



INDIGENOUS FINANCIAL MANAGEMENT: *An elected leader's guide*

Informed leadership and strong financial management practices are crucial components for effective self-governance, something we refer to as nation rebuilding. Nation rebuilding is the process of leaving behind ineffective models of Tribal governance, or the standard approach, and rebuilding culturally-relevant governance institutions through five established elements of success: sovereignty, capable governing institutions, cultural match, strategic orientation, and spirited leadership.



When it comes to financial management, the standard approach can often look like failed enterprises, an economy dependent on federal funds, lack of trust in leadership, and an undermining of sovereignty. To avoid these standard approach pitfalls, consider how your government can adopt financial management best practices that are rooted in nation rebuilding principles.

FOSTERING STRATEGIC THINKING



Financial decisions should be backed up with sound strategy. When developing your financial strategy, consider these components to fostering long-term, strategic thinking:

- **Play the Long Game** – Creating a long-term strategic plan is essential for a prosperous community. But creating the plan is not enough; it requires follow through. Strong systems, financial plans, and regular review of the data will keep you focused on the target. Playing the long game can feel tricky as it means forgoing short-term gains for long-term success. But, if you stay the course, the strategy will lead to improved outcomes for your nation.
- **Ensure Alignment** – No matter how strong your strategy is, if those who are executing it don't have a shared culture or understanding of the objectives, the strategy will be doomed to fail. Reflect on how you might involve your administration and citizens in crafting your strategy.
- **Build Capable Institutions** – Successfully carrying out strategic activities, recording data, and evaluating impact requires non-politicized, suitable, and effective administrative systems. To be credible, they must also match community beliefs about how authority should be organized. Analyze your current structure: Is it built on Indigenous concepts? Is it efficient and ordered? If not, what needs to change?
- **Tie It All Together** – Everything you develop should be interwoven and working toward common objectives. Your financial strategy, budget, policies and procedures, and financial systems should all be in alignment with your long-term priorities.



TRAINING AND STRUCTURING COUNCIL



To ensure alignment with decision making, all council members should be working with the same knowledge, understanding, and training. Incorporate the following in your council structure:

- **Develop Guidelines** – Any effective group needs a set of agreed upon financial and operational guidelines. These guidelines can range from a short approved policy to a detailed procedure manual. The key is that they are consistent, supply enough detail to provide the needed guidance, are easily understood, and most importantly, involve a shared commitment to adherence.
- **Provide Financial Orientation** – All new council members should be oriented to your nation's financial state. Orientation should include finance 101, an examination of the council's financial packet, Tribal history as it relates to finance, an outline of policies and procedures, an introduction to key factors affecting the nation, and an overview of financial strategy.
- **Ensure Comprehension** – Understanding compliance needs, regulatory requirements, Tribal programs, and financial position are all important components of Tribal leadership. Having transparent and frequent conversations about your financial position is advantageous. Consider opportunities for ongoing group training.
- **Create a Culture of Rebuilding** – According to Native Nations Institute, “Native nations that have been willing and able to assert self-governing power have significantly increased their chances of sustainable economic development.” When we create a culture that's grounded in Native nation rebuilding, good financial decision making will naturally follow.

Review your guidelines annually, and have your council members sign off.

ANALYZING FINANCIAL INFORMATION



The goal of financial reporting is to provide information and facilitate decision making. To meet that goal, reports (both written and verbal) should:

- **Tell the Right Story** – Financial reports tell you a story about your strategic direction (in number form). When reviewing financials, you should know if you are on track with your budget, in alignment with your strategy, or need to consider adjustments to address an unanticipated challenge or opportunity. Is your review format conducive to decision making? Do you have adequate time for discussion? What other information might you need to understand the story?
- **Provide Balance** – The proper balance of financial information will be enough to permit oversight of Tribal finance, but not so much that it leads to micro-managing. Work with your treasurer, accounting staff, and/or contractors to create a financial packet that provides the right mix of detailed and strategic information.

See NAFOA's orange book (referenced on page 3) for ideas.



ANALYZING FINANCIAL INFORMATION (CONTINUED)



- **Be Timely and Accurate** – Trying to make decisions or meet compliance requirements using outdated or inaccurate financial information will undoubtedly result in error. Make certain you are reviewing financial information at every council meeting. If your systems are not set up to allow for that, evaluate what might need adjusting to ensure you receive accurate and timely financials prior to every session.

COMMUNICATING WITH CITIZENS



One of the most important roles of a Tribal leader is to support the citizens to whom you are accountable. When communicating financial information to your citizens, it is important for the relationship to be:

- **Transparent** – The standard approach has often led to lack of trust in leadership; transparency is one way to rebuild that trust. The more you share with your citizens, the more trust they will have in you as their leader. Transparency is not always easy – be prepared to answer tough questions – but it is integral to community engagement.
- **Intentional** – Different stakeholders have different uses for financial information. The average citizen is unlikely to want to sift through a detailed financial packet or an annual audit. Consider the best way to provide financial information to them. Is it a monthly meet and greet where they can ask questions? Or, maybe, a regular infographic in the Tribal newsletter? Whatever method you choose, make sure it is easily accessible.
- **Consistent** – Sharing inconsistent information undermines credibility: be consistent, no matter the financial outcome or the recipient. No one likes to share bad news, but hiding a bad quarter or an unintended result of a new initiative may lead to suspicion. Being transparent and explaining the problem, and solution, demonstrates that you have a handle on it; it will lead to confidence in your abilities.
- **Accessible** – Consensus building, cooperation, and compromise are mainstays of Indigenous governance. Listen to community, and be open to feedback. Consider how to decentralize governance by providing community input through roles on boards.

It's not always appropriate to use full transparency (for example, when handling sensitive info).

KEY TAKEAWAY:

Native nations that follow the nation rebuilding approach typically see sustained development and enhanced quality of life for their citizens. Remember, there is no one-size-fits-all approach to nation rebuilding.

Native Governance Center used information from the following sources to inform the creation of this guide: *Financial Reporting and Information Guide for Tribal Governments and Enterprises* (NAFOA), *Rebuilding Native Nations: Strategies for Governance and Development* (Native Nations Institute), and <https://nni.arizona.edu/>.

