



Synopsis

Historical Context of the Indigenous Finance Industry

Tribal Nations of the Great Plains region were once self-sufficient and nomadic people who operated within dynamic, thriving economic systems based on complex trade routes spanning the North American continent. As the population of white settlers grew in the late 1800's, federal policy forced Native Peoples onto reservations and attempted to assimilate them by eliminating their traditional languages, food sources, and culture. Furthermore, these policies disrupted Native trade ecosystems by pushing these groups of people to the fringes of society and confining them to remote, isolated land bases that had little or no value and lacked resources necessary to re-build their communities. In the years following, federal policy continued to strip Native communities of assets through the expropriation of lands and natural resources. Although the federal government has provided housing, food, education, and healthcare services out of treaty obligations, these substandard services have kept Native Peoples in a state of fighting for the right to survive. For over 150 years, Native individuals, families, and communities have endured structurally-induced economic disparities.

These historic inequities have transformed into the current lived experience for Native Peoples across the country as they experience poverty rates two to three times higher than the national average, as well as considerably higher rates of unemployment and lower income levels. According to the Native American Lending Study published by the U.S. Treasury in 2001, Native American communities face economic and social challenges that place them significantly behind the rest of the U.S. economy. While the study identified a number of historical, economic, and institutional reasons for these conditions, it revealed that lack of access to capital was the most significant factor linked to the absence of economic opportunity in Native American communities. At the time of publishing, only 14% of reservations had a financial institution within their boundaries and 15% of Native Americans had to travel more than 100 miles to a bank or automatic teller machine (ATM). A follow up report, "Accessing Capital and Credit in Native Communities," written by Miriam Jorgensen of the University of Arizona's Native Nations Institute in 2016, confirms the lack of access to capital has been a significant constraint to economic development in Native American communities. However, Jorgensen's report also acknowledged a promising trend. Because of Native community development financial institutions (CDFIs), more and more options were becoming available for residents of Native communities who aspired to buy a home, start a business, or improve their financial capability.

The U.S. Treasury's CDFI Fund defines CDFIs—which can take the form of loan funds, credit unions, banks, or depository institution holding companies—as mission-driven financial institutions that take a market-based approach to supporting economically-disadvantaged communities. A Native CDFI provides at least 50% of its services to Native Americans, Alaska Natives, or Native Hawaiians. Unlike traditional financial institutions, Native CDFIs deliver effective financing solutions of customized blends of capital and development services, which include a range of services designed to build individual skills and connect borrowers to additional resources. The first Native CDFI was established in 1987; today 69 Native CDFIs are certified by the U.S. Treasury and many more are emerging across the country. These unique

organizations, along with a diverse array of partners—including tribes, state and federal government agencies, policymakers, higher education institutions, foundations, and other non-profit organizations—comprise the extended Indigenous Finance Industry network. Leading a movement to fill capital gaps resulting from neglect by conventional institutions, Native CDFIs serve as powerful vehicles for economic growth in Native communities. With innovative strategies that drive equitable economic models, Native CDFIs are responsible for dramatic increases in business development, job creation, income generation, and asset building in Native communities.

Introducing the Mountain | Plains Regional Native CDFI Coalition

Initially born as a triage response to the COVID-19 pandemic, the Mountain | Plains Regional Native CDFI Coalition is comprised of a group of nine Native CDFIs, 89% of which are led by women of color, that serve a four-state area of North Dakota, South Dakota, Montana, and Wyoming: Akiptan, Black Hills Community Loan Fund, Four Bands Community Fund, Montana Native Growth Fund, Wind River Development Fund, Native American Community Development Corporation, Plenty Doors Community Development Corporation, Native American Development Corporation, and People’s Partner for Community Development. These organizations emerged out of grassroots initiatives and are led by community members for community members. Half of Coalition members have received the Visionary Leader Award and half have received the Circle of Honor award. These two industry awards, hosted by Oweesta Corporation, recognize them as leaders on the national stage for their innovation and contributions to the Indigenous Finance Industry.

As a group of mission-driven community loan funds, the purpose of the Mountain | Plains Regional Native CDFI Coalition is to leverage collective knowledge, skills, assets, and partnerships to build equitable platforms that support thriving Native economies in the region. Recognizing that economic progress can only be sustained with equitable systems change strategies, the Coalition has assembled and continues to grow an alliance of partnerships and extended networks. Through a cultural lens, Coalition members are committed to leading with integrity, humility, and respect – integrating reciprocal leadership with forward, progressive, sunrise thinking. During their 2021 regional strategic planning session, the Coalition established its theory of change, a cyclical process to guide the group’s work through four distinct strategic phases of sustainable change. See Figure 1. This theory of change is applied within the Coalition’s holistic framework, also established during the 2021 strategic planning session, in order to catalyze a range of impacts on

Figure 1

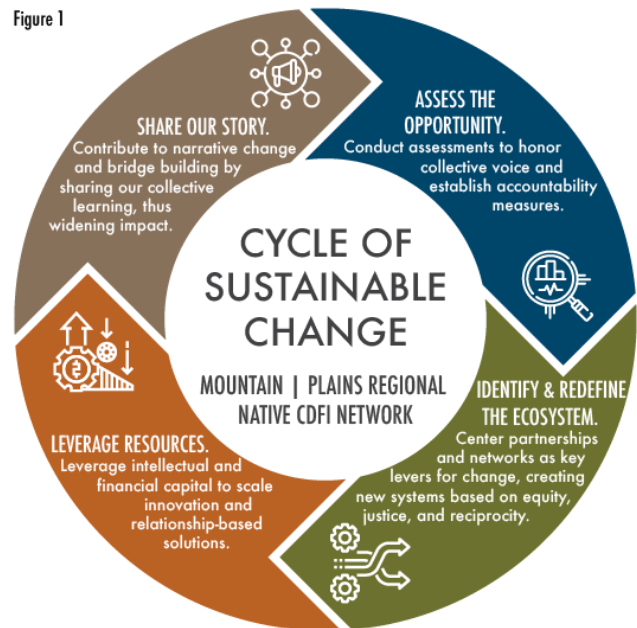
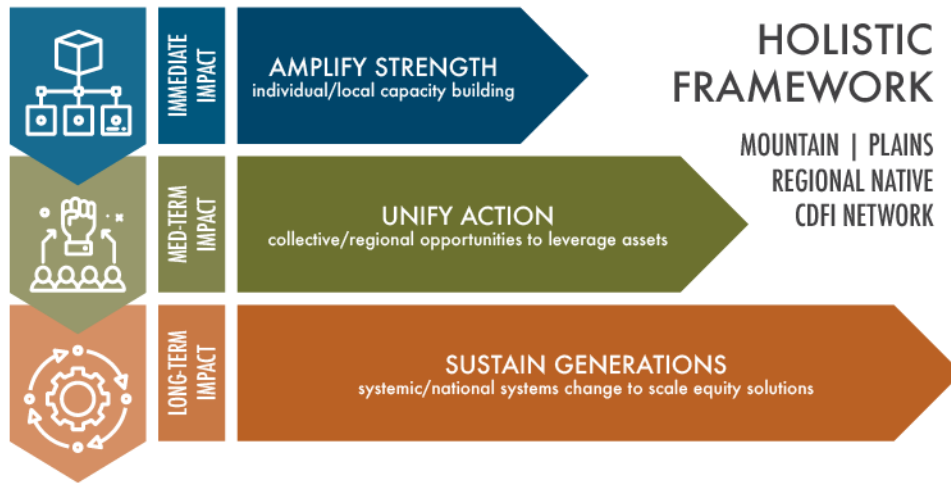


Figure 2



individual/organizational, collective/regional, and systemic/national levels. See Figure 2.

Economic Development Building Blocks in Native Communities

Although Coalition members are making great strides in shifting paradigms and creating equitable systems in their communities through the deployment of unique combinations of capital and resources, they face several barriers to accelerating growth within the Indigenous Finance Industry, as well as to their overarching mission of building resilient Native economies. Most prevalent of all the asset-stripping policies in United States history, is land. From 1887 to 1934 a total of 83.5 billion acres was ceded from tribes, equating to \$313.3B in lost wealth by tribes and tribal members. In addition to land theft, the federal government has placed and held tribal lands in a trust. Trust land, prevalent in Native Communities, creates complex and uncertain governance of assets because land cannot be sold, collateralized, or developed. While most Americans are able to leverage land or home ownership to build assets and generate wealth, Native Peoples face complex bureaucracies that prevent true growth. This is evidenced by the fact that Native families residing on trust land have \$11,243 less in median household assets than families that live on non-trust land. While it can't be purchased or sold, trust land is utilized for residential dwellings and agricultural operations through leases. Today, one-third of all Native trust land in the country is in the Mountain Plains Region. However, only 14% of that is currently being monetized by Native Peoples; the remainder is utilized by non-Native ranchers and farmers.

Based on the work of Native Business Alliance groups in the region, several key components have been recognized as essential building blocks to economic development in Native communities. Following is a high-level assessment of the current state of each of these components, which serve as the underpinnings for growth strategies.

- **Governance & Systems.** Rules, systems, and institutions that govern Native communities are complicated by complex jurisdictional models between tribes, federal agencies, state governments, and local municipalities. Many Native communities lack things most Americans take for granted, such as zoning regulations, or private-sector supportive policies. Furthermore, lack of data prevents tribes and community members from gaining a solid understanding of their baseline realities, which creates confusion and uncertainty in long-term economic planning efforts.

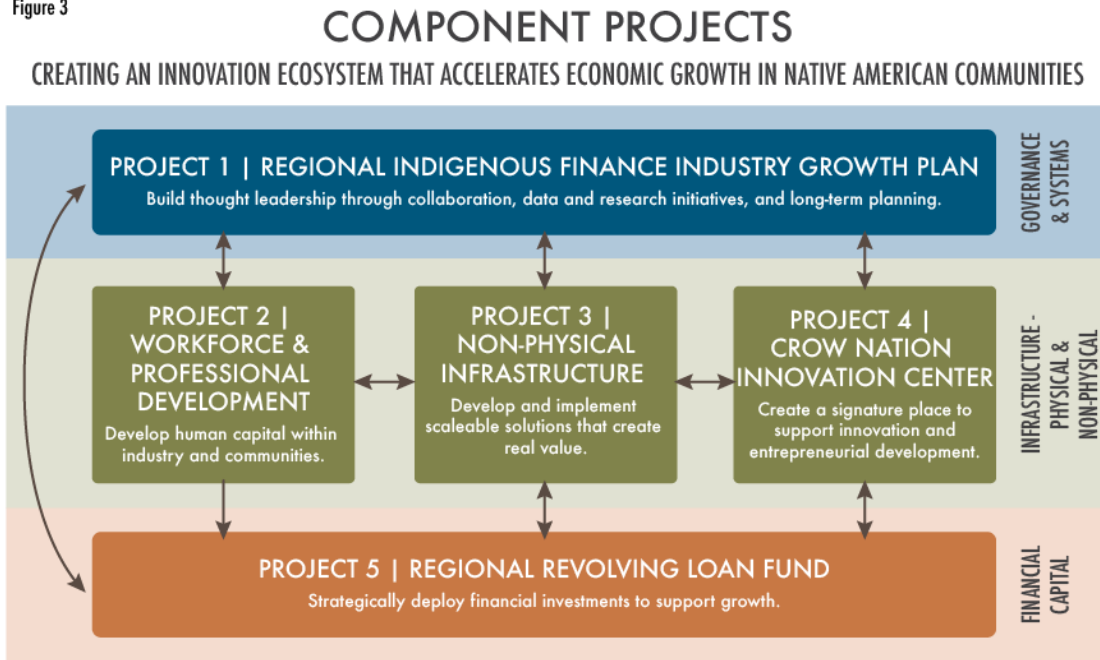
- **Infrastructure - Physical & Non-Physical.** Roads, water, utilities, telecommunications, and broadband are lacking in many Native communities. Due to limited water infrastructure, the Cheyenne River Sioux Tribe recently lifted a water moratorium that halted all construction and development in the community for over 20 years. 52% of Native American households in South Dakota have broadband, nearly 30% lower than the national average. In Montana, over 6% of Native American households do not have access to a telephone, five times national rates. The lack of physical buildings present barriers for many entrepreneurs who want to start a business. Just as physical infrastructure plays a critical role in economic growth, so does non-physical infrastructure. Businesses that do exist in Native American communities struggle to tap into systems that support regular business functions. The social welfare of Native people has been marred by substandard, federally-run healthcare, educational systems, and historical trauma. High school graduation rates for Native Americans in the Mountain Plains region are 50% lower than the national average, leaving Native communities with a limited workforce. Lack of wrap-around services, such as housing and daycare obstruct recruiting efforts by private sector entities.
- **Financial Capital.** Many traditional financial institutions, which are constrained by inflexible underwriting standards, do not deploy capital on reservations. Others claim that complex jurisdictional matters between tribes and the federal government are deterrents. Even though Native Americans represent 2% of the total U.S. population, large U.S. foundations give, on average, only 0.4% of their total annual funding to Native American communities and causes. To put it simply, without capital, growth is impossible.

Due to system inequalities institutionalized over a 150 years ago as well as historic lack of social and capital investments, the set of building blocks described above, which are essential to healthy, functioning economies, are underdeveloped or lacking in their current state within the region's Native communities.

Component Projects: Developing Equitable, Sustainable, and Resilient Native Economies

The Coalition has assembled a group of five cohesive component projects that will strategically place investments into the region's Indigenous Finance Industry, which will serve as the primary vehicle for driving equitable growth strategies across all layers of Native economies. Native CDFIs have developed innovative solutions to successfully strengthen the economic development building blocks described above. Through the set of proposed projects, Coalition members will leverage their knowledge and other assets along with their extended network of partners and additional investments to catalyze economic growth in the region's Native communities. The projects represent and intertwine key components of an innovation ecosystem, depicted in Figure 3, that will create feedback loops, continuously strengthening, accelerating the growth of, and amplifying the impacts of the Indigenous Finance Industry. Measurable outcomes in job creation, wage growth, workers placed in quality jobs, reduced unemployment, and increases in minority-owned businesses, combined with systemic change, will ultimately close the racial wealth gap for Native individuals and families and enable them to thrive in sustainable and resilient Native economies.

Figure 3



The proposed projects are not subject to intergovernmental review.

CEDS Alignment

Not only does this group of projects present a cohesive model for economic growth in Native communities in the Mountain Plains Region, but it closely aligns with the multiple CEDS plans and economic development efforts underway in the region. A thorough examination of 28 CEDS or CEDS-equivalent documents (13 from Montana, seven from South Dakota, seven from North Dakota, and one from Wyoming) revealed several common threads (detailed in chart below) that directly align with the proposed component projects as well as the Mountain | Plains Regional Native CDFI Coalition’s broader mission.

Economic Development Activity	Included in % of CEDS
Entrepreneurship & Business Development	100%
Access to Capital/Investments	79%
Workforce Development	75%
Partnerships	79%
Leadership/Capacity Building	61%

Beyond the Build Back Better Regional Challenge

Originally convening under dire circumstances of the COVID-19 pandemic, members of the Mountain | Plains Regional Native CDFI Coalition immediately moved into action. Their first task was launching a data collection initiative to study the region’s private economies and determine Native markets that would take the largest economic hit due to the pandemic. Grounded in data, Coalition members made informed decisions and accurately addressed the needs of their business clientele. As a result of this swift, collective action, Coalition members experienced only one default among their hundreds of borrowers, despite economic shutdowns.

As the federal government rolled out their Payroll Protection Program to offer relief to struggling businesses amid the pandemic, Native entrepreneurs were excluded because funds were channeled through mainstream banking institutions that did not serve Native communities. Through collective action, Coalition members and the broader Indigenous Finance Industry implemented an advocacy campaign to redefine channels, which resulted in some progress. By leveraging a partnership with a larger, national CDFI, Coalition members were able to create greater access to limited relief funds for businesses in Native communities.

Fortunately, before the pandemic, the Coalition began facilitating weekly peer-to-peer learning sessions for executive staff positions. Through their network, Coalition members amplified their strengths by sharing best practices and guiding each other through key developmental milestones. Over half of Coalition members believe their organization is growing its capacity more quickly as a result of the support they've received through these sessions over the past two years. The Coalition is now replicating their peer-to-peer network model to deepen its reach to management level staff within member organizations. Through a series of gatherings, the Coalition engages over 40 partners on a quarterly basis. These collective efforts have resulted in leveraged capital that would not have been available individually.

Beyond the Build Back Better Regional Challenge (BBB), the Coalition will continue with these regular activities (peer-to-peer network sessions, quarterly convenings) and will leverage resources to address issues as they arise through collective action.

Project Location and Region

A Closer Look at Native Economies in the Mountain | Plains Region

The Mountain | Plains Regional Native CDFI Coalition's proposed projects will serve the Native communities of North Dakota, South Dakota, Montana, and Wyoming. *A complete listing of counties and FIPS codes have been attached to SF-424 of each component application.* The four-state region represents 20 Tribal Nation reservations (Fort Berthold, Spirit Lake, and Turtle Mountain in North Dakota; Cheyenne River, Crow Creek, Flandreau, Lake Traverse, Lower Brule, Pine Ridge, Rosebud, Standing Rock, and Yankton in South Dakota; Blackfeet, Crow, Flathead, Fort Belknap, Fort Peck, Northern Cheyenne, and Rocky Boy's in Montana; and Wind River in Wyoming) with large land bases, and 62% of the total population of 188,245 within these communities is Native American. Over a third (39%) of Native American people in reservation communities live in poverty, more than triple the national average of 11%. At \$35,214, the median household income is 44% less than the national average of \$62,843.

Native economies in the region are heavily weighted by the government sector. Thirty-nine percent of all those employed are government workers, more than double the national level of 14%. Only about half are employed in the private sector, 30% less than the national average. Although an informal private sector largely based on a combination of market sales and barter methods does exist, data sources report fewer business establishments per resident in Native communities than mainstream America. With so few products and services available locally, community members spend the majority of their money in off-reservation establishments, creating a "leaky economy". In the Fort Belknap Indian Community, residents spend \$0.69 of every dollar outside of the community. A study of the Crow Reservation economy found that for every dollar that comes into the community, 85 cents leaves immediately through non-local

expenditures. Every year, an estimated \$346.4M of local demand for retail goods and services in the region is not met by local establishments, but instead filled by businesses in off-reservation communities. At the same time, aspiring Native entrepreneurs struggle to transform their unconventional business activities into greater self-sufficiency for themselves and their families due to inequitable systems that result in lack of capital and resources. Only a mere 0.9% of the four-state region's 324,430 businesses are Native-owned.

Over 95% of the clients served by members of the Coalition are Native American. The majority (59%) are women with average household incomes of \$33,944 (slightly lower than the regional average) and fair credit scores. About half (55%) have completed some college course work or have obtained an Associate's degree or vocational certificate. Most clients (56%) are business owners with three employees and annual revenues of \$56,000. Many businesses served are in the agriculture sector, but others are in accommodation and food service, other service, retail, construction, arts and entertainment, or transportation.

Data collected on the COVID-19 pandemic impacts has shown that Native American communities throughout the country were disproportionately affected and many reported higher rates of infection. Although 10% of South Dakota's population is Native American, 16% of their COVID-19 cases were comprised of Native Americans. While Native communities were at higher risk, they were also less able to respond due to limited medical infrastructure. As a case in point, there are only eight ICU beds available on the entire Cheyenne River Sioux Reservation, an area about the size of Connecticut. A survey conducted by the Federal Reserve Bank of Minneapolis' Center for Indian Country Development found that half of tribal government respondents were laying off or furloughing employees, and over 30% of tribal enterprises reported they had to lay off or furlough 80% to 100% of their workforce. The service industry, hardest hit by COVID-19, supports twice the number of jobs in Native communities at the national level. Other industries heavily affected by social distancing – the arts, entertainment, recreation, accommodation, food service, and personal care industries – support over half of all jobs within the geographic scope of the proposed component projects.

Leveraging Assets to Build Thriving Native Economies

While much of the data above presents a bleak outlook for the Mountain Plains Region, Coalition members see tremendous opportunities for Native economies to grow in a myriad of sectors. The four-state area maintains several assets, the majority of which are recognized in the regional and tribal CEDS documents, that will be leveraged to grow the Indigenous Finance Industry and ultimately build a thriving, regional Native economy.

- *Land Base.* Native communities in the Mountain Plains Region are some of the nation's largest. Land has the potential to be the greatest resource for Native communities, however it is underutilized. By developing innovative solutions to overcome trust land constraints, the Coalition has and will continue to leverage land as an asset to help Native individuals and communities in the region move from surviving to thriving. With agriculture designated as a target industry by all four state governments in the region, there are opportunities to further leverage land as a valuable asset.
- *Native CDFIs.* The Mountain Plains Region is the birthplace of the Native CDFI movement started in the mid-1980s. Eleven of the nation's 69 certified Native CDFIs currently operate in the four-state region and have been successfully transforming the

economic landscape of Native communities. From 2019-2021, the nine Native CDFIs in the Coalition deployed 323 loans totaling \$17.6M, resulting in the creation and retention of nearly 1,300 jobs. With greater access to capital, Native CDFIs have the potential to accelerate these levels of economic growth in Native communities. Furthermore, Native CDFIs work beyond the scope of traditional financial institutions with investments in a variety of systems-change initiatives that are critical to sustaining economic growth.

- *Culture, Natural Environment & Outdoor Attractions.* The Mountain Plains Region is home to phenomenal landscapes rich in natural beauty and abundant in opportunities for outdoor enthusiasts. Tourism is a designated target industry by all four state governments in the region, and large investments have been made to grow this sector and attract visitors. Native communities have opportunities to further leverage these efforts to draw visitors to their areas with cultural events and attractions to catalyze consumer spending. With an estimated 30% of Native peoples practicing in the arts, opportunities abound.
- *Partnerships.* As a young sector, the Indigenous Finance Industry is comprised of many small, emerging organizations and some mature, established organizations. The Coalition developed a cohort of trusted partners who lean on each other for expertise and guidance. They have also developed an extended network of partners who are joining their mission and investing in Native communities. These diverse partnerships have already catalyzed organizational growth and present opportunities for greater regional development.

Private Sector Participation

In addition to the solid working relationships with all 20 tribal governments in the region as well as the state governments, the Coalition has an active private sector partner base of over 40 professionals from philanthropic foundations, traditional banks, impact investment firms, and other organizations. Specific to BBB, the following private sector entities have committed \$5.3M in cash investments: Northwest Area Foundation, Montana Healthcare Foundation, Montana Community Foundation, Oweesta, Women's Foundation of Montana, Steele Reese, Bush Foundation, First Interstate Bank, and individual contributions. Coalition member organizations are committing a total of nearly \$8.7M from their own revenue or other funding sources, including: Citi, Native American Agriculture Fund, Midwest Minnesota Community Development Corporation, Northwest Area Foundation, Wells Fargo, and a tribal enterprise.

Sustainability

The Coalition will ensure a sustainable future for the region's Indigenous Finance Industry by establishing strong governance standards that support equitable collaboration. While formalizing this structure will be a critical first step in component project implementation, the Coalition has a two-year history of successfully working collectively and leveraging shared resources through collective decision making processes. As incubators for innovation and growth, each component project will provide templates for future projects and economic growth for the region. With replicable models for sustainable development, capacity building becomes scalable by saving time, allowing for greater participation, and developing new abilities that can be shared among Coalition members, as well as other Native CDFIs across the nation.

Several component projects represent key opportunities for sustainable cash flow, which can be utilized to support on-going operations beyond the funding award period. Most easily identified

is the interest earning capability of the regional revolving loan fund project, which will not only support continued lending activity but also the delivery of professional support services to Coalition members. The capital campaign, which will leverage collective assets and resources to attract additional investments, will generate greater levels of earned revenue and cash flow cycles. The replicable models and the shared service platform will also present opportunities to generate income by scaling beyond the immediate Coalition members. Furthermore, the business development efforts realized through this cluster of projects will make great progress in plugging leaks in the region's Native economies. Taking into account the multiplier effect, this will bring at least \$173M annually to the region's Native economies.

In addition, the Coalition's match dollars from foundation partners are unencumbered, committed, and available and will contribute to a Resiliency Fund. Foundation match dollars are structured to allow Coalition members to direct resources to meet opportunities and challenges as they arise. Foundation partners contributing match dollars have either 1) made commitments upfront in Year 1 to maximize flexibility, 2) made five year commitments, after EDA funds have expired, and/or 3) made project related investments (PRIs) that will contribute to leverage for the revolving loan fund project, all of which in totality front loads sustainability and resilience.

Community Engagement & Labor Standards

The Coalition will integrate cluster development efforts across a diverse array of stakeholders, including state and local government, community-based organizations, industry, academia, research institutions, philanthropy, non-profits, and community members. As part of the planning process within each component project, the Coalition will integrate feedback from these stakeholders and a highly engaged community to ensure inclusivity and cultural relevance.

Considering the systemic exploitation of Native Peoples, it is paramount to the Coalition that quality, good-paying jobs result from the proposed component projects. While labor unions are not prevalent in Native communities, each Native community is equipped with a Tribal Employment Rights Ordinance (TERO) office. TERO requires that all employers operating a business within a Native community give preference to qualified Native individuals in all aspects of employment, contracting, and other business activities. This is an extra level of ordinance on tribal lands that ensures economic equity. Coalition members will work with their local TERO offices to ensure that businesses meet the highest quality labor standards.

Equity

The Coalition's work, including all proposed component projects, is designed to promote equity. This regional growth cluster represents a transformative opportunity to provide equitable living, and access to required tools for it, in some of the poorest communities in the nation. From commercial real estate development to entrepreneurial training and regenerative agriculture investment, Coalition members are building a robust foundation of equity and wellness for their respective communities, creating ripple effects nationwide. Furthermore, supporting the Indigenous Finance Industry through capacity building and growth initiatives creates racial and gender equity in the nation's financial sector. Unique from the mainstream finance industry, women have always led the Indigenous Finance Industry. Women fill 72% of the leadership roles in Native CDFIs, whereas in traditional finance men hold 73% of leadership positions.

Through proven models, Native CDFIs are shifting paradigms and creating new, equitable platforms that enable Native families to thrive. Collectively, Coalition members have deployed hundreds of millions of dollars and tens of thousands of hours of training and technical assistance to markets deemed “too risky” (Native communities) by traditional financial institutions. These investments have enabled Native families to break the poverty cycle, build sustainable wealth, and ultimately close the racial wealth gap through five steps. First and foremost, they must have financial stability with a consistent positive cash flow and financial cushions in place. Next, they must be able to access affordable assets, whether it is a business or land. Furthermore, they need to have access to investable sums of money or affordable financing products. Without the capital, building assets is impossible. Finally, the family must have the ability to protect and maintain their wealth and assets so they can pass them on to future generations. Many Native families lack the financial stability needed to start this process, and as mentioned, capital is often out of reach in Native communities. However, the Indigenous Finance Industry mitigates these barriers so that Native families can start on the path to prosperity.

Outcomes

If awarded, the seed investment from EDA will catalyze a next level of market impact of the Indigenous Finance Industry by strengthening three building blocks of economic development: *Governance & Systems*, *Infrastructure - Physical & Non-Physical*, and *Financial Capital*. Spanning across these foundational blocks, the group of component projects form a cohesive innovation ecosystem designed to amplify strength, unify action, and sustain generations, accelerating growth of the Indigenous Finance Industry and thereby catalyzing broader economic growth trends in the region’s Native communities. By building the capacity of Native CDFIs, building the capacity of ancillary industries, building the capacity of the Native workforce, deploying capital into the private sector, and scaling services and systems within and beyond the region, the proposed projects will result in the start-up and development of small businesses, job creation, reduced unemployment, increased income, and most importantly, reorganized systems that ensure equitable economic outcomes for all community members.

Evolution of Proposal/Vision

Over the last few months, the Coalition has hosted several working sessions to deepen the vision for the set of proposed component projects. They have launched a market study of the region’s Indigenous Finance Industry, and the preliminary findings have been critical in the further development of the projects. Coalition members have also engaged in honest, dynamic dialogue about equitable governance to ensure project outcomes are sustained beyond the award period. These conversations have inspired collective thought leadership and innovative solutions. The timeframe for all projects has been standardized to four years, providing adequate space to build an innovation ecosystem and position the projects within it. The overarching strategy for the collective growth cluster has been refined, with each project serving an essential role in forwarding theory of change within the larger group.