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U. S. SENATE, COMMITTEE ON INDIAN AFFAIRS
February 27, 2008 –9:30 AM

Introduction

Chairman Dorgan, Vice Chairman Murkowski, and Members of the Committee, I am honored to be here today representing the Department of Commerce. I am also pleased to be at the same hearing as Julie Kitka, President of the Alaska Federation of Natives. The Department of Commerce knows Ms. Kitka well, and we have come to greatly appreciate her passion, commitment, and new ideas regarding improving economic opportunity in Native American communities.

I appreciate the opportunity to discuss with the Committee the “Foreign Aid Lessons for Domestic Economic Assistance Act of 2007.” Although the Administration has not taken a position on the bill, in this tight fiscal environment, it is clear that spending constraint is one of the Administration’s top priorities. However, the Department is pleased to offer its observations today, based on our experience working with Native American communities. Overall, the Department appreciates the bill’s emphasis on planning to promote successful economic development, and the effort to incorporate performance benchmarks in order to better ensure results are achieved for areas where economic opportunity lags.

Department of Commerce Experience with Native American Communities

The Department of Commerce has promoted economic growth in Native American communities in the following ways:

International Trade Administration Promotes Exports and Tourism

The International Trade Administration’s Commercial Service plays a key role in promoting Native American exports abroad. Since 2004, the Commercial Service has helped its growing base of Native American businesses to achieve approximately \$975,000 in export sales and international tourism in tribal lands. The Commercial Service has provided research on target markets for Native American artisan work, funded activities at international industry trade shows, and presented training seminars for Native American communities on marketing their native crafts and their lands as travel destinations.

Economic Development Administration Invests in Job Creation

The Department of Commerce's Economic Development Administration (EDA) makes investments to promote economic development in Native American communities. Native American communities are eligible to compete for EDA investments, and can by statute receive up to one hundred per cent federal funding of their economic development initiatives.

Since 2001, the Economic Development Administration (EDA) has made 509 strategic investments to Native American communities and organizations for economic development, totaling over \$88 million. It is estimated that these investments will have created over 9,400 jobs for Native Americans, saved another 6,500 jobs, and leveraged over \$395 million in private sector investment over the lifecycle of the projects.

Each year, EDA awards approximately 55 planning investments totaling \$2.6 million to Native American governments to help with the creation of comprehensive economic development strategies, and EDA expects to maintain this level of investment in 2008. By crafting economic development strategies that reflect local priorities, Native American governments position themselves to direct their resources to optimal use.

EDA has four policy priorities that guide its investment philosophy; we look for projects that promote:

- innovation and competitiveness,
- entrepreneurship,
- regional collaboration, and
- connection to the worldwide market.

These four cornerstones of EDA's approach have been successful in creating higher-skilled, higher-wage jobs, attracting private investment and preparing America's regions for success in the 21st century.

In selecting projects for investment, both for distressed Native American communities as well as other distressed areas, EDA relies on grassroots ideas. When economic development strategies are developed by local decision makers, the whole process works better.

As example of EDA's investments in Native American and Indian communities, allow me to review one of EDA's more fruitful partnerships:

Native Village of Kwinhagak

In 2004, EDA made an investment in the Native Village of Kwinhagak near Bethel, Alaska. EDA invested \$1.2 million to extend the airport runway 800 feet to accommodate planes handling bigger payloads. This successful investment generated 189 jobs. The runway is strategically located to ship cargo to remote wilderness in southwest Alaska and to Anchorage. Therefore, this runway extension benefits a whole region, not just a locality.

S. 2232

The "Foreign Aid Lessons for Domestic Economic Assistance Act of 2007" (S. 2232), proposes to base assistance to Native American communities upon a multi-year strategic economic development plan developed by the community. This is an important first step to any successful economic plan. The bill intends to mirror the framework established by the Millennium Challenge Act, which improves how the US provides foreign aid to under-developed countries. Under this model, communities receiving assistance would need to show development readiness by the improvement of schools and education levels; elimination of regulatory barriers to business creation; and a reduction in violent crime. The bill recognizes the critical need to measure actual results and that accountability in the implementation of such projects is an important incentive for success.

While these are positive features, we have some concerns with the proposal. The authorized program of \$20 million per year, for example, would be inconsistent with the President's 2009 Budget.

We have also been informed that the Justice Department has concerns about the definition of "eligible entity" in section 3 of the bill. Since Congress has not recognized any group of Native Hawaiians as an Indian tribe and there is a substantial, unresolved question whether Congress may treat the native Hawaiians as it does the Indian tribes, I understand that Justice recommends that Native Hawaiian community organizations be deleted from the list of eligible entities.

There is also concern over other agencies transferring development funds to the Department of Commerce. We would, of course, need to discuss such arrangements with our sister agencies.

Conclusion

We appreciate the intent of this bill to adapt the framework of the Millennium Challenge to Native American communities. While there are no Department of Commerce funds available for this program, we look forward to working with Chairman Dorgan, Vice Chairman Murkowski and the Committee, to bring our experience in economic development to bear in helping Native American communities prosper.

Mr. Chairman, Vice Chairman Murkowski, and Members of the Committee, thank you for your time and we look forward to being helpful as this bill moves through the Congress.