



**NORTHWEST TRIBAL TREATY NATIONS**  
**Best Practices in Creating Wealth for First Nations**

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The Northwest Tribal Treaty Nations is actively proceeding with a research and development project to develop a comprehensive northern region economic strategy. One section of the final report will provide a focus on best practises in creating wealth for First Nations. The following is a compilation of best practises or guidelines provided from 15 separate sources:

1. **Aboriginal Social and Economic Development - Lessons Learned** *Lessons Learned Series* <http://www11.hrdc-drhc.gc.ca/pls/edd/lessons.list>
2. **Strengthening Aboriginal Participation in the Economy** *May 2001. Report of the Working Group on Aboriginal Participation in the Economy to Federal, Provincial/Territorial Ministers Responsible for Aboriginal Affairs and National Aboriginal Leaders.*
3. **Lessons Learned Series** *Lessons Learned from Economic Development Policies, Programs and Services.* Human Resources Development Canada. <http://www11.hrdc-drhc.gc.ca/pls/edd/lessons.list>
4. **Aboriginal Economic Development in Atlantic Canada: Lessons Learned and Best Practices** *March 2003. Atlantic Canada Opportunities Agency and Canadian Institute for Research on Regional Development.*
5. **The Key Elements of Success** *Implementation Committee for the Economy Building Workshop, Strategies for Building the Atlantic Aboriginal economy, Amherst: The Atlantic Policy Congress of First Nation Chiefs, 2001* <http://www.apcfn.ca/ecdev/>
6. *Newhouse, David.* **The Development of the Aboriginal Economy over the Next 20 Years** *Journal of Aboriginal Economic Development Vol. 1 No. 1, pgs. 68-77. 1999.*
7. **People to People, Nation to Nation Highlights from the Report of the Royal Commission on Aboriginal Peoples.** *1996. Minister of Supply and Services Canada.*
8. *Fred Wien, Maritime School of Social Work, Dalhousie University.* **The Royal Commission Report: Nine Steps to Rebuild Aboriginal Economies** *Presented at the Cando-Royal Bank Symposium on the Economic Development Recommendations of the Royal Commission on Aboriginal Peoples Toronto, Ontario, October 23, 1997*
9. *Henson, Eric and Jonathan B. Taylor et al.* **Native American at the New Mellenium** *Stephen Cornell and Joseph P. KALT*
10. **What Can Tribes Do? Strategies and Institutions in American Indian Economic** *Stephen Cornell and Joseph P. KALT*
11. **Reloading the Dice: Improving the Chances for Economic Development on American Indian Reservations** *Stephen Cornell and Joseph P. KALT*
12. **Sovereignty and Nation-building: the Development Challenge in Indian Country Today** *Stephen Cornell and Joseph P. Kalt 1998*
13. *Wanlin, Margaret.* **A Voice and a Plan Key Steps Toward Economic Development.** *Journal of Aboriginal Economic Development Vol. 1 No. 1, pgs. 44-48. 1999.*

14. **Financing Self Government: The Strategically Positioned First Nation** *Sixdion, January 9, 1997*
  15. **Aboriginal Social and Economic Development: Lessons Learned** *LESSONS LEARNED SERIES* <http://www11.hrdc-drhc.gc.ca/pls/edd/lessons.list>
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## 1. Governance

Sound governance is a fundamental prerequisite to successful social and economic development. At issue is who controls the substance, nature, and pace of development. Governance of the community development model requires that those most directly affected have control over key policy and program decisions. Progress is not possible unless the policy process enjoys both the trust of community residents and their continuous involvement.

The principles of sound governance must inform all aspects of the policy process, including:

- Planning and Policy Development
- Resource Base and Funding Arrangements
- Program Delivery and Management
- Accountability Mechanisms

## 2. Planning and Policy Development

In developing an effective strategy, it is critical to begin with a comprehensive vision, which can serve to inspire communities and attract those people who are willing to invest of themselves. Having such a vision helps to avoid the "add-on" approach to government whereby communities simply add whatever new program is offered to them on to their existing services. Possessing the rights and powers implied by self-governance allows communities to plan according to their own priorities and interests.

The American scholar Cornell (1997), however, stresses that having these rights and powers is not enough. In order for community development to occur, stable institutions for rule enforcement, as well as processes to adjudicate disputes and enforce contracts, are needed. In the first instance, this implies that:

- Politics is separated from the process of managing business. Every successful Aboriginal community we could find separated business from politics by creating a development corporation with an independent board. Band councils deal with longer-term planning, but leave the conduct of business to the board. When community decisions reflect the interests of a small group, the risk associated with business rises sharply and chokes entrepreneurship and growth.
- The adjudication of disputes is also separated from the political process. If the courts and tribunal processes are controlled politically, risk-taking is discouraged and joint ventures with outside firms will be constrained.
- Aboriginal community development needs an effective, professional public service.
- Stability in funding is important in order to develop programs for the longer term. At the same time, funding levels need to be sufficiently large to establish legitimacy, to generate excitement, to provide leverage, and to bring community leaders to the table and keep them there.

Second, to be successful, Aboriginal institutions of governance must be consistent with the cultural traditions of the individual band or community. This may imply a hierarchical political process; such as adopted by the White Mountain Apache Tribe, or a less centralized one such as the Sioux of the Pine Ridge reservation. Each band needs to develop its own governance mechanisms that win the allegiance of the people governed.

Third, effective institutions of governance must possess strong and capable leadership. Leadership must be:

- visionary, motivational, and committed;
- capable of articulating the community's vision, building the necessary consensus, managing the change process and continually refining and redesigning the effort without losing the community's support;
- capable of addressing barriers and developing alternatives when necessary, of handling failures and setbacks, and of taking advantage of opportunities that present themselves; and
- convinced that the existing systems are badly flawed and require fundamental change.

### **3. Control over Resources and Funding Arrangements**

Control over land is common to all the success stories of Aboriginal development in Canada and the United States. A land base allows a community to develop resources and raise capital that can be used to create employment. In Canada this is achieved through treaty land entitlements, specific and comprehensive land claims, and access to natural resources.

### **4. Program Delivery and Management**

Successful program delivery is dependent on capacity and skills. These include:

- leadership and management skills;
- strong administrative institutions;
- reporting mechanisms to monitor results and make innovations;
- access to other funds and resources;
- flexibility to adapt programs and allocate funds according to need; and
- separation of politics and business development.

Effective program delivery relies on many of the same factors that underlie successful planning and policy development. In particular, program delivery is dependent on a stable infrastructure and a set of skills that are capable of adapting to continually changing circumstances.

### **5. Partnerships with the Private Sector**

Partnerships with the private sector are equally important to developing economic opportunities. Successful business development initiatives in Aboriginal communities are often joint ventures with the private sector.

### **6. Accountability**

Accountability is a critical component of governance. It is the obligation of leaders to account for responsibilities conferred, to justify, to be answerable, and to be responsible for

expenditures made and actions taken. It is based upon the right of citizens to know what their governments intend to achieve and what they actually accomplish.

An accountability framework requires communities and agencies:

- to set expectations, goals and objectives;
- to establish and maintain appropriate service standards;
- to monitor, evaluate and report on performance in a manner which is honest, accessible, and transparent; and
- to reconsider and improve their efforts as appropriate.

As Aboriginal communities develop stable institutions to oversee all aspects of policy design and program delivery, accountability mechanisms will be enhanced.

## **7. Capacity Building**

Successful community development and effective program implementation depend on capacity. Over the last five or six years, the term "capacity" has been used to refer to a broad range of administrative, business, and bureaucratic skills. Capacity building includes the following elements:

- creating infrastructure (physical and human);
- designing political processes that focus on long-term planning for the community;
- nurturing an effective and progressive business community;
- developing business services (legal, research and accountancy) to support external relationships with off-reserve businesses and governments;
- creating a functional "civil service"; and
- fostering a community consensus on growth that is consistent with the historical values of the community.

## **8. Other Requirements for Development**

### **Comprehensive Approach:**

In the most general terms, a shift away from the traditional approach to economic and social development in Aboriginal communities is required. Instead of merely "tinkering with the system", an explicit effort must be made to tackle the roots, rather than the manifestations, of the problems that face Aboriginal communities. A comprehensive approach that includes long-term community economic and social development strategies is most successful at producing sustainable results.

### **Coordination across Programs, Agencies and Jurisdictions**

Historically there has been little coordination among the many federal, provincial, and community agencies involved in Aboriginal programming and community development. Most often, programs have been governed by separate bureaucracies having little commitment to coordination and seemingly lacking a full appreciation of the interrelatedness of problems in distressed communities.

A comprehensive case management approach that addresses all aspects of an individual's social, health, and educational deficits, such as *Job Corps* in the United States, is one example of an effective integrated approach.

### **Combining Human Resource and Economic Development:**

Human resource development efforts, such as education and training programs, must be complemented by a broad program of economic development at the regional and community levels. Without a supply of jobs, training makes little sense for the economically disadvantaged. Programs may place individuals in short-term employment positions, but this is not the same as long-term sustainable employment.

Business development that includes a human resource component can be useful for economic development.

### **Linking Education and Training to Employment:**

Evidence from the Lessons Learned studies demonstrates that programs offered to economically disadvantaged persons that focus on short-term interventions have had only modest success. Intensive academic training, school-to-work transitions, and training that is linked to employment are the most promising approaches.

The Lessons Learned studies clearly demonstrate that a sound academic education is the key to long-term employability. Studies show that short-term, skill-specific training and employment programs do not compensate for basic academic skills. Nevertheless, many young Aboriginal people are in precisely this situation, having left school without the necessary skills for employment. Efforts undertaken early to ensure that schools retain their students are an effective approach. The key is to prevent problems before they arise, rather than attempt to fix problems once they are full blown.

Most employment and training programs have three main weaknesses:

- They do not provide the sequential learning or the essential reading and writing skills acquired through years of schooling.
- Limited skills training qualifies the participant for a specific job, but does not support the "jump" to a higher-level occupation that offers better pay and security.
- As a result, participants often cannot increase their wage earnings enough to remove the incentive to stay on social assistance.

### **Realistic Expectations:**

The Lessons Learned studies offer evidence of mixed success of programs and policies to foster community development. Expectations about what particular programs and policies can achieve must be realistic.

### **Short-term Interventions are Ineffective:**

Short-term interventions, such as employment and training programs, have not met with great success. In many of these cases, the interventions are insignificant in comparison to the magnitude of the problem. Often individual clients, and sometimes entire communities, must overcome an array of barriers, such as differences in language and culture, deficiencies in education, health problems, poverty, and isolation from markets. Surmounting these problems requires a comprehensive, long-term community development approach rather than residual programming.

### **Success will be Uneven**

Some communities will fail, others will thrive. In general, however, economic growth favours those areas that have natural resources or access to large markets.

At the same time, new technology can redefine what constitutes a resource. A decade ago, who would have thought that natural scenery and abundant wildlife could support more than fishing or trapping. Now eco-tourism flourishes and can generate significant wealth for a few remote communities. An entrepreneurial attitude, imagination, and choosing the right activity can overcome a poor resource base and remote location.

### **Entrepreneurship versus self-employment**

Many communities have created unique conditions for fostering economic development even where few apparent natural resources exist. These communities have successfully fostered entrepreneurship. Entrepreneurs identify business opportunities, and mobilize personal and other resources. They take risks and have the imagination to visualize how a new product or service will fill a need. Entrepreneurs are business leaders that hire employees and create jobs. We should draw a distinction between an individual who becomes self-employed as a carpenter and someone who borrows money to create a construction company with employees. The former is a self-employed tradesperson, the latter is an entrepreneur.

It may be imprudent to provide economically disadvantaged persons possessing little experience or education with a small capital fund to set up a business. Such participants usually do not possess business skills before entering such programs, have no access to further capital, and often have extreme demands on any savings they may muster.

Entrepreneurial activity emerges when the conditions are right. Effective leadership, sound institutions with integrity, and strong business relations are needed to create these conditions. Without them, training will not create new business to employ people. With them, training courses to create entrepreneurs are redundant.

### **STRENGTHENING ABORIGINAL PARTICIPATION IN THE ECONOMY**

Report of the Working Group on Aboriginal Participation in the Economy to Federal-Provincial/Territorial Ministers Responsible for Aboriginal Affairs and National Aboriginal Leaders May 11, 2001.

#### **Building Blocks:**

The Working Group agreed on the importance of identifying the following building blocks of Aboriginal participation in the economy. With respect to these building blocks, there is a need to recognize the diverse aspects and orientations of each provincial, territorial and federal jurisdiction.

These building blocks include:

- a supportive business climate;
- supportive governance arrangements;
- economic development funding;
- effective policy and regulatory arrangements;
- support for individual, community and institutional capacity-building, including appropriate education, training, and workforce experience, tailored to cultural, social and regional needs and the actual job market;
- access to capital;
- access to markets, including international markets;

- adequate infrastructure, including transportation, technology and telecommunications; and
- natural resource development.

### **Challenges and Barriers:**

Historical and current circumstances create challenges and barriers to the participation of Aboriginal individuals, businesses and communities in the mainstream economy.

The Working Group, taking into account the existing literature and contemporary discussion on this issue, has identified a number of these challenges and barriers. They are presented according to six themes used to organize this report: building understanding; maximizing economic potential; creating a stable business environment; human resources and support; physical infrastructure; and financing.

### **Building Understanding:**

- In some instances, communication linkages between appropriate Aboriginal and governmental representatives are not effective.
- Often there is inadequate Aboriginal input in government policy on economic development.
- Systemic barriers, misconceptions and stereotypes about Aboriginal people have had negative implications for Aboriginal participation in the economy.

### **Maximizing Economic Potential:**

- There has been a lack of diversity in the economic opportunities available to Aboriginal people, businesses and communities including such areas as natural resources development, tourism and technology.
- Many Aboriginal businesses have difficulty in accessing broader markets for their products and services.
- There are inadequate connections and linkages between Aboriginal communities and traditional economies with the mainstream economy.

### **Creating a Stable Business Environment:**

- Unresolved land settlement issues create uncertainty around land and resource use and ownership, making it difficult to attract and maintain investment opportunities.
- Smaller communities have faced an exodus of human and financial resources, resulting in economic leakage and a lack of qualified individuals to participate in economic initiatives.

### **Human Resources and Support:**

- Many Aboriginal businesses and communities lack business expertise in marketing,
- Bookkeeping, manufacturing and management skills.
- Education systems require support, particularly in curriculum development, to augment the foundation for capable human resources.
- In northern or rural remote communities, many Aboriginal businesses and communities lack access to, or awareness of, coordinated business support and advisory services.
- There is fragmented participation of Aboriginal people, taking advantage of existing training opportunities. However, even with access to appropriate training and

possessing the requisite skills, lack of experience seems to be preventing Aboriginal people from obtaining employment.

- The lack of senior-level representation of Aboriginal people within the workforce contributes to the difficulty in recruiting and retaining Aboriginal people.

#### **Physical Infrastructure:**

- Many Aboriginal communities, particularly those in remote or northern areas, have inadequate access to infrastructure, including roads and serviced lands.
- Transportation costs are particularly high in northern and remote communities. Marine infrastructure is a particular concern for Inuit communities.
- There is a lack of affordable access to high-speed Internet connections and limited and/or costly access to computer knowledge and hardware for Aboriginal businesses in remote areas.
- The availability and cost of energy in remote and northern communities can prohibit successful business development.

#### **Financing:**

- Aboriginal businesses often lack equity and have difficulty acquiring adequate business financing. Access to loan guarantees, equity and debt financing are issues for both business and community development.
- On reserve, *Indian Act* provisions pose particular obstacles to obtaining financing.
- The rural and remote locations of many Aboriginal businesses also mean that financial institutions may not be available in the community.
- The ability to access micro-lending is particularly important and can be difficult for small Aboriginal businesses.

A number of common elements evident among the best practices may clarify how best to address barriers identified earlier in the report. These common principles include:

- **Inclusiveness:** meaningful participation by Aboriginal communities and organizations should take place early in the planning stages of policy or program development to actively link Aboriginal organizations with business and industry and to allow for significant input from Aboriginal people to the process.
- **Transparency:** sharing of information and decision-making between Aboriginal people, governments, private sector, and other parties.
- **Flexibility:** policies and programs should allow for the possibility of tailored approaches to the various circumstances, recognizing cultural and regional differences and sensitivity and promoting awareness and understanding between Aboriginal and non-Aboriginal peoples.
- **Follow-through:** maintaining momentum through appropriate follow-up activities is critical, including support for human-resource development, infrastructure improvement and other issues.
- **Access to Equity:** offering access to equity is absolutely essential to strengthening Aboriginal participation in the economy. There is a need for more capital overall, and for a broader scope of financing instruments to better respond to the needs of Aboriginal individuals and communities (e.g., assistance in accessing private sources of capital).

- **Focus on Tangible Outcomes:** dedicated resources should be available for initiatives that have the capacity for success to, encourage stable and sustainable economic development.
- **Innovation:** all parties, including the private sector, should explore creative approaches “outside the box”.
- **Private Sector Involvement:** the knowledge and expertise of the private sector contributes to the success of initiatives undertaken in partnership.
- **Commitment:** the demonstrated commitment by Aboriginal communities, government and the private sector is necessary to support initiatives.

## **STRATEGIC APPROACHES**

The contributions of Aboriginal people and communities themselves, and their leadership, are obviously at the core of efforts to advance Aboriginal participation in the economy and for many, community economic development is a key component.

It is also important to acknowledge the interrelated factors contributing to economic development in Aboriginal communities and Aboriginal participation in the broader economy. There is an interdependence between social, economic and political factors in developing healthy and skilled individuals and communities with the capacity to participate fully in the economy. As well, early childhood development is critical for producing a competent and well-educated population that can participate in and support a strong economy. There is the need for governments to view this issue in a holistic manner that is multileveled and multi-sectoral approach.

There is agreement that approaches to Aboriginal participation in the economy should:

- include the promotion of sustainable economic development;
- take into account local and regional needs and be grounded in the priorities and visions of Aboriginal people and communities;
- recognize the diversity and varied needs of Aboriginal people (First Nations, Inuit and Métis) as well as the different locations in which they live (northern and remote, rural, urban, on and off-reserve);
- take into account the many types of economic activities in which Aboriginal people are or could be engaged;
- have a goal, over the long-term, of equitable Aboriginal participation in the Canadian economy; and
- broaden and strengthen the engagement of the private sector.

**Lessons Learned from Economic Development Policies, Programs and Services**  
*Human Resources Development Canada* <http://www11.hrdc-drhc.gc.ca/pls/>

**Without a supply of jobs, training makes little sense for the economically disadvantaged.**

One clear lesson emerges from the last 30 years of training - without a job, training does not matter. Programs may place individuals in short-term employment positions, but this is not the same as long-term sustainable employment. Those who are chronically on social assistance find it very difficult to obtain secure employment that matches their skills. This situation applies to many of Canada's Aboriginal people. A broad program of economic development at the regional and community levels must complement conventional skills upgrading and training for those on low incomes.

**It is the community that influences the economic development approach best suited to meet its needs. For Aboriginal communities, control over land and resources are a precondition for growth.**

Control over resources is essential for local economic development. Control over land is common to all the success stories of Aboriginal community development *outside urban areas* in Canada and the United States. A land base allows a community to develop resources and raise the capital used to create employment. In Canada, this is achieved through treaty land entitlements, specific and comprehensive land claims, and access to natural resources. In Australia, the federal government is purchasing land for its Aboriginal populations in an effort to compensate for their lack of land base.

**Success will be uneven.**

The community economic development literature identifies the factors associated with economic growth (such as access to resources, leadership, infrastructure investment, etc.) However, having this information will not automatically guarantee that the knowledge exists in Aboriginal and comparable communities to change the situation. One should expect to witness the same general patterns of success and failure within the set of Aboriginal communities as is seen generally.

**Key Factors in Community Economic Development:**

An appraisal of the Department of Regional Economic Expansion (DREE) identified several necessary conditions for regional economic development:

- Local leadership is essential in the form of business and community leaders, and the presence of industry associations willing to take the lead to promote growth.
- The degree of delegated authority must be proportional to the capacity of the community. Community structures must be capable of managing the programming offered by national and regional levels of government.
- A momentum exists in regional development, or in other words, *success breeds success*. Similarly, stagnation creates an inertia that is difficult to overcome.
- Communities with few resources or location disadvantages have not done well.

**The Entrepreneurial Community:**

Recent literature in community economic development has identified exemplary cases. These communities seem to have created unique conditions for fostering economic development even where few apparent natural advantages exist. The term "entrepreneurial community" refers to several distinct community attributes including:

- An entrepreneurial attitude or imagination visualizes how existing resources may be used to create new economic opportunity. Eco-tourism in remote areas is an excellent example.
- A comprehensive perspective exists where the leadership is able to integrate a broad plan to attract and retain business consistent with community values.
- Targeting ensures that development is consistent with existing activity.
- Effective partnerships between private and public interests are fundamental.

In the successful Aboriginal communities identified in the literature, a clear thread can be seen in terms of a leadership that understands how to create a strong climate for entrepreneurship.

**Creating Entrepreneurship is not the same thing as Self-employment:**

Many misunderstandings exist about entrepreneurship, none more pervasive than that it can simply be taught to any individual. Entrepreneurship is based on business savvy, capital, and management of employees. Programs that fund individuals with no previous business skills will not necessarily create entrepreneurs. Many training programs extol the virtues of entrepreneurship. Private training contractors offer workshops, and university MBA programs provide credit courses, to teach students the essence of entrepreneurship. Based on past results, these courses will probably not generate many entrepreneurs

**There is a difference between programs for self-employed workers and entrepreneurs.**

Many entrepreneurship courses simply teach basic business skills such as accounting, human resource management, marketing, etc. These are always valuable and will be needed by all Aboriginal communities.

Entrepreneurs identify business opportunities, mobilize personal and other resources. They take risks and have the imagination to visualize how a new product/service will fill a need. Entrepreneurs are business leaders who hire employees and create jobs. We should draw a distinction between an individual who becomes self-employed as a carpenter and someone who borrows money to create a construction company that will have employees.

In addition, it may be imprudent to provide economically disadvantaged persons who have little experience or education with a small capital fund to set up a business. Such participants usually do not possess business skills before entering such programs, have no access to further capital, and often have extreme demands on any savings they may muster.

The entrepreneurship that is evident in the business creation within successful Aboriginal communities bears no resemblance to the workshop training so popular nowadays. The literature on entrepreneurship and the case studies on successful Aboriginal communities clearly show that entrepreneurial activity emerges when the conditions are right. Effective leadership, sound institutions with integrity, and strong business relations - are needed to create these conditions. Without them, management training - no matter how extensive will not create new businesses to employ people.

**Business support programs based on investment principles are more effective.**

Many programs in Canada, Australia and the United States provide support to business through grants and project funds. These types of supports allow businesses to set up shop, expand their markets, or set up necessary infrastructure to attract investment or clientele. Studies in Canada found that funding to support business based on financial and market analysis produced better success rates than past programs, which only had the simple objective of creating jobs

**Entrepreneurship flourishes when key conditions are created by the community.**

Effective community leaders understand that entrepreneurs flourish when community governments provide the proper environment. As the community development literature

shows, this means creating an environment where risk can be managed. This is quite different than creating a risk-free environment, since in those settings, the return is so low, no entrepreneur would be interested.

### **Partnerships are important to developing economic opportunities in the entrepreneurial communities.**

Successful business development initiatives are often joint ventures between the private sector and Aboriginal communities, however defined, and whatever the economic strategy. Numerous examples exist of successful communities and best practices across Canada and the United States.

### **Key Lessons in Aboriginal Community Economic Development.**

Cornell and Kalt (1998) are at the forefront of understanding Aboriginal economic development in the United States and identify four conditions that:

*taken together, constitute a set of necessary and sufficient conditions for real economic development to take place on a reservation: (1) cultural match with formal institutions, (2) a formal governmental system that provides for a separation of powers, (3) a willingness to specialize and trade "internationally" with off-reservation economies and (4) a modest endowment of either labour or natural resources.*

#### **Aboriginal communities need to:**

- ***align their own culture with governance***
- ***separate business and politics***
- ***trade externally***
- ***have availability and control of labour or natural resources.***

### **Separation of Politics and Business underpins Community Development.**

The case studies as well as research on the key factors of community economic development demonstrate that politics and business must be separate. This is not just a lesson for Aboriginal community development, but also a consistent theme for all communities. When community decisions reflect the interests of a small group, the risk associated with business rises sharply and chokes entrepreneurship and economic growth.

The study found successful Aboriginal communities separated business from politics by creating a development corporation with an independent board of directors

### **Capacity building in the fullest sense. The term "capacity building" is broad and includes a range of administrative, business and bureaucratic skills.**

The concept may be defined as including the following elements:

- creating infrastructure (physical and human);
- designing political processes that focus on the long-term planning for the community;
- nurturing an effective and progressive business community;
- developing business services (legal, research and accountancy) to support the external relationships with off-reserve businesses and governments;
- creating a functional "civil service";
- fostering a community consensus on growth that is consistent with the historical values of the community.

Another important factor influencing capacity building is cultural heritage and traditions that are often naturally incorporated into a community's vision. Community leaders can use culture as a strategic tool to implement this vision and provide feedback to business leaders and boards of directors of development corporations.

#### **Flexible Funding Arrangements:**

Funding arrangements have considerable potential to support economic development. A flexible arrangement allows community organizations to allocate funding to its own priorities without fitting the spending into preconceived categories.

**Aboriginal Economic Development in Atlantic Canada. Lessons Learned and Best Practices** March 2003. *Atlantic Canada Opportunities Agency and Canadian Institute for Research on Regional Development.*

### **BEST PRACTICES SUCCESS FACTORS**

#### **Building Foundations in Community Capacity:**

Economic development has a much greater chance of success in a stable political environment. There is a need to create a governance climate that is conducive to economic development. Issues of governance and institution building are most often enumerated as conditions to success. Evaluating communities' needs and developing means to address them is also part of community planning. Five conditions underline the foundations in community capacity: governance, planning, using a holistic approach, choosing projects/initiatives that are in tune with communities' desires and needs, linking projects together and not overlooking small changes that have big impacts within the communities.

#### **Building on Talent and Energy:**

Human Capital: Building a workforce of skilled workers is fundamental to the promotion of Aboriginal economic development. In fact, economic development will not succeed in isolation from human capital. Skills, knowledge and expertise are largely acquired through education or work experience. There is no doubt that the situation today has much improved over the last 50, or even 15 years. In time, a skilled workforce will generate important returns in terms of economic development for communities, businesses, entrepreneurs, and the region as a whole. Four conditions are essential to build on talent and energy and increase human capital: having qualified people in place, capacity building within the community, building relationships based on trust, and engaging youth.

#### **Gaining Accessibility and Control of Resources:**

An important aspect in promoting Aboriginal economic development lies in the area of the commercial development of natural resources. Many Aboriginal communities in Atlantic Canada attribute their economic development success to being able to manage and develop their natural resources. Aboriginal communities are becoming players in market economies and are turning their attention to other development opportunities ranging from value-added products to aquaculture. Today, we find Aboriginal communities participating in the management of fishery, forestry, mining, aquaculture and tourism.

#### **Making Traditions Work:**

Aboriginal peoples have deep ties with their cultural background. Success in economic development is evident in projects that have incorporated culture and are striving to find alternative ways of keeping traditions alive. Among the important lessons learned in many Aboriginal communities in Atlantic Canada is that culture sells.

### **Building networks of support and open co-operation**

Sharing best practices is a must in Aboriginal economic development in Atlantic Canada. Building networks of support and open co-operation leads to successful solutions and information sharing. The Aboriginal Business Service Network (ABSN) the Atlantic Aboriginal Economic Development Network and trade shows such as NEXUS are examples of bringing Aboriginal stakeholders together to discuss economic development.

### **Aboriginal-led initiatives encourage entrepreneurship**

There is no doubt that Aboriginal-led initiatives facilitate entrepreneurial capacity building within communities. Aboriginal leaders entrepreneurs and communities must choose to focus on winning projects or initiatives for self- sustaining economic growth. As people learn and grow from implementing a successful project or running a successful business operation, they gain the confidence to take on new initiatives these projects have to be initiated at the grass-root level to create ownership within the communities.

## **THE KEY ELEMENTS OF SUCCESS**

Implementation Committee for the Economy Building Workshop, Strategies for Building the Atlantic Aboriginal economy, Amherst: The Atlantic Policy Congress of First Nation Chiefs, 2001 <http://www.apcfn.ca/ecdev/>

The key elements identified by the Atlantic strategy focus on different levels of participation. Some are best carried out at the community level and still others by all Aboriginal communities co-operating as a whole:

1. Expanding the land base of the communities through such means as a speedy settlement of land claims, obtaining a share of royalties from companies that exploit resources on traditional lands, negotiating more favourable federal-provincial economic development agreements in such areas as forestry and fishing, and building technical/scientific capacity;
2. Improving the capacity to develop and apply new and appropriate technologies. This involves such steps as expanding the opportunity for Aboriginal youth in the region to be trained in technical fields improving the basic information literacy levels of the community members and sharing information about the use of information and other technology in Aboriginal economic development;
3. Expanding the markets for Aboriginal businesses by identifying what goods and services Aboriginal communities now purchase, and encouraging the formation or expansion of Aboriginal businesses to serve this market on a local or regional basis. Aboriginal people also need to strengthen their capacity to access non-Aboriginal markets within and beyond the Atlantic region. For example, consideration should be given to the creation of an Atlantic region Aboriginal marketing board with respect to the fisheries sector;
4. Aboriginal people face certain problems with respect to accessing capital, such as the shortage of equity capital among their entrepreneurs, the difficulty of providing loans to

very small businesses (micro lending), being able to access larger investment capital from sources such as ACOA and Aboriginal Business Canada, and providing security for loans made to businesses on reserve. The strategy includes recommendations to improve access to capital;

5. The need to take steps to stimulate and support entrepreneurship. This can be done by developing an improved training process for entrepreneurs, recognizing business success and best practices, and increasing the community awareness about the need to encourage successful business development;
6. The economic base of Aboriginal communities can also be strengthened by its labour force obtaining good, well-paying jobs in the non-Aboriginal economy. This can be achieved by negotiating employment and contracting agreements with major employers, and by assessing how well current strategies are working for the Aboriginal people (e.g. mechanisms to match the Aboriginal labour force with employment opportunities, employment equity and anti- discrimination policies and programs);
7. Plans to build an Aboriginal economic base will be severely constrained if the Aboriginal people of Atlantic Canada do not have a well-educated and trained labour force. There is a need to project where the Aboriginal economies are going and what gaps exist in the availability of educated and trained Aboriginal personnel. There is also need to overcome the shortage of Aboriginal persons educated in the maths and sciences, in the professions and skilled trades, and in specific fields such as business and economic development, information technology and occupations related to lands and resources;
8. Aboriginal families struggle with certain health and social problems that are much more prevalent than they are in the mainstream society (e.g. smoking, diabetes). Certain issues concerning dependence on social assistance, alcohol and drug abuse, and family and child welfare needs to be addressed. The approach favoured would have the economic development officers working closely with personnel from other Aboriginal social agencies to develop and implement a balanced, co-ordinated approach to the social and economic development of Aboriginal communities;
9. In the area of governance and institutional development, recommendations were made with respect to the creation of a network of EDO's in the Atlantic region. The plan also underlined the potential in establishing a capacity to identify and pursue larger economic development projects on a regional basis, and expanding the community planning process that has already been initiated in several Aboriginal communities in Atlantic Canada. In general, the plan emphasizes the importance of creating a political/governance climate that is conducive to economic development.

*Newhouse, David. **The Development of the Aboriginal Economy over the Next 20 Years.** Journal of Aboriginal Economic Development Vol. 1 No. 1, pgs. 68-77. 1999*

The author states there are five factors, which appear to be critical to the success of Aboriginal economic development:

#### **1. Restoration of power and control over lands and resources**

The RCAP report reinforces the fundamental axiom—that without a critical mass of land and resources coupled with the authority (and related governance machinery) to exert control over their use—little development can occur. It is important that local Aboriginal governments have ownership and stewardship over lands, natural and fiscal

resources. Local governments must have ways of defining ownership of lands and resources, describing the rights that accrue with ownership, transferring ownership, and similar registrar functions, defining and collecting taxes and other fees.

**2. The development of a positive and encouraging social/political/cultural climate for Aboriginal economic development.**

The work of the Harvard Project on American Indian Economies indicates the need to create a positive and supportive climate for development. It must provide a degree of stability for business people, provide security of assets for companies from appropriation by governments or others, and be consistent with the cultural norms of the community. It is important to develop within the community a sense of legitimacy for economic development and its related activities. Forms of ownership must be consistent with cultural understandings as well. Community members must be assured that development will occur within the broad ethical guidelines of the culture.

**3. The development of enabling instruments for use in surmounting the problems facing Aboriginal economic development.**

Aboriginal economic development initiatives face unique difficulties in several areas: accessing capital, pledging collateral and acquiring credit, accessing banking services in remote areas, accessing management and technical advice away from major urban centers among others. It is important that there be the development of enabling instruments which will assist Aboriginal people to deal with these problems. For example, recent changes to the Indian Act have made it easier to use reserve lands in development projects without losing control of them; some innovative lending circle and micro lending projects have made it much easier for micro businesses to acquire start-up capital; some community development organizations have entered into agreements with local community colleges or universities for the provision of management and technical business advice using senior and graduate students.

**4. The development of a skilled and positive forward-looking labour force**

A trained, skilled and experienced labour force is important to economic development. The resulting businesses and related enterprises need individuals who have a broad range of skills to work within them. It is important that these individuals have a solid base of technical skills as well as a positive attitude toward economic development. There should be an effort made to match training initiatives with local needs. It is important that there be some mechanism which connects local labour markets with local governments or organizations so that this matching can occur with a degree of certainty.

**5. An acceptance and willingness to engage in economic activity by the mainstream in collaboration with Aboriginal People.**

The RCAP report indicated that most of the Aboriginal economic activity is invisible to mainstream Canada. It also found that many Canadians continue to see Aboriginal people in historical terms and rarely see them in contemporary terms as capable of contributing to the development of their own communities let alone the rest of Canada. Many industry/sector organizations are starting to see Aboriginal economic development activity as an opportunity for their members to become involved in new markets, new products, new ways of doing business, etc. Some are actively encouraging their members to become involved with Aboriginal businesses for a

variety of reasons. It is important that these efforts be encouraged and assisted, as they can be the foundation of new enterprises and increased economic activity.

Given the complexity of the Aboriginal environment, the tasks facing economic developers become daunting and even more so when one begins to realize that progress will most likely be slow and difficult.

**People to People, Nation to Nation Highlights from the Report of the Royal Commission on Aboriginal Peoples.** 1996. Minister of Supply and Services Canada.

The Royal Commission on Aboriginal Peoples found that since 1960, the federal government has pursued the following five approaches to economic development:

- migration to mainstream employment sites, especially urban areas;
- business development;
- sectoral development;
- human resource development; and
- community economic development.

Reflecting on the experiences with economic development policy and programs over the past thirty years, the Royal Commission made the following conclusions:

Single focused approaches of the past have had limited success. Government policy must acknowledge the diversity of Aboriginal economies and Aboriginal economic goals. Its aim should be to facilitate, encourage, advocate, assist and support the development of sustainable economies. This means establishing a broad policy framework within which Aboriginal communities and nations can design their own instruments to further their objectives.

Aboriginal Peoples must have stewardship of their economies if development is to succeed. Aboriginal Peoples must be able to plan the development of their economies, develop the projects, implement them, monitor them and change them if necessary. To accomplish this, government policy should continue to encourage the development of Aboriginal economic institutions to play a variety of roles, including the provision of capital, sector development, management and technical assistance, economic analysis and planning support.

Economic development is unlikely to succeed if the severely constrained land and resource base is accepted as given. Public policy must come to grips with these factors before even the best-designed business development program can be expected to be broadly successful.

Consideration must be given to the most appropriate units for economic development. For the most part, policy and programs have been geared to individuals. While community-based economic development is important, it is also important to consider what can be accomplished by working with units of larger scale.

Economic development of Aboriginal communities cannot occur in isolation from the rest of the Canadian economy. Aboriginal People's overall participation in the Canadian economy has been marginal: if they have participated as workers, it has usually been in low-skilled, low-wage, easily lost jobs; if they have participated as business Peoples, they have encountered significant obstacles, such as racism and insufficient access to capital. In many cases, local Aboriginal economies are invisible to the surrounding economies, although they are significant contributors to those economies. Aboriginal Peoples must

participate in federal, provincial and local economic planning mechanisms. The establishment of genuine partnerships with the non-Aboriginal private sector should also be encouraged.

Holistic approaches to development are crucial to sustainability. Economic development must be accompanied by activities that, while not focusing directly on economic development, still have a significant affect on it. These activities include education, improving overall levels of health, developing positive cultural identities, and building and maintaining infrastructure and services for communities and families. In the absence of improvements in these other areas, economic development will be curtailed.

*Fred Wien, Maritime School of Social Work, Dalhousie University **The Royal Commission Report: Nine Steps to Rebuild Aboriginal Economies**. Presented at the Cando-Royal Bank Symposium on the Economic Development Recommendations of the Royal Commission on Aboriginal Peoples Toronto, Ontario, October 23, 1997*

The presentation highlighted nine steps to rebuild aboriginal economies

### **1. Regaining Control**

The Commission in its recommendations supports the inherent right of Aboriginal nations to govern themselves and urges federal, provincial and territorial governments to make room for an Aboriginal order of government in Canada. Until such time as self-government is achieved, the Commission recommends that governments move away from fragmented, project by project funding with narrow mandates. It advocates the signing of long-term development agreements which will provide funds in block form and which will greatly increase the flexibility of Aboriginal governments in advancing economic development according to their own priorities.

### **2. Rebuilding Aboriginal Nations**

The Royal Commission's Final Report makes a strong argument for the Aboriginal nation as the appropriate unit to exercise powers of self-government, and argues that steps should be taken to rebuild and revitalize this historically important level of organization among Aboriginal peoples. By using the term "nation", the Commission refers to "a sizeable body of Aboriginal people who possess a shared sense of national identity and constitute the predominant population in a certain territory or collection of territories".

With respect to economic development, the case for organizing activity around the nation, as opposed to or in conjunction with individual communities, is essentially the argument surrounding economies of scale. A project that is not viable if carried out by an individual community may well be viable if carried out by a grouping of communities organized into a nation. While each community needs to have economic development personnel, it need not necessarily have an Aboriginal capital corporation, or a research and policy unit, or a marketing agency.

### **3. Building Institutional Capacity**

Long-term economic development will be elusive unless Aboriginal governments can take effective action in the development of effective institutions. The latter have three characteristics:

- Such institutions need to be seen to be legitimate by the people of the community or nation, capable of mobilizing and sustaining support. This is more likely to occur if the institutions are congruent with the culture of the nation.
- Secondly, Aboriginal institutions for economic development need to be able to implement strategic choices effectively. That is, they need to have the capacity to develop and implement rules and procedures that are seen to be fair, carried out by a well-trained and professional staff.
- Finally, the institutions need to create a political environment that is safe and secure for development, one that can attract confidence, commitment and investment. This requires in part:

In order to have effective institutions the following must be addressed:

- finding a way to separate and limit powers in order to minimize the abuse of power. In particular, this requires finding a way to draw the line so that the wealth of the community is not exploited for personal gain by those who have political power in the community
- having a fair and impartial mechanism for settling disputes
- finding a way to guard against the inappropriate involvement of political leaders in the day-to-day decisions of business ventures or of economic development institutions. Political leaders do have an important role to play in economic development -- for example, in setting long-term goals, identifying appropriate strategic directions, and in putting in place the institutional base for economic development -- but that role should stop short of interference in the day-to-day operation of businesses or economic development organizations. This does not mean that a community can't have collectively-owned businesses, or publicly established economic development organizations, only that such institutions need to operate at arms length from the political leadership in terms of their day-to-day operations.

#### **4. Expanding Lands and Resources**

The Commission's research clearly documents that making full use of available economic opportunities entails having an expanded land base and/or better access, ownership or control over resources such as fish, minerals, wildlife or forests.

#### **5. Recognizing Aboriginal and Treaty Rights**

One of the principal ways in which the land and resource base can be expanded is through the recognition of Aboriginal and treaty rights. This is perhaps most obvious when Aboriginal rights are recognized through comprehensive claims settlements, which make available an expanded land and resource base, provide capital and other supports for economic development, and in some cases also include negotiations over the scope of Aboriginal self-government. Whether the result is an expansion of business opportunities or new positions available in the public sector, the end result is a significant expansion of economic opportunities

#### **6. Building Aboriginal Businesses**

The Commission's case studies and other reports provide some insights into the kinds of measures that need to be taken to provide support for Aboriginal business development in addition to those (such as the expansion of the land and resource

base) that have already been mentioned. These include recommendations such as the following:

- improving access to capital through the establishment of banking facilities at the community level, making funds available to establish micro lending circles, strengthening the Aboriginal capital corporations, making greater use of revolving loan funds, surmounting problems of access to credit on reserve through such means as Kahnawake's trust deed loan system, and establishing a national Aboriginal development bank.
- supporting entrepreneurship through improved business advisory services, including support for new entrepreneurs in the critical months after the business is established.
- improving and expanding access to markets through such measures as the establishment of effective contract set aside programs, support for a trade promotion capacity within Aboriginal economic development institutions, and the labelling, protection and

## **7. Supporting Traditional Economies**

The traditional economy is for northern Aboriginal populations in particularly important, as the preferred way of making a living, as a source of nutritious country food, as one component in a mixed economy, and as a repository for Aboriginal ecological knowledge. The Commission's research leaves no doubt that this sector should be supported as one of many options for making a living.

## **8. Overcoming Barriers to Employment**

A major study revealed that by far the largest perceived barrier to employment is the lack of available jobs. High unemployment or underemployment in Aboriginal communities is typically a function both of conditions specific to the community, such as the state of business development or the education/training level of the adult population.

The second most significant barrier relates to the mismatch that is perceived to exist between the person's education/training qualifications, and the jobs that are available. The Commission's research on economic development repeatedly comes back to issues of education and training, and it does so for good reason. Available data clearly shows the relationship between levels of education and levels of unemployment (or many other measures of labour market outcomes). Indeed, it is difficult to envisage successfully carrying out strategies to expand employment without building in closely linked strategies for making sure that properly qualified Aboriginal persons are available to assume the new positions.

At least three other barriers stand in the way of an effective employment equity program. The first is the lack of suitably qualified individuals for the positions that may be available. The second is the fact that most employers are relatively passive about their recruitment efforts, typically waiting for Aboriginal applicants to come to them and make their qualifications known. The third is that most employers are geared to dealing with individual applicants; there is no effort made to connect with the community as a whole.

## **9. New Approaches to Income Support**

Aboriginal communities with high levels of unemployment typically receive major infusions of funds from transfer payments provided by provincial, territorial and especially the federal government. Social security payments such as unemployment insurance, veteran's benefits and old age pensions make up a portion of the total, but social assistance or welfare is the most significant item.

Typically these transfers are considered to be individual entitlements, paid to persons as a matter of right on the basis of need, and not requiring much of the recipient. The payments basically set a meagre floor for incomes, and provide the means for ensuring that groceries, fuel oil, shelter costs and similar items can be purchased.

As we have seen above in the case of harvester support programs, transfer payments need not be provided only in this way. They can be designed in such a way that they support productive activity, and indeed some Aboriginal communities take advantage of the limited flexibility allowed them by outside governments to use their social assistance money in more creative ways \_ for example, to provide wages rather than social assistance to those encouraged to work on a housing project. Others require recipients to develop a plan of action for getting off social assistance and to implement the plan in exchange for the financial assistance that is provided.

Perhaps the most radical departure from established patterns is what might be called the community entitlement approach, modelled by the Australian community development employment program. Here, the community decides democratically that it would like to shift from a system of individual entitlement for social assistance to one of community entitlement. The community develops a plan for particular projects that would improve community infrastructure, for example, or the economic development of the community, and an application is made to the source of welfare funds. In Australia this is the Aboriginal and Torres Strait Islander Commission. If the proposal is approved, then an amount equal to what the community would have received under the more normal individual entitlement welfare system is transferred to the community. In addition, a top-up amount of up to 20 per cent is provided to meet the costs of equipment for the project. As the projects are implemented, those who work on them are paid in the form of wages rather than social assistance. In this way, the community benefits by having much-needed work completed in the interest of the social and economic development of the community. This is another example of how income support funds, which usually support only consumption, can be used in more productive ways to provide employment and to lay the basis for the further development of the community.

**Henson, Eric and Jonathan B. Taylor et al. NATIVE AMERICA AT THE NEW MELLENIUM**

**ECONOMIC DEVELOPMENT**

Economic development is taking root in Indian Country, albeit unevenly across tribes and industry sectors. While there are notable successes in activities such as mining coal, selling big game hunts, operating ski and golf resorts, "e-tailing" silverwork, marketing olive oil, and building tank motors, much still needs to be done to raise incomes, improve profitability and develop economies. Since 1988, 198 of the 559 federally recognized tribes have entered into gaming, though 22 operations account for 56% of the total revenue generated by Indian casinos. Success in this sector is primarily due to favorable geographic location, an attribute that many Indian nations do not possess.

Past models of “development by job creation” or “development by federal grant writing,” are on the wane, largely because of their failure. Contemporary nation-building approaches, in which tribes build their capacities to govern, and thereby encourage tribal and outsider investments, are in the ascendancy. Although economies throughout Indian Country are still largely dominated by the government sector, the business sector is growing rapidly. Native businesses (both on and off-reservation) grew at a rate of 93% between 1987 and 1992 as compared to 26% of all US businesses in the same period. At the same time, a Native-controlled non-profit sector is emerging to supplement private and government-led economic development.

Numerous barriers to development continue to exist, ranging from the legal and other impediments of scrutinizing ownership interests to the difficulty individuals have accessing capital and developing entrepreneurial skills and financial literacy. It is often easier to understand the newly developing economies of Indian Country by comparing them to the government-controlled economies of Eastern Europe and the former Soviet Union. Indeed, over the last century, Indian nations have been involved in the long and slow process of recovering from being part of a command-control economic system that the US government superimposed over once-vibrant traditional economies. Since the 1970s, when the Federal Government embraced the twin policies of self-determination and self-governance, a growing number of tribes have built – or are in the process of building – sustainable economies; however, Indian Country has a long way to go before economic prosperity becomes a widespread reality. But positive change is taking place.

#### **Past Efforts:**

While it would be expedient to exclude a description of the past failed federal economic policies as they relate to tribal economies, it is important to look at former economic development efforts in order to draw lessons for future policy making and donor involvement. One can go back over a century to uncover federal government policies that used economic, employment and poverty relief strategies as motivations for assimilationist policies that, in retrospect, accomplished little except the disintegration of the culture and dispossession of land and natural resources. Allotment of tribal land to Indian individuals beginning in 1887, for instance, was motivated by the seemingly sensible notion that Indians would be better off as self-employed homesteading farmers. That policy was an acknowledged disaster for tribes and individual Indian people, and tribes throughout Indian Country are still struggling to regain control of one of their most critical assets – land. More recently, the BIA espoused the view that Indians would develop in proportion to their willingness to abandon their Indian cultures and assimilate. Subsequent research indicates that acculturation is not required for economic development; indeed, indigenous cultural norms, activities and institutions are resources upon which economic development can be built.

Even when assimilation was not an issue, employment was often the cart that drove the economic development horse. The acute poverty of Indian reservations was the impetus for a federal approach to Indian economic development that focused on “getting the next project going.” Congress mandated the Economic Development Administration (EDA) of the US Department of Commerce in the 1960s “to generate jobs, help retain existing jobs, and stimulate industrial and commercial growth in economically distressed areas of the United States.” The EDA granted capital for physical investments associated with specific projects, e.g., a building for a manufacturing facility. Other agencies had similar project-oriented approaches, with none addressing the fundamental causes of economic underdevelopment.

This “economic-development-by-project-initiation” approach failed in most places for a number of reasons. It was prone to fads of one-size-fits-all projects that were applied uniformly across Indian Country. Projects were often unsupported by competent business analyses and market feasibility studies. Investments were usually unaccompanied by the financial accountability for success that is demanded by private capital markets. No internal capacity was ever developed since outside management usually led the projects. And, most importantly, the investments were virtually always unaccompanied by a systematic approach to dealing with the underlying barriers to on-reservation economic development. Not surprisingly, the legacy of this approach is, by and large, a litany of defunct enterprises and dilapidated buildings. Few, if any, of these employment-driven initiatives survived longer than a single-cycle investment.

The federal project development approach warped the internal tribal machinery of economic development. Tribal economic development “planners” were not in fact planners; they were (and in many cases, still are) grant seekers whose success is measured solely on the basis of how much federal largess they could direct toward their tribes. More insidiously, the federal project approach encouraged tribal elected leaders to focus on federal prerogatives, rules and approaches rather than on the task of building solid economic policies and sound governments. Internally, this process often created a destabilizing electoral dynamic: If the tribal government received grants, tribal politicians were re-elected. If not, the elected government would completely change hands and a politics of spoils would decimate the institutional memory of the tribal bureaucracy. This injurious approach to economic development has engendered dependence on the Federal Government, encouraged tribes to run their enterprises as job engines, which has too often led to bloating and bankruptcy, and created the perception that reservations are not good places for investment. For example, joint venture partners looking for investment opportunities may look elsewhere fearing unfair treatment in a contract dispute, or tribal members may choose to remain with a Fortune 500 company and not move back to the reservation due to job insecurity.

### **New Approaches:**

As described above, most of the approaches to economic development in Indian Country have been single-strategy interventions. Oftentimes, these interventions are project-driven or focused on a specific sector such as resource extraction, manufacturing or tourism. Comprehensive multi-faceted strategies are seldom used. As with the rest of the country, poverty alleviation strategies in Indian Country have focused on supplementing income through various programs such as job creation, welfare and other general assistance programs. Only within the past few years have development efforts begun to shift from this income-supplementing or deficit-focused model, to asset-focused development strategies, in which emphasis is placed on good governance, investments, savings and wealth. New thinking on economic development argues that such asset-based strategies contribute positively to the development of a community in ways that capture both economic and non-economic benefits.

The work of the Harvard Project has focused on a nation-building approach in which tribes assert their sovereignty by developing effective governing systems. This approach, which emerged in the mid-1980s and is based upon comparative research across a spectrum of tribal contexts, holds that successful, self-determined economic development is only possible when tribes effectively exercise their sovereignty, and back up those assertions with capable and culturally appropriate institutions of self-government. The research indicates that the best predictors of reservation economic success are *not* large natural resource endowments, high levels of educational achievement, favorable market access, or

other classical economic factors. Rather, the nation-building approach contends that economic development is first and foremost a political challenge. It is only when tribes take control of reservation decision making, establish effective and legitimate governing institutions, and embrace strategic use of natural resources, education, location, capital and other assets that successful and sustainable economic development efforts emerge. Where these tribal government-oriented attributes are absent, tribal assets (e.g., an educated citizenry, natural resources, and the like) are more often squandered, failing to deliver sustainable economic performance or lasting improvements in community welfare.

The work of First Nations Development Institute (FNDI) expands the context of tribal control of assets to a broader framework for development to encompass tribal governments, individual Native people, communities and the emerging non-profit and for-profit sectors on reservations. This asset-based development approach recognizes that tribes and Native people “own” substantial assets but have been unable to control them and, therefore, have been unable to derive the most benefit. Once tribes control their governments, they seek ways to exercise sovereignty by creating new assets, utilizing current assets more effectively, and leveraging their existing assets more productively. However, other reservation-based institutions and individual Native people exercise control of tribal assets as well. Historically, tribal communities have seen the erosion of their governments, land, language, culture and children and thus their ability to generate wealth. The result has been poverty, dependency and disenfranchisement. In order to rebuild their communities and reservation economies, tribes must regain control over the aforementioned assets. Self-determination and self-sufficiency are policies and ideas that not only apply to tribal governments – but to all tribal members and institutions.

*Stephen Cornell and Joseph P. Kalt* **WHAT CAN TRIBES DO? STRATEGIES AND INSTITUTIONS IN AMERICAN INDIAN ECONOMIC and RELOADING THE DICE: IMPROVING THE CHANCES FOR ECONOMIC DEVELOPMENT ON AMERICAN INDIAN RESERVATIONS**

Three things emerge as crucial pieces in the development puzzle.

**The first is sovereignty.** Perhaps the greatest development asset Indian nations possess is sovereignty: the power to make decisions about their own futures. It is a tenuous power, dependent on the good will of Congress, the unpredictabilities of the courts, and, ultimately, the support of the public. But it is a key to economic development.

**The second is institutions.** Sovereignty alone is hardly sufficient for overcoming the immense problems tribes today face. Our research clearly indicates that, in the development arena, the single factor that most clearly differentiates “successful” tribes from “unsuccessful” ones is their ability to *effectively exercise* their sovereignty, to turn it from a legal condition or rhetorical claim into a practical tool for nation-building. Institutions are key to that transition. But the transition is difficult. It requires, in many cases, institutional innovation. It requires the development of governing institutions that can pass two tests. The first is the test of *adequacy*: The institutions themselves have to be effective at solving the problems of managing sovereign societies. The second is the test of *appropriateness*: In order to be fully effective, tribal institutions not only have to be designed to work in the abstract; they have to fit the informal institutions—the culturally derived norms and preferred ways of doing things—of the tribal community.

**The third factor is development strategy:** choosing the economic policies and the specific development projects to pursue. Here again, adequacy and appropriateness

matter. On the one hand, development strategies have to confront the realities of the external market and of the internal natural, human, and capital resource assets of the tribe. On the other hand, both overall economic policies and the selection of development projects have to pay attention to the culturally derived norms and preferences of the community. Tribes that pay adequate attention to these issues can overcome, to some degree at least, significant disadvantages in other areas such as natural resources, workforce experience, or location. At the same time, tribes that fail to grapple effectively with these issues are less likely to be able to turn certain advantages, such as market access or significant resource endowments, into sustainable development

## **THE DEVELOPMENT GAMBLE**

Economic development is a difficult task anywhere in the world. In Indian Country, however, self-determined economic development is a major gamble: the odds are hardly promising; the effort required is tremendous: the results are at best uncertain. A few tribes—for the time being, at least—have won.

## **OBSTACLES TO DEVELOPMENT**

The obstacles are daunting. Tribes face a host of problems. Some of these problems are shared with other would-be developers—countries, cities, states—while some are specific to Indian tribes. Among the obstacles often listed in reports and studies or mentioned in Indian Country as explanations of continuing reservation poverty are these:

- Tribes and individuals lack access to financial capital.
- Tribes and individuals lack human capital (education, skills, technical expertise) and the means to develop it.
- Reservations lack effective planning.
- Reservations are subject to too much planning and not enough action.
- Reservations are poor in natural resources.
- Reservations have natural resources, but lack sufficient control over them.
- Reservations are disadvantaged by their distance from markets and the high costs of transportation.
- Tribes cannot persuade investors to locate on reservations because of intense competition from non-Indian communities.
- Federal and state policies are counterproductive and/or discriminatory. The Bureau of Indian Affairs is inept, corrupt, and/or uninterested in reservation development.
- Non-Indian outsiders control or confound tribal decision-making.
- Tribes have unworkable and/or externally imposed systems of government.
- Tribal politicians and bureaucrats are inept or corrupt.
- On-reservation factionalism destroys stability in tribal decisions.
- The instability of tribal government keeps outsiders from investing.
- Reservation savings rates are low.
- Entrepreneurial skills and experience are scarce.
- Non-Indian management techniques won't work on the reservation.
- Non-Indian management techniques will work, but are absent.
- Tribal cultures get in the way.
- The long-term effects of racism have undermined tribal self-confidence.
- Alcoholism and other social problems are destroying tribes' human capital.

## **KEY DEVELOPMENT INGREDIENTS**

The key ingredients of development can be divided into three categories: external opportunity, internal assets, and development strategy.

## **EXTERNAL OPPORTUNITY**

External opportunity refers to the political, economic, and geographic settings that reservations find themselves in and by which they are linked to the surrounding society. These settings can limit or enhance tribes' opportunities to accomplish their development goals, and are part of the reality they must deal with. The critical factors are:

1. *Political sovereignty*: the extent to which a tribe has genuine control over reservation decision-making, the use of reservation resources, and relations with the outside world. As discussed more fully below, the evidence is clear that as sovereignty rises, so do the chances of successful development.
2. *Market opportunity*: unique economic niches or opportunities in local, regional, or national markets. These opportunities can come from particular assets or attributes (minerals, tourist attractions, distinctive artistic or craft traditions), or from supportive federal policies (as in gaming, wildlife, and favorable tax treatment). As such opportunities increase, so do the chances of successful development.
3. *Access to financial capital*: the tribe's ability to obtain investment dollars from private, governmental, or philanthropic sources. Access depends on such factors as federal tax policy, tribal reputation, private sector knowledge and experience, and public funding. As access to capital improves, so do the chances of successful development.
4. *Distance from markets*: the distance tribes are from the markets for their products. The greater the distance, the more difficult and costly it is to serve those markets, reducing the chances of successful development.

## **INTERNAL ASSETS**

Internal assets refer to characteristics of tribes themselves and the resources they control that can be committed to development. The critical factors are:

1. *Natural resources*: minerals, water, timber, fish, wildlife, scenery, fertile land, etc. As natural resource endowments rise, so do the chances of success. It is worth noting, however, that such resources are not necessarily the key to successful development. A number of tribes with substantial natural resource endowments have been unable—despite major efforts—to turn them into productive economic activity, while some tribes almost completely lacking in natural resources have done quite well.
2. *Human capital*: the skills, knowledge, and expertise of the labor force. These are acquired largely through education or work experience. As human capital rises, so do the chances of successful development.
3. *Institutions of governance*: the laws and organization of tribal government, from constitutions to legal or business codes to the tribal bureaucracy. As these institutions become more effective at maintaining a stable environment in which investors feel secure and effort is rewarded, the odds of successful development improve.
4. *Culture*: conceptions of normal and proper ways of doing things and relating to other people, and the behavior that embodies those conceptions. Such conceptions and behavior vary widely, with significant implications for development strategy. For example, the hierarchical "boss-worker" relationship that characterizes industrial factories may be acceptable in some tribes and abhorrent in others, while a strong central government may be viewed as proper in one tribal culture and as grossly inappropriate in another. In general, our research keeps pointing to the conclusion that

culture and the institutions of governance are a crucial pair of factors in development. Economic development can take hold in the face of a wide range of cultural attitudes on such matters as the sanctity of natural resources or the propriety of individuals trying to make themselves wealthier. However, unless there is a fit between the culture of the community and the structure and powers of its

## **TASKS:**

### **Task 1: MOBILIZE AND SUSTAIN SUPPORT FOR INSTITUTIONS AND STRATEGIES**

The power of self-governance in and of itself is no guarantee of economic development. Such power can be the key to creating an environment in which self-determined economic development succeeds, or it can create an environment in which self-determined economic development becomes impossible. Societies in Eastern Europe, Asia, Africa, and Latin America are repeating these lessons on a daily basis. To perform beneficially, self-government—governing institutions and their decisions—ultimately must have the support of the community. Without this support, the results are likely to be instability, stagnation, and a government that serves only the temporary interests of the faction currently in power. But where does sustainable support for the institutions and policies of self-government come from? Our research indicates that such support depends critically on achieving a match between the formal institutions of governance on the one hand and the culture of the society on the other.

### **Task 2: IMPLEMENT STRATEGIC CHOICES**

Task 2 requires laws, rules, and procedures that can get things done. Several dimensions of this stand out in Indian Country.

1. Formalized Decision Rules and Procedures
2. Professional Financial, Personnel, and Record Systems.

### **TASK 3: ESTABLISH A POLITICAL ENVIRONMENT SAFE FOR DEVELOPMENT**

The central problem is to create an environment in which investors—whether tribal members or outsiders—feel secure, and therefore are willing to put energy, time, and capital into the tribal economy. The successful tribes we see have solved, in one way or another, two critical aspects of this problem.

1. The Separation and Limitation of Powers: Who Controls What?
2. The Separation of Electoral Politics from Day-to-Day Management of Business Enterprises.

## **THE ECONOMIC SYSTEM**

Tribes have to find the economic system and accompanying institutions of self-government that match both their respective cultures and the resource and opportunity situations they face. Tribes differ a great deal in these dimensions, and one tribe's answer is certainly not guaranteed to work for another. The choices are as follows with a possible blending of some of the elements of each:

1. Federal Control
2. Tribal Enterprise
3. Private (Micro) Enterprise with Tribal Member Ownership

#### 4. Private Enterprise with non-tribal Member Control

##### **DEVELOPMENT ACTIVITY**

Many American Indian tribes face a barrage of ideas, proposals, offers, and enticements—some from within the tribe, many from outside it - aimed at establishing specific development or investment projects on the reservation. These projects range from chopstick factories to gambling casinos, from hazardous waste facilities to resort hotels. The reasons behind such suggestions and invitations vary from efforts by tribal members to bring jobs onto the reservation, to legitimate outside investor interest in the labor, tax, and regulatory advantages that many reservations can supply, to disreputable attempts to capitalize on tribal inexperience or desperation. The challenge for both tribal decision-makers and individual tribal members is to separate the good from the bad opportunities, the solid prospects from the boondoggles, the likely successes from the probable failures.

As we have stressed, tribal government has the necessary task of laying in place the environment in which wise and productive decisions can be made. It does this with its basic governmental (constitutional) form, its judicial institutions, its regulatory institutions, and its economic policies. But, given these institutions, tribes and individuals ultimately have to face very specific choices regarding the allocation of workers, resources, and capital: Should we invest in a carpet factory? Should we open a mine? Should we allow gaming? Should we encourage tourism or the commercial hunting of our wildlife? Making choices of these kinds—and making them so that the resultant development activities are successful—requires basic technical and business skills: reading a balance sheet, understanding market conditions of supply and demand, interpreting risk and return trade-offs, and so on. In fact, numerous training efforts have been undertaken to increase management skills in Indian Country, and continued and enhanced efforts will be needed in the future.

While basic management skills are certainly necessary, the success of tribal development activities depends also upon the *strategic* skills of decision-makers. Picking "winners" is crucially dependent on these skills. The heart of the strategic problem is the appropriate matching of particular development activities and projects to the governance capabilities, asset endowments, and cultural attributes of the tribe.

*Stephen Cornell and Joseph P. Kalt* **SOVEREIGNTY AND NATION-BUILDING: THE DEVELOPMENT CHALLENGE IN INDIAN COUNTRY TODAY** 1998

##### **Two Approaches to Economic Development**

In our research in Indian Country, we encounter two very different ways of approaching economic development. The first we call the "jobs and income" approach. Tribes that work with the "jobs and income" approach begin by saying, in effect, "we've got a problem here. The problem is not enough jobs and not enough income, and the solution is to get some businesses going on the reservation." Often that means calling in the tribal planner and saying, "go get some businesses going." The tribal planner goes off and writes some grant proposals or looks for some investors or comes up with some business ideas, and everyone hopes that somehow the problem will be solved.

There's a persuasive logic to this approach to economic development: there aren't enough jobs on most reservations; there isn't enough income; too many people are poor; too many people are on welfare. So jobs and income are critical. The problem is that this approach typically doesn't work. It may produce lots of ideas but it seldom produces lasting

businesses. The stories are familiar. An enterprise gets started but fails to live up to its advance billing. Or the tribe obtains a grant that provides start-up funding for a project, but when the grant runs out there's no more money and the project starts downhill. Or an investor shows up but gets entangled in tribal politics, loses heart, and eventually disappears. Or a new business gets underway with lots of hoopla and has a good first year, but then the tribal government starts siphoning off the profits to meet its payroll or some other need, as a result there's no money to fix the leaky roof or upgrade the accounting system, and soon the business is in trouble. Or the enterprise becomes primarily an employment service as people demand that it provide lots of jobs, costs rise, it finds itself unable to compete with non-reservation businesses whose labor costs are less, it becomes another drain on the tribal treasury, two years later it folds and the jobs it provided disappear. Or the new tribal chair decides the business is a source of patronage, personnel are hired based on their votes in tribal elections instead of their business skills, with each election the business gets a new manager and a new set of operating guidelines, customers get cynical, quality declines, and the business collapses. One way or another, the tribe ends up back at square one, once again asking the planner to "get something going," and the cycle starts again.

This is where the second approach to economic development comes in. It is a "nation-building" approach. This approach begins with the same perception — we've got a problem — and it recognizes that a big part of the problem is the lack of jobs and income. But it argues that solving the problem will require a solution both more ambitious and more comprehensive than trying to start businesses or other projects. The solution is to build a nation in which both businesses and human beings can flourish. The "nation-building" approach says the solution is to put in place an environment in which people want to invest. They want to invest because they believe their investment has a good chance of paying off. It may produce monetary profits. It may produce satisfaction in a job well done. It may raise the quality of life in the community. It may reduce dependence on the federal government or bolster tribal sovereignty. The point is that most investors have choices. If they don't see a decent possibility of a payoff here, there is little to stop them from going somewhere else or doing something different.

A "nation-building" approach to development doesn't say, "let's start a business." Instead, it says "let's build an environment that encourages investors to invest, that helps businesses last, and that allows investments to flourish and pay off." A "nation-building" approach requires new ways of thinking about and pursuing economic development.

**Table 1** compares the two approaches to reservation development. The "jobs and income" approach sees development as first and foremost an economic problem and consequently focuses attention on getting grants, finding a joint venture partner, or any other strategy that might produce usable capital. The "nation-building" approach, on the other hand, sees development as first and foremost a political problem. It focuses attention on laying a sound institutional foundation, on strategic thinking, and on informed action.

For sovereignty to have practical effects in Indian Country, tribes have to develop effective governing institutions of their own. Harvard Project research indicates such institutions will have to provide the following:

- Stable institutions and policies.
- Fair and effective dispute resolution.
- Separation of politics from business management.
- A competent bureaucracy.



The author makes the case that economic development in First Nations Communities should be guided by key principles. Here is a sampling of some of the principles:

**Social and Cultural:**

- Traditional First Nations decision-making systems were based on consensus, i.e., discussing, listening and reflecting until all members are committed to one course of action. Consensus is a highly valued method of decision-making and one, which should be, incorporated into resource development processes.
- In any resource use projects, the potential impact on the community's social and cultural fabric must be considered.

**Resource Protection:**

- The perspectives of the First Nation regarding the land and development are considered, e.g., regard for the environment, respect for traditional activities.
- Development will be controlled and implemented in a planned way so that sustainable development can occur.

**Resource Development:**

- In situations where infrastructure is created, attention will be given to taking a long-term view and trying to create it in such a way that it has the highest possible long-term value to the First Nations. Opportunities for shared infrastructure will be considered with interest.
- Developments will happen with the full knowledge and participation of adjacent communities. At the community level, decisions will be made based on accurate information in forums where all people and groups in the community have input.
- The First Nations will be particularly interested in developments, which contribute to their ability to be self-sustaining and recognize the First Nation's determination toward self-government.

**Financing Self Government: The Strategically Positioned First Nation** Sixdion, January 9, 1997.

The authors state the task of financing Aboriginal self-government as we move into the 21st century presents a very daunting challenge. The barriers, both internal and external, facing First Nations are huge and in-borne from many years of dependency on the Federal Government under the veil of the Indian Act. Generally speaking, the Indian Act is seen as both a hindrance (from its paternalistic powers) and a useful tool, in that it has maintained the First Nation communities as a definable entity that the government of Canada must work with. When it comes to generating revenue within the community to fund self-government, it is (i.e. section 89) considered a barrier.

**The major theme of the report is that unless governments and First Nations focus on major change as it relates to building a foundation from which to generate revenue, the pursuit of revenue generation initiatives is for all intents and purposes - futile. However, given the right environment, the possibilities are limitless.**

This report offers the notion of a "**Strategically Positioned First Nation**" as a way to meet this challenge. The Strategically Positioned First Nation is one, which has the elements of a future oriented economy in place:

- An effective First Nations Model of Government;
- Effective financial/administrative systems;
- A viable tax base; and
- An ability to manage and grow in the new Information Age.

In addition to establishing a “strategically positioned” community, First Nations need to focus on ways of generating revenue for their community using the resources available to the best of their ability. Further, Aboriginal leaders need practical tools to effectively and efficiently bring their communities into the next millennium.

This report breaks First Nations into four categories in understanding the current position of communities—at a practical level. They are:

- The *Established* First Nation;
- The *Developing* First Nation;
- The *Fragmented* First Nation; and
- The *Dependent* First Nation.

First Nations need to explore ways of generating revenue to fund their governments. Both tax and non-tax revenue generation options must be explored, as both sources of funding are essential for a viable First Nations government. Revenue generation is, and must continue to be explored across all industries and borders, and in a variety of business relationships.

The revenue generation possibilities contained in the tie back to the need to have a stable and accepted First Nations system of government in place prior to implementation. In addition to taxation, opportunities are presented in six sectors. The six sectors of revenue generation are:

- Natural Resources/Eco Tourism;
- Information Technology;
- International/Inter-Tribal Trade;
- Domestic Sources of Capital;
- Off Shore Investment/Capital Sources; and
- Community Economic Development.

In order to capitalize on the opportunities, the Crown and First Nations must focus on true “government-to-government” negotiations’

The authors conclude by providing this advice or recommendations to first Nations:

- Clearly define what “self-government” means to the community/territory and begin to implement the changes and policy/leadership decisions, which must be made to bring it to fruition. Position the community to serve the people, and plan for the future on local terms, not on someone else’s.
- Focus on the future and leave the “old baggage” behind and begin to move into the new era of government, leveraging on the information age to benefit the community and to position it in the global arena.
- Utilize the one resource, which is available to all: a young population eager to learn and ready to use the skills of technology to bring new opportunities and revenue to the community.

- Stand back and take a realistic assessment of the community and take the initiative to make the “hard” decisions, which are essential to move into the future, and to building A Strategically Positioned First Nation.