

## **The Indian Incentive Program: Successfully Building Capacity for Native Contractors**

The Indian Incentive Program (“IIP”) provides a five percent bonus on the value of a contract for any prime contractor that works with a Native subcontractor at the Department of Defense (“DoD”). The purpose of this incentive payment is to promote the increased use of Native firms by prime contractors in the federal marketplace. The IIP was created to address challenges faced by Native firms that are often located on rural and isolated reservations.

In recent years Congress has provided \$15 million per year (approximately .00003% of the DoD annual budget) for the program, which translates into more than \$300 million in revenue for Native firms through subcontracts that otherwise would not be awarded to a Native firm. In a time when Congress and the administration desire to strengthen the economy, create jobs, and be a good steward over the use of taxpayer dollars, the IIP is a tool that satisfies all these important goals. The IIP has a significant multiplier effect in the value of the use of federal funds, and provides critically needed financial resources to some of the poorest communities in the nation.

The IIP provides:

- Past performance for Native firms. These firms can build upon the work derived from the IIP to pursue other contract opportunities, even including prime contracts.
- Incentive for the Native firms to perform quality service for the prime contractor. The only benefit derived from the IIP for a Native firm is the relationship with the prime contractor, and the past performance derived from the subcontract. Native firms must perform well, or the benefit of the program for these companies is lost.
- A rebate to prime contractors for increasing the diversity of their supply chain, including working with firms that may otherwise would be difficult because of the variety of challenges faced by Native firms due to their rural and isolated locations.
- An injection of revenue, experience, and economic activity in Native communities that are in desperate need of increased economic activity, job creation, and self-sufficiency.
- A “hand up” for Native companies to prove their capabilities. Native communities receive resources as a result of providing goods and services, and such programs help to replace the need for welfare assistance
- A venue to further the government-to-government relationship between the United States and Indian Tribes, for an extremely small amount of funding.

The IIP is a proven and valuable tool for prime contractors, the U.S. government, and Native firms. The business relationships developed through the program may not have occurred without the IIP. The program’s success speaks for itself, and justifies its continued operation by the Department of Defense.