

**Testimony of
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**Hearing before the
United States Senate Committee on Indian Affairs
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on**

S.2232, the Foreign Aid Lessons for Domestic Economic Assistance Act of 2007

Good morning, Mr. Chairman, Vice Chair Murkowski and distinguished members of the Committee. Thank you for the opportunity to appear before you today on behalf of the Alaska Federation of Natives (AFN), to express our views on S. 2232. If enacted, this legislation will bring a welcomed new approach to stimulating Alaska Native, Native Hawaiian and Lower-48 Indian tribal economies. We strongly urge its passage during this Congress.

My name is Julie Kitka. I am President of the Alaska Federation of Natives, Inc.; I am pleased to appear here today in support of this innovative and critically important legislation.

By way of background, AFN is the largest statewide Native organization in Alaska, representing more than 130,000 Alaska Natives. We are a young, growing population, expected to double in size every 23 years, so our need for a solid economic base is critical. The Alaska Native population, although united in AFN, is a very diverse group. There are at least eight distinct cultural and ethnic groups: Yupik, Cupik, and Inupiat Eskimo peoples; Athabaskan, Tlingit, Haida and Tsimshian Indian peoples; and Aleuts. Our Native cultures are land-based, and our occupation and use of our land predates Plymouth Rock and the pyramids. Within each cultural group, there is diversity – across generations, across geography, and across gender. Because of this great

diversity, there is no “one solution fits all”. We need a cluster of economic, health and educational initiatives that will empower our Native people to be able to maintain our unique land-based cultures and participate fully in the larger society. One such initiative is embodied in S. 2232 and H.R. 3351.

America’s Native peoples, including Alaska Natives, continue to suffer disproportionately high rates of unemployment and poverty, poor health, substandard housing, and associated social ills when compared to any other group in our nation. Although there has been steady improvement in absolute terms, particularly in the area of health, the fact remains that there has been little progress in the last 30 years towards closing the gap between Native peoples and the American public at large in most indicators of well-being.

This poor statistical profile plagues Native communities in remote parts of Alaska, for example, despite a rich cultural legacy and abundant natural resources on their lands and in their waters. The extraction of natural resources from remote communities in Alaska, valued at billions of dollars, produces only modest direct economic benefit (jobs, household income, business purchases and public revenues) for most residents. Physical remoteness, distance from markets and population centers, poor physical infrastructure, and the lack of either a strong private sector or of healthy, transparent governmental institutions are among the reasons so many Native American economies remain stagnant. In several of these economies, these long-existing factors are compounded by a new challenge – the effects of climate change. The public perception may be that casino-style gaming is lifting tribes out of poverty, but the reality

is that most Native American communities do not benefit from gaming due to geographic remoteness, legal constraints or other factors.

To address this issue, AFN, working with the Association of Village Council Presidents (AVCP) and the Bristol Bay Native Association (BBNA), and their 87 federally recognized tribes, has spent several years developing and supporting an economic development proposal that would take the best lessons of the last 50 years of American experience in providing foreign aid to developing countries and apply them in the domestic context in remote, predominantly Native American areas. Since Native economies are often plagued by the same challenges as economies of the developing world, we believe strongly that our communities can benefit from lessons learned from international development assistance. These lessons include:

- The need to focus on sustainable poverty reduction, economic growth and job creation.
- The importance of local ownership, whereby the intended beneficiaries of programs determine priorities and are responsible for implementation.
- The need to focus on outcome-oriented objectives – where the beneficiaries determine, up-front, what outcomes they want to achieve and how they will measure success.
- The importance of establishing quantitative measures of success. Key to this are collecting baseline data up front, and establishing an arm’s-length program of monitoring and evaluation that tracks progress against benchmarks and that highlights the need for mid-course adjustments.
- The importance of capacity building. Skills learned in setting objectives, implementing programs, and making adjustments based on measurable results are readily transferred to other programs and to public and private sector activities.

AFN has advocated for building on the concepts and principles of the Millennium Challenge Corporation, and was pleased to work with Alaska’s congressional delegation and Senators Akaka and Inouye in refining the concept. S. 2232 embodies the concept

we believe is needed in our communities. It adapts the lessons of foreign aid to underdeveloped economies, such as the experience of the Millennium Challenge Corporation, to the provision of Federal economic development assistance to similarly situated remote Native American communities in this country.

This bill will serve to re-invigorate Native economies by using a compacting model to channel a significant amount of development funds to implement locally designed economic development strategies. The bill authorizes \$100 million over five years, for disbursement to a total of five pilot projects; one each in Alaska and Hawaii and three in the Lower- 48 states.

The objectives are simple: to enhance the long-term job creation and revenue generation potential of Native economies by creating investment-favorable climates and increasing Native productivity. A corollary, but equally important, objective is to improve the effectiveness of *existing* Federal economic development assistance by encouraging the integration and coordination of such assistance for the benefit of Native economies.

Consistent with the philosophy of the Millennium Challenge Corporation, S. 2232 recognizes that communities that have made the threshold decision to improve their economic conditions and evince a “readiness for development” are precisely those most likely to make the best use of development aid. S. 2232 would provide Federal assistance, over and above the funding currently available, to those Native communities that are determined to be “eligible entities” by the Secretary of Commerce and are therefore poised to negotiate and enter into a bilateral compact with the United States. A

key feature of the legislation is that the specific strategies and objectives will be determined by the eligible entities themselves.

This novel federal initiative would have as its mission reducing poverty in Native communities. The compacts authorized under the bill would have to be consistent with the broad purposes of the Act, but must also contain five elements:

1. The specific objectives for sustainable economic development and the reduction of poverty that the eligible entity and the United States expect to achieve;
2. A description of the respective roles and responsibilities of the eligible entity and the United States in the achievement of such objectives;
3. A list and description of regular benchmarks to measure progress toward achieving such objectives;
4. An identification of the intended beneficiaries, disaggregated by income level, gender, and age, to the maximum extent practical; and
5. A multi-year financial plan.

A critical component of the demonstration project is in its demands for accountability in the performance of the Compact terms and the use of financial resources.

For the Alaska component, AFN has been working closely with two Native regional organizations in southwest Alaska, the Association of Village Council Presidents and the Bristol Bay Native Association. Together these adjacent Native regions span 96,000 square miles, and contain 87 Native villages and one-quarter of the Native population of Alaska. These regions have a rich cultural heritage, and truly incredible natural resources, yet paradoxically have among the highest poverty and unemployment rates in the state, and in the country.

We believe that these regions are ripe for this demonstration project. Both regional organizations are experienced with operating federal programs under Indian Self-Determination Act compacts, have a history of collaboration, and have done much of the planning legwork for undertaking economic development using this model.

Our experience, and that of BBNA and AVCP and others, is that many federal programs that should foster economic development are splintered, suffer from lack of coordination between the federal agencies, are often poorly timed, and are complex and poorly understood by their intended beneficiaries. Thus, they remain under-utilized, as was borne out by the 2001 General Accounting Office report, GAO-12-193, which reviewed the effectiveness of some 100 federal programs that serve Native Americans.

What we need is a paradigm shift in the way the federal government promotes economic development for Native American communities. S. 2232 represents just such a shift. It also represents the fruition of several years of intense discussion within parts of the Alaska Native community on how we can meet the challenge of reducing poverty and promoting sustainable economic growth in our rural villages. S. 2232 will enhance the long-term job creation and revenue generation potential of Native economies by creating investment-favorable climates and increasing Native productivity. Accordingly, we urge this Committee to pass S. 2232 as soon as possible.