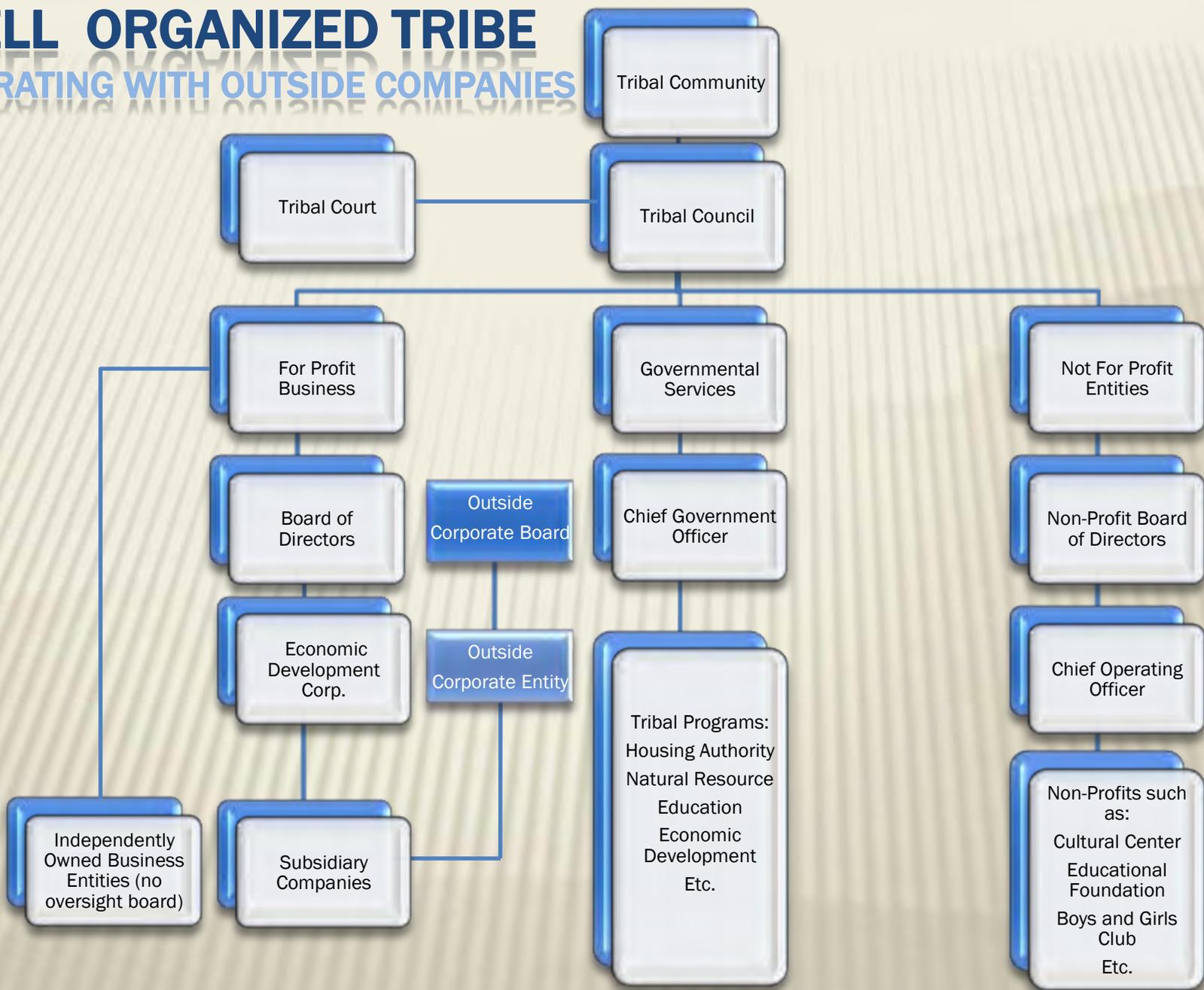
WELL ORGANIZED TRIBE

NOT SO SIMPLE

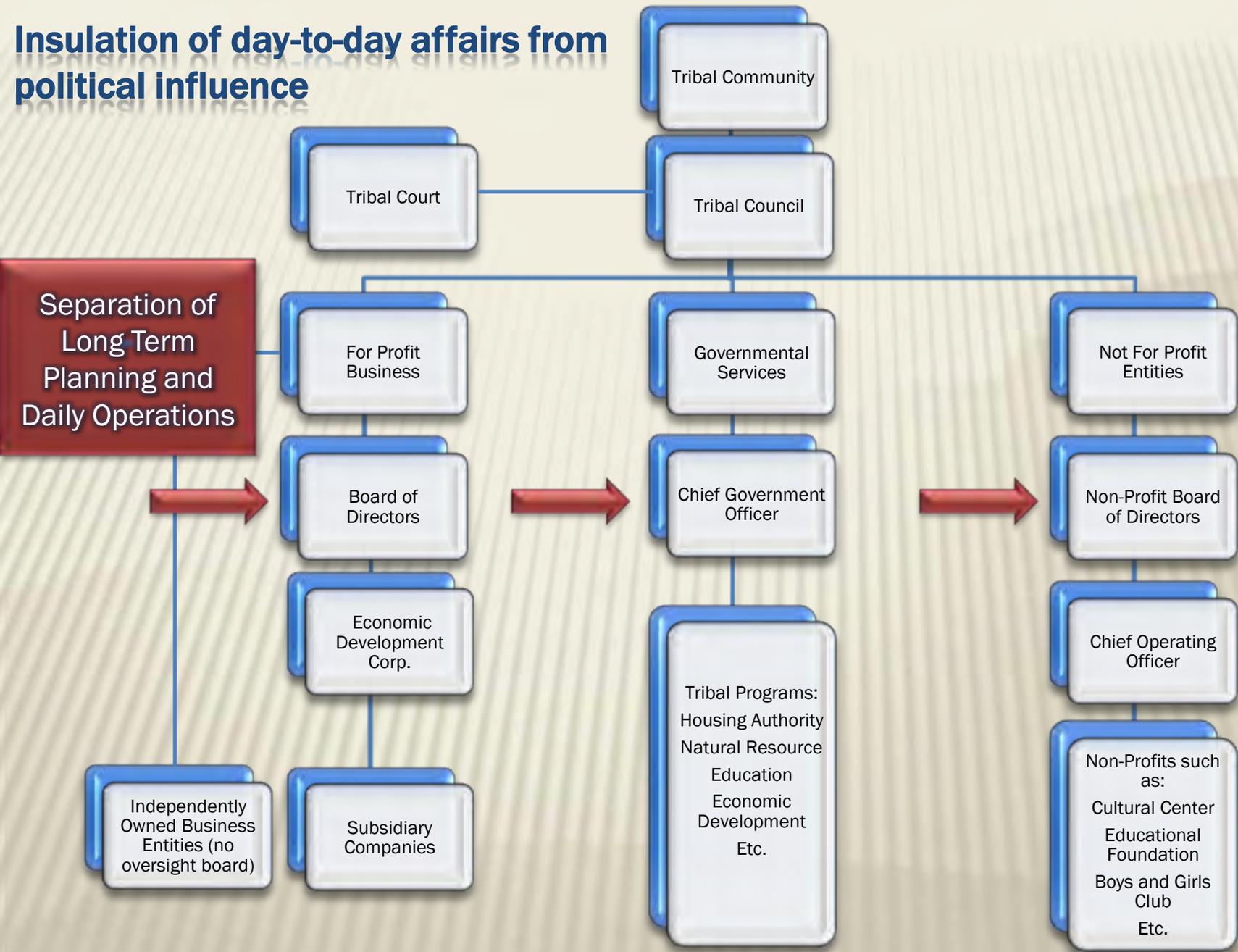


WELL ORGANIZED TRIBE

OPERATING WITH OUTSIDE COMPANIES



Insulation of day-to-day affairs from political influence



Separation of Long Term Planning and Daily Operations

Tribal Community

Tribal Court

Tribal Council

For Profit Business

Governmental Services

Not For Profit Entities

Board of Directors

Chief Government Officer

Non-Profit Board of Directors

Economic Development Corp.

Tribal Programs:
Housing Authority
Natural Resource
Education
Economic Development
Etc.

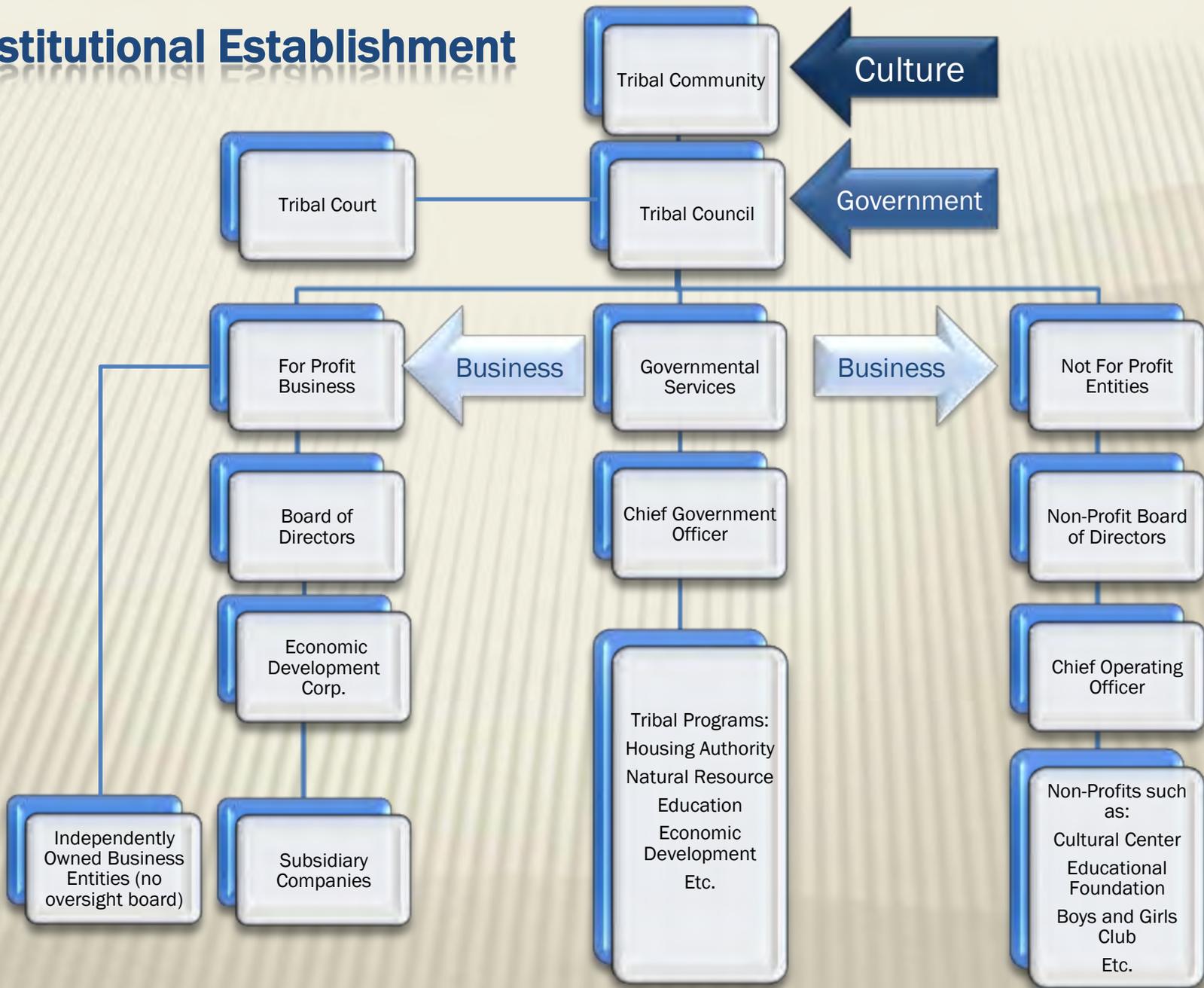
Chief Operating Officer

Independently Owned Business Entities (no oversight board)

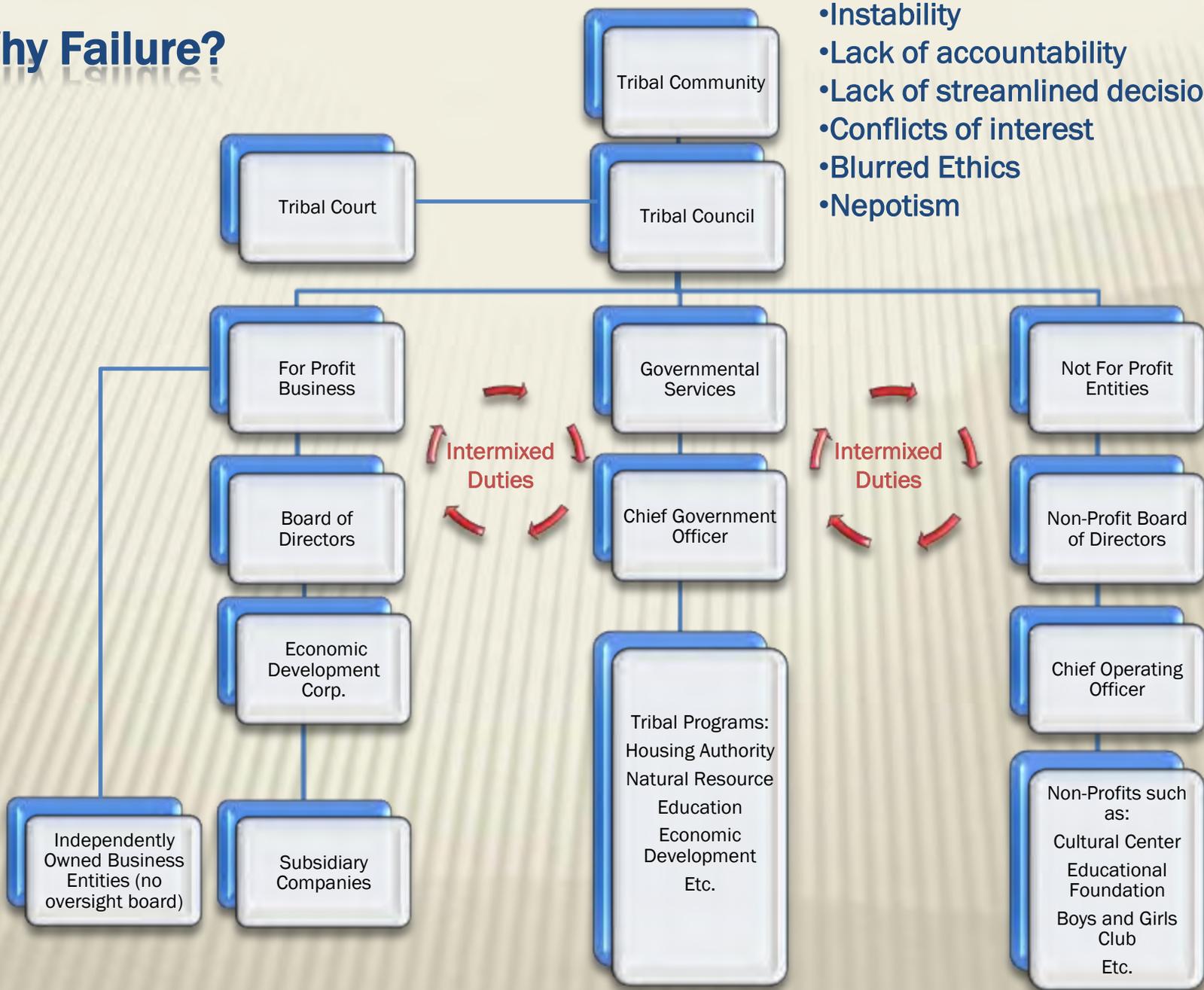
Subsidiary Companies

Non-Profits such as:
Cultural Center
Educational Foundation
Boys and Girls Club
Etc.

Institutional Establishment



Why Failure?



- Instability
- Lack of accountability
- Lack of streamlined decision making
- Conflicts of interest
- Blurred Ethics
- Nepotism

ORG. STRUCTURE GOALS

× Establish stability

+ Proper Institutional formation is critical

- × Formal and informal mechanisms for how people act while engaging in business operations**
- × “Rules of the Game”**

+ Continuity is needed for long term success

× Separate Politics from Business

+ Long Term Planning from Daily Operations

× Establish proper oversight

+ Governmental leaders focus on governing and policy

+ Business leaders focus on business operations

+ Don't comingle responsibilities

+ Hold People Accountable!

CONTROL OVER THE KEYS TO DEVELOPMENT

Keys To Economic Development	Degree of Control		
	Low	Moderate	High
External Opportunities			
Political Sovereignty		X	
Market Opportunity	X		
Distance from Markets	X		
Access to Capital		X	
Internal Assets			
Natural Resources	X		
Human Capital		X	
Governing Institutions			X
Tribal Culture		X	
Development Strategy			
Economic Policy			X
Development Activity			X



Source: *RELOADING THE DICE: IMPROVING THE CHANCES FOR ECONOMIC DEVELOPMENT ON AMERICAN INDIAN RESERVATIONS* Stephen Cornell and Joseph P. Kalt

STRATEGY FOR IMPLEMENTATION

1. Start with a Plan (CEDDS)
2. Ensure the plan focuses on establishing GOOD RULES
3. Determine how the new rules will be enforced and how new businesses will be regulated
4. Create a Proper Business Environment and use standard business structures, and innovative Zoning to incentivize investors
5. Follow through with the plan and MEASURE RESULTS
6. If results are not favorable AMEND THE PLAN!

NABDI

(NATIVE AMERICAN BUSINESS DEVELOPMENT INSTITUTE)

- × Funding for technical assistance
 - + Reservation-wide economic development plans (CEDs)
 - + Economic development feasibility studies
- × Primary objective is to create jobs and foster economic activity within tribal communities

- × Submission date August 12th
- × Annual grant program

Discussion/Questions

